

May 24, 1996

Strong Sell Recommendation

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SyQuest Technology Inc. ("SYQT")

Investors may be purchasing SyQuest Technology Inc.'s shares on the belief that all the "bad news is out". We believe that SyQuest's deteriorating operating results and financial condition are a mere prelude to future disappointments.

On May 7th SyQuest reported results for its second quarter ended March 31 that were highlighted by a 38% drop in sales despite lower selling prices, a negative net working capital and net worth, and management's statements that the Company has been unable to pay its creditors and that losses will continue. Despite this announcement SYQT's stock has risen from a low of \$4.375 before the release to close yesterday at \$17.875, a price only slightly below its long time trading high. The rise has been attributed to an impending takeover bid, the promise of a highly favorable financing and excitement over SyQuest's new products. Management has already denied knowledge of any takeover.

The Company's difficulties are not merely financial. SyQuest's problems come from its inability to compete. SyQuest has poor management, and both product quality and cost problems. This raises questions about any "brand" value in a market where customers are very knowledgeable. We believe that the Company's ability to remain in business is a far truer concern than whether its stock is worth nearly its current price. We further believe that the Company is most likely worth less than its liabilities, and that current equity holders will suffer significant dilution even if a distress financing is made available. We see no likely scenario in which investors who purchase shares at current prices can realize a profit, even under the most optimistic assumptions.

Short selling involves a risk not associated with the purchase of stock including, but not only limited to, unlimited loss and stock borrowing risks. Additional information is available upon request.