



**PRESS RELEASE**  
**For Immediate Publication**

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## **ICEWEB REPORTS FISCAL SECOND QUARTER FINANCIAL RESULTS**

### ***Sequential Revenues and Operating Income Increase 68% and 70%, Respectively***

**STERLING, VA – (PR NEWswire) – May 17, 2010 – IceWEB™, Inc., (OTC BB: IWEB)**, a leading provider of unified data storage and building blocks for cloud storage, announced today results for the fiscal 2010 second quarter period ended March 31, 2010.

#### Quarterly Highlights and Recent Developments

- Revenue exceeds \$1 million in the second quarter
- Gross margins maintained at 55%
- Company restates expectation of third quarter profitability and accelerating sales revenue
- Integrator partner agreement signed with Google
- Agreement signed with Promark, a leading distributor of storage products
- Completes channel marketing organization with nationwide coverage
- Order flow accelerating as channel partners ramp up efforts

In the quarter ending March 31, 2010, the Company reported revenue of \$1,011,205, as compared to quarterly revenue of \$1,369,702 for the year-ago period. The year-over-year decrease in revenue was due to the Company's exit from the IT reseller business in the year-ago quarter. The March, 2010, quarter showed an increase of 68.3% over prior quarter revenue, as storage sales continued to grow. For the three month period ending March 31, 2010, the Company reported a non-GAAP adjusted loss of \$432,367, versus non-GAAP adjusted earnings of \$3,144,561 for the year-ago period.

Gross margin increased to 54.9% in the three months ending March 31, 2010, up from 41.1% in the year earlier period, due primarily to increased sales of high margin data storage products. Storage revenue for the three months ended March 31, 2010, accounted for approximately 95% of the Company's revenue compared to the year earlier period, when sales of storage products accounted for 66% of revenue.

For the six month year-to-date period ending March 31, 2010, the Company reported revenue of \$1,612,022, a decrease from the year ago period revenue of \$3,110,290. The Company reported non-GAAP adjusted earnings for the six months ended March 31, 2010 of \$808,371 versus non-GAAP adjusted earnings of \$2,861,743 in the year earlier period.

Gross margin increased to 54.7% for the fiscal first half of the year, up from 33.3% in the year earlier period, due primarily to increased sales of high margin data storage products. Storage revenue for the six months ended March 31, 2010 accounted for approximately 94% of the Company's revenue compared to the year-earlier period, when sales of storage products accounted for 43% of revenue.

The Company reports results on both a GAAP and a non-GAAP basis. Non-GAAP results exclude the impact of equity-based compensation and amortization of intangible assets, and includes the unrealized gain on marketable securities.

John R. Signorello, Chairman and CEO, stated, "The second quarter of fiscal 2010 attained our internal growth plans while maintaining a tight control on overhead. At the same time, we prepared the Company for significant future growth. We launched our distribution model with Promark Technologies, built out our Channel Sales Model and strengthened our management team with the hiring of Karl Chen, David Skinner, and Bryan Brooks, all of whom were formerly with LeftHand Networks; a successful storage-based company that was acquired by Hewlett Packard."

"These experienced sales professionals, combined with the key alliances with established distributors such as Promark Technologies, give us confidence that our ambitious sales and earnings goals will be attained. Noting the accelerating order inflow for our storage appliances and the rousing acceptance of our recently announced IceWEB 5000 Storage System, leads us to anticipate that an upward revision of those goals may be appropriate in the near future," stated Mr. Signorello.

Mr. Signorello continued, "I am particularly pleased that we have been chosen to work closely with various Google Earth Enterprise™ partners to deliver turnkey Enterprise Visualization Appliance systems pre-loaded with aerial and satellite imagery through other Google integrator partners whose clients are seeking geospatial solutions. We are now seeing strong demand for our Google Earth appliance, our ESRI appliance, as well as for our IceWEB 5000 unified data storage product line."

