

**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 **September 30, 2021**
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 Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

94-2665054

(I.R.S. Employer Identification No.)

224 Airport Parkway Suite 550
San Jose CA

(Address of Principal Executive Offices)

95110

(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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 November 1, 2021, there were 59,281,377 shares of Quantum Corporation's common stock issued and outstanding.

QUANTUM CORPORATION
QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended September 30, 2021

Table of Contents

	Page
Note about forward looking statements	1
PART I	
Item 1.	Financial Statements (unaudited):
	Condensed Consolidated Balance Sheets
	Condensed Consolidated Statements of Operations and Comprehensive Loss
	Condensed Consolidated Statements of Cash Flows
	Condensed Consolidated Statements of Stockholders' Deficit
	Index to Notes to Condensed Consolidated Financial Statements
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 3.	Quantitative and Qualitative Disclosures About Market Risk
Item 4.	Controls and Procedures
PART II	
Item 1.	Legal Proceedings
Item 1A.	Risk Factors
Item 6.	Exhibits
Signatures	30

As used in this Quarterly Report on Form 10-Q, 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

[Table of Contents](#)

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)

	September 30, 2021	March 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,757	\$ 27,430
Restricted cash	450	707
Accounts receivable, net of allowance for doubtful accounts of \$350 and \$406	63,098	73,102
Manufacturing inventories	28,848	24,467
Service parts inventories	23,564	23,421
Other current assets	11,451	6,939
Total current assets	150,168	156,066
Property and equipment, net	12,295	10,051
Intangible assets, net	9,132	5,037
Goodwill	10,262	3,466
Restricted cash	—	5,000
Right-of-use assets, net	7,917	9,383
Other long-term assets	8,684	5,921
Total assets	\$ 198,458	\$ 194,924
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$ 36,991	\$ 35,245
Deferred revenue	78,105	84,027
Accrued restructuring charges	20	580
Long-term debt, current portion	3,125	1,850
Accrued compensation	15,435	19,214
Other accrued liabilities	18,750	18,174
Total current liabilities	152,426	159,090
Deferred revenue	40,766	36,126
Long-term debt, net of current portion	101,368	90,890
Operating lease liabilities	6,818	8,005
Other long-term liabilities	13,073	13,058
Total liabilities	314,451	307,169
Commitments and contingencies (Note 10)		
Stockholders' deficit		
Preferred stock, 20,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 125,000 shares authorized; 59,272 and 56,915 shares issued and outstanding	593	570
Additional paid-in capital	636,538	626,664
Accumulated deficit	(752,029)	(738,623)
Accumulated other comprehensive loss	(1,095)	(856)
Total stockholders' deficit	(115,993)	(112,245)
Total liabilities and stockholders' deficit	\$ 198,458	\$ 194,924

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Revenue:				
Product	\$ 54,655	\$ 50,850	\$ 106,786	\$ 90,537
Service	34,359	31,494	67,189	61,880
Royalty	4,166	3,477	8,303	6,709
Total revenue	<u>93,180</u>	<u>85,821</u>	<u>182,278</u>	<u>159,126</u>
Cost of revenue:				
Product	41,124	34,998	79,864	65,380
Service	13,669	12,089	26,748	24,160
Total cost of revenue	<u>54,793</u>	<u>47,087</u>	<u>106,612</u>	<u>89,540</u>
Gross profit	<u>38,387</u>	<u>38,734</u>	<u>75,666</u>	<u>69,586</u>
Operating expenses:				
Research and development	12,389	10,233	23,680	20,395
Sales and marketing	15,462	13,153	29,414	24,723
General and administrative	11,466	10,263	23,293	21,825
Restructuring charges	8	1,585	274	2,637
Total operating expenses	<u>39,325</u>	<u>35,234</u>	<u>76,661</u>	<u>69,580</u>
Income (loss) from operations	(938)	3,500	(995)	6
Other income (expense), net	126	(312)	(71)	(697)
Interest expense	(3,070)	(7,578)	(6,956)	(14,015)
Loss on debt extinguishment, net	(4,960)	—	(4,960)	—
Net loss before income taxes	<u>(8,842)</u>	<u>(4,390)</u>	<u>(12,982)</u>	<u>(14,706)</u>
Income tax provision	411	202	424	622
Net loss	<u>\$ (9,253)</u>	<u>\$ (4,592)</u>	<u>\$ (13,406)</u>	<u>\$ (15,328)</u>
Net loss per share - basic and diluted	\$ (0.16)	\$ (0.11)	\$ (0.23)	\$ (0.38)
Weighted average shares - basic and diluted	58,567	40,286	57,852	40,097
Net loss	\$ (9,253)	\$ (4,592)	\$ (13,406)	\$ (15,328)
Foreign currency translation adjustments, net	(506)	722	(239)	1,009
Total comprehensive loss	<u>\$ (9,759)</u>	<u>\$ (3,870)</u>	<u>\$ (13,645)</u>	<u>\$ (14,319)</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended September 30,	
	2021	2020
Operating activities		
Net loss	\$ (13,406)	\$ (15,328)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	3,967	2,580
Amortization of debt issuance costs	1,629	3,015
Long-term debt related costs	—	167
Provision for product and service inventories	2,418	3,588
Stock-based compensation	6,273	4,550
Paycheck Protection Program loan forgiveness	(10,000)	—
Non-cash loss on debt extinguishment	8,471	—
Other	(20)	1,268
Changes in assets and liabilities:		
Accounts receivable, net	10,024	7,568
Manufacturing inventories	(5,199)	(8,858)
Service parts inventories	(1,818)	(4,333)
Accounts payable	1,559	1,601
Accrued restructuring charges	(560)	240
Accrued compensation	(3,779)	2,922
Deferred revenue	(9,032)	(12,584)
Other assets and liabilities	(5,789)	(5,693)
Net cash used in operating activities	<u>(15,262)</u>	<u>(19,297)</u>
Investing activities		
Purchases of property and equipment	(2,396)	(1,434)
Business acquisition, net of cash acquired	(5,000)	—
Net cash used in investing activities	<u>(7,396)</u>	<u>(1,434)</u>
Financing activities		
Borrowings of long-term debt, net of debt issuance costs	94,961	19,400
Repayments of long-term debt	(93,051)	—
Borrowings of credit facility	126,084	140,987
Repayments of credit facility	(116,084)	(144,058)
Borrowings of payment protection program	—	10,000
Proceeds from issuance of common stock	806	537
Net cash provided by financing activities	<u>12,716</u>	<u>26,866</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	12	(96)
Net change in cash, cash equivalents and restricted cash	(9,930)	6,039
Cash, cash equivalents, and restricted cash at beginning of period	33,137	12,270
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 23,207</u>	<u>\$ 18,309</u>
Cash, Cash Equivalents and Restricted Cash at end of period		
Cash and cash equivalents	\$ 22,757	\$ 12,517
Restricted cash, current	450	792
Restricted cash, long-term	—	5,000
Cash, cash equivalents and restricted cash at the end of period	<u>\$ 23,207</u>	<u>\$ 18,309</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 5,198	\$ 14,181
Cash paid (received) for income taxes, net	\$ 480	\$ (1,578)
Non-cash transactions		
Purchases of property and equipment included in accounts payable	\$ 309	\$ 294
Purchases of property and equipment included in accrued liabilities	\$ —	\$ 1,255
Transfer of inventory to property and equipment	\$ 76	\$ 207

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		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
Balance, June 30, 2020	39,905	\$ 399	\$ 519,235	\$ (713,900)	\$ (1,235)	\$ (195,501)
Net loss	—	—	—	(4,592)	—	(4,592)
Foreign currency translation adjustments, net	—	—	—	—	722	722
Shares issued under employee stock purchase plan	133	2	537	—	—	539
Shares issued under employee incentive plans, net	702	7	(7)	—	—	—
Stock-based compensation	—	—	2,592	—	—	2,592
Balance, September 30, 2020	40,740	\$ 408	\$ 522,357	\$ (718,492)	\$ (513)	\$ (196,240)
Balance, June 30, 2021	57,280	\$ 573	\$ 629,862	\$ (742,776)	\$ (589)	(112,930)
Net loss	—	—	—	(9,253)	—	(9,253)
Foreign currency translation adjustments, net	—	—	—	—	(506)	(506)
Shares issued under employee stock purchase plan	145	1	805	—	—	806
Shares issued under employee incentive plans, net	1,387	14	(14)	—	—	—
Shares issued in connection with business acquisition	460	5	2,813	—	—	2,818
Stock-based compensation	—	—	3,072	—	—	3,072
Balance, September 30, 2021	59,272	\$ 593	\$ 636,538	\$ (752,029)	\$ (1,095)	\$ (115,993)

See accompanying Notes to Condensed Consolidated Financial Statements.

