UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___ to ___

Commission File Number 001-13449

Quantum®

Quantum Corporation

(Exact name of registrant as specified in its charter)

Delaware	**94-2665054**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
224 Airport Parkway, Suite 550	
San Jose, CA	**95110**
(Address of Principal Executive Offices)	(Zip Code)

(408) 944-4000
Registrant's telephone number, including area code

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value per share	QMCO	Nasdaq Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.	☒	Yes	☐	No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).	☒	Yes	☐	No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).	☐	Yes	☒	No

As of the close of business on January 25, 2021, there were 41,553,718 shares of Quantum Corporation’s common stock issued and outstanding.

QUANTUM CORPORATION
QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended December 31, 2020

Table of Contents

As used in this Quarterly Report on Form 10-Q (this "Quarterly Report"), the terms "Quantum," "we," "us," and "our" refer to Quantum Corporation and its subsidiaries taken as a whole, unless otherwise noted or unless the context indicates otherwise.

Note Regarding Forward-Looking Statements

This report contains forward-looking statements. All statements contained in this report other than statements of historical fact, including statements regarding COVID-19's anticipated impacts on our business, our future operating results and financial position, our business strategy and plans, our market growth and trends, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "could," "would," "project," "plan," "potentially," "preliminary," "likely," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described under Item 1A. Moreover, we operate in a competitive and changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Accordingly, you should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. We do not intend to update any of these forward-looking statements for any reason after the date of this report or to conform these statements to actual results or revised expectations, except as required by law.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

QUANTUM CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts, unaudited)

	December 31, 2020	March 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 11,632	$ 6,440
Restricted cash	766	830
Accounts receivable, net of allowance for doubtful accounts of $1,430 and $1,247 as of December 31, 2020 and March 31, 2020, respectively	69,440	70,370
Manufacturing inventories	33,854	29,196
Service parts inventories	22,998	20,502
Other current assets	7,946	8,489
Total current assets	146,636	135,827
Property and equipment, net	9,855	9,046
Intangible assets, net	5,503	—
Goodwill	3,447	—
Restricted cash	5,000	5,000
Right-of-use assets, net	10,096	12,689
Other long-term assets	5,244	3,433
Total assets	$ 185,781	$ 165,995
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 30,027	$ 36,949
Deferred revenue	75,442	81,492
Long-term debt, current portion	1,850	7,321
Accrued compensation	19,225	14,957
Other accrued liabilities	18,449	17,535
Total current liabilities	144,993	158,254
Deferred revenue	34,565	37,443
Long-term debt, net of current portion	178,276	146,847
Operating lease liabilities	8,500	10,822
Other long-term liabilities	13,423	11,154
Total liabilities	379,757	364,520
Commitments and contingencies (Note 10)		
Stockholders' deficit		
Preferred stock, 20,000 shares authorized; no shares issued as of December 31, 2020 and March 31, 2020, respectively	—	—
Common stock, $0.01 par value; 125,000 shares authorized; 41,554 shares issued and outstanding as of December 31, 2020 and 39,905 as of March 31, 2020, respectively	416	399
Additional paid-in capital	526,307	505,762
Accumulated deficit	(721,161)	(703,164)
Accumulated other comprehensive income (loss)	462	(1,522)
Total stockholders' deficit	(193,976)	(198,525)
Total liabilities and stockholders' deficit	$ 185,781	$ 165,995

See accompanying Notes to Condensed Consolidated Financial Statements.

QUANTUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share amounts, unaudited)

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2019
Revenue:				
Product	$ 63,021	$ 66,435	$ 153,557	$ 200,361
Service	31,169	32,892	93,049	98,673
Royalty	3,833	3,988	10,543	15,700
Total revenue	98,023	103,315	257,149	314,734
Cost of revenue:				
Product	43,311	43,672	108,691	140,337
Service	12,433	12,567	36,593	37,972
Total cost of revenue	55,744	56,239	145,284	178,309
Gross profit	42,279	47,076	111,865	136,425
Operating expenses:				
Research and development	9,589	9,325	29,983	27,058
Sales and marketing	15,294	15,421	40,019	46,101
General and administrative	11,103	10,719	32,928	43,623
Restructuring charges	200	(64)	2,837	1,020
Total operating expenses	36,186	35,401	105,767	117,802
Income from operations	6,093	11,675	6,098	18,623
Other expense, net	(698)	(611)	(1,395)	(446)
Interest expense	(7,808)	(6,425)	(21,823)	(19,079)
Net income (loss) before income taxes	(2,413)	4,639	(17,120)	(902)
Income tax provision (benefit)	256	(110)	877	471
Net income (loss)	$ (2,669)	$ 4,749	$ (17,997)	$ (1,373)
Net income (loss) per share - basic	$ (0.07)	$ 0.12	$ (0.45)	$ (0.04)
Net income (loss) per share - diluted	$ (0.07)	$ 0.10	$ (0.45)	$ (0.04)
Weighted average shares - basic	40,927	38,134	40,374	36,828
Weighted average shares - diluted	40,927	46,567	40,374	36,828
Net income (loss)	$ (2,669)	$ 4,749	$ (17,997)	$ (1,373)
Foreign currency translation adjustments, net	975	839	1,984	449
Total comprehensive income (loss)	$ (1,694)	$ 5,588	$ (16,013)	$ (924)

See accompanying Notes to Condensed Consolidated Financial Statements.

QUANTUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Nine Months Ended December 31,	
	2020	**2019**
Operating activities		
Net loss	$ (17,997)	$ (1,373)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	3,898	3,119
Amortization of debt issuance costs	4,906	3,012
Long-term debt related costs	167	—
Provision for product and service inventories	4,764	4,946
Stock-based compensation	6,428	5,408
Bad debt expense	123	220
Deferred income taxes	6	242
Unrealized foreign exchange loss	1,984	479
Changes in assets and liabilities:		
Accounts receivable, net	1,342	11,731
Manufacturing inventories	(7,732)	(8,915)
Service parts inventories	(4,559)	(2,881)
Accounts payable	(7,022)	7,676
Accrued restructuring charges	210	(2,876)
Accrued compensation	4,268	(2,345)
Deferred revenue	(9,727)	(17,176)
Other assets and liabilities	(1,323)	(6,233)
Net cash used in operating activities	(20,264)	(4,966)
Investing activities		
Purchases of property and equipment	(4,665)	(2,327)
Business acquisition, net of cash acquired	(2,636)	—
Net cash used in investing activities	(7,301)	(2,327)
Financing activities		
Borrowings of long-term debt, net of debt issuance costs	19,400	—
Borrowings of credit facility	232,663	245,590
Repayments of credit facility	(229,847)	(241,539)
Borrowings of payment protection program	10,000	—
Payment of taxes due upon vesting of restricted stock	—	(171)
Proceeds from issuance of common stock	539	—
Net cash provided by financing activities	32,755	3,880
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(62)	(3)
Net change in cash, cash equivalents and restricted cash	5,128	(3,416)
Cash, cash equivalents, and restricted cash at beginning of period	12,270	16,855
Cash, cash equivalents, and restricted cash at end of period	$ 17,398	$ 13,439
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 19,992	$ 15,942
Cash paid (received) for income taxes, net of refunds	$ (2,464)	$ 155
Non-cash transactions		
Purchases of property and equipment included in accounts payable	$ 67	$ 178
Purchases of property and equipment included in accrued liabilities	$ 1,255	$ —
Transfer of inventory to property and equipment	$ 372	$ 253
Payment of litigation settlements with insurance proceeds	$ —	$ 8,950

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:

Cash and cash equivalents	$ 11,632	$ 7,542
Restricted cash, current	766	897
Restricted cash, long-term	5,000	5,000
Total cash, cash equivalents and restricted cash at the end of period	$ 17,398	$ 13,439

See accompanying Notes to Condensed Consolidated Financial Statements.

QUANTUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(in thousands, unaudited)

Three Months Ended	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Deficit
Balance, September 30, 2019	36,717	$ 368	$ 502,398	$ (704,076)	$ (1,800)	$ (203,110)
Net income	—	—	—	4,749	—	4,749
Foreign currency translation adjustments, net	—	—	—	—	839	839
Shares issued under employee incentive plans, net	355	3	(4)	—	—	(1)
Warrants exercised related to long-term debt, net	2,783	28	(28)	—	—	—
Stock-based compensation	—	—	2,056	—	—	2,056
Balance, December 31, 2019	39,855	$ 399	$ 504,422	$ (699,327)	$ (961)	$ (195,467)
Balance, September 30, 2020	40,740	$ 408	$ 522,357	$ (718,492)	$ (513)	$ (196,240)
Net loss	—	—	—	(2,669)	—	(2,669)
Foreign currency translation adjustments, net	—	—	—	—	975	975
Shares issued under employee incentive plans, net	453	5	(5)	—	—	—
Shares issued in connection with business acquisition	361	3	2,077	—	—	2,080
Stock-based compensation	—	—	1,878	—	—	1,878
Balance, December 31, 2020	41,554	$ 416	$ 526,307	$ (721,161)	$ 462	$ (193,976)

See accompanying Notes to Condensed Consolidated Financial Statements.

Nine Months Ended	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Deficit
Balance, March 31, 2019	36,040	$ 360	$ 499,224	$ (697,954)	$ (1,410)	$ (199,780)
Net loss	—	—	—	(1,373)	—	(1,373)
Foreign currency translation adjustments, net	—	—	—	—	449	449
Shares issued under employee incentive plans, net	1,032	11	(182)	—		(171)
Warrants exercised related to long-term debt, net	2,783	28	(28)	—	—	—
Stock-based compensation	—	—	5,408	—	—	5,408
Balance, December 31, 2019	39,855	$ 399	$ 504,422	$ (699,327)	$ (961)	$ (195,467)
Balance, March 31, 2020	39,905	$ 399	$ 505,762	$ (703,164)	$ (1,522)	$ (198,525)
Net loss	—	—	—	(17,997)	—	(17,997)
Foreign currency translation adjustments	—	—	—	—	1,984	1,984
Shares issued under employee stock purchase plan	133	2	537	—	—	539
Shares issued under employee incentive plans, net	1,155	12	(12)	—	—	—
Shares issued in connection with business acquisition	361	3	2,077	—	—	2,080
Shares surrendered for employees' tax liability upon settlement of restricted stock units	—	—	—	—	—	—
Warrants exercised related to long-term debt	—	—	11,515	—	—	11,515
Stock-based compensation	—	—	6,428	—	—	6,428
Balance, December 31, 2020	41,554	$ 416	$ 526,307	$ (721,161)	$ 462	$ (193,976)

See accompanying Notes to Condensed Consolidated Financial Statements.

INDEX TO NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1: DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Quantum Corporation, together with its consolidated subsidiaries ("Quantum" or the "Company"), was founded in 1980 and reincorporated in Delaware in 1987, and is headquartered in San Jose, California. The Company is a leader in storing and managing digital video and other forms of unstructured data, delivering top streaming performance for video and rich media applications, along with low-cost, long-term storage systems for data protection and archiving. The Company helps customers around the world capture, create and share digital data and preserve and protect it for decades. The Company's software-defined, hyperconverged storage solutions span from non-volatile memory express ("NVMe"), to solid state drives, ("SSD"), hard disk drives, ("HDD"), tape and the cloud and are tied together leveraging a single namespace view of the entire data environment. The Company works closely with a broad network of distributors, value-added resellers ("VARs"), direct marketing resellers ("DMRs"), original equipment manufacturers ("OEMs") and other suppliers to meet customers' evolving needs.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. All intercompany balances and transactions have been eliminated. Certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted. The Company believes the disclosures made are adequate to prevent the information presented from being misleading. However, the accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included within the Company's most recent Annual Report on Form 10-K.

The unaudited consolidated interim financial statements reflect all adjustments, consisting only of normal and recurring items, necessary to present fairly our financial position as of December 31, 2020, the results of operations and comprehensive income (loss) and changes in stockholder's deficit for the three and nine months ended December 31, 2020 and 2019, and the statement of cash flows for the nine months ended December 31, 2020 and 2019. Interim results are not necessarily indicative of full year performance because of the impact of seasonal and short-term variations.

COVID-19 Risks and Uncertainties

Quantum is subject to risks arising from COVID-19 which have caused substantial financial market volatility and have adversely affected both the U.S. and the global economy. For many of the Company's customers, the COVID-19 pandemic has significantly affected their business. Movie and television production has decreased significantly, professional and collegiate sports seasons have been postponed or cancelled, and many corporations and enterprises have put information technology spending on hold while they assess the short- and long-term impact of the pandemic. While the Company's supply chain remains intact and operating, it has experienced issues related to its logistics network. The reduced capacity within and across freight lanes (aircraft, personnel, customs clearance, etc.) has caused late deliveries from re-routes and mis-shipments, as well as increased expedite and other charges to deliver and receive products. To date, the Company has experienced minimal impact on product availability, although future capacity constraints across the network due to lost capacity from factory down time, closures, as well as reduced staff and demand signal fluctuations are expected to impact product availability in the months and possibly quarters to come.

Quantum believes that these social and economic impacts have had a negative effect on sales due to the decline in customers' ability or willingness to purchase its products and services. The extent of the impact will depend, in part, on how long the negative trends in customer demand and supply chain levels will continue. The Company's management continues to actively monitor the situation and may take further actions altering its business operations that are determined to be in the best interests of its employees, customers, partners, suppliers, and stakeholders, or as required by federal, state, or local authorities.

Use of Estimates

Company management has made estimates and assumptions relating to the reporting of certain assets and liabilities in conformity with GAAP. These estimates and assumptions have been applied using methodologies that are consistent throughout the periods presented with consideration given to the potential impacts of COVID-19 pandemic. However, actual results could differ materially from these estimates and be significantly affected by the severity and duration of the pandemic, the extent of actions to contain or treat COVID-19, how quickly and to what extent normal economic and operating activity can resume, and the severity and duration of the global economic downturn that may result from the pandemic.

