

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

FORM 10-K

(Mark One)

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

For the fiscal year ended **March 31, 2024**

or

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

For the transition period from ___ to ___

Commission File Number **001-13449**

Quantum[®]

Quantum Corporation

(Exact name of registrant as specified in its charter)

Delaware

(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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 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 financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those errors corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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 last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by its non-affiliates, computed by reference to the price at which the common stock was last sold, was \$40,670,637.

As of June 25, 2024, there were 95,849,938 shares of Quantum Corporation's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The portions of the registrant's proxy statement to be filed in connection with the Annual Meeting of Stockholders to be held in 2024 have been incorporated by reference into Part III of this Annual Report on Form 10-K.

QUANTUM CORPORATION
ANNUAL REPORT ON FORM 10-K
For the Year Ended March 31, 2024

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As used in this Annual Report on Form 10-K (this "Annual Report"), the terms the "Company," "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 Annual Report contains forward-looking statements. All statements contained in this report other than statements of historical fact, including, but not limited to, statements regarding our future operating results and financial position; our business strategy, focus and plans; our market growth and trends; our products, services and expected benefits thereof; 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 the competitive pressures that we face; risks associated with executing our strategy; the impact of macroeconomic and geopolitical trends and events; the need to manage third-party suppliers and the distribution of our products and the delivery of our services effectively; the protection of our intellectual property assets, including intellectual property licensed from third parties; risks associated with our international operations; the development and transition of new products and services and the enhancement of existing products and services to meet customer needs; our response to emerging technological trends; the execution and performance of contracts by us and our suppliers, customers, clients and partners; the hiring and retention of key employees; risks associated with business combination and investment transactions; the execution, timing and results of any transformation or restructuring plans, including estimates and assumptions related to the cost and the anticipated benefits of the transformation and restructuring plans; the outcome of any claims and disputes; the ability to meet stock exchange continued listing standards; the possibility that the Nasdaq may delist our securities; risks related to our ability to implement and maintain effective internal control over financial reporting in the future; and those risks described under *Item 1A. Risk Factors*. Moreover, we operate in a competitive and changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Accordingly, you should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation 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.

EXPLANATORY NOTE

In November 2023, the Company determined that it was necessary to re-evaluate its application of standalone selling price under Accounting Standards Codification Topic 606 ("Topic 606"). In May 2024, the Company concluded that its application of Topic 606 related to standalone selling price was inconsistent with the generally accepted application of the guidance. The Company's management reperformed the determination of standalone selling price with the support of external advisors, and the resulting calculations have been applied to the revenue allocations in the fiscal years ended March 31, 2024, March 31, 2023 and March 31, 2022. The Company additionally identified contractual terms contained within outstanding warrant agreements issued to its prior and current lenders in 2018, 2020 and 2023, which required further evaluation under Accounting Standards Codification Topic 815 ("Topic 815"). After consulting with external advisors and completing an extensive review process, management concluded that the classification of warrants as equity was not consistent with Topic 815 and has restated them as a liability. This also resulted in the requirement to account for the change in the fair value of the warrants through the Statements of Operations and Comprehensive Income (Loss). As a result of these errors, as noted in the Form 8-K filed on May 29, 2024, the Company will restate the financial statements for the periods referenced below (the "Restatement").

This Annual Report for the year ended March 31, 2024 includes the following information, in addition to Consolidated Balance Sheet as of March 31, 2024, and the related Consolidated Statement of Operations and Comprehensive Loss, Changes in Stockholders' Equity, and Consolidated Statement of Cash Flows for the year ended March 31, 2024:

- a) Restated Consolidated Financial Statements as of and for the years ended March 31, 2023 and March 31, 2022;
- b) Restated and unaudited interim Condensed Consolidated Financial Information for the quarter ended June 30, 2023 and all quarters of the year ended March 31, 2023;
- c) Unaudited interim Condensed Consolidated Financial Information for the quarters ended September 30, 2023 and December 31, 2023; and
- d) Amended Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") related to the years ended March 31, 2023 and March 31, 2022, and MD&A with respect to the quarters ended September 30, 2023 and December 31, 2023.

For more information, see *Note 14: Restatement of Previously Issued Financial Statements* and *Note 15: Quarterly Financial Summary (Unaudited) to the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data* of this Annual Report.

In connection with the restatement, the Audit Committee of the Company's Board of Directors concluded, with concurrence of management, that there were deficiencies in the Company's internal control over financial reporting and the Company's disclosure controls and procedures that constituted material weaknesses as of March 31, 2024, March 31, 2023 and March 31, 2022. As further discussed in *Item 9A. Controls and Procedures* of this Annual Report, management has concluded that the Company did not maintain effective disclosure controls and procedures, and internal control over financial reporting resulting in material weaknesses as of March 31, 2024, and further concluded that the material weaknesses applied to the delinquent Quarterly Reports on Form 10-Q for the quarters ended December 31, 2023 and September 30, 2023 and the previously filed Quarterly Report on Form 10-Q for the quarter ended June 30, 2023.

SUMMARY RISK FACTORS

Our business is subject to numerous risks and uncertainties that could affect our ability to successfully implement our business strategy and affect our financial results. You should carefully consider all of the information in this report and, in particular, the following principal risks and all of the other specific risk factors described under *Item 1A. Risk Factors* before deciding whether to invest in our company.

- Cost increases, supply disruptions, or raw material shortages, including in single source components, could harm our business.
 - We outsource our component supply, manufacturing, and service repair operations to third parties. Our business, financial condition, and operating results could face material adverse impacts if we cannot obtain parts, products, and services in a cost effective and timely manner that meets our customers' expectations.
 - As a result of our global manufacturing and sales operations, we are subject to a variety of risks related to our business outside of the U.S., any of which could, individually or in the aggregate, have a material adverse effect on our business.
 - Our stock price has experienced significant volatility in the past, and continued volatility may cause our common stock trading price to remain volatile or decline.
 - We are not in compliance with the Nasdaq Global Market's continued listing standards, and if we do not regain compliance, we will be delisted from Nasdaq.
 - Our quarterly operating results have fluctuated significantly, and past results should not be used to predict future performance.
 - We have significant indebtedness, which imposes upon us debt service obligations, and our term loan and revolving credit facilities contain various operating and financial covenants that limit our discretion in operating our business. If we are unable to generate sufficient cash flows from operations and overall operating results to meet these debt obligations or remain in compliance with the covenants, our business, financial condition and operating results could be materially and adversely affected.
 - We must maintain compliance with the terms of our existing credit facilities or receive a waiver for any non-compliance. The failure to do so could have a material adverse effect on our ability to finance our ongoing operations and we may not be able to find an alternative lending source if a default occurs.
 - If we do not successfully manage the changes that we have made and may continue to make to our business model, infrastructure, and management, our business could be disrupted, and that could adversely impact our operating results and financial condition.
 - We have taken considerable steps towards reducing our cost structure. The steps we have taken may not reduce our cost structure to a level appropriate in relation to our future sales and therefore, these cost reductions may be insufficient to achieve profitability.
 - Some of our products contain licensed, third-party technology that provides important product functionality and features. The loss or inability to obtain any such license could have a material adverse effect on our business.
 - We have restated certain of our prior consolidated financial statements, which has resulted in unanticipated costs and may lead to additional risks and uncertainties, including loss of investor confidence and negative impacts on our stock price.
 - We have identified material weaknesses in our internal control over financial reporting, which could, if not properly remediated, result in additional material misstatements in our interim or annual consolidated financial statements, could impair our ability to produce accurate and timely financial statements and could adversely affect investor confidence in our financial reports, which could negatively affect our business.
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PART I

ITEM 1. BUSINESS

Overview

Quantum delivers end-to-end data management solutions designed for unstructured data in the artificial intelligence ("AI") era. From high-performance ingest that powers AI applications and demanding data-intensive workloads to massive, durable data lakes to fuel AI models, Quantum delivers one of the most comprehensive and cost-efficient solutions for the entire data lifecycle. We specialize in solutions for video, images, audio, and other large files because this unstructured data represents more than 80% of all data being created according to leading industry analyst firms. Unstructured data poses both immense potential and significant challenges for organizations looking to retain and analyze their data for AI and other initiatives. Effectively managing and leveraging this data with an intelligent data management platform is not just an option but a necessity for businesses aiming to uncover hidden insights and create value. Unstructured data is exponentially larger than traditional corporate data, contains tremendous value, and must be captured, protected, and stored for many years, decades, and longer. It is no longer just about storing data— organizations need to extract value from their unique data to gain a competitive advantage. Locked inside video, imagery, security camera footage, scientific data sets, and other sensor-derived data is a wealth of information for informed decision-making.

Products and Services

Our portfolio of products includes primary storage software and systems, secondary storage software and systems, as well as devices and media.

Highly Performant Primary Storage Software and Systems include:

- **Myriad All-Flash Software-Defined Storage:** All-flash scale-out file and object storage for high performance enterprise unstructured data applications such as AI, machine learning, and data analytics.
- **StorNext Hybrid Flash/Disk File Storage Software:** For video editing, post-production, and streaming applications, as well as large digital file archives.
- **Unified Surveillance Platform Software:** Unified compute and storage for video surveillance recording, storage, and analytics.

Highly Efficient Cost-per-Terabyte Secondary Storage Software and Systems include:

- **ActiveScale Object Storage Software:** Extremely scalable and durable storage for building massive data lakes, storage clouds, and cold archives.
- **DXi Backup Appliances:** Purpose-built backup appliances for high-speed backup and recovery and multisite data protection.
- **Scalar Tape Storage:** Low-cost, secure storage for long-term data archiving and offline data protection. Scalar tape storage systems are used by the world's largest hyperscalers as well as thousands of enterprises worldwide.

CatDV Asset Management Software: For indexing, cataloging, AI data enrichment, and workflow orchestration, making data easily searchable and accessible so it can contribute to business insights.

Devices and Media includes the sale of standalone linear-tape open tape drives for small business data protection and archiving, and linear-tape open media for use in tape storage systems.

We also offer a broad portfolio of services including 24x7x365 global support, deployment and consulting services, education services, and Quantum-as-a-Service. Our services are delivered with a combination of expertise and technology, including the MyQuantum Service Delivery Platform, and Cloud-Based Analytics ("CBA") AIOps software for proactive remote monitoring.

Global Support and Services, and Warranty

Our global services strategy is an integral component of our total customer solution. Service is typically a significant purchase factor for customers considering long-term storage for archiving and retention or data protection storage solutions. Consequently, our ability to provide comprehensive installation and integration services as well as maintenance services can be a noteworthy competitive advantage to attract new customers and retain existing customers. In addition, we believe that our ability to retain long-term customer relationships and secure repeat business is frequently tied directly to our comprehensive service capabilities and performance.

Our extensive use of technology and innovative product intelligence allows us to scale our global services operations to meet the needs of our customers. We are currently able to provide service to customers in more than 100 countries, supported by 24-hour, multi-language technical support centers located in North America, Europe, and Asia. We provide our customers with warranty coverage on our products. Customers with high availability requirements may also purchase additional services to obtain faster response times on our high-performance shared storage systems, tape systems, and disk backup systems. We offer this additional support coverage at a variety of response levels up to 24-hours a day, seven-days-a-week, 365-days-a-year, for customers with stringent high-availability needs. We provide support ranging from repair and replacement to 24-hour rapid exchange to on-site service support for our midrange and enterprise-class products. In addition to these traditional installation and maintenance services, we also provide project management, managed services, and other value-added services to enhance our customer's experience and engagement. These incremental services create a deeper relationship with customers that enables them to maximize the value of our solution and better positions us to retain our customers through technology transitions.

We generally warrant our hardware products against defects for periods ranging from one to three years from the date of sale. We provide warranty and non-warranty repair services through our service team and third-party service providers. In addition, we utilize various other third-party service providers throughout the world to perform repair and warranty services for us to reach additional geographic areas and industries to provide quality services in a cost-effective manner.

Research and Development

We are a solutions company that relies on technology advancements to compete in an industry characterized by rapid change and evolving customer requirements. Our success depends, in part, on our ability to introduce new products and features to meet end user needs. Our research and development teams are focused on technology and services to make our end-to-end solution of storage systems and data management software easier to manage at scale, software enhancements to make our storage more searchable and accessible, software-defined hyperconverged storage technology, next generation solid-state and hard-drive storage system software, data deduplication and other data reduction technologies, and making tape and other mediums even more efficient as a solution for medium for long term archival storage.