Six Months Ended	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Deficit
	Shares	Amount				
Balance, March 31, 2020	39,905	\$ 399	\$ 505,762	\$ (703,164)	\$ (1,522)	(198,525)
Net loss	—	—	—	(15,328)	—	(15,328)
Foreign currency translation adjustments, net	—	—	—	—	1,009	1,009
Shares issued under employee stock purchase plan	133	2	537	—	—	539
Shares issued under employee incentive plans, net	702	7	(7)	—	—	—
Warrants issued related to long-term debt, net	—	—	11,515	—	—	11,515
Stock-based compensation	—	—	4,550	—	—	4,550
Balance, September 30, 2020	40,740	\$ 408	\$ 522,357	\$ (718,492)	\$ (513)	(196,240)
Balance, March 31, 2021	56,915	\$ 570	\$ 626,664	\$ (738,623)	\$ (856)	(112,245)
Net loss	—	—	—	(13,406)	—	(13,406)
Foreign currency translation adjustments, net	—	—	—	—	(239)	(239)
Shares issued under employee stock purchase plan	145	1	805	—	—	806
Shares issued under employee incentive plans, net	1,752	17	(17)	—	—	—
Shares issued in connection with business acquisition	460	5	2,813	—	—	2,818
Stock-based compensation	—	—	6,273	—	—	6,273
Balance, September 30, 2021	59,272	\$ 593	\$ 636,538	\$ (752,029)	\$ (1,095)	(115,993)

See accompanying Notes to Condensed Consolidated Financial Statements.

INDEX TO NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Page
Note 1: Description of Business and Summary of Significant Accounting Policies	7
Note 2: Revenue	7
Note 3: Business Combination	9
Note 4: Balance Sheet Information	9
Note 5: Long-Term Debt	11
Note 6: Leases	13
Note 7: Restructuring Charges	14
Note 8: Net Loss Per Share	15
Note 9: Income Taxes	15
Note 10: Commitments and Contingencies	15
Note 11: Fair Value of Financial Instruments	17
Note 12: Subsequent Events	17

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

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

Description of Business

Quantum is a technology company whose mission is to deliver innovative solutions to organizations around the world. We design, manufacture and sell technology and services that help customers capture, create and share digital content, and protect it for decades. We emphasize innovative technology in the design and manufacture of our products to help our customers unlock the value in their video and unstructured data in new ways to solve their most pressing business challenges.

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 September 30, 2021, the results of operations and comprehensive loss, statements of cash flows, and changes in stockholder's deficit for the three and six months ended September 30, 2021 and 2020. Interim results are not necessarily indicative of full year performance because of the impact of seasonal and short-term variations.

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 the 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.

Recent Accounting Pronouncements

Recent accounting pronouncements issued by the Financial Accounting Standards Board (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not have, or are not expected to have, a material impact on our present or future 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 September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Americas¹				
Primary storage systems	\$ 11,264	\$ 16,933	\$ 18,458	\$ 23,792
Secondary storage systems	12,174	9,317	28,886	17,993
Device and media	5,269	6,069	11,791	12,431
Service	21,341	19,399	41,534	37,994
Total revenue	50,048	51,718	100,669	92,210
EMEA				
Primary storage systems	4,244	2,798	7,020	5,094
Secondary storage systems	9,720	6,352	17,479	12,968
Device and media	4,513	4,745	9,894	8,767
Service	11,035	10,227	21,847	20,042
Total revenue	29,512	24,122	56,240	46,871
APAC				
Primary storage systems	1,175	879	2,516	1,938
Secondary storage systems	4,365	3,234	8,098	6,434
Device and media	1,931	523	2,644	1,120
Service	1,983	1,868	3,808	3,844
Total revenue	9,454	6,504	17,066	13,336
Consolidated				
Primary storage systems	16,683	20,610	27,994	30,824
Secondary storage systems	26,259	18,903	54,463	37,395
Device and media	11,713	11,337	24,329	22,318
Service	34,359	31,494	67,189	61,880
Royalty ²	4,166	3,477	8,303	6,709
Total revenue	\$ 93,180	\$ 85,821	\$ 182,278	\$ 159,126

¹ Revenue for Americas geographic region outside of the United States is not significant.

² 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 six months ended September 30, 2021 (in thousands):

	September 30, 2021
Contract liabilities (deferred revenue)	\$ 118,871
Revenue recognized in the period from amounts included in contract liabilities at the beginning of the period	53,833

Remaining Performance Obligations

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

	Current	Non-Current	Total
As of September 30, 2021	\$ 130,708	\$ 42,855	\$ 173,563

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

NOTE 3: BUSINESS ACQUISITION

On July 20, 2021, the Company purchased specified assets related to the video surveillance business of PV3 (an ABC) LLC, a Delaware limited liability company as assignee for the benefit of Pivot3, Inc., a Delaware corporation ("Pivot 3"). The transaction costs associated with the acquisition were not material and expensed as incurred. Goodwill generated from this acquisition is primarily attributable to the expected post-acquisition synergies from integrating Pivot3's video surveillance portfolio and assets with our platform to expand our video surveillance portfolio with hardware and software offerings that will be offered under the Quantum VS-Series portfolio. Goodwill obtained in an asset acquisition is deductible for tax purposes.

The total purchase consideration for the acquisition of Pivot3 was \$ 7.8 million, which consisted of the following (in thousands):

Cash	\$	5,000
Fair value of stock consideration		2,818
Total	\$	7,818

The following table summarizes the preliminary fair values of assets acquired and liabilities assumed as of the date of the acquisition (in thousands):

	Amount	Estimated Useful Life
Goodwill	\$ 6,796	
Identified intangible assets:		
Developed technology	1,700	2 years
Customer lists	3,700	4 years
Property, plant and equipment	4,300	3 years
Net liabilities assumed	(8,678)	
Total	\$ 7,818	

Pivot 3 has also agreed to license to the Company certain intellectual property rights related to the business. The historical results of operations for Pivot 3 were not significant to the Company's consolidated results of operations for the periods presented.

NOTE 4: BALANCE SHEET INFORMATION

Certain significant amounts included in the Company's consolidated balance sheets consist of the following (in thousands):

Manufacturing inventories

	September 30, 2021	March 31, 2021
Finished goods:		
Manufactured finished goods	\$ 11,013	\$ 12,452
Distributor inventory	136	238
Total finished goods	11,149	12,690
Work in progress	3,653	2,074
Raw materials	14,046	9,703
Total manufacturing inventories	\$ 28,848	\$ 24,467

Service parts inventories

	September 30, 2021	March 31, 2021
Finished goods	\$ 17,817	\$ 18,773
Component parts	5,747	4,648
Total service parts inventories	\$ 23,564	\$ 23,421

Intangibles, net

	September 30, 2021			March 31, 2021		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Developed technology	\$ 6,400	\$ (1,425)	\$ 4,975	\$ 4,700	\$ (473)	\$ 4,227
Customer lists	4,600	(443)	4,157	900	(90)	810
Intangible assets, net	\$ 11,000	\$ (1,868)	\$ 9,132	\$ 5,600	\$ (563)	\$ 5,037

Intangible assets amortization expense was \$0.8 million and \$0 for the three months ended September 30, 2021 and 2020, respectively, and \$ 1.3 million and \$0 for the six months ended September 30, 2021 and 2020, respectively. As of September 30, 2021, the remaining weighted-average amortization period for definite-lived intangible assets was approximately 2.8 years.

As of September 30, 2021, the future expected amortization expense for intangible assets is as follows (in thousands):

Fiscal year ending	Estimated future amortization expense
Remainder of 2022	\$ 1,796
2023	3,641
2024	2,490
Thereafter	1,205
Total	\$ 9,132

Goodwill

	Amount
Balance at March 31, 2021	\$ 3,466
Goodwill acquired	6,796
Balance at September 30, 2021	\$ 10,262

There were no impairments to goodwill during the second quarter and first two quarters of fiscal 2021 and 2022.

NOTE 5: LONG-TERM DEBT

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

	September 30, 2021	March 31, 2021
Term Loan	\$ 99,375	\$ —
Senior Secured Term Loan	—	92,426
PNC Credit Facility	10,000	—
Paycheck Protection Program Loan	—	10,000
Less: current portion	(3,125)	(1,850)
Less: unamortized debt issuance costs ⁽¹⁾	(4,882)	(9,686)
Long-term debt, net	<u>\$ 101,368</u>	<u>\$ 90,890</u>

⁽¹⁾ The unamortized debt issuance costs related to the Senior Secured Term Loan and the 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 PNC Credit Facility are presented within other assets on the accompanying condensed consolidated balance sheets.

On December 27, 2018, the Company entered into a senior secured term loan to borrow an aggregate of \$ 165.0 million (the "Senior Secured Term Loan"). In connection with the Senior Secured Term Loan, the Company amended its existing revolving credit facility with PNC (the PNC Credit Facility together with the Senior Secured Term Loan, the "December 2018 Credit Agreements") providing for borrowings up to a maximum principal amount of the lesser of: (a) \$45.0 million or (b) the amount of the borrowing base, as defined in the PNC Credit Facility agreement.

On June 16, 2020, the Company entered into amendments to the December 2018 Credit Agreements (the "June 2020 Amendment" and collectively with the amendments to the December 2018 Credit Agreements occurring on March 30, 2020, March 31, 2020 and April 3, 2020, the "2020 Amendments"). The June 2020 Amendment provided an additional borrowing of \$20.0 million which was immediately drawn in full.

In connection with the June 2020 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 2020 Amendments related to the Senior Secured Term Loan were accounted for as modifications. 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. The 2020 Amendments related to the PNC Credit Facility were accounted for as modifications. Fees paid to PNC of approximately \$0.5 million were recorded to other assets and are amortized to interest expense over the remaining term of the agreement.