Common Stock

On November 25, 2020, the Company filed a shelf registration statement on Form S-3 for the issuance common stock, preferred stock, debt securities, warrants, units or rights, from time to time, in one or more offerings up to an aggregate of $200 million (the “Registration Statement”). On November 25, 2020 the Company entered into a Sales Agreement with B.Riley Securities, Inc. (“B. Riley”) and filed a prospectus supplement to the Registration Statement to establish an at-the-market equity offering program (the “ATM Program”) pursuant to which the Company may, from time to time, sell shares of the Company’s common stock up to an aggregate of $50 million through B. Riley, as the Company’s sales agent. The Company pays B. Riley a commission equal to 3% of the gross proceeds the Company receives from sales of common stock under the ATM Program. During the three and nine months ended December 31, 2020, the Company did not issue any shares under the ATM Program. As of December 31, 2020, the Company had $ 50 million available for sale of common stock under the ATM Program.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1:	Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2:	Other than quoted prices that are observable in the market for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or model-derived valuations or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3:	Inputs are unobservable and reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability.

The categorization of a financial instrument within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Our financial instruments consist of Level 1 assets and Level 2 liabilities.

Recently Adopted Accounting Pronouncements

The Company adopted the guidance in ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses of Financial Instruments* ("CECL") on April 1, 2020. The ASU requires entities to measure credit losses for financial assets measured at amortized cost based on expected losses over the lifetime of the asset rather than incurred losses. The adoption of ASU 2016-13 did not have a material impact on the condensed consolidated financial statements.

The Company adopted the guidance in ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software: Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* on April 1, 2020. The ASU requires implementation costs incurred by customers in cloud computing arrangements (i.e., hosting arrangements) to be capitalized under the same premises of authoritative guidance for internal-use software, and deferred over the noncancelable term of the cloud computing arrangements plus any option renewal periods that are reasonably certain to be exercised by the customer or for which the exercise is controlled by the service provider. The adoption of ASU 2018-15 did not have a material impact on the condensed consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In August 2020, the Financial Accounting Standards Board ("FASB") issued an accounting pronouncement (ASU 2020-06) related to the measurement and disclosure requirements for convertible instruments and contracts in an entity's own equity. The pronouncement simplifies and adds disclosure requirements for the accounting and measurement of convertible instruments and the settlement assessment for contracts in an entity's own equity. This pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2021. We plan to adopt this pronouncement for our fiscal year ending March 31, 2022, and we do not expect it to have a material effect on our consolidated financial statements.

NOTE 2: REVENUE

Based on how the Company manages its business, the Company has determined that it currently operates in one reportable segment. The Company operates in three geographic regions: (a) Americas; (b) Europe, Middle East and Africa ("EMEA"); and (c) Asia Pacific ("APAC"). Revenue by geography is based on the location of the customer from which the revenue is earned.

In the following table, revenue is disaggregated by major product offering and geographies (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019 [1]	2020	2019 [1]
Americas[2]				
Primary storage systems	$ 18,755	$ 17,744	$ 42,547	$ 43,516
Secondary storage systems	11,124	9,465	29,117	49,761
Device and media	5,347	6,467	17,777	24,486
Service	18,913	20,628	56,907	62,563
Total revenue	54,139	54,304	146,348	180,326
EMEA				
Primary storage systems	3,680	5,320	8,774	12,545
Secondary storage systems	10,113	11,297	23,081	29,273
Device and media	5,900	7,933	14,668	18,106
Service	10,339	10,063	30,380	29,115
Total revenue	30,032	34,613	76,903	89,039
APAC				
Primary storage systems	1,219	2,555	3,157	5,480
Secondary storage systems	4,074	4,612	10,507	12,856
Device and media	2,809	1,042	3,929	4,338
Service	1,917	2,201	5,762	6,995
Total revenue	10,019	10,410	23,355	29,669
Consolidated				
Primary storage systems	23,654	25,619	54,478	61,541
Secondary storage systems	25,311	25,374	62,705	91,890
Device and media	14,056	15,442	36,374	46,930
Service	31,169	32,892	93,049	98,673
Royalty[3]	3,833	3,988	10,543	15,700
Total revenue	$ 98,023	$ 103,315	$ 257,149	$ 314,734

[1] Primary and Secondary storage system revenue has been adjusted for December 31, 2019 due to certain reclassifications from Primary to Secondary storage systems.
[2] Revenue for Americas geographic region outside of the United States is not significant.
[3] Royalty revenue is not allocable to geographic regions.

Contract Balances

The following table presents the Company’s contract liabilities and certain information related to this balance as of and for the nine months ended December 31, 2020 (in thousands):

	December 31, 2020
Contract liabilities (deferred revenue)	$ 110,007
Revenue recognized in the period from amounts included in contract liabilities at the beginning of the period	69,355

Remaining Performance Obligations

Transaction price allocated to the remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and contractually agreed upon amounts, yet to be invoiced, that will be recognized as revenue in future periods. Remaining performance obligations are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, adjustments for revenue that have not materialized and foreign exchange adjustments. The Company applied the practical expedient in accordance within ASC 606, *Revenue from Contracts with Customers* (“ASC 606”), to exclude amounts for variable consideration constituting a sale- or usage-based royalty promised in exchange for a license of intellectual property from remaining performance obligations.

Remaining performance obligations consisted of the following (in thousands):

	Current	Non-Current	Total
As of December 31, 2020	$ 89,655	$ 37,169	$ 126,824

The Company's non-current remaining performance obligations are expected to be recognized in the next 13 to 60 months.

NOTE 3: INVENTORIES

Manufacturing and service inventories consist of the following (in thousands):

Manufacturing inventories

	December 31, 2020	March 31, 2020
Finished goods:		
Manufactured finished goods	$ 15,578	$ 15,790
Distributor inventory	237	504
Total finished goods	15,815	16,294
Work in progress	2,315	1,001
Raw materials	15,724	11,901
Total manufacturing inventories	$ 33,854	$ 29,196

Service parts inventories

	December 31, 2020	March 31, 2020
Finished goods	$ 17,707	$ 15,845
Component parts	5,291	4,657
Total service parts inventories	$ 22,998	$ 20,502

NOTE 4: BUSINESS COMBINATION

On December 12, 2020 (the “Close Date”), the Company entered into a Stock Purchase Agreement (the “SPA”) to acquire all of the issued and outstanding shares of Square Box Systems Limited (“SBS”). The acquisition builds on Quantum's recently expanded portfolio that classifies, manages, and protects data across its lifecycle by adding technology advancements to further enrich video, digital images and other forms of unstructured data. The purchase price of approximately $7.7 million was comprised of (a) $2.6 million cash (net of cash acquired); (b) approximately 0.4 million shares of the Company’s common stock, with a fair value of $2.1 million; (c) $2.0 million cash payable at the first anniversary of the Closing date; and (d) $ 1.0 million cash payable at the second anniversary of the Closing Date.

The purchase price was allocated to tangible assets of approximately $ 0.8 million, intangible assets of approximately $ 5.6 million based on their fair values on the acquisition date, liabilities of approximately $1.0 million, and a net deferred tax liability of $1.1 million. The excess of the purchase price over the amounts allocated to assets acquired and liabilities assumed was approximately $3.4 million, which has been recorded as goodwill.

The historical results of operations for SBS were not significant to the Company's consolidated results of operations for the periods presented. Certain estimated values for the acquisition, including goodwill and intangible assets, are not yet finalized and are subject to revision as additional information becomes available and more detailed analyses are completed.

The following table summarizes intangible assets related to the SBS acquisition as of December 31, 2020:

	Three and Nine Months Ended December 31, 2020		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Developed technology	$ 4,700	$ (81)	$ 4,619
Customer lists	900	(16)	884
Intangible assets, net	$ 5,600	$ (97)	$ 5,503

Intangible assets amortization expense for the three and nine months ended December 31, 2020 was $ 0.1 million. As of December 31, 2020, the remaining weighted-average amortization period for definite-lived intangible assets was approximately 3.0 years.

As of December 31, 2020, the future expected amortization expense for intangible assets is as follows (in thousands):

Fiscal year ending	Estimated future amortization expense
Remainder of 2021	$ 465
2022	1,867
2023	1,867
2024	1,304
2025	—
Thereafter	—
Total	$ 5,503

NOTE 5: LONG-TERM DEBT

The Company's long-term debt consisted of the following (in thousands):

	December 31, 2020	March 31, 2020
Senior Secured Term Loan	$ 185,208	$ 165,208
Amended PNC Credit Facility	5,960	2,620
Paycheck Protection Program Loan	10,000	—
Less: current portion	(1,850)	(7,321)
Less: unamortized debt issuance costs [1]	(21,042)	(13,660)
Long-term debt, net	$ 178,276	$ 146,847

[1] The unamortized debt issuance costs related to the Senior Secured Term Loan are presented as a reduction of the carrying amount of the corresponding debt balance on the accompanying condensed consolidated balance sheets. Unamortized debt issuance costs related to the Amended PNC Credit Facility are presented within other assets on the accompanying condensed consolidated balance sheets.

Senior Secured Term Loan

On December 27, 2018, the Company entered into a senior secured term loan totaling $ 165.0 million with U.S. Bank, National Association (the "Senior Secured Term Loan"). In connection with the Senior Secured Term Loan, the Company amended its existing Revolving Credit Facility with PNC, providing for borrowing under loans up to a maximum principal amount of the lesser of: (a) $45.0 million or (b) the amount of the borrowing base (the "Amended PNC Credit Facility"). The maturity date under the Senior Secured Term Loan and the Amended PNC Credit Facility (collectively, the "Credit Agreements") is December 27, 2023.

On March 30, 2020, the Company entered into an amendment to the Senior Secured Term Loan (the "March 30, 2020 Amendment") which included deferral of payment of the scheduled amortization payment of $0.4 million due on March 31, 2020 to April 1, 2020; and, (b) deferral of payment of the interest due on March 31, 2020 to April 1, 2020. On March 31, 2020, the Company entered into an additional amendment to the Senior Secured Term Loan (the "March 31, 2020 Amendment") which, among other things, included (a) payment deferral of the scheduled amortization payment of $0.4 million due on April 1, 2020 to June 30, 2020; (b) payment of $1.9 million of the interest due on April 1, 2020 (of the total interest due of $ 5.0 million) in kind rather than in cash; and (c) the waiver of compliance with the total net leverage ratio covenant, as defined in the Senior Secured Term Loan agreement.

On June 16, 2020, the Company entered into an amendment to the Senior Secured Term Loan (the "June 2020 Amendment" and collectively with the March 30, 2020 Amendment and March 31, 2020 Amendment, (the "Term Loan Amendments"). The June 2020 Amendment provided an additional borrowing of $20.0 million which was immediately drawn in full. The amendment also (a) waived the excess cash flow payment (the "ECF Payment"), as defined in the Senior Secured Term Loan agreement, of $5.3 million for the year ended March 31, 2020; (b) deferred payment of the scheduled amortization payments due on June 30, 2020, September 30, 2020, and December 31, 2020 until the maturity date; (c) amended the definition of "EBITDA" to, among other things, add an add-back for certain costs, expenses and fees incurred in connection with the transactions contemplated by the amendment; (d) waived compliance with the total net leverage ratio, fixed charge coverage ratio, minimum liquidity and minimum EBITDA financial covenants for the quarters ending on June 30, 2020, September 30, 2020, December 31, 2020, and March 31, 2021; (e) added a financial covenant that requires a minimum monthly average undrawn availability of $7.0 million under the Amended PNC Credit Facility during the period from June 30, 2020 through and including May 31, 2021; and (f) amended the covenant levels for the total net leverage ratio, fixed charge coverage ratio, and minimum EBITDA financial covenants, commencing with the quarter ending June 30, 2021. The June 2020 Amendment modified the equity clawback provision to allow the Company to prepay up to 50% of the aggregate principal amount of the outstanding Senior Secured Term Loan balance with cash proceeds of a public offering of the Company's common stock at a prepayment premium of 5% of the principal amount being repaid (the "Equity Clawback"). The amendment also added an exit fee of 2% of the aggregate principal amount repaid excluding amounts repaid that are subject to the Equity Clawback.

In connection with the June 2020 Term Loan Amendment, the Company issued to the lenders warrants (the "2020 Term Loan Warrants") to purchase 3,400,000 shares of the Company's common stock, at an exercise price of $3.00 per share. The exercise price and the number of shares underlying the 2020 Term Loan Warrants are subject to adjustment in the event of specified events, including dilutive issuances of common stock linked equity instruments at a price lower than the exercise price of the warrants, a subdivision or combination of the Company's common stock, a reclassification of the Company's common stock or specified dividend payments. The 2020 Term Loan Warrants are exercisable until June 16, 2030. Upon exercise, the aggregate exercise price may be paid, at each warrant holder's election, in cash or on a net issuance basis, based upon the fair market value of the Company's common stock at the time of exercise.

The Company accounted for the Term Loan Amendments as modifications of the Senior Secured Term Loan. In connection with the modifications, the Company incurred $11.9 million in costs including $11.3 million related to the value of the 2020 Term Loan Warrants and $ 0.6 million in fees paid to the lenders. These debt issuance costs are reflected as a reduction to the carrying amount of the Senior Secured Term Loan and are amortized to interest expense over the remaining loan term. Approximately $0.8 million in third party costs were expensed related to the Term Loan Amendments.

On December 10, 2020, the Company amended the Senior Secured Term Loan agreement to, among other things, allow the SBS acquisition.

Amended PNC Credit Facility

On April 3, 2020, the Company entered into an amendment to the Amended PNC Credit Facility (the "April 2020 PNC Amendment"), which amended certain terms, including to waive compliance with the total net leverage ratio and total leverage ratio covenants for the quarter ending March 31, 2020.