Sales and Distribution Channels

Product Sales Channels

We utilize distributors, value-added resellers ("VARs") and direct market resellers ("DMRs") in our sales process. Our reseller program provides our channel partners the option of purchasing products directly or through distribution channels and provides them access to a more comprehensive product line. Additionally, we sell directly to multiple large corporate entities and government agencies.

OEM Relationships

We sell our products to several original equipment manufacturer ("OEM") customers that resell our hardware products under their own brand names and typically assume responsibility for product sales, end user service and support. We also license our software to certain OEM customers that include this software in their own brand name products. These OEM relationships enable us to reach end users not served by our branded distribution channels or our direct sales force. They also allow us to sell to select geographic or vertical markets where specific OEMs have exceptional strength.

Customers

We provide solutions to multiple industries globally. Historically, our primary customers are in hyperscale, technology and industrial, media and entertainment, federal government, life sciences and healthcare, and financial industries. In addition, we sell to OEMs, distributors, VARs and DMRs to reach end user customers. Sales to our top five customers represented 26%, 32% and 17% of revenue in fiscal 2024, fiscal 2023 and fiscal 2022, respectively, of which none of our hyperscale customers represented 10% or more of our total 2024 revenue.

Competition

The markets in which we participate are highly competitive, characterized by rapid technological change and changing customer requirements. In some cases, our competitors in one market area are customers or suppliers in another. Our competitors often have greater financial, technical, manufacturing, marketing, or other resources than we do. Additionally, the competitive landscape continues to change due to merger and acquisition activity as well as new entrants into the market.

As our customers look to use more public cloud storage services, these providers offer a competitive alternative, as well as new platforms and new ways to deploy our software. We expect that the data storage infrastructures of the future will be both hybrid-cloud and multi-cloud, meaning our customers will store their data in the various large public cloud environments, and also want to use services from multiple public cloud vendors.

Our primary storage solutions, including object storage systems, primarily face competition from the EMC business unit of Dell Inc. ("Dell"), International Business Machines Corporation, ("IBM"), NetApp, Inc., and other enterprise storage vendors in the markets we serve.

Our secondary storage solutions, primarily tape storage systems, compete in the midrange and enterprise reseller and end user markets with IBM and other tape library vendors. Competitors for entry-level and OEM tape systems include BDT Products, Inc. and several others that supply or manufacture similar products. In addition, disk backup products and cloud storage are an indirect competitive alternative to tape storage. Our backup storage systems primarily compete with products sold by Dell, Hewlett Packard Enterprise Company and Veritas Technologies LLC.

Manufacturing and Supply Chain

Quantum has a global supply chain and operations organization, with contract manufacturers located in the U.S. and Mexico along with supporting third-party logistics companies in the Europe, Middle East, and Africa region ("EMEA"), and the Asia-Pacific region, or ("APAC"). Our supply chain and manufacturing strategy minimizes geo-political and environmental causal risks and provides flexibility to support demand fluctuations by region.

Quantum primary storage and secondary disk-based storage systems are sold as appliances that combine Quantum software with servers that are procured from various server vendors. Quantum sources these servers from various vendors, then uses contract manufacturers for final integration and shipment to customers. Quantum's tape storage systems are designed by Quantum and manufactured by a global contract manufacturer.

Tape media is manufactured in Japan and distributed globally.

The global supply chain and logistics have been severely constrained and impacted by inflationary pricing for the past couple of years. While we are cautiously optimistic and see signs of improvement over the past year with supply of both server and tape automation components, we continue to see some constraints. While some components continue to have extended lead times and often non-cancellable purchase orders are required, Quantum continues to work with suppliers to minimize lead times and associated liabilities. We continue to focus on a number of actions including alternate component qualifications, more aggressive management of contract manufacturers, and model changes for better logistics performance and visibility.

Intellectual Property and Technology

We generally rely on patent, copyright, trademark and trade secret laws and contract rights to establish and maintain our proprietary rights in our technology and products. As of March 31, 2024, we hold over 221 U.S. patents. In general, these patents have a 20-year term from the first effective filing date for each patent. We may

also hold foreign patents and patent applications for certain of our products and technologies. Although we believe that our patents and applications have significant value, rapidly changing technology in our industry means that our future success may also depend heavily on the technical competence and creative skills of our employees.

From time to time, third parties have asserted that the manufacture and sale of our products have infringed on their patents. We are not knowingly infringing any third-party patents. Should it ultimately be determined that licenses for third-party patents are required, we will undertake best efforts to obtain such licenses on commercially reasonable terms. See *Note 11: Commitments and Contingencies* for additional disclosures regarding lawsuits alleging patent infringement.

On occasion, we have entered into various patent licensing and cross-licensing agreements with other companies. We may enter into patent cross-licensing agreements with other third parties in the future as part of our normal business activities. These agreements, when and if entered into, would enable these third parties to use certain patents we own and enable us to use certain patents owned by these third parties. We have also sold certain patents, retaining a royalty-free license for these patents.

We are a member of the consortium that develops, patents, and licenses linear-tape open, technology to media manufacturing companies. We receive royalty payments for linear-tape open media technology sold under licensing agreements. We have also entered into various licensing agreements with respect to our technology, patents and similar intellectual property which provide licensing revenues in certain cases and may expand the market for products and solutions using these technologies.

Segment Information

We operate as a single reporting unit and operating segment for business and operating purposes. Information about revenue attributable to each of our product groups is included in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and information about revenue and long-lived assets attributable to certain geographic regions is included in *Note 2: Revenue* and *Note 4: Balance Sheet Information*, respectively, to the consolidated financial statements and risks attendant to our foreign operations is set forth below in *Item 1A. Risk Factors*.

Seasonality

We generally have the greatest demand for our products and services in the fourth quarter of each calendar year, or our fiscal third quarter. We usually experience the lowest demand for our products and services in the first and second quarters of each calendar year, or our fiscal fourth quarter and fiscal first quarter, respectively.

Information About Our Executive Officers

Following are the names and positions of our management team as of June 12, 2024, including a brief account of the business experience of each.

Name	Position with Quantum
James J. Lerner	President, Chief Executive Officer and Chairman of the Board
Kenneth P. Gianella	Chief Financial Officer
Brian E. Cabrera	Chief Administrative Officer and Chief Legal and Compliance Officer
Henk Jan Spanjaard	Chief Revenue Officer
Laura Nash	Chief Accounting Officer

James J. Lerner, 54, was appointed as President and Chief Executive Officer of the Company, effective July 1, 2018, and was appointed Chairman of the Company's Board of Directors (the "Board of Directors") on August 7, 2018. Mr. Lerner has previously served as Vice President and Chief Operating Officer at Pivot3 Inc., a smart infrastructure solutions company, from March 2017 to June 2018, and as Chief Revenue Officer from November 2016 to March 2017. Prior to Pivot3 Inc., from March 2014 to August 2015, Mr. Lerner served as President of Cloud Systems and Solutions at Seagate Technology Holdings Public Limited Company ("Seagate") (Nasdaq: STX), a data storage company. Prior to Seagate, Mr. Lerner served in various executive roles at Cisco Systems, Inc. (Nasdaq: CSCO), a networking hardware and software manufacturing company, including most recently as Senior

Vice President and General Manager of the Cloud & Systems Management Technology Group. Before beginning his career as a technology company executive, Mr. Lerner was a Senior Consultant at Andersen Consulting, a financial advisory and consulting firm. Since 2011, Mr. Lerner has served on the Board of Trustees of Astia, a global not-for-profit organization built on a community of men and women dedicated to the success of women-led, high-growth ventures, and is currently serving as the Chair of the Board of Trustees. Mr. Lerner earned a Bachelor of Arts in Quantitative Economics and Decision Sciences from U.C. San Diego.

Kenneth P. Gianella, 51, has served as our Chief Financial Officer since January 2023. Prior to joining us, he served as the Vice President of Investor Relations; Mergers, Divestitures, & Acquisitions; and Environmental, Social & Governance (ESG) Strategy at Itron, Inc. (Nasdaq: ITRI), an energy and water network technology and services company, since July 2018 to January 2023, and as Vice President of Finance and Treasury of Itron's Networks segment from January 2018 to July 2018. Prior to that, from December 2012 to December 2017, Mr. Gianella held various senior finance positions at Silver Springs Networks, an IoT and smart networks company (acquired by Itron in December 2017), including as interim Chief Financial Officer, Senior Vice President, Finance and Treasurer. Mr. Gianella also was the Head of Finance and Administration at Sensity Systems, Inc., a producer of smart LED lights for enabling Smart Cities, and held various senior finance roles at KLA-Tencor Corporation, a leader in process control, yield management, and computational analytics for the semiconductor industry. Mr. Gianella holds a Master of Business Administration from University of Pittsburgh and a Bachelor of Science in Business Administration from Duquesne University.

Brian E. Cabrera, 59, was appointed Chief Legal and Compliance Officer in September 2021 and Chief Administrative Officer in August 2022. Prior to that, he served as the Assistant United States Attorney from October 2018 to April 2020 and as Special Assistant United States Attorney from October 2017 to October 2018 in the Office of the United States Attorney, Northern District of California. From May 2014 to June 2017, Mr. Cabrera served as Senior Vice President & General Counsel of NVIDIA Corporation ("NVIDIA") (Nasdaq: NVIDIA), a graphics processing units technology company. Prior to NVIDIA, Mr. Cabrera served as General Counsel and Corporate Secretary, Chief Ethics & Compliance Officer of Synopsys, Inc. (Nasdaq: SNPS), an electronic design automation company, from 2006 to 2014. From 1999 to 2006, Mr. Cabrera served as Senior Vice President, Operations, General Counsel and Corporate Secretary of Callidus Software, Inc., an enterprise software company. Prior to Callidus Software, Inc., Mr. Cabrera held various legal positions with PeopleSoft, Inc., a human resource management systems provider, Netscape Communications Corporation, an internet software developing company, Silicon Graphics, Inc., a computer hardware and software manufacturing company, and Bronson, Bronson & McKinnon LLP, a law firm. Mr. Cabrera holds Bachelor's and Master's degrees and a Juris Doctorate from the University of Southern California.

Henk Jan Spanjaard, 58, was appointed Chief Revenue Officer in November 2023. Prior to that, he served as Vice President, EMEA Sales, from July 2020 to November 2023. From August 2018 to July 2020, he served as Vice President and General Manager, EMEA & India, of DriveScale, Inc., a software development company. Prior to that, he served as Vice President, EMEA, of A10 Networks, Inc. (NYSE: ATEN), an application security company, from January 2015 to July 2018. Prior to his role at A10 Networks, Inc., he held several technology sales leadership roles, including at Infoblox, Inc., an IT automation and security company, and NetApp, Inc. (Nasdaq: NTAP), intelligent data infrastructure company. Mr. Spanjaard holds a degree from M.T.S Technical College (Electronics), from Ede, The Netherlands.

Laura Nash, 44, has served as Chief Accounting Officer of the Company since June 2023. Prior to her appointment as Chief Accounting Officer, Ms. Nash served as Controller from June 2019 to June 2023. Prior to that, from September 2005 to June 2019, Ms. Nash held various positions in Audit and Financial Accounting Advisory Services at Ernst & Young, an accounting firm, in both the U.S. and the U.K. Ms. Nash holds a Bachelor of Laws from University of Aberdeen and a Certificate in Accounting from University of Washington – Michael G. Foster School of Business. She is a member of the Institute of Chartered Accountants of Scotland.

Human Capital

Our Chief Administrative Officer leads our human capital initiatives, which include the design and execution of all people strategies. The Chief Administrative Officer partners directly with the Board of Directors, the Leadership and Compensation Committee, and Senior Management on the design, cost, and effectiveness of our people programs to ensure they are competitive and reward our teams for driving company performance.

Our workforce is currently distributed across 19 countries, with approximately 770 employees globally as of March 31, 2024, including 390 in North America, 200 in APAC, and 180 in EMEA. We engage with contractors, consultants, or temporary employees as needs for special projects occur.

Work Environment

While we believe competition for talent in the technology industry in certain geographies may be beginning to soften, we continue to design, evaluate, and expand our total rewards programs so they remain competitive in attracting, motivating, rewarding, and retaining key talent.