On August 5, 2021 (the "Closing Date"), the Company entered into a senior secured term loan to borrow an aggregate of \$ 100.0 million, (the "Term Loan"). A portion of the proceeds were used to repay in full all outstanding borrowings under the Senior Secured Term Loan. Borrowings under the Term Loan mature on August 5, 2026. Principal is payable at a rate per annum equal to (a) 2.5% of the original principal balance thereof during the first year following the Closing Date and (b) 5% of the original principal balance thereof thereafter. Principal and interest payments are payable on a quarterly basis. The Company incurred \$5.1 million in costs related to the Term Loan. These debt issuance costs are reflected as a reduction of the carrying amount of the Term Loan and are being recognized as interest expense over the term of the Term Loan.

The Company recorded a loss on debt extinguishment of \$ 15.0 million related to the repayment of the Senior Secured Term Loan which was comprised of \$6.4 million in prepayment penalties, \$0.1 million in legal fees, and the write-off of unamortized debt issuance costs of \$ 8.4 million.

Loans under the Term Loan designated as "Prime Rate Loans" will bear interest at a rate per annum equal to the greatest of (i) 1.75%, (ii) the Federal funds rate plus 0.50%, (iii) the LIBOR Rate based upon an interest period of one month plus 1.0%, and (iv) the "Prime Rate" last quoted by the Wall Street Journal, plus an applicable margin of 5.00%. Loans designated as "LIBOR Rate Loans" will bear interest at a rate per annum equal to the LIBOR Rate plus an applicable margin of 6.00%. The "LIBOR Rate" is subject to a floor of 0.75%. The Company can designate a loan as a Prime Rate Loan or LIBOR Rate Loan in its discretion.

The Term Loan contains certain covenants, including requirements to prepay the Term Loan in an amount equal to (i) 100% of the net cash proceeds from certain asset dispositions, extraordinary receipts, debt issuances and equity issuances, subject to certain reinvestment rights and other exceptions and (ii) 75% of certain excess cash flow of the Company and its subsidiaries beginning in the fiscal year ended March 31, 2023, subject to certain exceptions, including reductions to the percentage of such excess cash flow that is required to prepay the loans to 50% and 0%, based on the Company's applicable total net leverage ratio. Amounts outstanding under the Term Loan may become due and payable upon the occurrence of specified events, which among other things include (subject to certain exceptions and cure periods): (i) failure to pay principal, interest, or any fees when due; (ii) breach of any representation or warranty, covenant, or other agreement in the Term Loan and other related loan documents; (iii) the occurrence of a bankruptcy or insolvency proceeding with respect to the Company or certain of its subsidiaries; (iv) any "Event of Default" with respect to other indebtedness involving an aggregate amount of \$3,000,000 or more; (v) any lien created by the Term Loan or any related security documents ceasing to be valid and perfected; (vi) the Term Loan Credit Agreement or any related security documents or guarantees ceasing to be legal, valid, and binding upon the parties thereto; or (vii) a change of control shall occur. Additionally, the Term Loan contains financial covenants relating to minimum liquidity and total net leverage.

On September 30, 2021, the Company amended the PNC Credit Facility (the PNC Credit Facility together with the Term Loan, the "Credit Agreements"). The amendment, among other things (a) extended the maturity date to August 5, 2026; (b) reduced the principal amount of the revolving commitments to a maximum amount equal to the lesser of: (i) \$30.0 million or (ii) the amount of the borrowing base, as defined in the PNC Credit Facility agreement; (c) replaced existing debt covenants with net leverage ratio, minimum liquidity and fixed charges coverage ratio covenants; and, (d) removed the requirement to maintain a \$5.0 million restricted cash reserve with PNC.

The interest rate under the PNC Credit Facility is 2.25% per annum for LIBOR Rate Loans and 1.25% per annum for Domestic Rate Loans and Swing Loans through December 31, 2021, and effective as of January 1, 2022 on the first day of each fiscal quarter ending thereafter (the "Applicable Margin Adjustment Date"), between 1.75% and 2.25% per annum for LIBOR Rate Loans and between 0.75% and 1.25% per annum for Domestic Rate Loans and Swing Loans, based on the percentage of Average Undrawn Availability (as defined in the PNC Credit Agreement) for the most recently completed fiscal quarter prior to the Applicable Margin Adjustment Date (the "Applicable Interest Rate").

With respect to any LIBOR Rate Loan, the Company has agreed to pay affiliates of certain Term Loan lenders a fee equal to a percentage per annum equal to the sum of (x) 6.00%, minus (y) the Applicable Interest Rate, plus (z) if the LIBOR Rate applicable to such interest payment is less than 0.75%, (i) 0.75% minus (ii) such LIBOR Rate. With respect to any Domestic Rate Loan or Swing Loan, the Company has agreed to pay an affiliate of Blue Torch a fee equal to a percentage per annum equal to the sum of (x) 5.00%, minus (y) the Applicable Interest Rate, plus (z) if the Alternative Base Rate applicable to such interest payment is less than 1.00%, (i) 1.00% minus (ii) such Alternative Base Rate. If on the last day of any calendar quarter, the average "Usage Amount" during such calendar quarter does not equal the "Maximum Revolving Advance Amount" (as such terms are defined in the PNC Credit

Facility), then the Company has agreed to pay affiliates of certain Term Loan lenders a fee at a rate per annum equal to 1.00% minus a fee percentage between 0.25% to 0.375% on the amount by which the Maximum Revolving Advance Amount exceeds such average Usage Amount.

As of September 30, 2021, the interest rates on the Term Loan and the PNC Credit Facility were 6.75% and 2.34%, respectively, and PNC Credit Facility had a borrowing base of \$20.0 million, of which \$8.6 million was available at that date. As of March 31, 2021, the Company was required to maintain a \$ 5.0 million restricted cash reserve as part of the PNC Credit Facility, which was presented as long-term restricted cash within the accompanying condensed consolidated balance sheet as of March 31, 2021. The September 30, 2021 amendment to the PNC Credit Facility removed the restricted cash reserve requirement.

Registration Rights Agreement

In connection with the June 2020 Amendment to the Senior Secured Term Loan, 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.

Paycheck Protection Program Loan

On April 13, 2020, the Company entered into a Paycheck Protection Program 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. In July 2021, the Company received notice from PNC that the PPP Loan and related accrued interest was approved for forgiveness in full by the U.S. Small Business Administration (the "SBA"). The Company recorded the amount forgiven as gain on debt extinguishment of \$10.0 million in the three and six months ended September 30, 2021.

NOTE 6: LEASES

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

Operating leases	September 30, 2021		March 31, 2021	
Operating lease right-of-use asset	\$	7,917	\$	9,383
Other accrued liabilities		2,092		2,581
Operating lease liability		6,818		8,005
Total operating lease liabilities	\$	8,910	\$	10,586

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

Lease Cost	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Operating lease cost	\$ 994	\$ 1,338	\$ 2,129	\$ 2,669
Variable lease cost	177	211	351	423
Short-term lease cost	4	39	4	92
Total lease cost	\$ 1,175	\$ 1,588	\$ 2,484	\$ 3,184

Maturity of Lease Liabilities	Operating Leases
2022, excluding the six months ended September 30, 2021	\$ 1,734
2023	2,695
2024	2,543
2025	2,264
2026	1,827
Thereafter	698
Total lease payments	\$ 11,761
Less: imputed interest	(2,851)
Present value of lease liabilities	\$ 8,910

Lease Term and Discount Rate	September 30, 2021	March 31, 2021
Weighted average remaining operating lease term (years)	4.15	4.53
Weighted average discount rate for operating leases	13.64 %	13.96 %

Operating cash outflows related to operating leases totaled \$ 1.0 million and \$1.3 million for the six months ended September 30, 2021 and 2020, respectively.

NOTE 7: RESTRUCTURING CHARGES

The following table summarizes the restructuring activities for the six months ended September 30, 2021 and 2020 (in thousands):

	Severance and Benefits	Facilities	Total
Balance as of March 31, 2021	\$ 580	\$ —	\$ 580
Restructuring costs	274	—	274
Adjustments to prior estimates	(50)	—	(50)
Cash payments	(784)	—	(784)
Balance as of September 30, 2021	\$ 20	\$ —	\$ 20
Balance as of March 31, 2020	\$ —	\$ —	\$ —
Restructuring costs	2,637	—	2,637
Cash payments	(2,397)	—	(2,397)
Balance as of September 30, 2020	\$ 240	\$ —	\$ 240

NOTE 8: NET LOSS PER SHARE

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

Three Months Ended September 30,		Six Months Ended September 30,	
2021	2020	2021	2020
9,195	8,020	10,315	7,180

The dilutive impact related to common shares from restricted stock units and warrants is determined by applying the treasury stock method to the assumed vesting of outstanding restricted stock units and the exercise of outstanding 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 six months ended September 30, 2020, there were 1.6 million and 0.5 million of 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 were earned based on the Company's achievement of certain average stock price and performance targets in addition to a time-based vesting period. There were no contingently issuable market based and performance based restricted stock units excluded from the diluted net loss per share as of September 30, 2021.