On June 16, 2020, the Company entered into an amendment to the Amended PNC Credit Facility (the "June 2020 PNC Amendment" and collectively with the April 2020 PNC Amendment, the "PNC Amendments" and including the Term Loan Amendments, the "Amendments"). The amendment amended certain terms, including: (a) the definition of "EBITDA" to, among other things, add an add-back for certain costs, expenses and fees incurred in connection with the transactions contemplated by the amendment; (b) waived compliance with the total net leverage ratio, total leverage ratio, fixed charge coverage ratio, minimum liquidity and minimum EBITDA financial covenants for the quarters ending on June 30, 2020, September 30, 2020, December 31, 2020, and March 31, 2021; (c) added a financial covenant that requires a minimum monthly average undrawn availability level of $7.0 million for the period from June 30, 2020 through and including May 31, 2021; (d) added a financial covenant that requires a minimum liquidity of not less than $10.0 million at the end of each quarter and a minimum average liquidity level $10.0 million for the ninety days preceding the last day of each quarter, beginning with the quarter ending June 30, 2021; (e) amended the covenant levels for the total net leverage ratio, total leverage ratio, fixed charge coverage ratio, and minimum EBITDA financial covenants, commencing with the quarter ending June 30, 2021; and (f) continued to include a covenant that requires a minimum of $5.0 million of PNC qualified cash at all times. The June 2020 PNC Amendment also adjusted the applicable margin for advances under the Amended PNC Credit Facility such that (i) advances designated as "Domestic Rate Loans" and "Swing Loans" will have an applicable margin of (a) 4.50% for the period from the June 16, 2020 until the date quarterly financial statements are delivered to PNC for the fiscal quarter ending June 30, 2021 and (b) thereafter, ranging from 3.50% to 4.50% based on the Company's applicable total leverage ratio and (ii) advances designated as "LIBOR Rate Loans" will have an applicable margin of (a) 5.50% for the period from June 16, 2020, until the date quarterly financial statements are delivered to PNC for the fiscal quarter ending June 30, 2021 and (b) thereafter, ranging from 4.50% to 5.50% based on the Company's applicable total leverage ratio.

The Company accounted for the PNC Amendments as modifications of the Amended PNC Credit Facility. In connection with the modifications, the Company incurred $0.5 million in fees paid to the lenders which was recorded to other assets and is amortized to interest expense over the remaining term of the Amended PNC Credit Facility.

On December 10, 2020, the Company amended the Amended PNC Credit Facility to, among other things, allow the SBS acquisition. The amendment added a covenant requiring the Company to maintain at least $ 30.0 million average liquidity (the "Average Liquidity Requirement"), as defined in the Amended PNC Credit Facility, for the preceding thirty days measured as of the last day of each month. If the Average Liquidity Requirement has not been satisfied during the period prior to the payment of the SBS Deferred Purchase Price, a reserve will be established to reduce borrowings availability under the Amended PNC Credit Facility in an amount equal to (a) $2.0 million during the period from the amendment date through the first anniversary of the amendment, and, (b) $1.0 million during the period from the first anniversary of the amendment through the second anniversary of the amendment

Registration Rights Agreement

In connection with the June 2020 Term Loan Amendment, the Company entered into an amended and restated registration rights agreement (the "Amended Registration Rights Agreement") with the holders of the warrants previously issued to the Senior Secured Term Loan lenders in December 2018 and the 2020 Term Loan Warrants (collectively, the "Term Loan Warrants"). The Amended Registration Rights Agreement grants the holders of the Term Loan Warrants certain registration rights for the shares of common stock issuable upon the exercise of the applicable Term Loan Warrants, including (a) the ability of a holder to request that the Company file a Form S-1 registration statement with respect to at least 40% of the registrable securities held by such holder as of the issuance date of the applicable Term Loan Warrants; (b) the ability of a holder to request that the Company file a Form S-3 registration statement with respect to outstanding registrable securities if at any time the Company is eligible to use a Form S-3 registration statement; and (c) certain piggyback registration rights related to potential future equity offerings of the Company, subject to certain limitations.

As of December 31, 2020, the interest rates on the Senior Secured Term Loan and the Amended PNC Credit Facility were 12.0% and 7.8%, respectively. As of December 31, 2020, the Amended PNC Credit Facility had a borrowing base of $27.0 million, of which $19.2 million was available at that date.

As of December 31, 2020, the Company was required to maintain a $ 5.0 million restricted cash reserve as part of the Amended PNC Credit Facility. This balance is presented as long-term restricted cash within the accompanying condensed consolidated balance sheet as of December 31, 2020.

Paycheck Protection Program

On April 13, 2020, the Company entered into a Paycheck Protection Program ("PPP") Term Loan ("PPP Loan") effective April 11, 2020 with PNC in an aggregate principal amount of $10.0 million pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The PPP Loan bears interest at a fixed rate of 1% per annum. The PPP Loan has an initial term of two years and is unsecured and guaranteed by the Small Business Administration. The Company used the proceeds from the PPP Loan for qualifying expenses as defined in the PPP Loan and has applied for forgiveness of the PPP Loan in accordance with the terms of the CARES Act. However, the Company cannot assure at this time that the PPP Loan will be forgiven partially or in full.

NOTE 6: LEASES

Supplemental balance sheet information related to leases is as follows (in thousands):

Operating leases	**December 31, 2020**	**March 31, 2020**
Operating lease right-of-use asset	$ 10,096	$ 12,689
Other accrued liabilities	2,806	3,065
Operating lease liability	8,500	10,822
Total operating lease liabilities	$ 11,306	$ 13,887

Components of lease cost were as follows (in thousands):

	Three Months Ended December 31, 2020		**Nine Months Ended December 31,**	
Lease Cost	**2020**	**2019**	**2020**	**2019**
Operating lease cost	$ 1,018	$ 1,259	$ 3,688	$ 3,835
Variable lease cost	198	109	620	321
Short-term lease cost	37	58	129	89
Total lease cost	$ 1,253	$ 1,426	$ 4,437	$ 4,245

Maturity of Lease Liabilities	Operating Leases
For the fiscal year ended March 31,	
2021, excluding the nine months ended December 31, 2020	$ 1,051
2022	3,863
2023	2,799
2024	2,630
2025	2,330
Thereafter	2,948
Total lease payments	$ 15,621
Less: imputed interest	(4,315)
Present value of lease liabilities	$ 11,306

Lease Term and Discount Rate	December 31, 2020	March 31, 2020
Weighted average remaining operating lease term (years)	4.66	4.99
Weighted average discount rate for operating leases	13.97 %	13.91 %

Operating cash outflows related to operating leases totaled $ 4.4 million and $3.4 million for the nine months ended December 31, 2020 and 2019, respectively.

NOTE 7: RESTRUCTURING CHARGES

Costs accrued related to restructuring are classified within accrued liabilities on the condensed consolidated balance sheets. The following table summarizes the restructuring activities for the nine months ended December 31, 2020 and 2019 (in thousands):

	Severance and Benefits	Facilities	Total
Balance as of March 31, 2020	$ —	$ —	$ —
Restructuring costs	2,837	—	2,837
Cash payments	(2,627)	—	(2,627)
Balance as of December 31, 2020	$ 210	$ —	$ 210
Balance as of March 31, 2019	$ —	$ 2,876	$ 2,876
Restructuring costs	—	—	—
Adjustments to prior estimates	—	1,020	1,020
Cash payments	—	(3,659)	(3,659)
Other non-cash		63	63
Balance as of December 31, 2019	$ —	$ 300	$ 300

NOTE 8: NET INCOME (LOSS) PER SHARE

The following outstanding stock-based instruments which are comprised of performance share units, restricted stock units, stock options and warrants were excluded from the calculation of diluted net income (loss) per share because their effect would have been anti-dilutive (in thousands):

Three Months Ended December 31, 2020		Nine Months Ended December 31,	
2020	2019	2020	2019
8,311	—	7,557	7,385

The dilutive impact related to common shares from restricted stock units, stock options and warrants is determined by applying the treasury stock method of determining value to the assumed vesting of outstanding restricted stock units and the exercise of outstanding options and warrants. The dilutive impact related to common shares from contingently issuable performance share units is determined by applying a two-step approach using both the contingently issuable share guidance and the treasury stock method.

For the three and nine months ended December 31, 2020, there were 1.5 million and 0.4 million contingently issuable market based and performance based restricted stock units, respectively, excluded from the calculation of diluted net income (loss) per share, as their market and performance conditions had not yet been achieved. These shares will be earned based on the Company's achievement of certain average stock price and performance targets in addition to a time-based vesting period.

NOTE 9: INCOME TAXES

The effective tax rate for the three and nine months ended December 31, 2020 was -10.6% and -5.1%, respectively as compared to -2.7% and -52.2% in the three and nine months ended December 31, 2019, respectively. The effective tax rates differed from the federal statutory tax rate of 21% during each of these periods due primarily to unbenefited losses experienced in jurisdictions with valuation allowances on deferred tax assets as well as the forecasted mix of earnings in domestic and international jurisdictions.

As of December 31, 2020, including interest and penalties, the Company had $110.4 million of unrecognized tax benefits, $92.1 million of which, if recognized, would favorably affect the effective tax rate without consideration of the valuation allowance. As of December 31, 2020, the Company had accrued interest and penalties related to these unrecognized tax benefits of $1.3 million. The Company recognizes interest and penalties related to income tax matters in the income tax provision in the condensed consolidated statements of operations. As of December 31, 2020, $103.6 million of unrecognized tax benefits were recorded as a contra deferred tax asset in other long-term assets in the condensed consolidated balance sheets and $6.8 million (including interest and penalties) were recorded in other long-term liabilities in the condensed consolidated balance sheets. During the next 12 months, it is reasonably possible that approximately $9.2 million of tax benefits, inclusive of interest and penalties, that are currently unrecognized could be recognized as a result of the expiration of applicable statutes of limitations.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Commitments to Purchase Inventory

The Company uses contract manufacturers for its manufacturing operations. Under these arrangements, the contract manufacturer procures inventory to manufacture products based upon the Company's forecast of customer demand. The Company has similar arrangements with certain other suppliers. The Company is responsible for the financial impact on the supplier or contract manufacturer of any reduction or product mix shift in the forecast relative to materials that the third party had already purchased under a prior forecast. Such a variance in forecasted demand could require a cash payment for inventory in excess of current customer demand or for costs of excess or obsolete inventory. As of December 31, 2020, the Company had issued non-cancelable commitments for $18.9 million to purchase inventory from its contract manufacturers and suppliers.

Legal Proceedings

On July, 22, 2016, Realtime Data LLC d/b/a IXO ("Realtime Data") filed a patent infringement lawsuit against the Company in the U.S. District Court for the Eastern District of Texas, alleging infringement of U.S. Patents Nos.

7,161,506, 7,378,992, 7,415,530, 8,643,513, 9,054,728, and 9,116,908. The lawsuit has been transferred to the U.S. District Court for the Northern District of California for further proceedings. Realtime Data asserts that the Company has incorporated Realtime Data's patented technology into its compression products and services. Realtime Data seeks unspecified monetary damages and other relief that the Court deems appropriate. On July 31, 2017, the District Court stayed proceedings in this litigation pending decision in Inter Partes Review proceedings before the Patent Trial and Appeal Board relating to the Realtime patents. In those proceedings the asserted claims of the '506 patent, the '992 patent, and the '513 patent were found unpatentable. In addition, on July 19, 2019, the United States District Court for the District of Delaware issued a decision finding that all claims of the '728 patent, the '530 patent, and the '908 patent are invalid under 35 U.S.C. § 101 (the "Delaware Action"). On appeal, the Federal Circuit vacated the decision in the Delaware Action and remanded for the Court to "elaborate on its ruling." As of now, the case pending against Quantum in the Northern District of California remains stayed. The Court in the Northern District of California has scheduled a Case Management Conference for March 29, 2021 and will decide at that point whether to keep the stay in place pending further developments in the Delaware Action or lift the stay and set a schedule for discovery and other proceedings. The Company believes the probability that this lawsuit will have a material adverse effect on our business, operating results or financial condition is remote.

On July 14, 2020, Starboard Value LP, Starboard Value and Opportunity Master Fund Ltd., Starboard Value and Opportunity S LLC, and Starboard Value and Opportunity C LP (collectively, "Starboard") filed a lawsuit against Quantum Corporation, Quantum's former CEO and board member Jon Gacek, and former Quantum board member Paul Auvil in the California Superior Court in Santa Clara County. The complaint alleges that between 2012 and 2014, Starboard purchased a large number of shares of Quantum's common stock, obtained three seats on Quantum's board of directors and then, in July 2014, entered into an agreement with Quantum whereby Starboard would not seek control of Quantum's board but would instead support Quantum's slate of board nominees so long as Quantum met certain performance objectives by the end of fiscal 2015. The complaint further alleges that Quantum did not meet those performance objectives but hid that by improperly recognizing revenue in fiscal 2015, with the alleged objective of entrenching Messrs. Gacek and Auvil and then-current management. Mr. Gacek resigned from the board effective May 1, 2017 and as CEO effective November 7, 2017; Mr. Auvil resigned from the board effective November 8, 2017. The complaint's accounting allegations largely repeat allegations made in now-concluded shareholder class actions, shareholder derivative actions and SEC investigation, the settlement of which we previously reported in the Company's Form 10-Q filed with the SEC on January 29, 2020 and Form 10-K filed with the SEC on August 6, 2019 (among other SEC filings). Based on these allegations, the complaint asserts putative claims for intentional misrepresentation/fraud in the inducement, intentional misrepresentation/fraud and negligent misrepresentation against Quantum, Gacek and Auvil, false promise/promissory fraud and unjust enrichment against Quantum and breach of fiduciary duty against Gacek and Auvil. Starboard is demanding a jury trial, and seeks unspecified damages including punitive damages, an award of rescission or rescissory damages, and award of restitution in an amount necessary to compensate for the alleged unjust enrichment of Quantum, attorney fees and costs and other relief deemed just or appropriate by the court. On September 14, 2020, all defendants filed a joint motion to dismiss this action on grounds of forum non conveniens and the mandatory Delaware forum selection clauses set forth in the contracts between Starboard and Quantum. On November 19, 2020, Starboard filed a first amended complaint, in which Quantum was not named as a defendant and therefore, in effect Quantum has been dismissed from the action and is no longer a party. The first amended complaint reasserts with only minor modifications the existing claims against Messrs. Gacek and Auvil, and adds a new claim against Messrs. Gacek and Auvil, alleging that they aided and abetted Quantum in committing a fraud on plaintiffs by intentionally or recklessly misrepresenting its financial performance and concealing the misstatements to allow the alleged fraud to continue. The amended complaint seeks no relief from Quantum. However, Quantum expects to continue to incur expenses related to this litigation, subject to potential offset from insurance. At this time, the Company is unable to estimate the range of possible outcomes with respect to this matter.

