



## Overland Storage, Inc. Files Shareholder Rights Agreement

August 26, 2005

SAN DIEGO, Aug. 26 /PRNewswire-FirstCall/ -- Overland Storage, Inc. (Nasdaq: OVRL) today announced it has filed its newly-adopted Shareholder Rights Agreement (the Rights Agreement) with the Securities and Exchange Commission (the Commission) on a Form 8-K, and that it has registered the Rights issued under the Rights Agreement with the Commission on a Form 8-A. Pursuant to the Rights Agreement, the company made a dividend distribution of one Common Share Purchase Right (the Rights) to each outstanding share of the company's common stock held by shareholders of record as of the close of business on Aug. 25, 2005 (the Record Date).

The Rights Agreement is designed to protect the company's shareholders against abusive or coercive takeover tactics and other takeover tactics not in the best interests of the company and its shareholders, such as acquisitions of control or large blocks in open market or private transactions without paying all shareholders a fair premium, coercive tender offers and inadequate offers. The Rights Agreement is also designed to provide the Board with an adequate opportunity to evaluate any offer and maximize shareholder value. It is not intended to prevent an offer that the Board of Directors concludes is in the best interest of the company and its shareholders, but is intended to encourage direct negotiation with the Board of Directors.

Each Right represents the right to purchase, under certain circumstances, one-third of a share of the company's common stock for a purchase price of \$12.33 (the Purchase Price), which is equivalent to \$37.00 per full share. The rights will become exercisable upon the earlier to occur of a public announcement of the acquisition by a person or group of 15 percent or more of the company's common stock, other than certain permitted acquisitions, and 10 days after the commencement of, or announcement of an intention to make, a tender or exchange offer for the company's common stock that would upon consummation result in the acquisition of 15 percent or more of the company's common stock, other than certain permitted offers (the earlier of such dates is referred to as the Distribution Date). The Rights expire Aug. 21, 2015, unless redeemed or exchanged earlier by the Board of Directors. The Rights distribution will not be taxable to shareholders.

If any person or group becomes the beneficial owner of 15 percent or more of the company's common stock (with certain limited exceptions), then each Right (other than Rights held by the 15 percent shareholder or certain related persons) will entitle its holder to purchase, at the Purchase Price, a number of shares of common stock (or, in certain circumstances, other shares, equity or debt securities, cash or other assets of the company) equal to the Purchase Price divided by one-half of the current market price of the common stock. In addition, if after any person has become a 15 percent shareholder, the company is involved in a merger or other business combination with any other person, each Right (other than Rights held by the 15 percent shareholder or certain related persons) will entitle its holder to purchase, at the Purchase Price, a number of common shares of the acquiring company or its parent equal to the Purchase Price divided by one-half of the current market price of the common stock of the acquiring company or its parent.

A complete copy of the Rights Agreement is included in the Form 8-K and the Form 8-A that the company filed today with the Securities and Exchange Commission. In addition, shareholders of record of the company's common stock will be mailed a detailed summary of the Rights Agreement.

### About Overland Storage

Now in its 25th year, Overland Storage is a market leader and innovative provider of simply protected storage solutions -- smart data protection appliances and software modules designed to work together, affordably, to ensure that information is automatically safe, readily available and always there. Overland's award-winning data protection solutions include the REO SERIES(TM) of disk-based backup and recovery appliances and the NEO SERIES(TM) of tape libraries. Overland sells its products through leading OEMs, commercial distributors, storage integrators and value-added resellers. For more information, visit Overland's web site at [www.overlandstorage.com](http://www.overlandstorage.com).

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Except for the factual statements made herein, the information contained in this news release consists of forward-looking statements that involve risks, uncertainties and assumptions that are difficult to predict. Words such as "believe," "intends," "expects," "plans," "anticipates" and variations thereof, identify forward-looking statements, but their absence does not mean that a statement is not forward looking. Such forward-looking statements are not guarantees of performance and the company's and its shareholders' actual results could differ materially from those contained in such statements. Factors that could cause or contribute to such differences include risks and uncertainties associated with the impact of the shareholders' rights agreement on potential acquirers and its validity under California law. Reference is also made to other factors set forth in the company's filings with the Securities and Exchange Commission, including the "Risk Factors," "Management's Discussion and Analysis" and other sections of the company's Form 10-K currently on file with the SEC. These forward-looking statements speak only as of the date of this release and the company undertakes no obligation to publicly update any forward-looking statements to reflect new information, events or circumstances after the date of this release.

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