NOTE 9: INCOME TAXES

The effective tax rate for the three and six months ended September 30, 2021 and 2020 was (4.6)% and (3.2)% and 1.0% and 0.0%, 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 September 30, 2021, including interest and penalties, the Company had \$ 108.4 million of unrecognized tax benefits, \$ 89.9 million of which, if recognized, would favorably affect the effective tax rate without consideration of the valuation allowance. After taking into account the valuation allowance, of the \$89.9 million, only \$7.5 million, if recognized, would favorably affect the effective tax rate. As of September 30, 2021, 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 September 30, 2021, \$100.9 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 \$7.5 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 \$14.0 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. After taking into account the valuation allowance, of the \$14.0 million, only \$1.0 million would affect the effective tax rate.

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 September 30, 2021, the Company had issued non-cancelable commitments for \$ 57.3 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 the outcome of 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 not eligible for patent protection 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.” The case pending against Quantum in the Northern District of California remains stayed pending the final outcome in the Delaware Action. On May 4, 2021, the Court in the Delaware Action reaffirmed its earlier ruling and granted defendants’ motions to dismiss under Section 101. The Court also granted Realtime Data fourteen days to file amended complaints in the Delaware Action where they sought leave to do so. On May 19, 2021, Realtime Data filed amended complaints including revised bases for claims of infringement of the same patents. On June 29, 2021, defendants in the Delaware Action filed a renewed motion to dismiss under Section 101. Realtime Data filed its opposition to the motion to dismiss on July 13, 2021. On August 23, 2021, the Court again reaffirmed its earlier ruling and granted defendants’ motions to dismiss under Section 101. Realtime Data has appealed that decision to the Federal Circuit. Quantum 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 hid its failure to meet those performance objectives by improperly recognizing revenue in fiscal 2015. 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 an SEC investigation, the settlement of which Quantum 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). On September 14, 2020, defendants filed a motion to dismiss the California 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, in effect dismissing Quantum from the California action. On January 8, 2021, Messrs. Gacek and Auvil moved to dismiss the amended complaint in California on grounds of forum non conveniens and the mandatory Delaware forum selection clauses set forth in the contracts between Starboard and Quantum. On March 11, 2021, the California Superior Court stayed the California action.

On April 14, 2021, Starboard filed a new action in the Delaware Court of Chancery, naming as defendants Messrs. Gacek and Auvil and Quantum. The new action largely repeats the allegations of the California action, alleging claims for fraud against all defendants, fraudulent concealment against all defendants, negligent misrepresentation against all defendants, breach of contract against Quantum, breach of the implied covenant of good faith and fair dealing against Quantum, and breach of fiduciary duty against Messrs. Gacek and Auvil. The complaint prays for unspecified damages in an amount to be determined at trial, costs and attorneys’ fees, and any other relief deemed just or appropriate by the court. On May 10, 2021, Quantum filed a motion to dismiss this Delaware action, as did Messrs. Gacek and Auvil. Under the briefing schedule agreed to by the parties and approved by the Court of

Chancery, briefing on the motions ended July 26, 2021. The Court set oral argument on the motions for September 28, 2021, but on August 4, 2021, on its own motion, postponed the hearing to November 1, 2021. At this time, Quantum 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 impairment charges were recognized for non-financial assets in the six months ended September 30, 2021 and 2020. 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 September 30, 2021 and 2020. The fair value has been classified as Level 2 within the fair value hierarchy.

	September 30,			
	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior Secured Term Loan	\$ 99,375	\$ 99,375	\$ 185,208	\$ 185,208
Amended PNC Credit Facility	10,000	10,000	—	—

NOTE 12: SUBSEQUENT EVENTS

On October 1, 2021, the Company acquired the assets of EnCloudEn, an early stage hyperconverged infrastructure software company, for \$2.3 million in cash.

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, 2021. 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 technology company whose mission is to deliver innovative solutions to organizations across the world. We design, manufacture and sell technology and services that help customers capture, create and share digital content, and protect it for decades. We emphasize innovative technology in the design and manufacture of our products to help our customers unlock the value in their video and unstructured data in new ways to solve their most pressing business challenges.

We generate revenue by designing, manufacturing, and selling technology and services. Our most significant expenses are related to compensating employees; designing, manufacturing, marketing, and selling our products and services; data center costs in support of our cloud-based services; interest associated with our long term debt and income taxes.

Highlights from second quarter of fiscal year 2022 included:

- Revenue increased 5% from the prior quarter and 9% year-over-year to \$93 million.
- We completed the Pivot3 assets acquisition, which adds a portfolio of industry leading hyperconverged infrastructure (HCI) and intelligent software solutions for the security and surveillance markets.
- We completed the EnClouden assets acquisition which will enable us to expand the addressable market for our video surveillance portfolio, offering customers a solution using their server hardware of choice with a flexible subscription-based software model.
- We completed the refinancing of our term loan, significantly reducing our annual debt service and greatly increasing our financial flexibility related to covenants and restrictions.
- We brought on industry veteran John Hurley as Chief Revenue Officer. John brings extensive experience working with the largest global enterprise, commercial, and service provider customers.

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 meetings, reducing the number of people in our sites at any one time, and suspending employee travel.

We have seen a gradual stabilization in our business during the second half of fiscal 2021 and into fiscal 2022 as customers increasingly adapted to the COVID-19 environment. The pervasive disruption in the global supply chain continues to have an impact on our business. Before the current disruptions in the global supply chain our historical backlog was very limited and typically represented less than 5% of quarterly revenues. During our second fiscal quarter our backlog grew to \$50 million from \$30 million at the end of the prior quarter. This unprecedented backlog is a result of the strong demand we have been seeing across our business but limited by the ongoing supply constraints. Of the \$50 million ending backlog, just over 70% of the backlog was from hyperscaler customers and just over 85% of the backlog was related to tape products. Approximately two-thirds of the backlog is expected to be shipped in the second half of fiscal 2022 and the remaining one-third of the backlog has ship dates early in fiscal 2023.

We will continue to actively monitor the impact of COVID-19 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.

RESULTS OF OPERATIONS

(in thousands)	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Total revenue	\$ 93,180	\$ 85,821	\$ 182,278	\$ 159,126
Total cost of revenue ⁽¹⁾	54,793	47,087	106,612	89,540
Gross profit	38,387	38,734	75,666	69,586
Operating expenses				
Research and development ⁽¹⁾	12,389	10,233	23,680	20,395
Sales and marketing ⁽¹⁾	15,462	13,153	29,414	24,723
General and administrative ⁽¹⁾	11,466	10,263	23,293	21,825
Restructuring charges	8	1,585	274	2,637
Total operating expenses	39,325	35,234	76,661	69,580
Income (loss) from operations	(938)	3,500	(995)	6
Other income (expense), net	126	(312)	(71)	(697)
Interest expense	(3,070)	(7,578)	(6,956)	(14,015)
Loss on debt extinguishment, net	(4,960)	—	(4,960)	—
Net loss before income taxes	(8,842)	(4,390)	(12,982)	(14,706)
Income tax provision	411	202	424	622
Net loss	\$ (9,253)	\$ (4,592)	\$ (13,406)	\$ (15,328)

⁽¹⁾Includes stock-based compensation as follows:

(in thousands)	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Cost of revenue	\$ 298	\$ 227	\$ 591	\$ 396
Research and development	1,331	591	2,863	1,062
Sales and marketing	613	495	1,113	832
General and administrative	830	1,279	1,706	2,260
Total	\$ 3,072	\$ 2,592	\$ 6,273	\$ 4,550

Comparison of the Three Months Ended September 30, 2021 and 2020
Revenue

(dollars in thousands)	Three Months Ended September 30,					
	2021	% of revenue	2020	% of revenue	\$ Change	% Change
Product revenue						
Primary storage systems	\$ 16,683	18	\$ 20,610	24	\$ (3,927)	(19)
Secondary storage systems	26,259	28	18,903	22	7,356	39
Devices and media	11,713	13	11,337	13	376	3
Total product revenue	54,655	59	50,850	59	3,805	7
Service revenue	34,359	37	31,494	37	2,865	9
Royalty revenue	4,166	4	3,477	4	689	20
Total revenue	\$ 93,180	100	\$ 85,821	100	\$ 7,359	9

Product revenue

In the three months ended September 30, 2021, product revenue increased \$3.8 million, or 7%, as compared to the same period in 2020. Secondary storage systems represented \$7.4 million, or a 39% increase, driven by higher demand in our hyperscale, backup and archive use cases. Primary storage systems decreased \$3.9 million, or 19%, partially driven by our transition to a recurring software subscription licensing model which results in a shift from product to services revenue.

Service revenue

We offer a broad range of services including product maintenance, implementation, and training as well as software subscriptions. 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 increased 9% in the three months ended September 30, 2021 compared to the same period in 2020 driven partially by growing sales of our recurring software subscription offerings as well as service revenue associated with newly acquired businesses.

Royalty revenue

We receive royalties from third parties that license our LTO media patents through our membership in the LTO consortium. Royalty revenue increased \$0.7 million, or 20%, in the three months ended September 30, 2021 compared to the same period in 2020 due to increased market volume of LTO media.

Gross Profit and Margin

(dollars in thousands)	Three Months Ended September 30,					
	2021	Gross margin %	2020	Gross margin %	\$ Change	Basis point change
Product gross profit	\$ 13,531	24.8	\$ 15,852	31.2	\$ (2,321)	(640)
Service gross profit	20,690	60.2	19,405	61.6	1,285	(140)
Royalty gross profit	4,166	100.0	3,477	100.0	689	—
Gross profit	\$ 38,387	41.2	\$ 38,734	45.1	\$ (347)	(390)

Product Gross Margin

Product gross margin decreased 640 basis points for the three months ended September 30, 2021, as compared with the same period in 2020. This decrease was due primarily to a product mix weighted towards lower margin offerings and cost pressures as a result of constraints in the global supply chain.