Other Commitments

Additionally, from time to time, the Company is a party to various legal proceedings and claims arising from the normal course of business activities. Based on current available information, the Company does not expect that the ultimate outcome of any of these other currently pending unresolved matters, individually or in the aggregate, will have a material adverse effect on the Company's results of operations, cash flows or financial position.

NOTE 11: FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's assets, measured and recorded at fair value on a recurring basis, may consist of money market funds which are included in cash and cash equivalents in the Condensed Consolidated Balance Sheets and are valued using quoted market prices (level 1 fair value measurements) at the respective balance sheet dates.

No impairments charges were recognized for non-financial assets in the nine months ended December 31, 2020 and 2019. The Company has no non-financial liabilities measured and recorded at fair value on a non-recurring basis.

Long-term Debt

The table below represents the carrying value and total estimated fair value of long-term debt as of December 31, 2020 and 2019. The fair value has been classified as Level 2 within the fair value hierarchy.

	December 31,			
	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior Secured Term Loan	$ 185,208	$ 188,471	$ 163,350	$ 159,054
Amended PNC Credit Facility	5,960	5,812	5,289	3,880

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements, the accompanying notes, and other information included in this quarterly report and our annual report for the year ended March 31, 2020. In particular, the disclosure contained in Item 1A in our annual report, as updated by Part II, Item 1A in this quarterly report, may reflect trends, demands, commitments, events, or uncertainties that could materially impact our results of operations and liquidity and capital resources.

The following discussion contains forward-looking statements, such as statements regarding COVID-19's anticipated impacts on our business, our future operating results and financial position, our business strategy and plans, and our objectives for future operations. Please see "Note Regarding Forward-Looking Statements" for more information about relying on these forward-looking statements.

OVERVIEW

We are a leader in storing and managing digital video and other forms of unstructured data. We help customers around the world to ingest, process, and analyze digital data at high speed, and preserve and protect it for decades. Our customers include some of the world's largest corporations, government agencies, service providers, broadcasters, movie studios, sports leagues and teams, and enterprises in all industries. We work closely with a broad network of distributors, VARs, DMRs, OEMs and other suppliers to solve our customers most pressing business challenges.

We earn our revenue from the sale of products and services through our channel partners and our sales force. Our products are sold under both the Quantum brand name and the names of various OEM providers. Our portfolio of solutions includes:

- **CatDV Asset Management Software**—An agile asset management and workflow automation platform that helps organizations with large amounts of video and digital image content to communicate and collaborate more effectively.
- **StorNext high performance file system**—We offer a line of products designed for the highest speed ingest, processing, and analysis of video and other forms of unstructured data. Powered by the StorNext file system software and data management platform, this product line includes new NVMe flash storage servers (F-series) and hybrid SSD/HDD storage arrays.
- **Quantum All** - Terrain File System (ATFS)—An easy to deploy, easy to use network attached storage ("NAS") platform with integrated data classification.
- **ActiveScale Object Storage**—We also sell massively scalable object storage systems used to preserve and protect data with high levels of data durability.

- **Tape Storage**—We provide low cost, secure storage systems for long term archiving and ransomware protection. We provide both the storage systems and sell tape media under the Quantum brand.
- **Video Surveillance Systems**—We offer a broad portfolio of solutions designed for video surveillance and physical security, including network video recording servers (NVRs), hyperconverged (HCI) storage servers to host multiple physical security workloads, GPU-based analytics servers, and file and object storage systems for large scale surveillance archives.
- **Backup Storage Systems**—We offer high-performance, scalable storage for backup and multi-site disaster recovery.
- **Quantum Services**—We offer a full line of services including managed services and Storage-as-a-Service offerings, as well as maintenance, implementation, training and consulting services.

COVID-19 IMPACT AND ASSOCIATED ACTIONS

Since the beginning of March 2020, COVID-19 has led governments and other authorities around the world, including federal, state and local authorities in the United States, to impose measures intended to reduce its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business limitations and closures (subject to exceptions for essential operations and businesses), quarantines and shelter-in-place orders. These measures may remain in place for a significant period of time.

In light of these events, we have taken actions to protect the health and safety of our employees while continuing to serve our global customers as an essential business. We have implemented more thorough sanitation practices as outlined by health organizations and instituted social distancing policies at our locations around the world, including working from home, limiting the number of employees attending in person meetings, reducing the number of people in our sites at any one time, and suspending employee travel.

For many of our customers, the COVID-19 pandemic has significantly affected their business. Movie and television production has been paused, professional and collegiate sports seasons have been postponed or cancelled, and many corporations and enterprises have put information technology spending on hold while they assess the short- and long-term impact of the pandemic. While our supply chain remains intact and operating, we have experienced issues related to our logistics network. The reduced capacity within and across freight lanes (aircraft, personnel, customs clearance, etc.) has caused late deliveries from re-routes and mis-shipments, as well as increased expedite and other charges to deliver and receive products. To date, we have experienced minimal impact on product availability, although future capacity constraints across the network due to lost capacity from factory down time, closures, as well as reduced staff and demand signal fluctuations are expected to impact product availability in the months and possibly quarters to come.

We believe that these social and economic impacts have had a negative effect on sales due to the decline in our customers' ability or willingness to purchase our products and services. The extent of the impact will depend, in part, on how long the negative trends in customer demand and supply chain levels will continue. We expect COVID-19 to significantly impact our financial condition, results of operations, and liquidity through at least our third quarter and likely much longer.

We will continue to actively monitor the situation and may take further actions altering our business operations that we determine are in the best interests of our employees, customers, partners, suppliers, and stakeholders, or as required by federal, state, or local authorities. See "The recent COVID-19 pandemic could adversely affect our business, results of operations and financial condition" in Part II, Item 1A, Risk Factors, of our most recent Annual Report on Form 10-K for more information regarding the risks we face as a result of the COVID-19 pandemic.

NON-U.S. GAAP FINANCIAL MEASURES

To provide investors with additional information regarding our financial results, we have presented Adjusted EBITDA and Adjusted Net Income (Loss), non-U.S. GAAP financial measures defined below.

Adjusted EBITDA is a non-U.S. GAAP financial measure defined by us as net loss before interest expense (net), provision for income taxes, depreciation and amortization expense, stock-based compensation expense, restructuring charges, long-term debt related costs, costs related to the financial restatement and related activities described in our Annual Report on Form 10-K for the year ended March 31, 2020, and other non-recurring expenses.

Adjusted Net Income (Loss) is a non-U.S. GAAP financial measure defined by us as net loss before restructuring charges, stock-based compensation expense, long-term debt related costs, business acquisition costs, costs related to the financial restatement and related activities described in the Annual Report on Form 10-K for the year ended March 31, 2020 and other non-recurring (income) expenses. The Company calculates Adjusted Net Income (Loss) per Basic and Diluted share using the Company's above-referenced definition of Adjusted Net Income (Loss).

The Company considers other non-recurring expenses to be expenses that have not been incurred within the prior two years and are not expected to recur within the next two years. Such expenses include certain strategic and financial restructuring expenses.

We have provided below a reconciliation of Adjusted EBITDA and Adjusted Net Income (Loss) to Net Income (Loss), the most directly comparable U.S. GAAP financial measure. We have presented Adjusted EBITDA because it is a key measure used by our management and the board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short and long-term operating plans. In particular, we believe that the exclusion of the amounts eliminated in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business performance. We believe Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Basic and Diluted Share serve as appropriate measures to be used in evaluating the performance of our business and help our investors better compare our operating performance over multiple periods. Accordingly, we believe that Adjusted EBITDA and Adjusted Net Income (Loss) provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and our board of directors.

Our use of Adjusted EBITDA and Adjusted Net Income (Loss) have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our financial results as reported under U.S. GAAP. Some of these limitations are as follows:

- Although depreciation and amortization expense are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;

- Adjusted EBITDA does not reflect: (1) interest and tax payments that may represent a reduction in cash available to us; (2) capital expenditures, future requirements for capital expenditures or contractual commitments; (3) changes in, or cash requirements for, working capital needs; (4) the potentially dilutive impact of stock-based compensation expense; (5) potential future costs related to our long-term debt; (6) potential future restructuring expenses; (7) potential future costs related to business acquisitions; or (8) potential future costs related to our financial statement restatement and other related activities;

- Adjusted Net Income (Loss) does not reflect: (1) potential future restructuring activities; (2) the potentially dilutive impact of stock-based compensation expense; (3) potential future costs related to our long-term debt; (4) potential future costs related to business acquisitions; (5) potential future costs related to our financial statement restatement and other related activities; and

- Other companies, including companies in our industry, may calculate Adjusted EBITDA, Adjusted Net Income (Loss) or similarly titled measures differently, which reduces its usefulness as a comparative measure.

Because of these and other limitations, you should consider Adjusted EBITDA and Adjusted Net Income (Loss) along with other U.S. GAAP-based financial performance measures, including various cash flow metrics and our U.S. GAAP financial results.

The following is a reconciliation of Adjusted EBITDA to the most comparable U.S. GAAP financial measure, Net Loss (in thousands):

	Three Months Ended		Nine Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Net income (loss)	$ (2,669)	$ 4,749	$ (17,997)	$ (1,373)
Interest expense	7,808	6,425	21,823	19,079
Provision for income taxes	256	(110)	877	471
Depreciation and amortization expense	1,347	1,081	3,898	3,119
Stock-based compensation expense	1,878	2,056	6,428	5,408
Long-term debt related costs	208	—	1,377	—
Acquisition related costs	393	—	393	—
Restructuring charges	200	(64)	2,837	1,020
Cost related to financial restatement and related activities	—	564	—	12,743
Adjusted EBITDA	$ 9,421	$ 14,701	$ 19,636	$ 40,467

The following is a reconciliation of Adjusted Net Income (Loss) to the most comparable U.S. GAAP financial measure, Net Income (Loss) (in thousands):

	Three Months Ended		Nine Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Net income (loss)	$ (2,669)	$ 4,749	$ (17,997)	$ (1,373)
Restructuring charges	200	(64)	2,837	1,020
Stock-based compensation	1,878	2,056	6,428	5,408
Long-term debt related costs	208	—	1,377	—
Acquisition related costs	393	—	393	—
Cost related to financial restatement and related activities	—	564	—	12,743
Adjusted net income (loss)	$ 10	$ 7,305	$ (6,962)	$ 17,798
Adjusted net income (loss) per share:				
Basic	$ 0.00	$ 0.19	$ (0.17)	$ 0.48
Diluted	$ 0.00	$ 0.16	$ (0.15)	$ 0.40
Weighted average shares outstanding:				
Basic	40,927	38,134	40,374	36,828
Diluted	49,238	46,567	47,931	44,213

RESULTS OF OPERATIONS

(in thousands)	Three Months Ended December 31, 2020 2020	2019	Nine Months Ended December 31, 2020	2019
Total revenue	$ 98,023	$ 103,315	$ 257,149	$ 314,734
Total cost of revenue [(1)]	55,744	56,239	145,284	178,309
Gross profit	42,279	47,076	111,865	136,425
Operating expenses				
Research and development [(1)]	9,589	9,325	29,983	27,058
Sales and marketing [(1)]	15,294	15,421	40,019	46,101
General and administrative [(1)]	11,103	10,719	32,928	43,623
Restructuring charges	200	(64)	2,837	1,020
Total operating expenses	36,186	35,401	105,767	117,802
Income from operations	6,093	11,675	6,098	18,623
Other income (expense)	(698)	(611)	(1,395)	(446)
Interest expense	(7,808)	(6,425)	(21,823)	(19,079)
Loss before income taxes	(2,413)	4,639	(17,120)	(902)
Income tax provision	256	(110)	877	471
Net loss	$ (2,669)	$ 4,749	$ (17,997)	$ (1,373)

(1) Includes stock-based compensation as follows:

(in thousands)	Three Months Ended September 30, 2020	2019	Nine Months Ended December 31, 2020	2019
Cost of revenue	$ 172	$ 162	$ 569	$ 335
Research and development	186	480	1,249	745
Sales and marketing	474	300	1,306	708
General and administrative	1,046	1,114	3,304	3,620
Total	$ 1,878	$ 2,056	$ 6,428	$ 5,408

Comparison of the Three Months Ended December 31, 2020 and 2019

Revenue

(dollars in thousands)	Three Months Ended December 31, 2020	% of revenue	2019 [1]	% of revenue	$ Change	% Change
Product revenue						
Primary storage systems	$ 23,654	24 %	$ 25,619	24 %	$ (1,965)	(8) %
Secondary storage systems	25,311	26	25,374	25	(63)	—
Devices and media	14,056	14	15,442	15	(1,386)	(9)
Total product revenue	$ 63,021	64 %	$ 66,435	64 %	$ (3,414)	(5)
Service revenue	31,169	32	32,892	32	(1,723)	(5)
Royalty revenue	3,833	4	3,988	4	(155)	(4)
Total revenue	$ 98,023	100 %	$ 103,315	100 %	$ (5,292)	(5)

[1] Primary and Secondary storage system revenue has been adjusted for the three months ended December 31, 2019 due to certain reclassifications from Primary to Secondary storage systems.

Product revenue

In the three months ended December 31, 2020, product revenue decreased $3.4 million, or 5%, as compared to the same period in 2019. Primary storage systems represented $2.0 million of the decrease, driven by a decrease in sales to the US federal government due to related purchasing activity. Devices and media represented $1.4 million of the decrease, driven by a lower volume of LTO media sold through our high-volume channel partners. The prior year included a spike in volume as supply issues were resolved between two major vendors in the market.