We offer flexible and hybrid working arrangements that allow our employees to choose where and how they work. We work to ensure our office environments, whether at a primary location or remote, are safe, professional, and inclusive so our employees can be successful.

To build high performing products and services, we aim to build high performing teams that are inclusive, diverse, and respected regardless of gender, race, color, religion, age, sexual orientation, or disability. We invest in diverse hiring and training initiatives, performance and professional development opportunities, and candidates ranging from interns to experienced leaders. This past year, we partnered with an outside firm for our training on compliance and preventing harassment and discrimination. We believe that fostering an inclusive work environment is a critical component for our culture of excellence.

Culture of Excellence, Accountability, and Innovation

Our company goals and leadership attributes set the tone for our culture of excellence and accountability. Employees are empowered to ask questions and encouraged to report concerns without fear of retaliation, including reporting anonymously if preferred.

During the fiscal year ended March 31, 2023, we redesigned our internal employee recognition program to encourage driving innovation, promoting teamwork, and leading by example. We also continued our practice of “no internal meeting days” so employees can have more time for focused work, training, or personal development.

Talent Development

Our talent is our greatest asset. We seek to actively grow our employees’ skills and leadership perspective while retaining our most critical talent. Our managers and employees participate in regular performance discussions that help facilitate conversations on employee contributions, goals, and expectations.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website at <https://www.quantum.com> generally when such reports are available on the Securities and Exchange Commission (“SEC”) website. The contents of our website are not incorporated into this Annual Report on Form 10-K.

The SEC maintains an internet site that contains reports, proxy, and information statements and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

ITEM 1A. RISK FACTORS

Before investing in any of our securities, you should carefully consider the risks and uncertainties described below, together with all other information in this Annual Report. The risks and uncertainties described below could materially and adversely affect our business, operating results, revenue, financial condition, liquidity, market share or competitive position, and consequently, the value of our securities.

Risks Related to Our Supply Chain, Customers and Sales Strategy

Cost increases, supply disruptions, or raw material shortages, including in single source components, could harm our business.

We have and may continue to experience cost increases or supply interruptions in raw materials and components necessary for our products, as well as increased freight charges and reduced capacity from our freight forwarders. Any such increases or interruptions could materially negatively impact our business, prospects, financial condition and operating results, including delays in manufacturing and shipments of our products and in some cases, result in canceled orders. While we have implemented price increases intended to offset rising costs, we cannot provide assurance that these increases will have the desired effects on our business model in the expected timeframe.

We outsource our component supply, manufacturing, and service repair operations to third parties. Our business, financial condition, and operating results could face material adverse impacts if we cannot obtain parts, products, and services in a cost effective and timely manner that meets our customers' expectations.

Many aspects of our supply chain and operational results are dependent on the performance of third-party business partners, including contract manufacturers, service providers, and product integrators. We face a number of risks as a result of these relationships, any or all of which could have a material adverse effect on our business and harm our operating results and financial condition.

Sole source of product supply

In many cases, our business partners are the sole source of supply for the products or parts they manufacture, or the services they provide to us, and we do not have executed long-term purchase agreements with these partners. Our reliance on a limited number of suppliers and the lack of any guaranteed sources of supply exposes us to several risks, including:

- the inability to obtain an adequate supply of key components;
- the inability to control delivery schedules;
- price volatility for the components of our products;
- failure of a supplier to meet our quality or production requirements;
- failure of a supplier of key components to remain in business or adjust to market conditions; and
- consolidation among suppliers, resulting in some suppliers exiting the industry, discontinuing the manufacture of components or increasing the price of components.

We cannot assure investors that we will be able to obtain a sufficient supply of these key components or that their costs will not increase. If our component supply is disrupted or delayed, or if we need to replace our existing suppliers or redesign a product to accept different components, we cannot guarantee that additional components will be available when required, on terms that are favorable to us, or at reasonable prices, which could extend our lead times and increase our component costs.

Cost and purchase commitments and processes

We may not be able to control the costs of products or services we obtain from our business partners. We provide a customer demand forecast used to procure inventory to build our products. We could be responsible for the financial impact from any forecast reduction or product mix shift relative to materials already purchased under a prior

forecast, including the cost of finished goods in excess of current customer demand or for excess or obsolete inventory.

In some cases, we may retain the responsibility to purchase component inventory to support third-party manufacturing activities, which presents a number of risks that could materially and adversely affect our financial condition. For instance, as part of our component planning, we may place orders with or pay certain suppliers for components in advance of receiving customer purchase orders. We may occasionally enter into large orders with vendors to ensure that we have sufficient components for our products to meet anticipated customer demand. It is possible that we could experience a design or manufacturing flaw that could delay or even prevent the production of the components for which we previously committed to pay.

In addition, in order to reduce manufacturing lead times and plan for adequate component supply, from time to time we may issue non-cancelable and non-returnable component or product orders. Our inventory management systems and related supply chain visibility tools may be inadequate to enable us to make accurate forecasts and effectively manage our component and product supply. If we ultimately determine that we have excess supply, we may have to reduce our prices and write down or write off excess or obsolete inventory. Alternatively, insufficient supply levels may lead to shortages resulting in delayed or lost revenue or reduced product margins. We could experience operating losses based on any of these conditions.

We also maintain service parts inventories to satisfy future warranty obligations and to earn service revenue by providing enhanced and extended technical support and product service during and beyond the warranty period. We estimate service parts inventory needs based on historical usage and forecasts of future warranty and service contract requirements, including estimates of failure rates, costs to repair, and out of warranty revenue. Given the significant levels of judgment inherently involved in the process, we cannot provide assurance that we will be able to maintain service parts inventories appropriate to satisfy customer needs or to avoid inventory purchases that later prove to be unnecessary. If we are unable to maintain appropriate levels of service parts inventories, our business, financial condition and results of operations may be materially and adversely impacted.

Although we have contracts for most of our third-party repair service vendors, the contract period may not be the same as the underlying customer service contract. In such cases, we face risks that the third-party service provider may increase the cost of providing services in later periods already under contract to our customers at a fixed price.

Financial condition and stability

Our third-party business partners may suffer adverse financial or operating results or be negatively impacted by economic conditions. We may face interrupted component, product, or service supply as a result of financial or other volatility affecting our supply chain. As a result, we could suffer production downtime or increased costs to procure alternate products or services.

Quality and supplier conduct

We have limited control over the quality of products and components produced and services provided by our third-party business partners and their supply chains. The quality of the products, parts or services may not be acceptable to our customers and could result in customer dissatisfaction, lost revenue, and increased warranty costs. In addition, we have limited control over the manner in which our business partners conduct their business. We may face negative consequences or publicity as a result of a third-party's failure to comply with applicable compliance, trade, environmental, or employment regulations.

As a result of our global manufacturing and sales operations, we are subject to a variety of risks related to our business outside of the U.S., any of which could, individually or in the aggregate, have a material adverse effect on our business.

A significant portion of our manufacturing, sales, and supply chain operations occur in countries other than the U.S. We utilize third-party business partners to engineer, produce, sell, and fulfill orders for our products, several of which have operations located in foreign countries including China, Hungary, India, Japan, Malaysia, Singapore, Mexico, the Philippines, Thailand, and Ukraine. Because of these operations, we are subject to a number of risks in addition to those already described, including:

- increasing import and export duties and value-added taxes, or trade regulation changes that could erode our profit margins or delay or restrict our ability to transport our products;
- war, military conflict, and geopolitical unrest, including the Russia-Ukraine and Hamas-Israel conflicts, may affect our engineering and support teams outside the U.S. and their ability to perform as well as our sales and services delivery with sanctioned entities and countries;
- reduced or limited protection of our intellectual property;
- difficulty complying with multiple and potentially conflicting regulatory requirements and practices, including laws governing corporate conduct outside the U.S., such as the Foreign Corrupt Practices Act, United Kingdom Bribery Act, and similar regulations;
- commercial laws that favor local businesses and cultural differences that affect how we conduct business;
- differing technology standards or customer requirements;
- exposure to economic uncertainty and fluctuations including inflation, adverse movement of foreign currencies against the U.S. dollar (the currency in which we report our results), restrictions on transferring funds between countries, and continuing sovereign debt risks;
- fluctuations in freight costs, limitations on shipping and receiving capacity, and other disruptions in the transportation and shipping infrastructure at important geographic points for our products and shipments;
- inflexible employee contracts and employment laws that may make it difficult to terminate or change the compensation structure for employees in the event of business downturns;
- difficulties attracting and recruiting employees and wage inflation in highly competitive markets;
- political instability, military, social and infrastructure risks, especially in emerging or developing economies;
- political or nationalist sentiment impacting global trade, including the willingness of non-U.S. consumers to purchase goods or services from U.S. corporations;
- natural disasters, including earthquakes, flooding, typhoons and tsunamis; and
- pandemics and epidemics, and varying and potentially inconsistent governmental restrictions on the operation of businesses, travel and other restrictions.

Any or all of these risks could have a material adverse effect on our business.

We rely on indirect sales channels to market and sell our branded products. The loss of or deterioration in our relationship with one or more of our resellers or distributors, or our inability to establish new indirect sales channels to drive growth of our branded revenue, could negatively affect our operating results.

We sell most of our branded products to distributors, value added resellers, and direct market resellers, who in turn sell our products to end users. We use different distribution channel partners in different countries and regions in the world. The success of these sales channels is hard to predict, particularly over time, and we have no purchase commitments or long-term orders from them that assure us of any baseline sales. Several of our channel partners carry competing product lines they may promote over ours. A channel partner might discontinue our products or fail to effectively market them, and each partner determines the type and amount of our products that it will purchase and the price at which it sells to end users. Establishing new indirect sales channels is an important part of our strategy to drive growth of our branded revenue. Our results of operations could be adversely affected by any number of factors related to our channel partners, including:

- a change in competitive strategy that adversely affects a partner's willingness or ability to distribute our products;
 - the reduction, delay, or cancellation of orders or the return of significant products volume;
 - our inability to gain traction in developing new indirect sales channels for our branded products, or the loss of one or more existing partners; or
 - changes in requirements or programs that allow our products to be sold by third parties to government or other customers.
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Because we rely heavily on channel partners to market and sell our products, if one or more of them were to experience a significant deterioration in its financial condition or its relationship with us, this could disrupt our product distribution and reduce our revenue, which could materially and adversely affect our business, financial condition, and operating results.

We heavily utilize channel partners to perform the functions necessary to market and sell our products in certain product and geographic segments. To fulfill this role, partners must maintain an acceptable level of financial stability, creditworthiness, and the ability to successfully manage business relationships with the customers they serve directly. If partners are unable to perform in an acceptable manner, we may be required to reduce sales to the partner or terminate the relationship. We may also incur financial losses for product returns from partners or for the failure or refusal of distributors to pay obligations owed to us. Either scenario could result in fewer of our products being available to the affected market segments, reduced levels of customer satisfaction and increased expenses, which could in turn have a material and adverse impact on our business, results of operations and financial condition.

A certain percentage of our sales are to a few customers, some of which are also competitors, and these customers generally have no minimum or long-term purchase commitments. The loss of, or a significant reduction in demand from, one or more key customers could materially and adversely affect our business, financial condition and results of operations.

Our product sales have been and continue to be concentrated among a small number of channel partners, direct end-users, and original equipment manufacturers. We sell to many end-user customers and channel partners on purchase orders, not under the terms of a binding long-term procurement agreement. Accordingly, they generally are not obligated to purchase any minimum product volume, and our relationships with them are terminable at will. In addition, recently we have focused our direct-sales business on the largest users of hierarchical storage architectures, the so-called "hyperscalers"; there are very few of these extremely large storage customers, but their order activity has a significant impact on our results from quarter to quarter.

Some of our tape and disk products are incorporated into larger storage systems or solutions that are marketed and sold to end users by third parties. Because of this, we may have limited market access to those end users, limiting our ability to influence and forecast their future purchasing decisions. In addition, revenue from OEM customers has decreased in recent years. Certain of our large OEM customers are also our competitors, and could decide to reduce or terminate purchasing our products for competitive reasons.

In addition, our sales efforts may involve long sales cycles during which we incur expenses to educate our customers about product use and benefits and support customer-driven product evaluations. These cycles may make it difficult for us to predict when, or if, future sales will occur.