Service Gross Margin

Service gross margins decreased 140 basis points for the three months ended September 30, 2021, as compared with the same period in 2020. This was partially driven by cost pressures as a result of certain constraints in the global supply chain.

Royalty Gross Margin

Royalties do not have significant related cost of sales.

Operating expenses

	Three Months Ended September 30,					
	2021	% of revenue	2020	% of revenue	\$ Change	% Change
Research and development	\$ 12,389	13.3	\$ 10,233	11.9	\$ 2,156	21
Sales and marketing	15,462	16.6	13,153	15.3	2,309	18
General and administrative	11,466	12.3	10,263	12.0	1,203	12
Restructuring charges	8	—	1,585	1.8	(1,577)	(99)
Total operating expenses	\$ 39,325	42.2	\$ 35,234	41.1	\$ 4,091	12

In the three months ended September 30, 2021, research and development expense increased \$2.2 million, or 21%, as compared with the same period in 2020. This increase was primarily driven by an increase in personnel costs due to increased headcount focused on new product development. This increase in headcount includes those employees added through acquisitions over the year.

In the three months ended September 30, 2021, sales and marketing expenses increased \$2.3 million, or 18%, as compared with the same period in 2020. This increase was driven by increased headcount as we invest in strategic areas to accelerate growth. This increase in headcount includes those employees added through acquisitions over the year. Both marketing expense and travel expense have also increased over the prior year as COVID-19 restrictions ease.

In the three months ended September 30, 2021, general and administrative expenses increased \$1.2 million, or 12%, as compared with the same period in 2020. 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 September 30, 2021, restructuring expenses decreased \$1.6 million, or 99%, as compared with the same period in 2020. The decrease was the result of one-time workforce reductions in the prior year.

Other Income (Expense)

	Three Months Ended September 30,					
	2021	% of revenue	2020	% of revenue	\$ Change	% Change
Other income (expense)	\$ 126	0	\$ (312)	—	\$ 438	140
Interest expense	(3,070)	3	(7,578)	9	4,508	59
Loss on debt extinguishment	(4,960)	5	—	—	(4,960)	n/a

The increase in other income (expense), net during the three months ended September 30, 2021 compared with the same period in 2020 was related primarily to fluctuations in foreign currency exchange rates.

In the three months ended September 30, 2021, interest expense decreased \$4.5 million, or 59%, as compared with the same period in 2020 due to a lower principal balance and a lower effective interest rate.

Loss on debt extinguishment, net during the three months ended September 30, 2021 was related to prepayment of our Senior Secured Term Loan that occurred during the period offset by the \$10.0 million gain on the forgiveness of the Paycheck Protection Program Loan.

Income Taxes

(dollars in thousands)	Three Months Ended September 30,					
	2021	% of revenue	2020	% of revenue	\$ Change	% Change
Income tax provision	\$ 411	—	\$ 202	—	\$ 209	103

The income tax provision for the three months ended September 30, 2021 and 2020 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 Six Months Ended September 30, 2021 and 2020

Revenue

(dollars in thousands)	Six Months Ended September 30,					
	2021	% of revenue	2020	% of revenue	\$ Change	% Change
Product revenue						
Primary storage systems	27,994	15 %	\$ 30,824	19 %	\$ (2,830)	(9) %
Secondary storage systems	54,463	30	37,395	24	17,068	46
Devices and media	24,329	13	22,318	14	2,011	9
Total product revenue	\$ 106,786	58 %	\$ 90,537	57 %	\$ 16,249	18
Service revenue	67,189	37	61,880	39	5,309	9
Royalty revenue	8,303	5	6,709	4	1,594	24
Total revenue	\$ 182,278	100 %	\$ 159,126	100 %	\$ 23,152	15

Product revenue

In the six months ended September 30, 2021, product revenue increased \$16.2 million, or 18%, as compared to the same period in 2020. Secondary storage systems represented \$17.1 million of the increase, driven primarily by a growing customer base in the hyperscale segment. Devices and media represented \$2.0 million of the increase, driven by higher volume of LTO media sold through our high-volume channel partners. Primary storage systems decreased \$2.8 million driven partially by driven by our transition to a recurring software subscription licensing model which results in a shift from product to services revenue.

Service revenue

We offer a broad range of services including product maintenance, implementation, and training as well as software subscriptions. 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 increased \$5.3 million, or 9% in the six months ended September 30, 2021 compared to the same period in 2020, driven partially by the increase in recurring software subscription revenue. Growth is also driven by a higher level of installation and professional services attached to our product sales.

Royalty revenue

We receive royalties from third parties that license our LTO media patents through our membership in the LTO consortium. Royalty revenue increased \$1.6 million, or 24%, in the six months ended September 30, 2021 compared to the same period in 2020 due to higher overall market volume.

Gross Profit and Margin

(dollars in thousands)	Six Months Ended September 30,					
	2021	Gross margin %	2020	Gross margin %	\$ Change	Basis point change
Product gross profit	\$ 26,922	25.2 %	\$ 25,157	27.8 %	\$ 1,765	(260)
Service gross profit	40,441	60.2	37,720	61.0	2,721	(80)
Royalty gross profit	8,303	100.0	6,709	100.0	1,594	—
Gross profit	<u>\$ 75,666</u>	<u>41.5 %</u>	<u>\$ 69,586</u>	<u>43.7 %</u>	<u>\$ 6,080</u>	<u>(220)</u>

Product Gross Margin

Product gross margin decreased 260 basis points for the six months ended September 30, 2021, as compared with the same period in 2020. This decrease was primarily the result of a less favorable product mix to our enterprise customers, as well as cost pressures as a result of constraints in the global supply chain.

Service Gross Margin

Service gross margin decreased 80 basis points for the six months ended September 30, 2021, as compared with the same period in 2020. This decrease was partially due to cost pressures as a result of constraints in the global supply chain.

Royalty Gross Margin

Royalties do not have significant related cost of sales.

Operating expenses

(dollars in thousands)	Six Months Ended September 30,					
	2021	% of revenue	2020	% of revenue	\$ Change	% Change
Research and development	\$ 23,680	12.9 %	\$ 20,395	12.8 %	\$ 3,285	16 %
Sales and marketing	29,414	16.1	24,723	15.5	4,691	19
General and administrative	23,293	12.8	21,825	13.7	1,468	7
Restructuring charges	274	0.2	2,637	1.7	(2,363)	(90)
Total operating expenses	<u>\$ 76,661</u>	<u>42.1 %</u>	<u>\$ 69,580</u>	<u>43.7 %</u>	<u>\$ 7,081</u>	<u>10</u>

In the six months ended September 30, 2021, research and development expense increased \$3.3 million, or 16%, as compared with the same period in 2020. This increase was primarily driven by an increase in personnel costs due to increased headcount focused on new product development. This increase in headcount includes those employees added through acquisitions over the year.

In the six months ended September 30, 2021, sales and marketing expenses increased \$4.7 million, or 19%, as compared with the same period in 2020. This increase was driven by increased headcount as we invest in strategic areas to accelerate growth. This increase in headcount includes those employees added through acquisitions over the year. Both marketing expense and travel expense have also increased over the prior year as COVID-19 restrictions ease.

In the six months ended September 30, 2021, general and administrative expenses increased \$1.5 million, or 7% as compared with the same period in 2020. 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 six months ended September 30, 2021, restructuring expenses decreased \$2.4 million, or 90% as compared with the same period in 2020. The decrease was the result of a reduction in workforce to improve operational efficiency and rationalize our cost structure in the prior year.

Other Income (Expense)

	Six Months Ended September 30,					
	2021	% of revenue	2020	% of revenue	\$ Change	% Change
(dollars in thousands)						
Other income (expense)	\$ (71)	0	\$ (697)	— %	\$ 626	90 %
Interest expense	(6,956)	(4)	(14,015)	(9)	7,059	(50)
Loss on debt extinguishment	(4,960)	(3)	—	—	(4,960)	n/a

The change in other income (expense), net during the six months ended September 30, 2021 and 2020 was related primarily to fluctuations in foreign currency exchange rates.

In the six months ended September 30, 2021, interest expense decreased \$7.1 million, or 50%, as compared with the same period in 2020 due primarily to a lower principal balance and a lower effective interest rate on the term debt.

Loss on debt extinguishment, net during the six months ended September 30, 2021 was related to prepayment of our Senior Secured Term Loan that occurred during the period offset by the \$10.0 million gain on the forgiveness of the Paycheck Protection Program loan.

Income Taxes

	Six Months Ended September 30,					
	2021	% of revenue	2020	% of revenue	\$ Change	% Change
(dollars in thousands)						
Income tax provision	\$ 424	— %	\$ 622	— %	\$ (198)	(32) %

The income tax provision for the six months ended September 30, 2021 and 2020 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 had cash and cash equivalents of \$22.8 million as of September 30, 2021, which consisted primarily of bank deposits and money market accounts.

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 PNC Credit Facility. 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 disruptions in our supply chain and a 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 continue to have a significant impact on our liquidity and capital resources.