Service revenue

We offer a broad range of services including maintenance, implementation and training. Service revenue is primarily comprised of customer field support contracts which provide standard support services for our hardware. Standard service contracts may be extended or include enhanced service, such as faster service response times.

Service revenue decreased 5% in the three months ended December 31, 2020 compared to the same period in 2019 due to a combination of reduced new customer installations and reduced support renewals from our legacy customers.

Royalty revenue

We receive royalties from third parties that license our LTO media patents through our membership in the LTO consortium. Royalty revenue decreased $0.2 million, or 4%, in the three months ended December 31, 2020 compared to the same period in 2019 due to lower overall market volume.

Gross Profit and Margin

	Three Months Ended December 31,					
(dollars in thousands)	2020	Gross margin %	2019	Gross margin %	$ Change	Basis point change
Product gross profit	$ 19,709	31.3 %	$ 22,763	34.3 %	$ (3,054)	(300)
Service gross profit	18,737	60.1	20,325	61.8	(1,588)	(170)
Royalty gross profit	3,833	100.0	3,988	100.0	(155)	—
Gross profit	$ 42,279	43.1 %	$ 47,076	45.6 %	$ (4,797)	(250)

Product Gross Margin

Product gross margin decreased 300 basis points for the three months ended December 31, 2020, as compared with the same period in 2019. This decrease was due primarily to a less favorable mix of enterprise products sold, along with a relatively flat operations departmental expense.

Service Gross Margin

Service gross margin decreased 170 basis points for the three months ended December 31, 2020, as compared with the same period in 2019. This decrease was primarily the effect of lower service revenue on a relatively flat expense profile

Royalty Gross Margin

Royalties do not have significant related cost of sales.

Operating expenses

(dollars in thousands)	Three Months Ended December 31, 2020	% of revenue	2019	% of revenue	$ Change	% Change
Research and development	$ 9,589	9.8 %	$ 9,325	9.0 %	$ 264	3 %
Sales and marketing	15,294	15.6	15,421	14.9	(127)	(1)
General and administrative	11,103	11.3	10,719	10.4	384	4
Restructuring charges	200	0.2	(64)	(0.1)	264	(413)
Total operating expenses	$ 36,186	36.9 %	$ 35,401	34.3 %	$ 785	2

In the three months ended December 31, 2020, research and development expense increased $0.3 million, or 3%, as compared with the same period in 2019. This increase was due in part to an increase in personnel costs due to increased headcount focused on new product development.

In the three months ended December 31, 2020, sales and marketing expenses decreased $0.1 million, or 1%, as compared with the same period in 2019. This decrease was largely driven by suspended travel and entertainment expense due to current COVID-19 related restrictions.

In the three months ended December 31, 2020, general and administrative expenses increased $0.4 million, or 4% as compared with the same period in 2019. This increase was due primarily to increased legal and other expenses related to our long-term debt amendments and business acquisition related activities.

In the three months ended December 31, 2020, restructuring expenses increased $0.3 million, or 413% as compared with the same period in 2019. The increase was the result of a reduction in workforce to improve operational efficiency and rationalize our cost structure.

Other Income (Expense)

(dollars in thousands)	Three Months Ended December 31, 2020	% of revenue	2019	% of revenue	$ Change	% Change
Other income (expense)	$ (698)	(1) %	$ (611)	(1) %	$ (87)	(14) %
Interest expense	(7,808)	(8)	(6,425)	6	(1,383)	22

Other income (expense), net during the three months ended December 31, 2020 and 2019 were related primarily to fluctuations in foreign currency exchange rates.

In the three months ended December 31, 2020, interest expense increased $1.4 million, or 22%, as compared with the same period in 2019 due primarily to a higher principal balance.

Income Taxes

(dollars in thousands)	Three Months Ended December 31, 2020	% of revenue	2019	% of revenue	$ Change	% Change
Income tax provision	$ 256	1 %	$ (110)	— %	$ 366	(333) %

The income tax provision for the three months ended December 31, 2020 and 2019 is primarily influenced by foreign and state income taxes. Due to our history of net losses in the United States, the protracted period for utilizing tax attributes in certain foreign jurisdictions, and the difficulty in predicting future results, we believe that we cannot rely on projections of future taxable income to realize most of our deferred tax assets. Accordingly, we have established a full valuation allowance against our U.S. and certain foreign net deferred tax assets. Significant management judgement is required in assessing our ability to realize any future benefit from our net deferred tax assets. We intend to maintain this valuation allowance until sufficient positive evidence exists to support its reversal.

Our income tax expense recorded in the future will be reduced to the extent that sufficient positive evidence materializes to support a reversal of, or decrease in, our valuation allowance.

Comparison of the Nine Months Ended December 31, 2020 and 2019

Revenue

(dollars in thousands)	Nine Months Ended December 31, 2020	% of revenue	2019 [1]	% of revenue	$ Change	% Change
Product revenue						
Primary storage systems	$ 54,478	21 %	$ 61,541	20 %	$ (7,063)	(11) %
Secondary storage systems	62,705	24	91,890	29	(29,185)	(32)
Devices and media	36,374	14	46,930	15	(10,556)	(22)
Total product revenue	$ 153,557	60 %	$ 200,361	64 %	$ (46,804)	(23)
Service revenue	93,049	36	98,673	31	(5,624)	(6)
Royalty revenue	10,543	4	15,700	5	(5,157)	(33)
Total revenue	$ 257,149	100 %	$ 314,734	100 %	$ (57,585)	(18)

[1] Primary and Secondary storage system revenue has been adjusted for the six months ended December 31, 2019 due to certain reclassifications from Primary to Secondary storage systems.

Product revenue

In the nine months ended December 31, 2020, product revenue decreased $46.8 million, or 23%, as compared to the same period in 2019. Secondary storage systems represented $29.2 million of the decrease, driven primarily by fluctuating purchase cycles with our hyperscale customers in addition to the impact of decreased purchasing due to COVID-19. Devices and media represented $10.6 million of the decrease, driven by lower volume of LTO media sold through our high-volume channel partners. The prior year included a spike in volume as supply issues were resolved between two major vendors in the market. Primary storage systems represented $7.1 million of the decrease, driven by declines in the media and entertainment industry as a result of the COVID-19 pandemic.

Service revenue

We offer a broad range of services including maintenance, implementation, and training. Service revenue is primarily comprised of customer field support contracts which provide standard support services for our hardware. Standard service contracts may be extended or include enhanced service, such as faster service response times.

Service revenue decreased $5.6 million, or 6% in the nine months ended December 31, 2020 compared to the same period in 2019 due to a combination of reduced new customer installations and reduced support renewals from our legacy customers.

Royalty revenue

We receive royalties from third parties that license our LTO media patents through our membership in the LTO consortium. Royalty revenue decreased $5.2 million, or 33%, in the nine months ended December 31, 2020 compared to the same period in 2019 due to lower overall market volume.

Gross Profit and Margin

(dollars in thousands)	Nine Months Ended December 31, 2020	Gross margin %	2019	Gross margin %	$ Change	Basis point change
Product gross profit	$ 44,866	29.2 %	$ 60,024	30.0 %	$ (15,158)	(80)
Service gross profit	56,456	60.7	60,701	61.5	(4,245)	(80)
Royalty gross profit	10,543	100.0	15,700	100.0	(5,157)	—
Gross profit	$ 111,865	43.5 %	$ 136,425	43.3 %	$ (24,560)	20

Product Gross Margin

Product gross margin decreased 70 basis points for the nine months ended December 31, 2020, as compared with the same period in 2019. This decrease was primarily the result of a less favorable product mix to our enterprise customers.

Service Gross Margin

Service gross margin decreased 80 basis points for the nine months ended December 31, 2020, as compared with the same period in 2019. This decrease was due primarily to total service revenue decreases of 6% with relatively flat corresponding departmental expense.

Royalty Gross Margin

Royalties do not have significant related cost of sales.

Operating expenses

(dollars in thousands)	Nine Months Ended December 31, 2020	% of revenue	2019	% of revenue	$ Change	% Change
Research and development	$ 29,983	11.6 %	$ 27,058	8.6 %	$ 2,925	11 %
Sales and marketing	40,019	15.6	46,101	14.6	(6,082)	(13)
General and administrative	32,928	12.8	43,623	13.9	(10,695)	(25)
Restructuring charges	2,837	1.1	1,020	0.3	1,817	178
Total operating expenses	$ 105,767	41.1 %	$ 117,802	37.4 %	$ (12,035)	(10)

In the nine months ended December 31, 2020, research and development expense increased $2.9 million, or 11%, as compared with the same period in 2019. This increase was due in part to an increase in personnel costs due to increased headcount focused on new product development.

In the nine months ended December 31, 2020, sales and marketing expenses decreased $6.1 million, or 13%, as compared with the same period in 2019. This decrease was due primarily to a decrease in personnel costs due to lower headcount, a decrease in marketing programs and professional services costs, and suspended travel and entertainment expense due to current COVID-19 related restrictions.

In the nine months ended December 31, 2020, general and administrative expenses decreased $10.7 million, or 25% as compared with the same period in 2019. This decrease was due primarily to higher costs in 2019 related to the financial restatement and related activities.

In the nine months ended December 31, 2020, restructuring expenses increased $1.8 million, or 178% as compared with the same period in 2019. The increase was the result of a reduction in workforce to improve operational efficiency and rationalize our cost structure.

Other Income (Expense)

(dollars in thousands)	Nine Months Ended December 31, 2020	% of revenue	2019	% of revenue	$ Change	% Change
Other income (expense)	$ (1,395)	(1) %	$ (446)	— %	$ (949)	(213) %
Interest expense	(21,823)	(8)	(19,079)	6	(2,744)	14

Other income (expense), net during the nine months ended December 31, 2020 and 2019 were related primarily to fluctuations in foreign currency exchange rates.

In the nine months ended December 31, 2020, interest expense increased $2.7 million, or 14%, as compared with the same period in 2019 due primarily to a higher principal balance.

Income Taxes

(dollars in thousands)	Nine Months Ended December 31, 2020	% of revenue	2019	% of revenue	$ Change	% Change
Income tax provision	$ 877	— %	$ 471	— %	$ 406	86 %

The income tax provision for the nine months ended December 31, 2020 and 2019 is primarily influenced by foreign and state income taxes. Due to our history of net losses in the United States, the protracted period for utilizing tax attributes in certain foreign jurisdictions, and the difficulty in predicting future results, we believe that we cannot rely on projections of future taxable income to realize most of our deferred tax assets. Accordingly, we have established a full valuation allowance against our U.S. and certain foreign net deferred tax assets. Significant management judgement is required in assessing our ability to realize any future benefit from our net deferred tax assets. We intend to maintain this valuation allowance until sufficient positive evidence exists to support its reversal. Our income tax expense recorded in the future will be reduced to the extent that sufficient positive evidence materializes to support a reversal of, or decrease in, our valuation allowance.

LIQUIDITY AND CAPITAL RESOURCES

We consider liquidity in terms of the sufficiency of internal and external cash resources to fund our operating, investing and financing activities. Our principal sources of liquidity include cash from operating activities, cash and cash equivalents on our balance sheet and amounts available under our Amended PNC Credit Facility (as defined below). We require significant cash resources to meet obligations to pay principal and interest on our outstanding debt, provide for our research and development activities, fund our working capital needs, and make capital expenditures. Our future liquidity requirements will depend on multiple factors, including our research and development plans and capital asset needs. We are subject to the risks arising from COVID-19 which have caused substantial financial market volatility and have adversely affected both the U.S. and the global economy. We believe that these social and economic impacts have had a negative effect on sales due to the decline in our customers' ability or willingness to purchase our products and services. The extent of the impact will depend, in part, on how long the negative trends in customer demand and supply chain levels will continue. We expect the impact of COVID-19 to have a significant impact on our liquidity and capital resources.

We had cash and cash equivalents of $11.6 million as of December 31, 2020, compared to $6.4 million as of March 31, 2020. These amounts exclude, as of both dates, $5.0 million in restricted cash that we are required to maintain under the Credit Agreements (as defined below), and $0.8 million of short-term restricted cash.

Our outstanding long-term debt amounted to $178.3 million as of December 31, 2020, net of $21.0 million in unamortized debt issuance costs and $1.9 million in current portion of long-term debt, and $146.8 million as of March 31, 2020, net of $13.7 million in unamortized debt issuance costs and $7.3 million in current portion of long-term debt. Included in long-term debt as of December 31, 2020 is $10.0 million borrowed under the Paycheck Protection Program which was included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. As of

December 31, 2020, we had $19.2 million of borrowing availability on our Amended PNC Credit Facility (subject to change based on certain financial metrics). See "—Debt Profile and Covenants" and "—Contractual Obligations" below for further information about our outstanding debt.

We are subject to various debt covenants under our Credit Agreements (as defined below). Our failure to comply with our debt covenants could materially and adversely affect our financial condition and ability to service our obligations. For additional information about our debt, see the sections entitled "Risk Factors—Risks Related to Our Business Operations" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020.

Cash Flows

The following table summarizes our consolidated cash flows for the periods indicated.

	Nine Months Ended December 31,	
(Dollars in thousands)	**2020**	**2019**
Cash provided by (used in):		
Operating activities	$ (20,264)	$ (4,966)
Investing activities	(7,301)	(2,327)
Financing activities	32,755	3,880
Effect of exchange rate changes	(62)	(3)
Net increase (decrease) in cash and cash equivalents and restricted cash	$ 5,128	$ (3,416)

Cash Used In Operating Activities

Net cash used in operating activities was $20.3 million for the nine months ended December 31, 2020. This use of cash is primarily attributable to changes in working capital of $26.3 million driven by the increase in manufacturing and service inventory of $12.3 million, a decrease in deferred revenue of $9.7 million, and a decrease in accounts payable of $5.0 million. The decrease in deferred revenue reflects the seasonal nature of service contract renewals which peak in the fourth fiscal quarter.