During the fiscal year ended March 31, 2024, no customer represented 10% or more of our total revenue compared to the fiscal year ended March 31, 2023, when we had one customer represent 10% or more of our total revenue. If any of our large customers should significantly decrease or stop purchasing our solutions, we would see a significant reduction in revenue that may result in a material adverse effect on our operating results.

The U.S. federal government is an important customer, and our business may be materially and adversely harmed by changes in government purchasing activity.

A portion of our sales are to various agencies and departments of the U.S. federal government, and federal spending funding cuts and temporary government shutdowns have previously impacted and may continue to impact our revenue in the future. Future spending cuts by the U.S. federal government, temporary shutdowns of the U.S. federal government, or changes in its procurement processes or criteria could decrease our sales to the federal government and materially and adversely affect our operating results. In addition, changes in government certification requirements applicable to our products could impact our ability to sell to U.S. federal customers.

Risks Related to Our Operating Results, Financial Condition, or Stock Price

We continue to face risks related to inflation, economic uncertainty, and slow economic growth.

Uncertainty about economic conditions poses risks as businesses may further reduce or postpone spending in response to reduced budgets, tightening of credit markets, increases in inflation and interest rates, negative financial news, and declines in income or asset values which could adversely affect our business, financial condition and operating results. Recent inflationary increases have driven up the prices at which we are able to purchase necessary components, products, and services, as well as the cost of contract labor. In addition, we continue to face risks related to uncertain tariff levels between countries where our products are manufactured and sold, unstable political and economic conditions, including the war between Russia and Ukraine and the Hamas-Israel conflict, and concerns about sovereign debt, which could negatively impact the U.S. and global economies and adversely affect our financial results. In addition, our ability to access capital markets may be restricted or result in unfavorable financing terms, impacting our ability to react to changing economic and business conditions and could also materially and adversely affect our ability to sustain our operations at their current levels.

Our stock price has experienced significant volatility in the past, and continued volatility may cause our common stock trading price to remain volatile or decline.

Our stock price has been extremely volatile in the past. The trading price of our common stock may continue to fluctuate in response to a number of events and factors, many of which may be beyond our control, such as:

- quarterly variations in our operating results;
- failure to meet our financial guidance or the expectations of securities analysts and investors;
- new products, services, innovations, strategic developments, or business combinations and investments by our competitors or us;
- changes in our capital structure, including incurring new debt, issuing additional debt or equity to the public, and issuing common stock upon exercise of our outstanding warrants or subscribing to our recent rights offering;
- large or sudden purchases or sales of stock by investors;
- changes in interest and exchange rates;
- market volatility resulting from a public health emergency;
- a continued widespread decline in the U.S. or global economy as a result of the impact of COVID-19, supply chain constraints, or other factors;
- fluctuations in the stock market in general and market prices for technology companies in particular;
- tariffs imposed by the U.S. government on sales originating in or being shipped to countries with which we have on-going trade or other political conflicts;
- investigations or enforcement actions related to a potential or actual failure to comply with applicable regulations;
- costs of new or ongoing commercial litigation; and
- significant changes in our brand or reputation.

Any of these events and factors may cause our stock price to rise or fall and may adversely affect our business and financing opportunities.

We are not in compliance with the Nasdaq Global Market's continued listing standards, and if we do not regain compliance, we will be delisted from Nasdaq.

The listing of our common stock on the Nasdaq Global Market is contingent on our compliance with the Nasdaq Global Market's rules for continued listing. On September 20, 2023, we received a deficiency notice from the Nasdaq Listing Qualifications Department (the "Nasdaq Staff") notifying us that we were not in compliance with Nasdaq's minimum closing bid price requirement of \$1.00 per share for 30 consecutive business days, as set forth in Nasdaq Listing Rule 5450(a)(1) (the "Minimum Bid Price Requirement"). We did not regain compliance with the Minimum Bid Price Requirement within 180 days from the initial deficiency notice, and on March 19, 2024, we were notified by the Nasdaq Staff that we would be delisted unless we timely request a hearing before a Nasdaq hearings panel (the "Panel").

We were also notified on November 14, 2023 and February 13, 2024 that we were not in compliance with Nasdaq Listing Rule 5250(c)(1) (the "Filings Requirement") as a result of our failure to timely file the Quarterly Reports on

Form 10-Q for the fiscal quarters ended September 30, 2023 and December 31, 2023. The Nasdaq Staff initially provided us until May 7, 2024 to regain compliance with the Filings Requirement.

On May 14, 2024, we had a hearing before the Panel to address the deficiencies in complying with the Minimum Bid Price Requirement and the Filings Requirement and to present a plan to regain compliance. The hearing and stay request with respect to the Minimum Bid Price Requirement and the Filings Requirement stayed any further action by the Nasdaq Staff pending a written decision from the Panel and our common stock remains listed and eligible for trading on the Nasdaq Global Market.

On June 6, 2024, the Panel issued a ruling granting us an extension period for (i) the Minimum Bid Price Requirement until September 16, 2024 and (ii) the Filings Requirement until July 1, 2024. As a result of the filing of this Annual Report on Form 10-K, which includes the financial statements and other information required in the Quarterly Reports on Form 10-Q for the fiscal quarters ended December 31, 2023 and September 30, 2023, we have complied with the Filings Requirement. In addition, we plan to comply with the Minimum Bid Price Requirement by the extension period by effecting a reverse stock split of our common stock by such date.

While we expect to regain compliance with the Minimum Bid Price Requirement within the granted extension period, there can be no guarantee that we will regain compliance by such date. If we do not regain compliance with the Minimum Bid Price Requirement within the extension period, we will be delisted from Nasdaq. Furthermore, there can be no assurance that we will maintain compliance with the other Nasdaq listing requirements.

We may be unable to attract and retain key talent necessary to effectively meet our business objectives.

The market for skilled engineering, sales, and administrative talent is competitive and we have seen delays in recruiting and hiring timeframes. We believe our ability to recruit and hire new talent, and retain existing key personnel, may be negatively impacted by prior and ongoing fluctuations in our operating results, stock price, and ability to offer competitive benefits and total compensation programs. Our business results may be harmed if we are unable to attract and retain key talent in the future.

Our quarterly operating results have fluctuated significantly, and past results should not be used to predict future performance.

Our quarterly operating results have fluctuated significantly in the past and could fluctuate significantly in the future. As a result, our quarterly operating results should not be used to predict future performance. Quarterly results could be materially and adversely affected by a number of factors, including, but not limited to:

- IT spending fluctuations resulting from economic conditions or changes in U.S. federal government spending;
- supply chain constraints or other failures by our contract manufacturers to complete shipments in a timely manner;
- new product announcements by us or our competitors which may cause purchasing delays or cancellations;
- customers canceling, reducing, deferring, or rescheduling significant orders as a result of excess inventory levels, weak economic conditions, reduced demand, or other factors;
- seasonality, including customer and government fiscal year-ends and budget availability impacting demand for our products;
- reduced demand, declines in large orders, royalty, or software revenues, or other changes in product mix;
- product development and ramp cycle delays or product performance or quality issues;
- poor execution of and performance against expected sales and marketing plans and strategies;
- increased competition which may, among other things, increase pricing pressure or reduce sales;
- restructuring actions or unexpected costs; and
- foreign currency exchange fluctuations.

Our operating results depend on continuing and increasing market acceptance of our existing products and on new product introductions, which may be unsuccessful, in which case our business, financial condition and results of operations may be materially and adversely affected.

A limited number of products comprise a significant majority of our sales, and due to rapid technological change in our industry, our future operating results depend on our ability to improve existing products and develop and successfully introduce new products. We have devoted and expect to continue to devote considerable management and financial resources to these efforts.

When we introduce new products to the market, they may not achieve market acceptance or significant market share. In addition, the target markets for our new products may not continue or grow as we anticipate. Our new products may not be successfully or timely qualified by new customers, and if they are qualified, we may not achieve high volume production in a timely manner, if at all. In addition, we may experience technical, quality, performance-related, or other difficulties that could prevent or delay the introduction and market acceptance of new products.

If we are not successful in timely completing our new product qualifications and ramping sales to our key customers, our revenue and operating results could be adversely impacted. In addition, if the quality of our products is not acceptable to our customers, customer dissatisfaction, lost revenue, and increased warranty and repair costs could result.

We derive significant revenue from products incorporating tape technology. Our future operating results depend in part on continued market acceptance and use of tape products; in the past, decreases in the tape products market have materially and adversely impacted our business, financial condition and operating results.

We currently derive significant revenue from products that incorporate some form of tape technology, and we expect to continue to do so in the next several years. As a result, our future operating results depend in part on continued market acceptance and use of tape products. Decreased market acceptance or use of products employing tape technology has materially and adversely impacted our business, financial condition, and operating results, and we expect that our revenues from certain types of tape products could continue to decline in the future.

Disk, solid-state, and flash storage products, as well as various software solutions and alternative technologies have eroded the demand for tape products. We expect that, over time, many of our tape customers could migrate toward these other products and solutions and their proportionate contribution to our revenue will increase in the future. While we are making targeted investments in software, disk backup and flash storage systems, and other alternative technologies, these markets are characterized by rapid innovation, evolving customer demands, and strong competition, including competition with companies who are also significant customers. If we are not successful in our efforts, we may not be able to attract or retain customers, and our business, financial condition and results of operations could be materially and adversely affected.

A significant decline in our media royalty or branded software revenues could materially and adversely affect our business, financial condition and operating results.

Our media royalties and branded software revenues generate relatively greater profit margins than some of our other products and can significantly impact our overall profitability. We receive media royalty revenue based on tape media cartridges sold by various tape media manufacturers and resellers. Under our patent and technology license agreements with these companies, each of the licensees determines the pricing and number of units of tape media cartridges that it sells. Our media royalty revenue varies based on the licensees' media sales and other factors, including:

- our customers' continued use of storage tape media, including the size of the installed base of devices and similar products that use tape media cartridges;
 - the relative growth in units of newer device products, since the associated media cartridges for newer products typically sell at higher prices compared with the media cartridges associated with older products;
 - media consumption habits and rates of end users and pattern of device retirements;
 - the level of channel inventories; and
 - agreement on standards for newer generations of the tape media that generates our royalty revenue.
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Risks Related to Our Indebtedness

We have significant indebtedness, which imposes upon us debt service obligations, and our term loan and revolving credit facilities contain various operating and financial covenants that limit our discretion in operating our business. If we are unable to generate sufficient cash flows from operations and overall operating results to meet these debt obligations or remain in compliance with the covenants, our business, financial condition and operating results could be materially and adversely affected.

Our level of indebtedness presents significant risks to our business and investors, both in terms of the constraints that it places on our ability to operate our business and because of the possibility that we may not generate sufficient cash and operating results to remain in compliance with our covenants and pay the principal and interest on our indebtedness as it becomes due. As recently as March 2024, we were in danger of failing to meet certain financial covenants in our debt agreements, which could have resulted in a default under these agreements if we had not obtained a waiver of noncompliance from our lenders. For further description of our outstanding debt, see the section captioned "Liquidity and Capital Resources" in *Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*.

As a result of our indebtedness:

- Our ability to invest in growing our business is constrained by the financial covenants contained in our credit facilities, which require us to maintain certain maximum total net leverage ratio levels, a minimum fixed charge coverage ratio, and liquidity levels and restrict our ability to:
 - Incur debt and liens;
 - Acquire businesses or entities or sell certain assets;
 - Make investments, including loans, guarantees, and advances;
 - Engage in transactions with affiliates;
 - Pay dividends or repurchase stock; and
 - Enter into certain restrictive agreements;
- We must dedicate a significant portion of our cash flow from operations and other capital resources to debt service, thereby reducing our ability to fund working capital, capital expenditures, research and development, mergers and acquisitions, and other cash-based activities, all of which may place us at a competitive disadvantage;
- If we are not able to generate sufficient cash flows to meet our substantial debt service obligations or to fund our other liquidity needs, we may have to take actions such as selling assets or raising additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and joint ventures, restructuring our debt and other capital-intensive activities;
- We are subject to mandatory field audits and control of cash receipts by the lenders if we do not maintain liquidity above certain thresholds;
- We may be more vulnerable to adverse economic and industry conditions;
- We may not be able to fund future working capital, capital investments and other business activities; and
- We may be unable to make payments on other indebtedness or obligations.