We are subject to various debt covenants under our Credit Agreements. 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, 2021.

Term Loan

On August 5, 2021 (the "Closing Date"), we entered into a senior secured term loan to borrow an aggregate of \$100.0 million, (the "Term Loan"). A portion of the proceeds were used to repay in full all outstanding borrowings under the Senior Secured Term Loan. Borrowings under the Term Loan mature on August 5, 2026. Principal is payable at a rate per annum equal to (a) 2.5% of the original principal balance thereof during the first year following the Closing Date and (b) 5% of the original principal balance thereof thereafter. Principal and interest payments are payable on a quarterly basis.

Revolving Credit Facility

On September 30, 2021, we amended the PNC Credit Facility. The amendment, among other things (a) extended the maturity date to August 5, 2026; (b) reduced the principal amount of the revolving commitments to a maximum amount equal to the lesser of: (i) \$30.0 million or (ii) the amount of the borrowing base, as defined in the PNC Credit Facility agreement; (c) replaced existing debt covenants with net leverage ratio, minimum liquidity and fixed charges coverage ratio covenants; and, (d) removed the requirement to maintain a \$5.0 million restricted cash reserve with PNC.

Paycheck Protection Program Loan

In July 2021, we received notice from PNC that the Paycheck Protection Program Loan and related accrued interest was approved for forgiveness in full by the U.S. Small Business Administration. We recorded the amount forgiven as gain on debt extinguishment of \$10.0 million in the three and six months ended September 30, 2021.

Cash Flows

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

(in thousands)	Six Months Ended September 30,	
	2021	2020
Cash provided by (used in):		
Operating activities	\$ (15,262)	\$ (19,297)
Investing activities	(7,396)	(1,434)
Financing activities	12,716	26,866
Effect of exchange rate changes	12	(96)
Net increase (decrease) in cash and cash equivalents and restricted cash	<u>\$ (9,930)</u>	<u>\$ 6,039</u>

Cash Used In Operating Activities

Net cash used in operating activities was \$15.3 million for the six months ended September 30, 2021. This use of cash was primarily attributable to changes in working capital of \$14.6 million driven by increases in manufacturing and service part inventories of \$7.0 million, a decrease in deferred revenue of \$9.0 million and a net changes in other assets and liabilities of \$5.8 million. These were partially offset by cash generated by a \$10.0 million decrease in accounts receivables. The decrease in deferred revenue reflects the seasonal nature of service contract renewals.

Net cash used in operating activities was \$19.3 million for the six months ended September 30, 2020. This use of cash was primarily attributable to changes in working capital of \$19.1 million driven by the increases in manufacturing and service inventory of \$13.2 million and a decrease in deferred revenue of \$12.6 million. These were partially offset by a decrease in accounts receivable of \$7.6 million. The decrease in deferred revenue reflects the seasonal nature of service contract renewals which peak in the fourth fiscal quarter.

Cash Used in Investing Activities

Net cash used in investing activities for the six months ended September 30, 2021 was attributable to cash paid for our acquisition of Pivot3 of \$5.0 million and capital expenditures of \$2.4 million.

Net cash used in investing activities was \$1.4 million in the six months ended September 30, 2020 related to capital expenditures.

Cash Provided by Financing Activities

Net cash provided by financing activities for the six months ended September 30, 2021 was related primarily to borrowings under our credit facility, and proceeds from the new Term Loan offset by the repayment in full of the Senior Secured Term Loan.

Net cash provided by financing activities was \$26.9 million in the six months ended September 30, 2020 which included Senior Secured Term Loan borrowings of \$19.4 million, \$10.0 million in borrowings under the Paycheck Protection Program and the net pay-down of our Amended PNC Credit Facility.

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, 2021.

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, 2021 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 September 30, 2021 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, 2021. 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.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Filing Date	Exhibit	
2.1	Purchase Agreement dated July 18, 2021 by and between PV3 (an ABC) LLC, a Delaware limited liability company as assignee for the benefit of Pivot3, Inc., a Delaware corporation, and Quantum Corporation.*	8-K	7/22/2021	2.1	
10.1	Quantum Corporation 2012 Long Term Incentive Plan, as amended and restated on September 21, 2021.				X
10.2	Term Loan Credit and Security Agreement, dated August 5, 2021, between the Company, Quantum LTO, Square Box, the lenders party thereto, and Blue Torch Finance LLC, as disbursing and collateral agent.	8-K	8/5/21	10.1	
10.3	First Amendment to Term Loan Credit and Security Agreement, dated September 30, 2021, among the Company, Quantum LTO Holdings, LLC, the borrowers and guarantors party thereto, the lenders party thereto, and Blue Torch Finance LLC, as disbursing agent and collateral agent.	8-K	10/6/21	10.2	
10.4	Seventh Amendment to Amended and Restated Revolving Credit and Security Agreement, dated September 30, 2021, between the Company, Quantum LTO Holdings, LLC, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank, National Association, as administrative agent.	8-K	10/6/21	10.1	
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

* Schedules and attachments to the Purchase Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby undertakes to furnish supplemental copies of any of the omitted schedules and attachments upon request by the Securities and Exchange Commission.

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)

November 3, 2021

(Date)

/s/ James J. Lerner

James J. Lerner

President, Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

November 3, 2021

(Date)

/s/ J. Michael Dodson

J. Michael Dodson

Chief Financial Officer
(Principal Financial Officer)

QUANTUM CORPORATION
2012 LONG-TERM INCENTIVE PLAN

(September 21, 2021 Amendment and Restatement)

1. Background and Purposes of the Plan. This amended and restated Plan is effective as of September 21, 2021, subject to approval by an affirmative vote of the holders of a majority of Shares that are present in person or by proxy and entitled to vote at the 2021 Annual Meeting of Stockholders of the Company.

The purposes of this Plan are:

- to attract and retain the best available Employees, Directors and Consultants for positions of substantial responsibility,
- to provide incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units and Performance Shares.

2. Definitions. As used herein, the following definitions will apply:

(a) "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

(c) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares.

(d) "Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

(e) "Award Transfer Program" means any program instituted by the Administrator that would permit Participants the opportunity to transfer for value any outstanding Awards to a financial institution or other person or entity approved by the Administrator. A transfer for "value" shall not be deemed to occur under this Plan where an Award is transferred by a Participant not for consideration and for bona fide estate planning purposes to a trust or other entity approved by the Administrator and for the benefit of the Participant's family.

(f) "Board" means the Board of Directors of the Company.

(g) "Change in Control" means the occurrence of any of the following events:

(i) A change in the ownership of the Company that occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than fifty percent (50%) of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection, the acquisition of additional stock by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the stock of the Company at the time of the acquisition of the additional stock will not be considered a Change in Control; or

(ii) A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of

all the outstanding stock of the Company, or (4) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3). For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Section 409A.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(h) "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder shall include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(i) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board, or a duly authorized committee of the Board, in accordance with Section 4 hereof.

(j) "Common Stock" means the common stock of the Company.

(k) "Company" means Quantum Corporation, a Delaware corporation, or any successor thereto.

(l) "Consultant" means any natural person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity in a capacity other than as an Employee or Director; provided, however, that a Consultant will include only those persons to whom the issuance of Shares may be registered under Form S8 under the Securities Act of 1933, as amended.

(m) "Director" means a member of the Board.

(n) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

(o) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

(p) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(q) "Exchange Program" means a program under which (i) outstanding awards are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type, and/or cash, (ii) Participants would have the opportunity to participate in an Award Transfer Program, and/or (iii) the exercise price of an outstanding Award is reduced (for example, the downward "repricing" of an underwater stock option). The term Exchange Program excludes any action permitted under Section 13. The Administrator will determine the terms and conditions of any Exchange Program in its discretion, but only to the extent permitted by an amendment to the Plan that is approved by the Company's stockholders.

(r) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the New York Stock Exchange, the NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market of The Nasdaq Stock Market, its Fair Market Value will be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Common Stock on the day of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.

(s) "Fiscal Year" means the fiscal year of the Company.

(t) "Full Value Awards" means Awards of Restricted Stock, Restricted Stock Units, and Performance Shares.