Net cash used in operating activities was $5.0 million for the nine months ended December 31, 2019 which is primarily attributable to a decrease of $17.1 million in deferred revenue related to the timing of service contract renewals which are historically more heavily weighted to our third and fourth fiscal quarters, a decrease in manufacturing and service inventory of $11.7 million and a decrease in accounts receivable of $11.7 million, partially offset by an increase in accounts payable of $7.6 million.

Cash Used in Investing Activities

Net cash used in investing activities was $7.3 million in the nine months ended December 31, 2020, which included approximately $3.1 million related to the Square Box Systems acquisition and capital expenditures. Net cash used in investing activities in the nine months ended December 31, 2019 consisted of fixed asset purchases.

Cash Provided by Financing Activities

Net cash provided by financing activities was $32.8 million in the nine months ended December 31, 2020 which included Senior Secured Term Loan borrowings of $19.4 million (net of lender fees of $0.6 million), $10.0 million in borrowings under the Paycheck Protection Program and the net pay-down of our Amended PNC Credit Facility.

Net cash provided by financing activities was $3.9 million in the nine months ended December 31, 2019 related primarily to borrowings under our credit facility.

Debt Profile and Covenants

PNC Credit Facility

We are party to the Amended PNC Credit Agreement, a senior secured revolving credit facility in an available principal amount equal to the lesser of (i) $45.0 million and (ii) the “borrowing base” (as defined under the Amended PNC Credit Agreement). The Amended PNC Credit Facility had a borrowing base of $27.0 million as of December 31, 2020, $19.2 million of which was available to us at that date.

On June 16, 2020, we entered into an amendment to the Amended PNC Credit Facility. The amendment, among other things, waived compliance with the total net leverage ratio, total leverage ratio, fixed charge coverage ratio, minimum average liquidity and minimum EBITDA financial covenants for the quarters ending on June 30, 2020, September 30, 2020, December 31, 2020, and March 31, 2021, added a financial covenant that requires a minimum monthly average undrawn availability level of $7.0 million for the period from June 30, 2020 through and including May 31, 2021, added a financial covenant that requires a minimum liquidity of not less than $10.0 million at the end of each quarter, beginning with the quarter ending June 30, 2021 and amended the covenant levels for the total net leverage ratio, total leverage ratio, fixed charge coverage ratio, and minimum EBITDA financial covenants, commencing with the quarter ending June 30, 2021. The Amended PNC Credit Facility continues to include a covenant that requires a minimum of $5.0 million of PNC qualified cash at all times. On December 10, 2020, we amended the Amended PNC Credit Facility to, among other things, allow the SBS acquisition. The amendment added a covenant requiring the us to maintain at least $30.0 million average liquidity (the “Average Liquidity Requirement”), as defined in the Amended PNC Credit Facility, for the preceding thirty days measured as of the last day of each month. If the Average Liquidity Requirement has not been satisfied during the period prior to the payment of the deferred payments related to the Square Box Systems acquisition, a reserve will be established to reduce borrowings availability under the Amended PNC Credit Facility in an amount equal to (a) $2.0 million during the period from the amendment date through the first anniversary of the amendment, and, (b) $1.0 million during the period from the first anniversary of the amendment through the second anniversary of the amendment

Senior Secured Term Loan

We are also party to a senior secured term loan facility in an aggregate principal amount of $185.2 million as of December 31, 2020 (the “Senior Secured Term Loan” and together with the Amended PNC Credit Agreement, the “Credit Agreements”). The Senior Secured Term Loan initially provided for borrowings of $165.0 million. The proceeds of the Senior Secured Term Loan were used to repay our previously outstanding long-term debt and fund our working capital requirements.

On June 16, 2020, we entered into an amendment to the Senior Secured Term Loan (the "June 2020 Term Loan Amendment"). The amendment provides an additional borrowing of $20.0 million which was immediately drawn in full. The amendment, among other things, waived compliance with the total net leverage ratio, fixed charge coverage ratio, minimum liquidity and minimum EBITDA financial covenants for the quarters ending on June 30, 2020, September 30, 2020, December 31, 2020, and March 31, 2021, added a financial covenant that requires a minimum monthly average undrawn availability of $7.0 million under the Amended PNC Credit Facility during the period from June 30, 2020 through and including May 31, 2021 and amended the covenant levels for the total net leverage ratio, fixed charge coverage ratio, and minimum EBITDA financial covenants, commencing with the quarter ending June 30, 2021. On December 10, 2020, we amended the Senior Secured Term Loan to, among other things, allow the SBS acquisition.

Paycheck Protection Program

On April 13, 2020, we entered into a Paycheck Protection Program (the “PPP”) Term Loan (the “PPP Loan”) effective April 11, 2020 with PNC in an aggregate principal amount of $10.0 million pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act). The PPP Loan bears interest at a fixed rate of 1% per annum. The PPP Loan has an initial term of two years and is unsecured and guaranteed by the Small Business Administration. We used the proceeds from the PPP Loan for qualifying expenses as defined in the PPP Loan and has applied for forgiveness of the PPP Loan in accordance with the terms of the CARES Act. However, we cannot assure at this time that the PPP Loan will be forgiven partially or in full.

Commitments and Contingencies

Our contingent liabilities consist primarily of certain financial guarantees, both express and implied, related to product liability and potential infringement of intellectual property. We have little history of costs associated with such indemnification requirements and contingent liabilities associated with product liability may be mitigated by our insurance coverage. In the normal course of business to facilitate transactions of our services and products, we indemnify certain parties with respect to certain matters, such as intellectual property infringement or other claims. We also have indemnification agreements with our current and former officers and directors. It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of our indemnification claims, and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these agreements have not had a material impact on our operating results, financial position or cash flows.

We are also subject to ordinary course litigation and potential costs related to our financial statement restatement activities and related legal costs.

Off Balance Sheet Arrangements

Except for the indemnification commitments described under "—Commitments and Contingencies" above, we do not currently have any other off-balance sheet arrangements and do not have any holdings in variable interest entities.

Contractual Obligations

We have contractual obligations and commercial commitments, some of which, such as purchase obligations, are not recognized as liabilities in our financial statements. There have not been any other material changes to the contractual obligations disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020.

Critical Accounting Estimates and Policies

The preparation of our consolidated financial statements in accordance with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report on Form 10-Q. On an ongoing basis, we evaluate estimates, which are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. We consider certain accounting policies to be critical to understanding our financial statements because the application of these policies requires significant judgment on the part of management, which could have a material impact on our financial statements if actual performance should differ from historical experience or if our assumptions were to change. Our accounting policies that include estimates that require management's subjective or complex judgments about the effects of matters that are inherently uncertain are summarized in our most recently filed Annual Report on Form 10-K for the fiscal year ended March 31, 2020 under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Critical Accounting Policies." For additional information on our significant accounting policies, see Note 1 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Recently Issued and Adopted Accounting Pronouncements

See Note 1 to the notes to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q and in our most recently filed Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our quantitative and qualitative disclosures about market risk from those described under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our most recent Annual Report on Form 10-K, which such section is incorporated herein by reference.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive and principal financial officers, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities

Exchange Act of 1934), as of the end of the period covered by this quarterly report. Based on such evaluation, our principal executive and principal financial officers have concluded that as of such date, our disclosure controls and procedures were effective at the reasonable assurance level described below.

Changes in Internal Control

In connection with the evaluation required by Rule 13a-15(d) under the Securities Exchange Act of 1934, there were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 10, Commitments and Contingencies, of the notes to the unaudited consolidated financial statements for a discussion of our legal matters.

ITEM 1A. RISK FACTORS

There have been no material changes to the previously disclosed risk factors discussed in Part 1 “Part I, Item 1A, Risk Factors” in our Annual Report on Form 10-K for the year ended March 31, 2020. You should consider carefully these factors, together with all of the other information in this Quarterly Report on Form 10-Q, including our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, before making an investment decision.

ITEM 6. EXHIBITS

The exhibits required to be filed or furnished as part of this Quarterly Report are listed below. Notwithstanding any language to the contrary, exhibits 32.1 and 32.2 shall not be deemed to be filed as part of this Quarterly Report for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or deemed to be incorporated by reference into any filing under the Exchange Act or the Securities Act of 1933, except to the extent that The Company specifically incorporates it by reference.

		Incorporated by Reference			
Exhibit Number	Exhibit Description	Form	Filing Date	Exhibit	Filed or Furnished Herewith
2.1	Stock Purchase Agreement between Quantum Corporation and the securityholders of Square Box Systems Limited, a company incorporated in England and Wales, dated December 12, 2020.	8-K	12/14/2020	2.1	
4.1	Registration Rights Agreement between Quantum Corporation and the securityholders of Square Box Systems Limited, a company incorporated in England and Wales, dated December 12, 2020.	8-K	12/14/2020	4.1	
10.1	Sales Agreement, dated November 25, 2020 by and between Quantum Corporation and B. Riley Securities, Inc.	8-K	11/25/2020	10.1	
10.2	Amendment No. 5 to Term Loan Credit and Security Agreement, dated as of December 10, 2020, among the Company, Quantum LTO Holdings, LLC, and the lenders party thereto.	8-K	12/14/2020	10.1	
10.3	Fourth Amendment to Amended and Restated Revolving Credit and Security Agreement, dated as of December 10, 2020, among the Company, Quantum LTO Holdings, LLC, the lenders party thereto, and PNC Bank, National Association, as administrative agent for such lenders.	8-K	12/14/2020	10.2	
10.4	Quantum Corporation Severance Benefit Plan and Summary Plan Description dated January 29, 2018				X
10.5	Quantum Employee Release of Claims dated November 4, 2020				X
23.1	Consent of Armanino LLP, independent registered public accounting firm.	S-3	11/25/2020	23.1	
31.1	Certification of the Principal Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of the Principal Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002				X
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002				X
101	Interactive data files				X
104	Cover page interactive data file, submitted using inline XBRL (contained in Exhibit 101)				X

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Quantum Corporation (Registrant)
January 27, 2021	/s/ J. Michael Dodson
(Date)	J. Michael Dodson Chief Financial Officer (Principal Financial Officer)

Exhibit 10.4

QUANTUM CORPORATION

SEVERANCE BENEFIT PLAN
AND SUMMARY PLAN DESCRIPTION

Effective January 29, 2018

(as updated on June 9, 2020)

Exhibit 10.4

QUANTUM CORPORATION

SEVERANCE BENEFIT PLAN AND SUMMARY PLAN DESCRIPTION

(as updated on June 9, 2020)

INTRODUCTION.

Effective January 29, 2018

The Quantum Corporation Severance Benefit Plan (the "Plan") was established by Quantum Corporation ("Quantum") effective January 29, 2018, and was updated on June 9, 2020. The purpose of the Plan is to provide for the payment of severance benefits to certain employees of Quantum and its subsidiaries, whose employment is involuntarily terminated as a result of an Eligible Event. The Plan supersedes any severance benefit plan, policy or practice previously maintained by Quantum or its subsidiaries. This Plan document is also the Summary Plan Description for the Plan.

SECTION 1. ELIGIBILITY FOR BENEFITS.

a. General Rules. Subject to the exceptions set forth in Section 1.2 below, Quantum will grant severance benefits under the Plan to Eligible Team Members. An "Eligible Team Member" is a regular full-time or regular part-time employee (as designated by Quantum) whose employment with Quantum or a subsidiary of Quantum is involuntarily terminated due to a reduction in force or reorganization of a facility or operation, where Quantum determines in advance that the Plan is applicable to such event (an "Eligible Event"). The determination whether an Eligible Event has occurred will be made by Quantum, in its sole discretion. In no event will temporary employees, supplemental employees, leased employees, contractors, subcontractors or any others who are not designated by Quantum, in its sole discretion, as regular full-time or regular part-time employees be eligible for severance benefits under the Plan. To be eligible to receive severance benefits under the Plan, an Eligible Team Member must remain on the job until his or her scheduled date of termination of employment ("Termination Date") unless otherwise authorized in writing by Quantum in its sole discretion, and must execute and not revoke an Employee Release of Claims in the form required by Quantum ("Release"), with such Release to become effective in accordance with its terms prior to payment.

b. Exceptions. Certain Eligible Team Members are not eligible for severance benefits under the Plan. Severance benefits will not be provided to such Eligible Team Members in the following situations:

i. The Eligible Team Member voluntarily terminates employment with Quantum for any reason prior to his or her Termination Date. Voluntary termination includes, but is not limited to, resignation, retirement, failure to return from a vacation, leave of absence on the scheduled date, etc.;

i. Where the Eligible Team Member is offered employment with comparable salary and responsibilities (as reasonably determined by Quantum) by Quantum, any affiliate of Quantum, any new owner of Quantum or division of Quantum, or outsourced entity and the position offered to the Eligible Team Member is no more than 50 miles from his or her then current work location immediately prior;

ii. Where the Eligible Team Member is involuntarily terminated from Quantum for Cause. “Cause” means (i) an act of misconduct or personal dishonesty, (ii) continued documented poor performance, or (iii) continued violations by the Eligible Team Member of the Eligible Team Member’s obligations to Quantum, which are demonstrably willful and deliberate on the Eligible Team Member’s part.