Our ability to make scheduled payments of the principal, to pay interest on, or refinance our debt, or to make cash payments in connection with our credit facilities, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Further, as our debt reaches maturity, we will be required to make large cash payments or adopt one or more alternatives, such as restructuring indebtedness or obtaining additional debt or equity financing on terms that may be onerous or highly dilutive. Our ability to restructure or refinance our debt will depend on the capital markets and our financial condition at such time. We may be unable to incur additional debt or refinance our existing debt on acceptable terms, if at all, which could result in a default on our debt obligations.

Our credit facilities are collateralized by a pledge of all our assets. If we were to default and be unable to cure it within any applicable grace periods or obtain a waiver of such default, the lenders would have a right to foreclose on our assets to satisfy our obligations under these agreements. Any such action on the part of the lenders could have a materially adverse impact on our business, financial condition and results of operations.

In connection with entering into our prior credit facilities and certain amendments to our prior credit facilities, we were required to issue to our lenders thereunder, certain warrants to purchase our common stock. When exercised, these warrants will result in significant dilution to our stockholders. As a result, the issuance of common stock upon the exercise of our outstanding warrants may cause our stock price to decline.

We must maintain compliance with the terms of our existing credit facilities or receive a waiver for any non-compliance. The failure to do so could have a material adverse effect on our ability to finance our ongoing operations and we may not be able to find an alternative lending source if a default occurs.

In March 2024, we fell out of compliance with certain financial covenants in our credit agreements, which would have resulted in default had we not received a waiver of noncompliance from our lenders. Our credit agreements contain negative covenants and customary events of default provisions, including for payment default, covenant default, cross default to other material indebtedness, and judgment default. Each of these limitations are subject to certain liquidity levels, thresholds, or grace periods. In addition, the credit agreement contains affirmative covenants, including certain financial covenants that require us to maintain minimum fixed charge coverage ratios. The applicable interest rate on the facility may increase if our total leverage ratio increases to specified amounts that would result in our interest expenses rising.

These covenants could materially adversely affect our ability to finance our future operations or capital needs. Furthermore, they may restrict our ability to expand and pursue our business strategies and otherwise conduct our business. There are no assurances that we can continue to maintain compliance with these covenants. Our ability to comply with these covenants may be affected by circumstances and events beyond our control, such as prevailing economic conditions and changes in regulations. The restrictions limit our ability to obtain future financings or to withstand a future downturn in our business or the economy in general, which may affect our ability to make the payments required of us under the waiver. Complying with these covenants may also cause us to take actions that may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions.

If we do not maintain compliance with all of the continuing covenants imposed by the credit agreements and other terms and conditions of the credit facility, we could be required to repay outstanding borrowings on an accelerated basis, which could subject us to decreased liquidity and other negative impacts on our business, results of operations and financial condition. There is no assurance that we will be able to negotiate an amendment that will provide for modified financial covenant levels that we can satisfy, or that we will be able to obtain an additional waiver to the credit agreement in the case of future events of default (including but not limited to those related to financial covenants). Any additional amendment or waiver will likely require concessions from the Company, such as prepayments, the imposition of other covenants or restrictions, limitations on future borrowing, or the payment of lender expenses. Furthermore, if the debt is accelerated, we may not be able to make all of the required payments or borrow sufficient funds to refinance such debt. Even if new financing were available at such time, it may not be on terms that are acceptable to us or as favorable to us as our current agreements. Without a sufficient credit facility, we would be adversely affected by a lack of access to liquidity needed to operate our business.

Risks Related to Our Business and Industry

If we do not successfully manage the changes that we have made and may continue to make to our business model, infrastructure, and management, our business could be disrupted, and that could adversely impact our operating results and financial condition.

Managing change is an important focus for us. In recent years, we have implemented several significant initiatives involving our sales and marketing, product engineering, and operations organizations, aimed at transitioning our revenue model from discrete hardware sales to recurring software revenue, increasing our efficiency, and better aligning internal operations with our corporate strategy. In addition, we have reduced headcount to streamline and consolidate our supporting functions as appropriate following recent acquisitions and in response to market or competitive conditions, and have increased our reliance on certain third-party business relationships. If we are

unable to successfully manage the changes that we implement and detect and address issues as they arise, our business could be disrupted, and our results of operations and financial condition could be materially and adversely impacted.

In addition, given that we are relatively new to offering products and services on a subscription basis, and those models in the storage industry continue to evolve, we may not be able to effectively compete, drive expected revenue and margin growth, or obtain profitability for the foreseeable future. Demand for subscription-based products could also erode one-time sales of our hardware products that might not be immediately offset by increased recurring revenue.

We have taken considerable steps towards reducing our cost structure. The steps we have taken may not reduce our cost structure to a level appropriate in relation to our future sales and therefore, these cost reductions may be insufficient to achieve profitability.

In the last several years, we have recorded significant restructuring charges and made cash payments to reduce our cost of sales and operating expenses to respond to adverse economic and industry conditions, to execute strategic management decisions, and to rationalize our operations following acquisitions. These restructuring plans may result in decreases to our revenues or adversely affect our ability to grow our business in the future. Workforce reductions may also adversely affect employee morale and our ability to retain our employees. We may take future steps to further reduce our operating costs, including additional restructurings in response to strategic decisions, increased operating and product costs due to inflation, supply chain constraints, and other external factors, adverse changes in our business or industry, or future acquisitions. We may be unable to reduce our cost of sales and operating expenses at a rate and to a level appropriate in relation to our future sales, which may materially and adversely affect our business, financial condition and results of operations.

In addition, our ability to achieve the anticipated cost savings and other benefits from these restructuring plans within the expected time frame is subject to many estimates and assumptions which may be adversely impacted by significant economic, competitive and other uncertainties, some of which are beyond our control. If these estimates and assumptions are incorrect, if we experience delays, or if other unforeseen events occur, our business, financial condition, and operating results could be adversely affected.

The failure to successfully integrate future acquired businesses, products or technologies could harm our business, financial condition, and operating results.

As a part of our business strategy, we have in the past and may make acquisitions in the future. We may also make significant investments in complementary companies, products or technologies. If we fail to successfully integrate such acquisitions or significant investments, it could harm our business, financial condition, and operating results. Risks that we may face in our efforts to integrate any recent or future acquisitions include, among others:

- failure to realize anticipated synergies or return on investment from the acquisition;
 - difficulties assimilating and retaining employees, business culture incompatibility, or resistance to change;
 - diverting management's attention from ongoing business concerns;
 - coordinating geographically separate organizations and infrastructure operations in a rapid and efficient manner;
 - the potential inability to maximize our financial and strategic position through the successful incorporation of acquired technology and rights into our products and services;
 - failure of acquired technology or products to provide anticipated revenue or margin contribution;
 - insufficient revenues to offset increased expenses associated with the acquisition;
 - costs and delays in implementing or integrating common systems and procedures;
 - reduction or loss of customer orders due to the potential for market confusion, hesitation and delay;
 - impairment of existing customer, supplier and strategic relationships of either company;
 - insufficient cash flows from operations to fund the working capital and investment requirements;
 - difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets have stronger market positions;
 - dissatisfaction or performance problems with the acquired company;
-

- the assumption of risks, unknown liabilities, or other unanticipated adverse circumstances of the acquired company that are difficult to quantify; and
- the cost associated with the acquisition, including restructuring actions, which may require cash payments that, if large enough, could materially and adversely affect our liquidity.

A cybersecurity breach could adversely affect our ability to conduct our business, harm our reputation, expose us to significant liability, or otherwise damage our financial results.

We maintain sensitive data related to our employees, strategic partners, and customers, including personally identifiable information, intellectual property, and proprietary business information on our own systems. In addition, many of our customers and partners store sensitive data on our products.

It is critical to our business that our employees', strategic partners' and customers' sensitive information remains and is perceived as secure. While we employ sophisticated security measures in our own environment and our product features, we may face internal and external threats including unauthorized access, ransomware attacks, security breaches, and other system disruptions. A cybersecurity breach of our own IT infrastructure or products sold to our customers could result in unauthorized access to, loss of, or unauthorized disclosure of such information and expose us to litigation, indemnity obligations, government investigations, and other possible liabilities. Additionally, a cyber-attack, whether actual or perceived, could result in negative publicity which could harm our reputation and reduce our customers' confidence in the effectiveness of our solutions, which could materially and adversely affect our business and operating results. A breach could also expose us to increased costs from remediation, disruption of operations, or increased cybersecurity protection costs that may have a material adverse effect on our business. Although we maintain cybersecurity liability insurance, our insurance may not cover all or any portion of claims of these types or may not be adequate to indemnify us for inability that may be imposed. Any imposition or liability or litigation costs that are not covered by insurance could harm our business.

If our products fail to meet our or our customers' specifications for quality and reliability, we may face liability and reputational or financial harm which may adversely impact our operating results and our competitive position may suffer.

We may from time to time experience problems with the performance of our products, which could result in one or more of the following:

- increased costs related to fulfilling our warranty obligations;
- reduced, delayed, or cancelled orders or the return of a significant amount of products; or
- the loss of reputation in the market and customer goodwill.

These factors could cause our business, financial condition and results of operations to be materially and adversely affected.

In addition, we face potential liability for product performance problems because our end users employ our technologies to store and backup important data and to satisfy regulatory requirements. Loss of this data could cost our customers significant amounts of money, directly and indirectly as a result of lost revenues, intellectual property, proprietary business information, or other harm to their business. In some cases, the failure of our products may be caused by third-party technology that we incorporate into them. Even if failures are caused by third-party technology, we may be required to expend resources to address the failure and preserve customer relationships. We could also potentially face claims for product liability from our customers if our products cause property damage or bodily injury. Although there are limitations of liability in our commercial agreements and we maintain technology errors and omissions liability and general liability insurance, our insurance may not cover potential claims of these types or may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability or litigation costs that are not covered by insurance or could harm our business.

Competition is intense in the data storage and protection market in which we operate.

Our competitors in the data storage and protection market are aggressively trying to advance and develop new technologies and products to compete against us. Consequently, we face the risk that customers could choose competitor products over ours. As a result of competition and new technology standards, our sales or gross margins could decline, which could materially and adversely affect our business, financial condition, and operating results. Some of those competitors are much larger and financially stronger, have more diverse product offerings, and aggressively compete based on their reputations and greater size.

Technological developments, industry consolidation, and storage market competition over the years have resulted in decreased prices and increased commoditization for tape device and automation products and our other product offerings. Pricing pressure is more pronounced for entry-level products and less pronounced for enterprise products. Over time, the prices of our and competitor products have decreased, but such products often incorporate new or different features and technologies from what we offered in prior years. We face risks that customers could choose competitors' products over ours due to these features and technologies or pricing differences. If competition further intensifies, our product sales and gross margins could decline, which could materially and adversely affect our business, financial condition and results of operations.

Additional industry consolidation may further result in:

- competitors consolidating, having greater resources and becoming more competitive with us;
- new entrants into one or more of our primary markets increasing competition;
- customers that are also competitors becoming more competitive with us and/or reducing their purchase of our products;
- competitors acquiring our current suppliers or business partners and negatively impacting our business model; and
- market uncertainty and disruption due to the impact and timing of announced and completed transactions.

Risks Related to Intellectual Property

Some of our products contain licensed, third-party technology that provides important product functionality and features. The loss or inability to obtain any such license could have a material adverse effect on our business.

Certain of our products contain technology licensed from third parties that provides important product functionality and features. We cannot provide assurance that we will have continued access to this technology in the future. In some cases, we may seek to enforce our technology access via litigation against the licensing company itself, which may cause us to incur significant legal or other costs and may not be resolved in our favor. Other legal actions against the licensing company, such as for intellectual property infringement, could also impact our future access to the technology. We also have limited visibility or control of the technology roadmap at the licensing company and cannot ensure that the licensing company will advance the roadmap of the licensed technology in the manner best for us. We also face the risk of not being able to quickly implement a replacement technology or otherwise mitigate the risks associated with not having access to this licensed technology. Any of these actions could negatively impact our available technology portfolio, thereby reducing the functionality or features of our products, and could materially and adversely affect our business, financial condition, and operating results.