- (u) “Incentive Stock Option” means an Option that by its terms qualifies and is otherwise intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.
- (v) “Nonstatutory Stock Option” means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.
- (w) “Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.
- (x) “Option” means a stock option granted pursuant to the Plan.
- (y) “Outside Director” means a Director who is not an Employee or Consultant.
- (z) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.
- (aa) “Participant” means the holder of an outstanding Award.
- (ab) “Performance-Based Award” means any Award that is subject to the terms and conditions set forth in Section 10 of the Plan.
- (ac) “Performance Period” means any Fiscal Year (or period of four (4) consecutive fiscal quarters) or such longer period as determined by the Administrator in its sole discretion during which the performance objectives must be met.
- (ad) “Performance Share” means an Award denominated in Shares which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine pursuant to Section 10 of the Plan.
- (ae) “Performance Unit” means an Award which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 10 of the Plan.
- (af) “Period of Restriction” means the period during which Restricted Stock Units, Performance Shares, Performance Units and/or the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, continued service, the achievement of target levels of performance, the achievement of performance goals, or the occurrence of other events as determined by the Administrator.
- (ag) “Plan” means this 2012 Long-Term Incentive Plan.
- (ah) “Restricted Stock” means Shares issued pursuant to a Restricted Stock award under Section 7 of the Plan, or issued pursuant to the early exercise of an Option.
- (ai) “Restricted Stock Unit” means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 8 of the Plan. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.
- (aj) “Rule 16b-3” means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.
- (ak) “Section 16(b)” means Section 16(b) of the Exchange Act.
- (al) “Section 409A” means Section 409A of the Code, and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.
- (am) “Service Provider” means an Employee, Director or Consultant.
- (an) “Share” means a share of the Common Stock, as adjusted in accordance with Section 13 of the Plan.
- (ao) “Stock Appreciation Right” or “SAR” means an Award, granted alone or in connection with an Option, that pursuant to Section 9 of the Plan is designated as a Stock Appreciation Right.
- (ap) “Subsidiary” means a “subsidiary corporation or company,” whether now or hereafter existing, as defined in Section 424(f) of the Code.
3. Stock Subject to the Plan.
- (a) Stock Subject to the Plan. Subject to the provisions of Section 13 of the Plan, the maximum aggregate number of Shares that may be issued under the Plan shall equal 15,668,750 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.
- (b) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an Exchange Program, or, with respect to Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares, is forfeited to or repurchased by the Company due to failure to vest, the unpurchased Shares (or for Awards other than Options or Stock Appreciation Rights the forfeited or repurchased Shares), which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). Upon exercise of a Stock Appreciation Right settled in Shares, the gross number of Shares covered by the portion of the Award so exercised, whether or not actually issued pursuant to such exercise will cease to be available under the Plan. Shares that have actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units are repurchased by the Company or are forfeited to the Company,

such Shares will become available for future grant under the Plan. Shares used to pay the exercise price or purchase price of an Award will not become available for future grant or sale under the Plan. Shares used to satisfy the tax withholding obligations related to an Award of Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares will become available for future grant or sale under the Plan. Shares used to satisfy the tax withholding obligations under an Option or Stock Appreciation Right will not become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Shares purchased in the open market with proceeds from option exercises will not be added to the Share reserve under the Plan. Notwithstanding anything in the Plan or any Award Agreement to the contrary, Shares actually issued pursuant to Awards transferred under any Award Transfer Program will not be again available for grant under the Plan. Notwithstanding the foregoing and, subject to adjustment as provided in Section 13 of the Plan, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a) of the Plan, plus, to the extent allowable under Section 422 of the Code and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to this Section 3(b).

(c) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

(ii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.

(iii) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws.

(iv) Delegation of Authority for Day-to-Day Administration. Except to the extent prohibited by Applicable Law, the Administrator may delegate to one or more individuals the day-to-day administration of the Plan and any of the functions assigned to it in this Plan. Such delegation may be revoked at any time.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Awards may be granted hereunder;

(iii) to determine the number of Shares to be covered by each Award granted hereunder (subject to the provisions of the Plan);

(iv) to approve forms of Award Agreements for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction, limitation or requirement regarding any Award or the Shares covered thereby (for example, but not by way of limitation, any holding period or ownership requirement), based in each case on such factors as the Administrator (in its discretion) shall determine;

(vi) to determine the terms and conditions of any Exchange Program and/or Award Transfer Program and with the consent of the Company's stockholders, to institute an Exchange Program and/or Award Transfer Program (provided that the Administrator may not implement an Exchange Program and/or Award Transfer Program without first receiving the consent of the Company's stockholders to an amendment to the Plan that expressly permits the Exchange Program or Award Transfer Program);

(vii) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

(viii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying or facilitating compliance with applicable foreign laws and/or for qualifying for favorable tax treatment under applicable foreign laws;

(ix) to modify or amend each Award (subject to Section 18 of the Plan), including but not limited to the discretionary authority to extend the post-termination exercisability period of Awards and to extend the maximum term of an Option (subject to Section 6(b) of the Plan regarding Incentive Stock Options);

(x) to allow Participants to satisfy withholding tax obligations in such manner as prescribed in Section 14 of the Plan;

(xi) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator pursuant to such procedures as the Administrator may determine;

(xii) to allow a Participant, in compliance with all Applicable Laws including, but not limited to, Section 409A, to defer the receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant under an Award; and

(xiii) to determine whether Awards will be settled in Shares, cash or in any combination thereof;

(xiv) to impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by a Participant or other subsequent transfers by the Participant of any Shares issued as a result of or under an Award, including without limitation, (A) restrictions under an insider trading policy, and (B) restrictions as to the use of a specified brokerage firm for such resales or other transfers;

(xv) to require that the Participant's rights, payments and benefits with respect to an Award (including amounts received upon the settlement or exercise of an Award) shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award, as may be specified in an Award Agreement at the time of the Award, or later if (A) Applicable Laws require the Company to adopt a policy requiring such reduction, cancellation, forfeiture or recoupment, or (B) pursuant to an amendment of an outstanding Award; and

(xvi) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards and shall be given the maximum deference permitted by law.

(d) Fiscal Year Limit on Outside Director Awards. No Outside Director may be granted, in any Fiscal Year, Awards (the value of which will be based on their grant date fair value determined in accordance with generally accepted accounting principles) which, in the aggregate, exceed \$500,000, provided that such amount is increased to \$750,000 in the Fiscal Year of his or her initial service as an Outside Director. Any Awards or other compensation provided to an individual for his or her services as an Employee, or for his or her services as a Consultant other than as an Outside Director, will be excluded for purposes of applying the preceding limit.

5. Eligibility. Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

6. Stock Options.

(a) Limitations.

(i) Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars (\$100,000), such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted.

(ii) The Administrator will have complete discretion to determine the number of Shares subject to an Option granted to any Service Provider, provided that, subject to Section 13, during any Fiscal Year, no Employee or Consultant may be granted Options and/or SARs covering more than a total of 1,000,000 Shares, except that during the Fiscal Year in which a Participant first becomes an Employee or Consultant, the Participant may be granted Options and/or SARs covering up to a total of an additional 1,000,000 Shares. (The grant limit for Outside Directors is in Section 4(d).)

(b) Term of Option. The term of each Incentive Stock Option or Nonstatutory Stock Option will be stated in the Award Agreement; provided, however, that the term will be no more than seven (7) years from the date of grant hereof. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

(c) Option Exercise Price and Consideration.

(i) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following:

- (1) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(2) In the case of a Nonstatutory Stock Option, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(3) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

(ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

(iii) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of, without limitation: (1) cash; (2) check; (3) promissory note, to the extent permitted by Applicable Laws, (4) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (5) consideration received by the Company under a cashless exercise program (whether through a broker, net exercise program or otherwise) implemented by the Company in connection with the Plan; (6) by reduction in the amount of any Company liability to the Participant, (7) by net exercise; (8) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or (9) any combination of the foregoing methods of payment.

(d) Exercise of Option.

(i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) a notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13 of the Plan.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's termination as the result of the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for three (3) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will be forfeited and revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified by the Award Agreement, this Plan or the Administrator, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will be forfeited and revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised following the Participant's death within such period of time as is specified in the Award Agreement (but in no event may the option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's designated beneficiary, provided such designation has been permitted by the Administrator and provided a beneficiary has been designated prior to Participant's death in a form acceptable to the Administrator. If a beneficiary designation has not been permitted by the Administrator or if no beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following Participant's death. Unless otherwise provided by the Administrator, if at the time of death Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will be forfeited and immediately revert to the Plan. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

7. Restricted Stock.

(a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine; provided, that, subject to the provisions of Section 13 of the Plan, during any Fiscal Year, no Employee or Consultant may be granted Full Value Awards covering more than 750,000 Shares, except that during the Fiscal Year in which a Participant first becomes an Employee or Consultant, the Participant may be granted Full Value Awards covering up to a total of an additional 750,000 Shares. (The grant limit for Outside Directors is in Section 4(d).)

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.

(c) Transferability. Except as provided in this Section 7 or the Award Agreement, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(i) General Restrictions. The Administrator may set restrictions based upon continued employment or service, the achievement of specific performance objectives (Company-wide, departmental, divisional, business unit, or individual), applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.

(e) Removal of Restrictions. Except as otherwise provided in this Section 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction or at such other time as the Administrator may determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless the Administrator provides otherwise. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

(h) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and, subject to Section 3, again will become available for grant under the Plan.

8. Restricted Stock Units.

(a) Grant. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Restricted Stock Units to Service Providers in such amounts as the Administrator, in its sole discretion, will determine; provided, that, subject to the provisions of Section 13 of the Plan, during any Fiscal Year, no Employee or Consultant may be granted Full Value Awards covering more than 750,000 Shares, except that during the Fiscal Year in which a Participant first becomes an Employee or Consultant, the Participant may be granted Full Value Awards covering up to a total of an additional 750,000 Shares. (The grant limit for Outside Directors is in Section 4(d).) After the Administrator determines that it will grant Restricted Stock Units under the Plan, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant.

(i) General Restrictions. The Administrator may set vesting criteria based upon continued employment or service, the achievement of specific performance objectives (Company-wide, departmental, divisional, business unit, or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws or any other basis determined by the Administrator in its discretion.

(c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

(d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) determined by the Administrator and set forth in the Award Agreement; provided, however, that the timing of payment shall in all cases comply with Section 409A to the extent applicable to the Award. The Administrator, in its sole discretion, may only settle earned Restricted Stock Units in cash, Shares, or a combination of both.