SECTION 2. AMOUNT OF BENEFIT.

a. Determination of Benefit. Each time Quantum determines that an Eligible Event has occurred, it will determine the class or classifications of Eligible Team Members and any special rules applicable to them. Such information, along with the schedule of benefits payable to the class or classifications of Eligible Team Members will be set forth in one or more Appendices to the Plan. The amount of Plan benefits payable to Eligible Team Members in a given situation will be determined in accordance with the Appendix applicable to the class or classifications of such Eligible Team Members. Only the Appendix applicable to the class of applicable an Eligible Team Member will be attached to the Plan document and summary plan description provided to such Eligible Team Member.

b. Offset for Other Payments or Benefits. Notwithstanding the foregoing, if an Eligible Team Member receives termination benefits under, (i) any other severance plan, policy, program or arrangement sponsored by Quantum, any affiliate or new owner of Quantum or any Quantum business unit, or outsourced entity; or (ii) a contract between Quantum and Eligible Team Member for change of control benefits, the benefit otherwise payable under this Plan will be reduced by a corresponding amount to the extent permissible by law, unless such other severance plan, program, policy, arrangement or contract specifically provides that the benefits payable thereunder are in addition to the benefits payable under this Plan. Furthermore, the benefit payable under this Plan will be reduced, to the extent provided in the applicable Appendix, by the amount of any benefit required to be paid under the Worker Adjustment and Retraining Notification Act (the “WARN Act”) or any other federal, state or local law (including, without limitation, so- called “plant closing” or “mass layoff” laws) requiring Quantum to give advance notice or make a payment of any kind to an Eligible Team Member because of that Eligible Team Member’s termination of employment due to a reduction in force, plant or facility closing, sale of business, change of control, or any other similar event or reason (“Other Applicable Laws”). In no event will an Eligible Team Member be entitled to a Plan benefit greater than the reduced amount described above, so that, unless otherwise provided in the applicable Appendix, the sum of the Plan benefit hereunder and the benefits required under the WARN Act or Other Applicable Laws, if any, will not exceed the greater of (i) the stated benefit amount under the Plan prior to reduction hereunder or (ii) the benefit amount mandated under the WARN Act or Other Applicable Laws.

SECTION 3. TIME OF PAYMENT AND FORM OF BENEFIT.

Quantum will pay Plan benefits based on the time and form of payment stated in the applicable Appendices attached to the Plan, provided, however, no severance payments will be made under the Plan after the 15th day of the third month, of the calendar year (March 15th) that immediately follows the calendar year in which occurred the Eligible Team Member's Termination Date, or, if later, the 15th day of the third month of the fiscal year of the Company (June 15th) that immediately follows the fiscal year in which occurred the Eligible Team Member's Termination Date, and all in-kind or reimbursement benefits provided under the Plan will be paid within the time periods under Treasury Regulation section 1.409A-1(b)(9). In no event will payment of any Plan benefit be made prior to the Eligible Team Member's Termination Date or prior to the payment date set forth in the applicable Appendix.

SECTION 4. REEMPLOYMENT.

If an Eligible Team Member is rehired by Quantum or a subsidiary after receiving or becoming eligible to receive severance payments under the Plan, any severance payments not yet received will cease immediately upon such Eligible Team Member's reemployment by Quantum or the subsidiary. If an Eligible Team Member received severance payments under the Plan prior to becoming reemployed by Quantum or the subsidiary, the Eligible Team Member will be required to repay to Quantum the amount of any severance payment received (expressed as Weeks' of Pay) which is in excess of the number of weeks between the Eligible Team Member's Termination Date and the date the Eligible Team Member was reemployed.

SECTION 5. HEALTHCARE BENEFITS.

a. Extended Subsidized Healthcare Coverage. Each Eligible Team Member enrolled in the Quantum Corporation Welfare Benefit Plan (the "Health Plan") as of his or her Termination Date and who receives severance benefits under Section 2 will be provided with extended subsidized healthcare coverage (medical, dental, vision and EAP benefits) under the Health Plan for himself or herself and for his or her covered dependents for the period of time, and at the cost, specified in the applicable Appendix. On or before the date the period of extended subsidized healthcare coverage is to terminate, Quantum will notify the Eligible Team Member of any further right to continue healthcare coverage, and the cost of such coverage, as provided in the Health Plan.

b. Non-Subsidized Continuation Coverage. In the event that no period of extended subsidized healthcare coverage under the Health Plan is provided by the applicable Appendix, each Eligible Team Member who is enrolled in the Health Plan as of his or her Termination Date and who receives severance benefits under Section 2 will have the right to elect to continue healthcare coverage for himself or herself and his or her eligible dependents following termination of employment under the normally applicable coverage continuation provisions of the Plan or COBRA. Quantum and its subsidiaries will not provide any subsidy toward the cost of such continuation coverage.

c. Other Plan Benefits. All non-healthcare benefits (such as life insurance and disability coverage) terminate as of the Eligible Team Member's Termination Date, unless otherwise provided in the applicable Appendix The benefits of the Eligible Team Member under any plan or bonus program or any qualified retirement plan sponsored or maintained by Quantum or a subsidiary are governed solely by the terms of those programs or plans, and will not be affected by payments under this Plan. Specifically, the determination of whether severance benefits payable under this Plan are subject to salary deferral under any qualified cash or deferred arrangement sponsored by Quantum or any affiliate thereof will be governed by the terms of the applicable plan, as interpreted by the Quantum Savings and Investment Plan Administrative Committee or other applicable plan administrative committee in accordance with its authority under such plan.

SECTION 6. OUTPLACEMENT BENEFITS.

An Eligible Team Member who receives severance benefits under Section 2 will be eligible to participate in a counseling and training program to assist the Eligible Team Member in his or her transition to other employment for the period specified in the applicable Appendix, if such outplacement benefits are provided in the applicable Appendix. All outplacement benefits may not be exchanged for cash or other benefits.

SECTION 7. RIGHT TO AMEND OR TERMINATE.

a. Other Severance Arrangements. Quantum reserves the right to make other arrangements regarding severance benefits in special circumstances. In no event will such other arrangement serve to modify, amend or change the terms of this Plan or any Appendix.

b. Amendment or Termination. Quantum also reserves the right to amend or discontinue this Plan or the benefits provided hereunder at any time; provided, however, that no such amendment or termination will affect the right to any benefit earned hereunder in reliance on the Plan. Any action amending or terminating the Plan will be in writing and executed by Quantum's Chief Financial Officer.

SECTION 8. NO IMPLIED EMPLOYMENT CONTRACT.

The Plan will not be deemed (i) to create a contract of employment; (ii) to interfere with the right of Quantum or its subsidiaries to terminate the employment of any Eligible Team Member or other person at any time, with or without cause, which right is hereby reserved.

SECTION 9. LEGAL CONSTRUCTION.

This Plan is governed by and will be construed in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA") and, to the extent not preempted by ERISA, with the laws of the State of California.

SECTION 10. CLAIMS, INQUIRIES AND APPEALS.

a. Applications for Benefits and Inquiries. Any application for benefits, inquiries about the Plan or inquiries about present or future rights under the Plan must be submitted to Quantum in writing, addressed as follows:

Quantum Corporation Severance Benefit Plan
c/o Vice President, Human Resources 8560 Upland Dr.
Englewood, CO 80112

a. Denial of Claims. In the event that any application for benefits is denied in whole or in part, Quantum will notify the Eligible Team Member applicant, in writing, of the denial of benefits, and of the applicant's right to a review of the denial. The written notice of denial will be set forth in plain English designed to be understood by the applicant, and will include specific reasons for the denial, specific references to the Plan provision upon which the denial is based, a description of any information or material that Quantum needs to complete the review and an explanation of the Plan's review procedure.

i. This written notice will be given to the applicant within ninety (90) days after Quantum receives the application, unless special circumstances require an extension of time, in which case, Quantum may take up to an additional ninety (90) days for processing the application. If an extension of time for processing is required, written notice of the extension will be furnished to the applicant before the end of the initial ninety (90) day period.

1. This notice of extension will describe the special circumstances necessitating the additional time and the date by which Quantum is to render its decision on the application for benefits. If written notice of denial of the application for benefits is not furnished within the specified time, the application will be deemed to be denied. The applicant will then be permitted to appeal the denial in accordance with the Review Procedure described below.

a. Review Panel. Quantum will appoint a "Review Panel," consisting of three individuals who may, but need not, be Eligible Team Members of Quantum.

b. Request for a Review. Any person (or that person's authorized representative) whom an application for benefits is denied (or deemed denied), in whole or in part, may appeal the denial by submitting a request for a review to the Review Panel within sixty (60) days after the application is denied (or deemed denied). Quantum will give the applicant (or his or her representative) an opportunity to review pertinent documents in preparing a request for a review. A request for a review must be in writing and must be addressed to: Review Panel Under the Quantum Corporation Severance Benefit Plan, c/o Quantum Corporation Human Resources Department., 10125 Federal Drive, Colorado Springs, CO 80908. A request for a review must set forth all of the grounds on which it is based, all facts in support of the request and any other matters that the applicant feels are relevant. The Review Panel may require the applicant to submit additional facts, documents or other materials as it may find necessary or appropriate in making its review.

c. Decision on Review. The Review Panel will act on each request for review within sixty (60) days after receipt of the request, unless special circumstances require an extension of time (not to exceed an additional sixty (60) days), for processing the request for a review. If an extension for review is required, written notice of the extension will be provided to the applicant within the initial sixty (60) day period. The Review Panel will give prompt, written notice of its decision to the applicant and to Quantum. In the event that the Review Panel confirms the denial of the application for benefits in whole or in part, the notice will outline, in plain English, so it can be calculated to be understood by the applicant, the specific Plan provisions upon which the decision is based. If written notice of the Review Panel's decision is not given to the applicant within the time noted in this Section 10.5, the application will be deemed denied on review.

a. Rules and Procedures. The Review Panel will establish rules and procedures, consistent with the Plan and with ERISA, as necessary and appropriate in carrying out its responsibilities. The Review Panel may require an applicant who wishes to submit additional information in connection with an appeal from the denial (or deemed denial) of benefits to do so at the applicant's own expense.

b. Exhaustion of Remedies. No legal action for benefits under the Plan may be brought until the claimant (i) has submitted a written application for benefits in accordance with the procedures described by Section 10.1 above, (ii) has been notified by Quantum that the application is denied (or the application is deemed denied due to Quantum's failure to act on it within the established time period), (iii) has filed a written request for a review of the application in accordance with the appeal procedure described in Section 10.4 above, and (iv) has been notified in writing that the Review Panel has denied the appeal (or the appeal is deemed to be denied due to the Review Panel's failure to take any action on the claim within the time prescribed by Section 10.5 above).

SECTION 11. BASIS OF PAYMENTS TO AND FROM PLAN.

All benefits under the Plan will be paid by Quantum. The Plan is unfunded, and benefits hereunder are payable only from the general assets of Quantum.

SECTION 12. PLAN ADMINISTRATION AND INTERPRETATION.

Quantum is the named fiduciary that has the authority to control and manage the administration and operation of the Plan. Quantum will have the sole and complete discretion to interpret and administer the terms of the Plan and to determine eligibility for benefits and the amount of any such benefits pursuant to the terms of the Plan, and in so doing Quantum may correct defects, supply omissions and reconcile inconsistencies to the extent necessary to carry out the Plan, and such actions will be conclusive and binding on all persons. Quantum will prescribe such forms, make such rules, regulations, interpretations and computations and will take such other action to administer the Plan as it may deem appropriate. In administering the Plan, Quantum will act in a nondiscriminatory manner to the extent legally required and will at all times discharge its duties with respect to the Plan in accordance with the standards set forth in the applicable sections of ERISA.

SECTION 13. OTHER PLAN INFORMATION.

a. Employer and Plan Identification Numbers. The Employer Identification Number **(EIN)** assigned to Quantum (which is the "plan sponsor" as that term is used in ERISA) by the Internal Revenue Service is 94-2665054. The Plan Number (PN) assigned to the Plan by the Plan Sponsor pursuant to the instructions of the Internal Revenue Service is 501.

b. Ending Date for Plan's Fiscal Year. The date of the end of the fiscal year for the purpose of maintaining the Plan's records is March 31st of each calendar year.

c. Plan Administration: The Plan Administrator is Vice President, Human Resources and the Plan is self-administered by Quantum.

d. Service of Process: Process may be served on the Plan by directing such legal process to:

Attn: Vice President, Human Resources 8560 Upland Dr.
Englewood, CO 80112

In addition, service of legal process may be made upon the Plan Administrator.

e. Type of ERISA Plan, Contributions, and Funding: The Plan is an ERISA welfare benefit plan. Contributions necessary to finance the Plan are made by Quantum. Plan benefits are paid out of general assets of Quantum.

SECTION 14. STATEMENT OF ERISA RIGHTS.

As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan participants shall be entitled to:

◦ Examine, without charge, at the plan administrator's office, all documents governing the plan, and a copy of the latest annual report (Form 5500 Series) filed by the plan (if applicable) with the U.S. Department of Labor and available at the Public Disclosure Room at the Employee Benefits Security Administration.

◦ Obtain, upon written request to the Plan Administrator, copies of all the documents governing the operation of the Plan, and copies of the latest annual report (Form 5500 Series, if applicable) and updated summary plan description. The administrator may make a reasonable charge for the copies.

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the plan, called fiduciaries of the plan, have a duty to do so prudently and in the interest of you and other participants and beneficiaries.

No one, including your Employer, your union, or any other person, may terminate your employment or otherwise discriminate against you in any way for the purpose of preventing you from obtaining a pension or welfare benefit or exercising your rights under ERISA.

If your claim for a benefit is denied or ignored, in whole or in part, you have the right to know why this was done, obtain copies of documents relating to the decision without charge and to appeal any denial, all within certain time schedules. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator.

If you have a claim for benefits which is denied or ignored, in whole or in part, after you have appealed the claim through the plan's claims procedures, you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

If you have voluntarily entered into a binding arbitration agreement with your Employer, your right to file suit in a Federal court may be limited by that arbitration agreement. If you have any questions about this Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration at **1-866-444-EBSA (3272)**.

SECTION 15. EXECUTION.

To reaffirm and record the adoption of the Plan as set forth herein, effective as of January 29, 2018, as updated on June 9, 2020, Quantum Corporation has caused its duly authorized officer to execute the same this 9th day of June 2020.