Third-party intellectual property infringement claims could result in substantial liability and significant costs, and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

From time to time, third parties allege that our products infringe their patented or proprietary technology and demand that we purchase a license from them. The ultimate outcome of any license discussion or litigation is uncertain. Adverse resolution of any third-party infringement claim could subject us to substantial liabilities and require us to refrain from manufacturing and selling certain products. In addition, the costs incurred in intellectual property litigation can be substantial, regardless of the outcome. As a result, our business, financial condition, and operating result could be materially and adversely affected.

If we fail to protect our intellectual property or if others use our proprietary technology without authorization, our competitive position may suffer.

Our future success and ability to compete depends in part on our proprietary technology. We rely on a combination of copyright, patent, trademark, and trade secrets laws and nondisclosure agreements to establish and protect our proprietary technology. However, we cannot provide assurance that patents will be issued with respect to pending or future patent applications that we have filed or plan to file, that our patents will be upheld as valid, or that our patents will prevent the development of competitive products, or that any actions we have taken will adequately protect our intellectual property rights.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain or use our products or technology. Enforcing our intellectual property rights can sometimes only be accomplished through litigation, which is expensive and can divert management's attention away from our business. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the U.S.

We license certain of our software under "open source" licenses. Because of the characteristics of open source software licenses, it may be relatively easy for competitors, some of whom have greater resources than we have, to enter our markets and compete with us. In addition, our failure to comply with the terms of open source licenses could have a material adverse effect on our competitive position and financial results.

One of the characteristics of open source software is that the source code is typically publicly available at no charge, and anyone who obtains copies has a license under certain of our intellectual property rights. Depending on the license, that may include access to certain of our patents, to modify and redistribute the software, and use it to compete in the marketplace. Certain open source software licenses require users to license to other any software that is based on, incorporates, or interacts with the open source software. Although we endeavor to comply fully with those requirements, third parties could claim we are required to license larger portions of our software than we intended. If such claims were successful, they could adversely impact our competitive position and financial results by providing our competitors with access to sensitive information that may help them develop competitive products without the degree of overhead and lead time required by traditional proprietary software development.

It is possible for competitors to use our open source project software to develop their own software, potentially reducing the demand for our solution and putting price pressure on our subscription offerings. We cannot guarantee that competitive pressure or the availability of new open source software will not result in price reductions, reduced operating margins and loss of market share, any one of which could harm our business, financial condition, operating results, and cash flows.

In addition, we use our own open source project software in our proprietary products. As a result, there is a risk that we may inadvertently release as open source certain code that was intended to be kept as proprietary, that reveals confidential information regarding the inner workings of our proprietary products, or that could enable competitors to more readily reverse engineer or replicate aspects of our proprietary technology that we would otherwise protect as trade secrets. We may also accept contributions from third parties to our open source projects, and it may be difficult for us to accurately determine the origin of the contributions and whether their use, including in our proprietary products, infringes, misappropriates, or violates third-party intellectual property or other rights.

The availability of certain of our own software in source code form may also enable others to detect and exploit security vulnerabilities in our products. In addition, our use of open source software may harm our business and subject us to intellectual property claims, litigation, or proceedings in the future.

Risks Related to Regulatory Matters

We are subject to many laws and regulations, and violation of or changes in those requirements could materially and adversely affect our business.

We are subject to numerous U.S. and international laws and requirements regarding corporate conduct, fair competition, corruption prevention, import and export practices, and hazardous or restricted material use, storage, discharge, and disposal, including laws applicable to U.S. government contractors. We have incurred, and will continue to incur, costs and business process changes to comply with such regulations. While we maintain a

rigorous corporate ethics and compliance program, we may be subject to increased regulatory scrutiny, significant monetary fines or penalties, suspension of business opportunities, loss of jurisdictional operating rights, and increased litigation and investigation costs as a result of any failure to comply with those requirements. If we identify that we have fallen out of compliance, we may proactively take corrective actions, including the filing of voluntary self-disclosure statements with applicable agencies, which could cause us to incur additional expenses and subject us to penalties and other consequences that could adversely affect our business, financial condition, and operating results. Our supply and distribution models may be reliant upon the actions of our third-party business partners and we may also be exposed to potential liability resulting from their violation of these or other compliance requirements. Further, our U.S. and international business models are based on currently applicable regulatory requirements and exceptions. Changes in those requirements or exceptions could necessitate changes to our business model. Any of these consequences could materially and adversely impact our business and results of operations.

Our actual or perceived failure to adequately protect personally identifiable information could adversely affect our business, financial condition, and operating results.

A variety of state, national, foreign, and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, deletion, and other processing of personally identifiable information. These privacy- and data protection-related laws and regulations are evolving, with new or modified laws and regulations proposed and implemented frequently and existing laws and regulations subject to new or different interpretations. Compliance with these laws and regulations can be costly and can delay or impede the development or implementation of new products or internal systems. Failure to comply could result in enforcement actions and significant penalties against us, which could result in negative publicity, increase our operating costs, and have a material adverse effect on our business, financial condition, and operating results.

Risks Related to Being a Public Company

We incur significant costs as a result of operating as a public company, and our management devotes substantial time to complying with public company regulations.

As a public company, we are obligated to file with the SEC annual and quarterly reports and other reports that are specified in Section 13 and other sections of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We are also required to ensure that we have the ability to prepare financial statements that are fully compliant with all SEC reporting requirements on a timely basis. In addition, we are and will continue to become subject to other reporting and corporate governance requirements, including certain requirements of Nasdaq, and certain provisions of Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX Act") and the regulations promulgated thereunder, which will impose significant compliance obligations upon us.

Section 404 of the SOX Act, as well as rules subsequently implemented by the SEC and Nasdaq, have imposed increased regulation and disclosure and required enhanced corporate governance practices of public companies. We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard are likely to result in increased selling, general, and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. These changes will require a significant commitment of additional resources. We may not be successful in implementing these requirements and implementing them could materially and adversely affect our business, results of operations and financial condition. In addition, if we fail to implement the requirements with respect to our internal accounting and audit functions, our ability to report our operating results on a timely and accurate basis could be impaired. If we do not implement such requirements in a timely manner or with adequate compliance, we might be subject to sanctions or investigation by regulatory authorities, such as the SEC and Nasdaq. Any such action could harm our reputation and the confidence of investors and customers in us and could materially and adversely affect our business and cause our share price to fall.

We have restated certain of our prior consolidated financial statements, which has resulted in unanticipated costs and may lead to additional risks and uncertainties, including loss of investor confidence and negative impacts on our stock price.

In this Annual Report on Form 10-K, we restated certain of our financial statements. The determination to restate the financial statements was made by our Audit Committee of the Board of Directors upon management's

recommendation. Our management concluded that certain of our previously issued financial statements should no longer be relied upon.

The restatement of our previously issued financial statements has been time-consuming and expensive and could expose us to additional risks that could materially adversely affect our financial position, results of operations and cash flows, including unanticipated costs for accounting and legal fees in connection with or related to the restatement and the risk of potential stockholder litigation. If lawsuits are filed, we may incur additional substantial defense costs regardless of the outcome of such litigation. Likewise, such events might cause a diversion of our management's time and attention. If we do not prevail in any such litigation, we could be required to pay substantial damages or settlement costs. In addition, the restatement may lead to a loss of investor confidence and have negative impacts on the trading price of our common stock.

We have identified material weaknesses in our internal control over financial reporting, which could, if not properly remediated, result in additional material misstatements in our interim or annual consolidated financial statements, could impair our ability to produce accurate and timely financial statements and could adversely affect investor confidence in our financial reports, which could negatively affect our business.

We have concluded that our internal control over financial reporting and disclosure controls and procedures were not effective as of March 31, 2024 due to the existence of material weaknesses in our internal control over financial reporting, as described in *Item 9A. Controls and Procedures* of this Annual Report on Form 10-K.

As described in *Item 9A. Controls and Procedures* of this Annual Report on Form 10-K, these material weaknesses resulted in the restatement of the Company's Consolidated Financial Statements for the fiscal years ended March 31, 2023 and March 31, 2022, the unaudited condensed condensed quarterly financial information for the quarterly period ended June 30, 2023 and each of the fiscal quarters for the fiscal year ended March 31, 2023.

We cannot provide assurance that the material weaknesses and deficiencies identified in this Annual Report on Form 10-K will not recur, or that additional material weaknesses in our internal control over financial reporting will not arise or be identified in the future. We intend to continue our control remediation activities and to continue to improve our financial reporting process, and our operational, information technology, financial systems, compliance and infrastructure procedures and controls. We also intend to continue to expand, train, retain and manage our personnel who are essential to effective internal control and compliance. In doing so, we will continue to incur expenses and expend management time.

If our remediation measures are insufficient to address the identified deficiencies, or if additional deficiencies in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results in the future. Moreover, because of the inherent limitations of any control system, material misstatements due to error or fraud may not be prevented or detected on a timely basis, or at all. If we are unable to provide reliable and timely financial reports in the future, our business and reputation may be further harmed. Restated financial statements and failures in internal control may also cause us to fail to meet reporting obligations or debt covenants, negatively affect investor confidence in our management and the accuracy of our financial statements and disclosures, or result in adverse publicity, any of which could have a negative effect on the price of our common stock, subject us to further regulatory investigations and penalties or stockholder litigation, and materially and adversely impact our business and financial condition.

General Risk Factors

We face risks related to health epidemics which could have a material adverse effect on our business and results of operations.

We face various risks related to public health issues, including epidemics, pandemics, and other outbreaks, including a resurgence of the COVID-19 pandemic. For example, the COVID-19 pandemic and efforts to control its spread had an impact on our workforce and operations, and those of our strategic partners, customers, suppliers, and logistics providers. These impacts included increased component, product, transportation, and overhead costs, increased logistics capacity and flexibility needs, decreased workforce availability, component supply, and product output, increased cybersecurity threats from remote work, and general economic downturns. We or our third-party business partners were subject to government restrictions that impacted our ability to continue efficient business

operations. Other global health concerns in the future could also result in social, economic and labor instability in the countries in which we or the third parties with whom we engage operate.

To the such pandemics adversely affect our business and financial results, they may also have the effect of heightening many of the other risks described in more detail in this "Risk Factors" section, such as those relating to adverse global or regional conditions, our highly competitive industry, supply chain disruption, customer demand conditions and our ability to forecast demand, cost saving initiatives, our indebtedness and liquidity, and cyber-attacks.

We are exposed to fluctuations in foreign currency exchange rates, and an adverse change in foreign currency exchange rates relative to our position in such currencies could have a material adverse impact on our business, financial condition and results of operations.

We do not currently use derivative financial instruments for speculative purposes. To the extent that we have assets or liabilities denominated in a foreign currency that are inadequately hedged or not hedged at all, we may be subject to foreign currency losses, which could be significant. Our international operations can act as a natural hedge when both operating expenses and sales are denominated in local currencies. In these instances, although an unfavorable change in the exchange rate of a foreign currency against the U.S. dollar would result in lower sales when translated to U.S. dollars, operating expenses would also be lower in these circumstances. The competitive price of our products relative to others could also be negatively impacted by changes in the rate at which a foreign currency is exchanged for U.S. dollars. Such fluctuations in currency exchange rates could materially and adversely affect our business, financial condition and results of operations.

If the future outcomes related to the estimates used in recording tax liabilities to various taxing authorities result in higher tax liabilities than estimated, then we would have to record tax charges, which could be material.

We have provided amounts and recorded liabilities for probable and estimable tax adjustments required by various taxing authorities in the U.S. and foreign jurisdictions. If events occur that indicate payments of these amounts will be less than estimated, then reversals of these liabilities would create tax benefits recognized in the periods when we determine the liabilities have reduced. Conversely, if events occur which indicate that payments of these amounts will be greater than estimated, then tax charges and additional liabilities would be recorded. In particular, various foreign jurisdictions could challenge the characterization or transfer pricing of certain intercompany transactions. In the event of an unfavorable outcome of such challenge, material tax charges and adverse impacts on operating results could occur in the period in which the matter is resolved or an unfavorable outcome becomes probable and estimable.

Certain changes in stock ownership could result in a limitation on the amount of net operating loss and tax credit carryovers that can be utilized each year. Should we undergo such a change in stock ownership, it would severely limit the usage of these carryover tax attributes against future income, resulting in additional tax charges, which could be material.