(e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company and, subject to Section 3 of the Plan, again will become available for grant under the Plan.

9. Stock Appreciation Rights.

(a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of Stock Appreciation Rights granted to any Service Provider, provided that, subject to the provisions of Section 13, during any Fiscal Year, no Employee or Consultant may be granted SARs and/or Options covering more than a total of 1,000,000 Shares, except that during the Fiscal Year in which a Participant first becomes an Employee or Consultant, the Participant may be granted SARs and/or Options covering up to a total of an additional 1,000,000 Shares. (The grant limit for Outside Directors is in Section 4(d).)

(c) Exercise Price and Other Terms. The per share exercise price for the Shares to be issued pursuant to exercise of a Stock Appreciation Right will be determined by the Administrator and will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. Otherwise, the Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan.

(d) Stock Appreciation Right Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(e) Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the rules of Section 6(b) of the Plan relating to the maximum term and Section 6(d) of the Plan relating to exercise also will apply to Stock Appreciation Rights.

(f) Payment of Stock Appreciation Right Amount. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

- (i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times
- (ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

10. Performance Units and Performance Shares.

(a) Grant of Performance Units/Shares. Subject to the terms and conditions of the Plan, Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion. The Administrator will have complete discretion in determining the number of Performance Units and Performance Shares granted to each Participant; provided, that subject to the provisions of Section 13 of the Plan, during any Fiscal Year, no Employee or Consultant (a) may be granted Full Value Awards covering more than 750,000 Shares, except that during the Fiscal Year in which a Participant first becomes an Employee or Consultant, the Participant may be granted Full Value Awards covering up to a total of an additional 750,000 Shares, and (b) will receive Performance Units having an initial value greater than \$10,000,000; provided, however, that in the Fiscal Year in which his or her service as an Employee or Consultant first commences, the Participant may be granted additional Performance Units having a value no greater than \$10,000,000. (The grant limit for Outside Directors is in Section 4(d).)

(b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

(c) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions (including, without limitation, continued status as a Service Provider) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Service Providers. The time period during which the performance objectives or other vesting provisions must be met will be called the "Performance Period." Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(i) General Restrictions. The Administrator may set vesting criteria based upon continued employment or service, the achievement of specific performance objectives (Company-wide, departmental, divisional, business unit, or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws or any other basis determined by the Administrator in its discretion.

(d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share.

(e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made as soon as practicable after the expiration of the applicable Performance Period or as otherwise determined by the Administrator; provided, however, that the timing of payment shall in all cases comply with Section 409A to the extent applicable to the Award. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof. No right to receive any ordinary cash dividends will exist with respect to any unvested Shares under the Performance Units/Shares. In the event of any extraordinary cash dividend payable with respect to Shares, the extraordinary cash dividends payable with respect to the unvested Shares under the Performance Units/Shares, if any (as determined in accordance with Section 13 and/or other applicable provisions of the Plan), will be subject to the same restrictions on vesting, transferability and forfeitability as the Shares subject to the Performance Shares/Units with respect to which the dividends are payable.

(f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and, subject to Section 3 of the Plan, again will be available for grant under the Plan.

11. Leaves of Absence/Transfer Between Locations. If determined by the Administrator (in its discretion and on a case-by-case basis) or as otherwise required by Applicable Law, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence, such that vesting shall cease on the first day of any unpaid leave of absence and shall only recommence upon return to active service. A Participant will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then six (6) months following the first (1st) day of such leave any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

12. Transferability of Awards. Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate. Notwithstanding anything to the contrary in the Plan, in no event will the Administrator have the right to determine and implement the terms and conditions of any Award Transfer Program without stockholder approval.

13. Adjustments: Dissolution or Liquidation: Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award, the numerical Share limits in Section 3 of the Plan and the per person numerical Share limits in Sections 6(a), 7(a), 8(a), 9(b) and 10(a) of the Plan. Notwithstanding the preceding, the number of Shares

subject to any Award always shall be a whole number. Also, for the avoidance of doubt and notwithstanding any contrary provision of the Plan, adjustments to Awards and the grant of new Awards (including, but not limited to, substitute Awards) under this Section 13 will not count against the per person numerical Share or dollar limits under the Plan (including, but not limited to, the Sections referenced above).

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised (with respect to an Option or SAR) or vested (with respect to an Award other than an Option or SAR), an Award will terminate immediately prior to the consummation of such proposed action.

(c) Merger or Change in Control. In the event of a merger of the Company with or into another corporation or other entity or a Change in Control, each outstanding Award will be treated as the Administrator determines, including, without limitation, that each Award be assumed or an equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. The Administrator will not be required to treat all Awards similarly in the transaction.

In the event that the successor corporation does not assume or substitute for the Award, the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and Stock Appreciation Rights, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met. In addition, if an Option or Stock Appreciation Right is not assumed or substituted in the event of a merger or Change in Control, the Administrator will notify the Participant in writing or electronically that the Option or Stock Appreciation Right will be exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right will terminate upon the expiration of such period.

For the purposes of this subsection (c), an Award will be considered assumed if, following the merger or Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the transaction, the consideration (whether stock, cash, or other securities or property) received in the transaction by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the transaction is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, Performance Unit or Performance Share, for each Share subject to such Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the transaction.

Notwithstanding anything in this Section 13(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-transaction corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

(d) Outside Director Awards. With respect to Awards granted to an Outside Director that are assumed or substituted for, if on the date of or following such assumption or substitution the Participant's status as a Director or a director of the successor corporation, as applicable, is terminated other than upon a voluntary resignation by the Participant (unless such resignation is at the request of the acquirer), then the Participant will fully vest in and have the right to exercise Options and/or Stock Appreciation Rights as to all of the Shares underlying such Award, including those Shares which would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met.

14. Tax.

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof) or such earlier time as any tax withholding obligations are due, the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Participant's FICA obligations) required to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligations, in whole or in part by (without limitation) (a) paying cash, (b) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the maximum statutory amount required to be withheld or such other amount as will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion, or (c) delivering to the Company already-owned Shares having a Fair Market Value equal to the maximum statutory amount required to be withheld or such other amount as will not result

in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

(c) Compliance With Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A, except as otherwise determined in the sole discretion of the Administrator. Each payment or benefit under this Plan and under each Award Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. The Plan, each Award and each Award Agreement under the Plan is intended to be exempt from or otherwise meet the requirements of Section 409A and will be construed and interpreted, including but not limited with respect to ambiguities and/or ambiguous terms, in accordance with such intent, except as otherwise specifically determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A.

15. No Effect on Employment or Service. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company, nor will they interfere in any way with the Participant's right or the Company's right to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

16. Date of Grant. The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

17. Term of Plan. Subject to Section 23 of the Plan, the Plan will become effective upon its approval by the Company's stockholders. It will continue in effect for a term of ten (10) years from the date of the initial Board action to adopt the Plan unless terminated earlier under Section 18 of the Plan. Pursuant to the amendment and restatement of the Plan approved by the Administrator on September 30, 2019, subject to approval by the Company's stockholders, the term of the Plan was extended until August 14, 2024.

18. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Administrator may at any time amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

19. Compliance with Applicable Laws. The terms of the Plan are subject to Applicable Laws and shall be interpreted in such a manner as to comply with Applicable Laws.

20. Conditions Upon Issuance of Shares.

(a) Legal Compliance. The granting of Awards and the issuance and delivery of Shares under the Plan shall be subject to all Applicable Laws, rule and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. Shares will not be issued pursuant to the exercise or vesting of an Award and the Company may not permit the exercise or vesting of an Award unless the exercise or vesting of such Award and the issuance and delivery of such Shares will comply with Applicable Laws, rules and regulations and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

21. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction or to complete or comply with the requirements of any registration or other qualification of the Awards and/or Shares under any state, federal or foreign law or under the rules and regulations of the Securities and Exchange Commission, the stock exchange on which Shares of the same class are then listed, or any other governmental or regulatory body, which authority, registration, qualification or rule compliance is deemed by the Company's counsel to be necessary or advisable for the grant, exercise or vesting of Awards or the issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to grant Awards, to allow exercise or vesting of Awards or to issue or sell such Shares as to which such requisite authority, registration, qualification or rule compliance will not have been obtained.

22. Forfeiture Events. The Administrator may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain

specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, fraud, breach of a fiduciary duty, restatement of financial statements as a result of fraud or willful errors or omissions, termination of employment for cause, violation of material Company and/or Subsidiary policies, breach of non-competition, confidentiality, or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company and/or its Subsidiaries. The Administrator may also require the application of this Section with respect to any Award previously granted to a Participant even without any specified terms being included in any applicable Award Agreement to the extent required under Applicable Laws.

23. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002

I, James J. Lerner, certify that:

- 1) I have reviewed this annual 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(s) 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(s) 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 November 3, 2021

/s/ James J. Lerner

James J. Lerner

President, Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002

I, J. Michael Dodson, certify that:

- 1) I have reviewed this annual 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(s) 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(s) 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 November 3, 2021

/s/ J. Michael Dodson

J. Michael Dodson

Chief Financial Officer

(Principal Financial Officer)

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 September 30, 2021 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 November 3, 2021

/s/ James J. Lerner

James J. Lerner

President, Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

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 September 30, 2021, 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 November 3, 2021

/s/ J. Michael Dodson

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