Mr. Signorello concluded, "The massive amounts of data that are being generated daily will require a vast number of storage appliances to both store and manage the data. EMC, a leader in the storage industry, recently sponsored an IDC report "*The Digital Universe Decade*" that in the period from 2009-2020, the digital universe is expected to grow by a factor of 44. We are very confident that the steps we have taken will position IceWEB as a key supplier in this burgeoning market."

### **Non-GAAP Financial Measures**

In this release, the Company's adjusted net income is not presented in accordance with generally accepted accounting principles (GAAP) and is not intended to be used in lieu of GAAP presentations of results of operations. This measure is presented because management believes it provides additional information to investors with respect to the performance of our fundamental business activities. Adjusted net income is a Non-GAAP financial measure and should not be viewed as an alternative to GAAP measures of performance. Management believes the most directly comparable GAAP financial measure for adjusted net income is net income and has provided a reconciliation of adjusted net income to net income at the end of this release. GAAP net loss for the fiscal second quarter was \$1,838,315 or (\$0.02) per share based on 88.2 million weighted average shares outstanding. This compares to GAAP net income of \$2,721,940 or \$0.08 per share for the second quarter of fiscal 2009.

**Reconciliation of GAAP Net Loss to Non-GAAP Adjusted  
EPS  
(Unaudited)**

	Three Months Ended		Six Months Ended	
	March 31		March 31	
	2010	2009	2010	2009
Net income (loss )	(\$1,888,315)	\$2,721,940	(\$3,347,949)	\$2,062,905
Amortization of intangible assets	60,773	83,729	121,545	167,458
Stock-based compensation	1,395,176	338,892	2,162,775	631,379
Unrealized gain on marketable securities	-	-	1,872,000	-
Adjustments to GAAP loss	\$1,455,949	\$422,621	\$4,156,320	\$798,837
Adjusted earnings (loss)	(\$432,367)	\$3,144,561	\$808,371	\$2,861,743
Adjusted EPS	(\$0.00)	\$0.10	\$0.01	\$0.09

**About IceWEB, Inc.**

Headquartered just outside of Washington, D.C., IceWEB manufactures and markets purpose built appliances, network and cloud storage solutions and delivers on-line cloud computing application services. Its customer base includes U.S. government agencies, enterprise companies, and small to medium sized businesses (SMB).

*This press release may contain forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In some cases you can identify those so-called "forward-looking statements" by words such as "may," "will," "should," "expects," "plans," "targets," "believes," "anticipates," "estimates," "predicts," "potential," or "continue" or the negative of those words and other comparable words. These forward looking statements are subject to risks and uncertainties, product tests, commercialization risks, availability of financing and results of financing efforts that could cause actual results to differ materially from historical results or those anticipated. Further information regarding these and other risks is described from time to time in the Company's filings with the SEC, which are available on its website at: <http://www.sec.gov>. We assume no obligation to update or alter our forward-looking statements made in this release or in any periodic report filed by us under the Securities Exchange Act of 1934 or any other document, whether as a result of new information, future events or otherwise, except as otherwise required by applicable federal securities laws.*

**- Tables to Follow -**

**ICEWEB, Inc.**  
**Consolidated Balance Sheets**

<b>CURRENT ASSETS:</b>	<b>March 31, 2010 (Unaudited)</b>	<b>September 30, 2009 (1)</b>
Cash	\$ 147,300	\$ 63,310
Accounts receivable, net	891,382	424,919
Inventory, net	151,937	151,361
Other current assets	20,625	6,390
Prepaid expenses	33,396	25,180
	<u>1,244,640</u>	<u>671,160</u>

**OTHER ASSETS:**

Property and equipment, net	580,752	752,162
Deposits	13,320	13,320
Investment in marketable securities available for sale	1,920,000	-
Intangible assets, net	668,496	790,042
Total Assets	<u>\$ 4,427,208</u>	<u>\$ 2,226,684</u>