Anti-takeover provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our amended and restated certificate of incorporation and bylaws, and Delaware law, contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our Board of Directors. Our corporate governance documents include provisions:

- authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend, and other rights superior to our common stock;
 - limiting the liability of, and providing indemnification to, our directors and officers;
 - limiting the ability of our stockholders to call and bring business before special meetings and to take action by written consent in lieu of a meeting;
 - requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our Board of Directors;
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- controlling the procedures for the conduct and scheduling of meetings of the Board of Directors and stockholders;
- providing our Board of Directors with the express power to postpone and cancel previously scheduled special meetings at any time;
- limiting the determination of the number of directors on our Board of Directors and the filling of vacancies or newly created seats on the board to our Board of Directors then in office; and
- providing that directors may be removed by stockholders only for cause.

While these provisions have the effect of encouraging persons seeking to acquire control of our Company to negotiate with our Board of Directors, they could enable the Board of Directors to hinder or frustrate a transaction that some, or a majority, of the stockholders might believe to be in their best interests and, in that case, may prevent or discourage attempts to remove and replace incumbent directors. We are also subject to Delaware laws that could have similar effects. One of these laws prohibits us from engaging in a business combination with a significant stockholder unless specific conditions are met.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Item 1C. CYBERSECURITY.

Risk Management and Strategy

The Company recognizes the importance of being able to assess, effectively respond to and manage material cybersecurity threats and incidents that may compromise the confidentiality, integrity or availability of its information systems, data or network resources.

As part of its overall enterprise risk management framework, the Company maintains both a Cyber Incident Evaluation Committee (“CIEC”) and an Incident Response Plan (“IRP”). The Company’s CIEC is managed by its Chief Information Officer (the “CIO”) whose team (the Incident Response Team, or “IRT”) is responsible for leading company-wide cybersecurity strategy, policy, standards, architecture, and processes. The purpose of the IRP is to define procedures for reporting and responding to cybersecurity incidents. It creates objectives for actionable procedures that can be measured, evaluated, scaled and revised as necessary for each specific cybersecurity incident. These objectives are designed to maximize the effectiveness of the Company’s response through an established plan of action and assigning responsibilities to appropriate personnel and/or third-party contractors.

If a cybersecurity threat or incident is identified, the IRT will communicate the cybersecurity threat or incident and any damages to the CIEC. The CIEC will assess the materiality of the cybersecurity threat or incident to determine if any public disclosures are required under the SEC’s cybersecurity disclosure rule and make a recommendation to the Board. If deemed necessary, third-party consultants, legal counsel, and assessors will be engaged to evaluate the materiality assessment.

The cybersecurity program of the Company interfaces with other functional areas within the Company, including but not limited to the Company’s brands and information technology, accounting, finance, legal and human resources, as well as external third-party partners, where appropriate, to assess, identify and manage potential cybersecurity threats. The Company regularly assesses and updates its processes, procedures and management techniques in light of ongoing cybersecurity developments.

Recognizing the complexity and evolving nature of cybersecurity threats, the Company also engages with a range of external experts, including cybersecurity assessors and consultants in evaluating and testing its cybersecurity management systems and IRP. These partnerships enable the Company to leverage specialized knowledge and insights, to assist in updating its cybersecurity strategies and processes to align with industry best practices. The Company’s collaboration with these third parties includes consultation and review of security enhancements.

To date, we have not identified risks from cybersecurity threats or incidents, including as a result of any previous cybersecurity incidents, that have materially affected the Company or are reasonably likely to materially affect our operations, business strategy, results of operations, or financial condition. However, the sophistication of and risks from cybersecurity threats and incidents continues to increase, and there can be no assurance that our cybersecurity risk management program and processes, including our IRP, and other preventative actions the Company has taken and continues to take to reduce the risk of cybersecurity threats and incidents and protect its systems and information, will be fully implemented, complied with or successful in protecting against all cybersecurity threats and incidents. For more information on how cybersecurity risk could materially affect the Company’s business strategy, results of operations, or financial condition, please refer to *“Item 1A Risk Factors—Risks Related to our Business and Industry—A cybersecurity breach could adversely affect our ability to conduct our business, harm our reputation, expose us to significant liability or otherwise damage our financial results.”*

Governance

Our Board considers cybersecurity risk as part of its risk oversight function. The Board oversees management’s implementation of our cybersecurity risk management program. The Board receives regular reports from the CIEC on our cybersecurity risks. In addition, CIEC updates the Board, as necessary, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential. The Board also receives briefings from IRT on our cyber risk management program. Board members receive presentations on cybersecurity topics from our CIO,

internal security staff or external experts as part of the Board's continuing education on topics that impact public companies.

The CIEC is responsible for assessing and managing our material risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management program and supervises both our internal cybersecurity personnel and our retained external cybersecurity consultants. Our CIEC's expertise includes a combined 20 plus years of experience in managing security technologies; designing and implementing security strategies; and risk management and incident response across various industries. Our CIEC supervises efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in the IT environment.

ITEM 2. PROPERTIES

Our headquarters are located in San Jose, California. We lease facilities in North America, Europe, and Asia Pacific. We believe that our facilities are adequate to meet our needs for the immediate future, and that, should it be needed, suitable additional space will be available to accommodate expansion of our operations.

ITEM 3. LEGAL PROCEEDINGS

See Item 8 of Part II, "*Financial Statements and Supplementary Data—Note 11: Commitments and Contingencies.*"

ITEM 4. MINE SAFETY DISCLOSURE

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the Nasdaq Global Market under the symbol "QMCO".

Holders of Record, and Dividends

As of June 25, 2024, we had 223 holders of record of our common stock.

Dividends

We have no intention of paying cash dividends in the foreseeable future. Our ability to pay dividends is restricted by the covenants in our senior secured term loan and amended credit facility agreements. See the section captioned "Liquidity and Capital Resources" in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Note 5: Debt* to the consolidated financial statements.

Recent Sales of Unregistered Securities

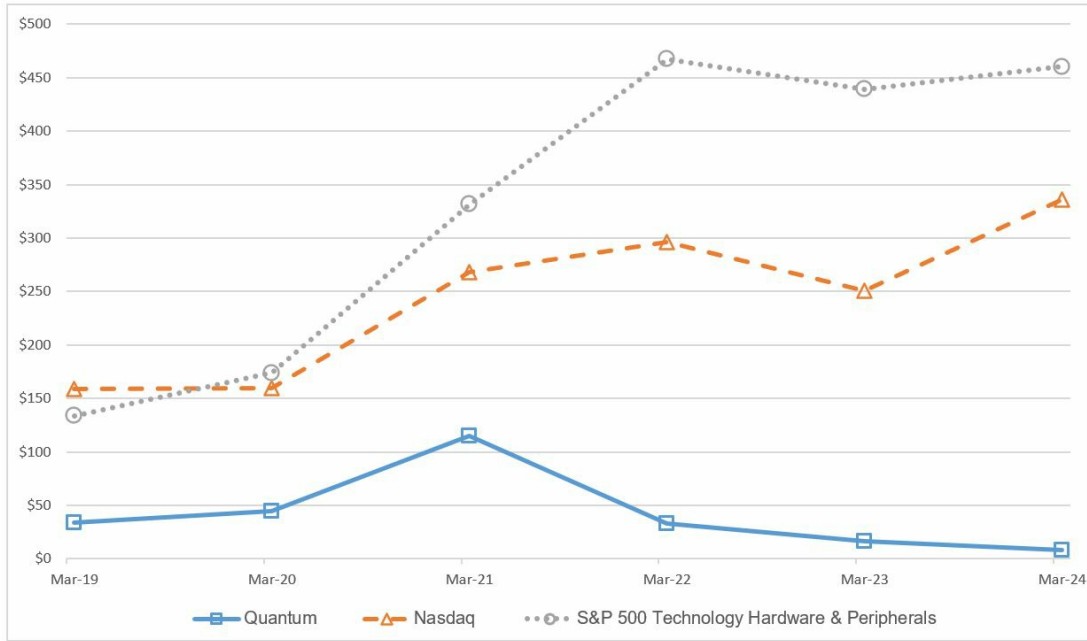
During the periods covered by this Annual Report, we did not sell any equity securities that were not registered under the Securities Act of 1933.

Issuer Purchases of Equity Securities

During each of the fiscal quarters ended March 31, 2024, December 31, 2023 and September 30, 2023, there were no purchases of our common stock by or on behalf of us or any of our affiliated purchasers, as such term is defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended ("the Exchange Act").

Stock Performance Graph

The graph below compares the cumulative total return of a \$100 investment in our common stock with the cumulative total return of the same investment in the Nasdaq and the S&P 500 Index from March 31, 2019 through March 31, 2024.



ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion gives effects to the restatement of our consolidated financial statements for the fiscal years ended March 31, 2023 and 2022, discussed in Note 14 to the consolidated financial statements of this Annual Report. and should be read together with our consolidated financial statements, the accompanying notes, and other information included in this Annual Report. In particular, the risk factors contained in Item 1A may reflect trends, demands, commitments, events, or uncertainties that could materially impact our results of operations and liquidity and capital resources. Our fiscal year ends on March 31 of each calendar year. "Fiscal 2024" in this Annual Report refers to the fiscal year ended March 31, 2024.

The following discussion contains forward-looking statements, such as statements regarding 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. Please see "Note Regarding Forward-Looking Statements" for more information about relying on these forward-looking statements.

Overview and Highlights

We are a technology company whose mission is to deliver innovative solutions to forward-thinking 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; and income taxes.

Restatement

The accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations gives effect to the restatement adjustments made to the previously reported consolidated financial statements for the fiscal years ended March 31, 2022 and March 31, 2023. For additional information and a detailed discussion of the restatement, see *Note 14: Restatement of Previously Issued Financial Statements* in the Notes to our consolidated financial statements included in this Annual Report under the caption *Item 8. Financial Statements and Supplementary Data*. Restatement adjustments have also been made to the previously reported consolidated financial statements for the quarterly periods ended June 30, 2022 and June 30, 2023 as well as the quarters ended September 30, 2022 and December 31, 2022. For additional information related to the quarterly restatement, see *Note 15: Quarterly Financial Summary (Unaudited)* in the Notes to our consolidated financial statements included in this Annual Report on Form 10-K under the caption *Item 8. Financial Statements and Supplementary Data*.

RESULTS OF OPERATIONS

(in thousands)	Year Ended March 31,		
	2024	2023	2022
		Restated	Restated
Total revenue	\$ 311,600	\$ 422,077	\$ 383,432
Total cost of revenue ⁽¹⁾	186,711	278,813	225,792
Gross profit	124,889	143,264	157,640
Operating expenses			
Sales and marketing (1)	60,893	66,034	62,957
General and administrative (1)	51,547	47,752	45,256
Research and development (1)	38,046	44,555	51,812
Restructuring charges	3,280	1,605	850
Total operating expenses	153,766	159,946	160,875
Loss from operations	(28,877)	(16,682)	(3,235)
Other income (expense), net	(1,746)	1,956	(251)
Interest expense	(15,089)	(10,560)	(11,888)
Change in fair value of warrant liability	5,137	10,250	60,030
Loss on debt extinguishment, net	—	(1,392)	(4,960)
Net income (loss) before income taxes	(40,575)	(16,428)	39,696
Income tax provision	711	1,940	1,341
Net income (loss)	\$ (41,286)	\$ (18,368)	\$ 38,355

(1) Includes stock-based compensation as follows:

(in thousands)	Year Ended March 31,		
	2024	2023	2022
Cost of revenue	\$ 774	\$ 929	\$ 1,112
Research and development	1,091	2,997	5,843
Sales and marketing	669	2,397	2,516
General and administrative	2,187	4,427	4,358
Total	\$ 4,721	\$ 10,750	\$ 13,829

Comparison of the Years Ended March 31, 2024 and 2023 (restated)

(in thousands)	Year Ended March 31,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
			Restated			
Product revenue	\$ 174,879	56 %	\$ 274,854	65 %	\$ (99,975)	(36) %
Service and subscription revenue	126,590	41	133,518	32	(6,928)	(5) %
Royalty revenue	10,131	3	13,705	3	(3,574)	(26) %
Total revenue	\$ 311,600	100 %	\$ 422,077	100 %	\$ (110,477)	(26) %

Product Revenue

In fiscal 2024, product revenue decreased \$100.0 million, or 36%, as compared to fiscal 2023. The primary driver of the decrease was a \$62.5 million decrease in demand from our large hyperscale customers, as well as more general decreases in the overall tape market with declines in media and devices revenue. Outside of the Tape and Hyperscale business, our remaining Secondary and Primary storage systems are also offered as a subscription. We anticipate the product revenue portion of our Primary and Secondary storage systems to decrease as we continue to transition to subscription-based offerings.