/s/ J. Michael Dodson
J. Michael Dodson
Chief Financial Officer

Appendix F

Tier 6 Team Members

Quantum Corporation Severance Benefit Plan

Effective January 29, 2018
(as updated on June 9, 2020)

Until such time as this Appendix is superseded, Quantum has determined that any Eligible Event that occurs on or after January 29, 2018 will trigger the following benefits and/or payment to Eligible Tier 6 Team Members:

1. **Eligibility.** Quantum will grant severance benefits under the Plan to Eligible Team Members. An "Eligible Team Member" is a regular full-time or regular part-time employee (as designated by Quantum) whose employment with Quantum or a subsidiary of Quantum is involuntarily terminated due to a reduction in force or reorganization of a facility or operation, where Quantum determines in advance that the Plan is applicable to such event (an "Eligible Event"). The determination whether an Eligible Event has occurred will be made by Quantum, in its sole discretion. In no event will temporary employees, leased employees, contractors, subcontractors or any others who are not designated by Quantum in its sole discretion, as regular full-time or regular part-time employees be eligible for severance benefits under the Plan.

    a. In addition to the requirements for eligibility above, to be eligible to receive severance benefits under the Plan, an Eligible Team Member must remain on the job until his or her scheduled Termination Date unless otherwise authorized in writing by Quantum in its sole discretion; and

    a. In the case of a Tier 6 Team Member, he or she must additionally execute the applicable Employee Release of Claims ("Release") and such Release must become effective in accordance with its terms prior to payment.

1. Severance Pay.

    a. An Eligible Team Member who is a Tier 6 Team Member on the Notification Date will receive Severance Pay in an amount equal to twenty-six (26) Weeks of Pay. Severance Pay paid to a Tier 6 Team Member will not exceed a total of twenty-six (26) Weeks of Pay.

    a. A Tier 6 Team Member is an Eligible Team Member who is in Grades 98A-98B.

1. **Timing of Payments.** All Severance Pay hereunder will be paid to the Tier 6 Team Member in a single lump sum (less applicable income and employment withholding taxes and

any other required deductions) as of the payment date specified in the applicable Release provided to the Tier 6 Team Member.

1. **Outplacement Assistance.** Each Tier 6 Team Member will receive outplacement assistance through state and/or federal services or, in Quantum's sole discretion a cash stipend to assist the Tier 6 Team Member in his or her transition to other employment.

1. Continuation of Health Insurance Benefits.

    a. Each Tier 6 Team Member who is enrolled in the Quantum Corporation Welfare Benefit Plan at the Tier 6 Team Member's Termination Date will be provided with extended coverage of the Tier 6 Team Member's healthcare benefits (medical, dental and/or vision) in effect at the Tier 6 Team Member's Termination Date with such extended coverage continuing through the last day of the month in which occurs the Tier 6 Team Member's Termination Date. The Tier 6 Team Member will reimburse Quantum for that portion of the applicable monthly insurance premium that such Tier 6 Team Member would have paid for such healthcare coverage had the Tier 6 Team Member remained employed with Quantum.

    a. Prior to the end of the month of the extended healthcare coverage provided to the Tier 6 Team Member in Section 5(a) above, the Tier 6 Team Member will be provided with the opportunity to elect healthcare continuation coverage under COBRA. If the Tier 6 Team Member elects healthcare continuation coverage under COBRA, Quantum will subsidize up to the first twelve months of such continuation coverage at the same monthly cost Quantum would have paid for such healthcare coverage had the Tier 6 Team Member remained employed with Quantum. The Tier 6 Team Member will reimburse Quantum for that portion of the applicable insurance premium that such Tier 6 Team Member would have paid for such healthcare coverage if such Tier 6 Team Member had remained employed with Quantum. For each month of healthcare continuation coverage under COBRA thereafter, the Tier 6 Team Member will be responsible for paying the full cost of such coverage. The Tier 6 Team Member will reimburse Quantum the cost of this coverage. If the Tier 6 Team Member fails to make timely payment of his or her cost for such coverage, such coverage will terminate effective as of the first day of the period for which timely payment was not received. A Tier 6 Team Member's payment of his or her cost for such coverage shall be considered timely if such payment is received by Quantum on or before the thirtieth (30th) day following the first day of the period for which such payment is being made, or such later date permitted under the plan documents governing the terms under which such coverage is provided to the Tier 6 Team Member for the period of coverage in question.

1. **Prior Appendix Superseded.** Effective as of the date set forth above, this Appendix supersedes each and every prior Appendix under the Plan applicable to any and all Tier 6 Team Members.

1. Definitions.

    a. The "Notification Date" means the date the Tier 6 Team Member is notified by Quantum of his or her involuntary termination of employment with Quantum or a subsidiary of Quantum, as applicable.

a. The “Termination Date” means the date established by Quantum as the Tier 6 Team Member’s date of termination of employment with Quantum or a subsidiary of Quantum, as applicable.

a. A “Tier 6 Team Member” means an Eligible Team Member who is in Grades 98A-98B.

a. A “Week of Pay” means, for a Tier 6 Team Member who is paid on a salaried basis, his or her base salary (excluding commissions or other variable pay, bonuses and car allowances) determined on a weekly basis and, for a Tier 6 Team Member who is paid on an hourly basis, his or her hourly rate of pay (excluding overtime, bonuses, and shift and

lead differentials) multiplied by the number of hours in his or her regular weekly work schedule.

a. A “Year of Service” means, except as provided below, each full twelve-month period of regular (not temporary or other non-regular) employment completed with Quantum, with an affiliate of Quantum or with any company that was acquired by Quantum. Notwithstanding the previous sentence, in determining a Tier 6 Team Member’s Years of Service for purposes of calculating the amount of his or her severance pay under this Appendix:

  i. Periods of employment prior to a break in service of two (2) years or longer shall be disregarded.

  i. Periods of employment with respect to which a Tier 6 Team Member previously received severance pay in connection with a prior termination of employment under the Plan or any other severance plan, program or arrangement maintained by Quantum, a company that is wholly or partly owned by Quantum or a company that owns Quantum in whole or in part (“Prior Severance Pay”) shall be disregarded, as follows:

    1. In the case of such a Tier 6 Team Member who was rehired after having received the full amount of Prior Severance Pay to which he or she was then entitled, all periods of employment prior to the date of rehire shall be disregarded; and

    1. In the case of such a Tier 6 Team Member who, by reason of being rehired, did not receive the full amount of Prior Severance Pay to which he or she would have been entitled if not rehired, there shall be disregarded such pro rata portion of his or her prior employment that corresponds to the portion of the total Prior Severance Pay actually received.

Quantum

EMPLOYEE RELEASE OF CLAIMS

I understand and agree completely to the terms set forth in the Quantum Corporation Severance Benefit Plan, made effective January 29, 2018, as update on June 9, 2020 (the "Plan"), a copy of which I acknowledge receiving with this Release along with the appendix applicable to me based on my employee Tier level.

I understand that this Release, together with the Plan, constitutes the complete, final, and exclusive embodiment of the entire agreement between Quantum Corporation (hereinafter "Quantum" or "Company") and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company that is not expressly stated therein. Certain capitalized terms used in this Release are defined in the Plan.

1. Quantum's Consideration For Agreement: As consideration for my release of claims in this Release, Quantum will pay or otherwise make available to me those severance benefits made available to Eligible Team Members under the Plan (as applicable to my employee Tier level) and pursuant to the terms and conditions of which are stated in the Plan. I acknowledge and agree that this consideration (1) is a sufficient enticement for my voluntary release of all claims, and (2) is in addition to anything of value that I am already entitled to in the absence of this Release. I understand that any cash severance benefits to which I become entitled will be paid in a single lump sum (less all applicable payroll deductions).

I understand that I have forty-five (45) days to consider this Release (although I may choose voluntarily to sign this Release earlier); I have seven (7) days following the date I sign this Release to revoke the Release by providing written notice to an officer of the Company; this Release shall not be effective until the date upon which the revocation period has expired, which shall be the eighth (8th) day after I sign this Release. Quantum reserves the right to make this payment as early as the first payroll date following the expiration of the seven (7) day revocation period. If this Agreement does not become effective before the payment date that is described in the preceding sentence, I understand that I will not be entitled to the severance pay described in this Agreement.

2. Waiver of All Legal Claims: In consideration for the payments and promises described above, I hereby completely release and forever discharge Quantum and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from all claims, rights, obligations, and causes of action of any and every kind and character, known or unknown, which I may now have, or has ever had, arising from or in any way connected with events, acts, conduct, or omissions occurring at any time prior to and including the date I sign this Release, including, without limitation, anything related to the employment relationship between the parties, any actions during that relationship, or the termination of that relationship.

This release includes but is not limited to: a) all "wrongful discharge" or "wrongful termination" claims; b) all claims relating to any contracts of employment, express or implied; c) all claims for breach of any covenant of good faith and fair dealing, express or implied; d) all claims for any tort of any nature; e) all claims for attorney's and accountant's fees and costs; and f) all claims under any federal, state, or municipal statute, ordinance, regulation or constitution, including specifically any claims under the California Fair Employment and Housing Act, the California Labor Code, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, as amended (the "ADEA") the Americans With Disabilities Act, the Employee Retirement Income Security Act and any other laws or regulations relating to employment or employment discrimination.

3. Confidentiality Provision: I agree that the terms and conditions of this Agreement are **strictly confidential** and shall not be disclosed to any other person except his immediate family, his legal counsel, taxing authorities in connection with his filing of federal or state tax returns, or as otherwise required by legal process or applicable law. If I make authorized disclosure of this Agreement to such third parties, I shall do whatever possible to prevent further dissemination or disclosure of that information by those persons. The parties agree that damages for breach of this confidentiality provision would be difficult to prove with certainty. Accordingly, I agree that if I breach this confidentiality provision I shall pay to Quantum liquidated damages of five hundred dollars ($500) for each breach, which sum is a reasonable estimate of the damages to Quantum likely to result from such breach. Quantum shall be entitled to immediate injunctive relief to enforce this confidentiality provision and I shall be further liable for Quantum's reasonable attorney fees incurred in any effort to remedy my breach of this provision.

1. Acknowledgment of Civil Code § 1542: I acknowledge that I have read and understand Section 1542 of the California Civil Code, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS O R H E R FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

I hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to my release of any claims hereunder.

Nothing in this agreement precludes me from filing a claim with an administrative agency so long as I expressly waive my right to receive monetary compensation for such a filing.

2. Unemployment Compensation: The parties agree that termination of my employment by Quantum should be considered an involuntary termination for purposes of determining my eligibility for unemployment compensation benefits, subject to the ultimate determination of eligibility for benefits by the applicable governmental agencies.

3. Non-Admission Clause: Nothing in this Agreement shall be construed as an admission by Quantum of any wrongdoing by the Company or any liability arising from the subjects covered in this Agreement.

4. Entire Agreement: This Agreement constitutes the entire understanding of the parties on the subjects covered. I expressly warrant that: a) I have read and fully understand this Agreement; b) I have had the opportunity to consult with legal counsel of my own choosing and to have the terms of the Agreement fully explained to me; c) I am not executing this Agreement in reliance on any promises, representations or inducements other than those contained in this document; and d) I am executing this Agreement voluntarily, free of any duress or coercion.

5. Effective Date: This Agreement shall become effective on the eighth (8th) day following the date on which I sign it. It is understood that I may revoke my consent to this Agreement in the seven-day period following the date on which I sign the Agreement.

6. Compliance with Older Workers Benefit Protection Act: I acknowledge that Quantum has advised me: a) that I should consult with an attorney prior to signing this Agreement; b) that I have forty-five (45) days in which to consider whether I should sign this Agreement; and c) that if I sign this Agreement, I will be given seven (7) days following the date in which I sign to revoke the Agreement and it would not be effective until after this seven-day period had lapsed.

I also acknowledge that I knowingly and voluntarily waive and release any rights I have under the ADEA, and that the consideration given under the Plan for the waiver and release contained herein is in addition to anything of value to which I was already entitled under law, such as accrued but unused vacation or certain other accrued compensation and/or benefits. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) my waiver and release do not apply to any rights or claims that may arise after the date I sign this Release; (b) I should consult with an attorney prior to signing this Release (although I may choose voluntarily not to do so); (c) I have forty-five (45) days to consider this Release (although I may choose voluntarily to sign this Release earlier); (d) I have seven (7) days following the date I sign this Release to revoke the Release by providing written notice to an officer of the Company; (e) this Release shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day after I sign this Release; and (f) I have received the eligibility criteria for receipt of severance pay and benefits under the Plan.

1. **Return of Property:** To the extent I have not already done so, I shall, upon my last day of regular employment, return to Quantum, all Quantum property, including all keys, credit cards, files, documents, business records, customer records, computer discs, computer, telephone and other Quantum property and assets that may be in my possession or control.

2. **Non-Disparagement:** I agree not to make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action, which may, directly or indirectly, disparage Quantum, its officers, directors, employees, advisors, businesses, or reputations. Quantum agrees that it will not make statements or representations, or take any action which may, directly or indirectly, disparage me or my business or reputation. Notwithstanding the foregoing, nothing in this Agreement shall preclude me or Quantum from making truthful statements or disclosures that are required by applicable law, regulation, or legal process or are pursuant to an investigation by an administrative agency.

3. **Construction of Agreement:** This Agreement shall not be construed in favor of or against any of the parties hereto, regardless of which party initially drafted it. This Agreement was reached through arms-length negotiations by the parties and their respective counsel, and it represents a final, mutually agreeable compromise.

4. **Counterparts:** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall be deemed to be one and the same instrument.

5. **Severability**: The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

Read and Accepted by:

Employee Name: /s/ Don Martella
Don Martella

Date: 11/4/20

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, James J. Lerner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Quantum Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: January 27, 2021

/s/ James J. Lerner
James J. Lerner
Chairman of the Board of Directors,
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, J. Michael Dodson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Quantum Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: January 27, 2021

/s/ J. Michael Dodson
J. Michael Dodson
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

I, James J. Lerner, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Quantum Corporation, on Form 10-Q for the quarterly period ended December 31, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Quantum Corporation.

Date: January 27, 2021

/s/ James J. Lerner
James J. Lerner
Chairman of the Board of Directors,
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

I, J. Michael Dodson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Quantum Corporation, on Form 10-Q for the quarterly period ended December 31, 2020, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects he financial condition and results of operations of Quantum Corporation.

Date: January 27, 2021

/s/ J. Michael Dodson
J. Michael Dodson
Chief Financial Officer
(Principal Financial Officer)