**CURRENT LIABILITIES:**

Accounts payable and accrued liabilities	\$ 1,933,104	\$ 1,971,376
Notes payable	1,759,410	1,847,755
Deferred revenue	21,719	10,261
	<u>3,714,233</u>	<u>3,829,392</u>

## Long-Term Liabilities

Notes Payable	1,011,480	934,756
Total Liabilities	<u>4,725,713</u>	<u>4,764,148</u>

## Stockholders' Deficit

Series B convertible preferred stock (\$.001 par value; 626,667 shares issued and outstanding)	626	626
Common stock (\$.001 par value; 1,000,000,000 shares authorized; 104,605,817 shares issued and 104,443,317 shares outstanding)	104,607	68,471
Additional paid in capital	23,826,769	20,064,998
Accumulated deficit	(26,006,507)	(22,658,559)
Accumulated other comprehensive income	1,872,000	-
Subscription receivable	(83,000)	-
Treasury stock, at cost, (162,500 shares)	(13,000)	(13,000)
Total stockholders' deficit	<u>(298,505)</u>	<u>(2,537,464)</u>
Total Liabilities and stockholders' deficit	<u>\$ 4,427,208</u>	<u>\$ 2,226,684</u>

(1) Derived from audited financial statements

**ICEWEB, Inc.**  
**Consolidated Statements of Operations**  
**(Unaudited)**

	Three Months Ended March 31		Six Months Ended March 31	
	2010	2009	2010	2009
<b>Sales</b>	\$ 1,011,205	\$ 1,369,702	\$ 1,612,022	\$ 3,110,290
<b>Cost of sales</b>	456,094	806,391	729,718	2,074,066
<b>Gross profit</b>	555,111	563,311	882,304	1,036,224
<b>Operating expenses:</b>				
Sales and marketing	472,359	195,825	785,217	422,877
Depreciation and amortization	162,926	170,798	330,399	347,045
Research and development	105,745	76,865	185,311	156,431
General and administrative	1,560,401	681,699	2,654,370	1,135,050
<b>Total Operating Expenses</b>	2,301,431	1,125,187	3,955,297	2,061,403
<b>Income (loss) From Operations</b>	(1,746,320)	(561,876)	(3,072,993)	(1,025,179)
<b>Other income (expenses):</b>				
Gain from sale of subsidiary	-	3,452,236	-	3,452,236

Interest income	-	660	-	1,142
Interest expense	(141,995)	(169,080)	(274,956)	(365,294)
<b>Total other (expenses):</b>	<u>(141,995)</u>	<u>3,283,816</u>	<u>(274,956)</u>	<u>3,088,084</u>
<b>Net income (loss)</b>	<u>(</u>	<u>)</u>	<u>(</u>	<u>)</u>
	<u>\$1,888,315</u>	<u>)</u>	<u>\$ 2,721,940</u>	<u>\$3,347,949</u>
			<u>)</u>	<u>)</u>
				<u>\$ 2,062,905</u>

Basic income (loss) per common share	\$	(0.02)	\$	0.08	\$	(0.04)	\$	0.07
Diluted loss per common share	\$	(0.02)	\$	0.08	\$	(0.04)	\$	0.06

Weighted average common shares outstanding-basic	88,205,555	32,671,802	83,652,224	30,736,308
Weighted average common shares outstanding-diluted	88,205,555	34,667,320	83,652,224	32,829,375

ICEWEB, Inc.

Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	Three Months Ended		Six Months Ended	
	March 31		March 31	
	2010	2009	2010	2009
Net income (loss)	\$ (1,888,315)	\$ 2,721,940	\$ (3,347,949)	\$ 2,062,905
Unrealized gain on marketable securities	-	-	1,872,000	-
Comprehensive income (loss)	\$ (1,888,315)	\$ 2,721,940	\$ (1,475,949)	\$ 2,062,905

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