Service and Subscription Revenue

Service and subscription revenue decreased \$6.9 million, or 5%, in fiscal 2024 compared to fiscal 2023. This decrease was due in part to certain long-lived products reaching their end-of-service-life, partially offset by new support bookings and the transition towards subscription-based licensing.

Royalty Revenue

We receive royalties from third parties that license our linear-tape open media patents through our membership in the linear-tape open consortium. Royalty revenue decreased \$3.6 million, or 26%, in fiscal 2024, as compared to fiscal 2023, related to lower overall unit shipments.

Gross Profit and Margin

(in thousands)	Year Ended March 31,					
	2024	Gross margin %	2023	Gross margin %	\$ Change	Basis point change
			Restated			
Product gross profit	\$ 38,459	22.0 %	\$ 54,823	19.9 %	\$ (16,364)	210
Service and subscription gross profit	76,299	60.3 %	74,736	56.0 %	1,563	430
Royalty gross profit	10,131	100.0 %	13,705	100.0 %	(3,574)	—
Gross profit	\$ 124,889	40.1 %	\$ 143,264	33.9 %	\$ (18,375)	614

Gross profit and margin percentages are key metrics that management monitors to assess the performance on the business.

Product Gross Margin

Product gross margin increased 210 basis points for fiscal 2024, as compared to fiscal 2023. This increase was due primarily to a \$9.8 million inventory provision recorded during fiscal 2023. Due to longer purchasing lead times and other factors caused by the global supply chain disruptions occurring since the beginning of the COVID-19 pandemic, certain inventory had become obsolete due to next generation products being released and legacy products being discontinued. In addition, following our integration of several past acquisitions, certain legacy products were discontinued and replaced with updated product offerings rendering the related inventory obsolete. We do not believe that the magnitude of this inventory provision is indicative of our ongoing operations and was not repeated in fiscal 2024.

The other primary driver of product gross margin improvement in fiscal 2024 was a revenue mix less weighted towards hyperscalers, media, and devices. These revenue lines typically carry a lower gross margin than sales of our other secondary and primary storage products.

Service and subscription Gross Margin

Service and subscription gross margin increased 430 basis points for fiscal 2024, as compared to fiscal 2023. This increase was due primarily to improved operational costs as we implemented strict cost controls and improved our organization design. It was also partially driven by service parts inventory write downs in fiscal 2023, caused by the transition of certain service logistics activities to a third party provider

Royalty Gross Margin

Royalties do not have significant related cost of sales.

Operating expenses

(in thousands)	Year Ended March 31,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
			Restated			
Sales and marketing	\$ 60,893	20 %	\$ 66,034	16 %	\$ (5,141)	(8) %
General and administrative	51,547	17 %	47,752	11 %	3,795	8 %
Research and development	38,046	12 %	44,555	11 %	(6,509)	(15) %
Restructuring charges	3,280	1 %	1,605	— %	1,675	104 %
Total operating expenses	<u>\$ 153,766</u>	49 %	<u>\$ 159,946</u>	38 %	<u>\$ (6,180)</u>	(4) %

In fiscal 2024, sales and marketing expenses decreased \$5.1 million, or 8%, as compared with fiscal 2023. This decrease was primarily driven by decreased commission expense on lower revenue.

In fiscal 2024, general and administrative expenses increased \$3.8 million, or 8%, as compared with fiscal 2023. This increase was primarily driven by large non-recurring costs related to our re-evaluation of Topic 606, and other related projects.

In fiscal 2024, research and development expenses decreased \$6.5 million, or 15%, as compared with fiscal 2023. This decrease was the result of the continued consolidation of acquisition costs, and efficiencies realized through improved organization design.

In fiscal 2024, restructuring expenses increased \$1.7 million, or 104%, as compared with fiscal 2023. This increase is driven by corporate restructuring activities as we consolidated our physical footprint and operations in certain markets.

Other expense, net

(in thousands)	Year Ended March 31,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
			Restated			
Other income (expense), net	\$ (1,747)	(1) %	\$ 1,956	1 %	\$ 3,703	(189) %

In fiscal 2024, other income (expense), net decrease of \$3.7 million or 189%, compared to fiscal 2023. The decrease was primarily related to differences in foreign currency gains and losses during each period, as well as the non-recurring sale of \$2.3 million IP licenses in fiscal 2023.

Interest expense

(in thousands)	Year Ended March 31,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
			Restated			
Interest expense	\$ 15,089	5 %	\$ 10,560	3 %	4,529	43 %

In fiscal 2024, interest expense increased \$4.5 million, or 43%, as compared to fiscal 2023. This increase was primarily due to a higher principal balance on our Term Loan as well as a higher interest rate.

Warrant liabilities

(in thousands)	Year Ended March 31,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
	Restated					
Change in fair value of warrant liabilities	\$ 5,137	2 %	\$ 10,250	2 %	\$ (5,113)	(50) %

In fiscal 2024, the fair value of warrant liabilities decreased \$5.1 million, or 50%, as compared to fiscal 2023. The decrease was primarily due to a lower average stock price in fiscal 2024.

Loss on debt extinguishment, net

(in thousands)	Year Ended March 31,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
	Restated					
Loss on debt extinguishment, net	\$ —	— %	\$ (1,392)	— %	\$ 1,392	100 %

In fiscal 2023, loss on debt extinguishment, net was related to prepayment of our long-term debt.

Income tax provision

(in thousands)	Year Ended March 31,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
	Restated					
Income tax provision	\$ 711	— %	\$ 1,940	1 %	\$ 1,229	63 %

Our income tax provision is primarily influenced by foreign and state income taxes. In fiscal 2024, the income tax provision decreased \$1.2 million or 63%, compared to fiscal 2023, related primarily to lower current foreign taxes as a result of a decrease in foreign taxable income.

Due to our history of net losses in the U.S., 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 judgment 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 Years Ended March 31, 2023 and 2022

Revenue

(in thousands)	Year Ended March 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
	Restated					
Product revenue	\$ 274,854	65 %	\$ 230,814	60 %	\$ 44,040	19 %
Service and subscription revenue	133,518	32 %	137,241	36 %	(3,723)	(3) %
Royalty revenue	13,705	3 %	15,377	4 %	(1,672)	(11) %
Total revenue	\$ 422,077	100 %	\$ 383,432	100 %	\$ 38,645	10 %

Product Revenue

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In fiscal 2023, product revenue increased \$44.0 million, or 19%, as compared to fiscal 2022. The primary driver of the increase was demand from our large hyperscale customers, as well as continued strong demand globally for data protection and archive solutions. Outside of the Tape and Hyperscale business, our remaining Secondary and Primary storage systems are also offered as a subscription. We anticipate the product revenue portion of our Primary and Secondary storage systems to decrease as we continue to transition to subscription-based offerings. The devices and media also decreased partially driven by lower volume of linear-tape open media sales.

Service and Subscription Revenue

Service and subscription revenue decreased \$3.7 million, or 3%, in fiscal 2023 compared to fiscal 2022. This decrease was due in part to certain long-lived products reaching their end-of-service-life, partially offset by new support bookings and the transition towards subscription-based licensing.

Royalty Revenue

We receive royalties from third parties that license our linear-tape open media patents through our membership in the linear-tape open consortium. Royalty revenue decreased \$1.7 million, or 11%, in fiscal 2023, as compared to fiscal 2022, related to lower overall unit shipments.

Gross Profit and Margin

(in thousands)	Year Ended March 31,					
	2023	Gross margin %	2022	Gross margin %	\$ Change	Basis point change
	Restated		Restated			
Product gross profit	\$ 54,823	19.9 %	\$ 61,034	26.4 %	\$ (6,211)	(650)
Service and subscription gross profit	74,736	56.0 %	81,229	59.2 %	(6,493)	(320)
Royalty gross profit	13,705	100.0 %	15,377	100.0 %	(1,672)	—
Gross profit	<u>\$ 143,264</u>	<u>33.9 %</u>	<u>\$ 157,640</u>	<u>41.1 %</u>	<u>\$ (14,376)</u>	<u>(720)</u>

Gross profit and margin percentages are key metrics that management monitors to assess the performance on the business.

Product Gross Margin

Product gross margin decreased 650 basis points for fiscal 2023, as compared to fiscal 2022. This decrease was due primarily to a \$9.8 million inventory provision recorded during fiscal 2023. Due to longer purchasing lead times and other factors caused by the global supply chain disruptions occurring since the beginning of the COVID-19 pandemic, certain inventory has become obsolete due to next generation products being released and legacy products being discontinued. In addition, following our integration of several past acquisitions, certain legacy products were discontinued and replaced with updated product offerings rendering the related inventory obsolete. We do not believe that the magnitude of this inventory provision is indicative of our ongoing operations and is not expected to be repeated in the near term.

Excluding this non-recurring adjustment, product gross margin declined approximately 370 basis points for fiscal 2023, as compared to fiscal 2022 primarily due to the continuation of pricing pressure on materials cost and freight, as global supply chain constraints disrupted normal procurement channels. Our product mix was also more heavily weighted to lower margin solutions.

Service and subscription Gross Margin

Service and subscription gross margin decreased 320 basis points for fiscal 2023, as compared to fiscal 2022. This decrease was due partially to increased costs for freight and repair on replacement parts in addition to additional inventory write downs required for service parts caused by the transition of certain service logistics activities to a third party provider.

Royalty Gross Margin

Royalties do not have significant related cost of sales.

Operating expenses

(in thousands)	Year Ended March 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
	Restated		Restated			
Sales and marketing	\$ 66,034	16 %	\$ 62,957	16 %	\$ 3,077	5 %
General and administrative	47,752	11 %	45,256	12 %	2,496	6 %
Research and development	44,555	11 %	51,812	14 %	(7,257)	(14) %
Restructuring charges	1,605	— %	850	— %	755	89 %
Total operating expenses	\$ 159,946	38 %	\$ 160,875	42 %	\$ (929)	(1) %

In fiscal 2023, sales and marketing expenses increased \$3.1 million, or 5%, as compared with fiscal 2022. This increase was partially driven by increased investment in sales resources in key strategic markets, as well as the resumption of large trade shows and other events that are a key driver of our marketing activities.

In fiscal 2023, general and administrative expenses increased \$2.5 million, or 6%, as compared with fiscal 2022. This increase was driven primarily by transition costs as we complete large projects in our IT and facilities infrastructure.

In fiscal 2023, research and development expense decreased \$7.3 million, or 14%, as compared with fiscal 2022. This decrease was the result of one-time acquisition-related costs that occurred in the prior year, as well as the overall consolidation of those acquisitions.

In fiscal 2023, restructuring expenses increased \$0.8 million, or 89%, as compared with fiscal 2022. This increase is driven by corporate restructuring activities as we consolidated our physical footprint and operations in certain markets.

Other expense, net

(in thousands)	Year Ended March 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
	Restated		Restated			
Other income (expense), net	\$ 1,956	1 %	\$ (251)	0 %	\$ 2,207	879 %

In fiscal 2023, other income (expense), net increased \$2.2 million or 879%, compared to fiscal 2022. The increase was primarily related to differences in foreign currency gains and losses during each period, as well as the sale of IP licenses.

Interest expense

(in thousands)	Year Ended March 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
	Restated		Restated			
Interest expense	\$ 10,560	3 %	\$ 11,888	3 %	\$ (1,328)	(11) %

In fiscal 2023, interest expense decreased \$1.3 million, or 11%, as compared to fiscal 2022. This decrease was primarily due to a lower principal balance on our Term Loan.

Warrant liabilities

(in thousands)	Year Ended March 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
	Restated		Restated			
Change in fair value of warrant liabilities	\$ 10,250	2 %	\$ 60,030	16 %	\$ (49,780)	(83) %

In fiscal 2023, the fair value of warrant liabilities decreased \$49.8 million, or 83%, as compared to fiscal 2022. This decrease was primarily due to a lower average stock price in fiscal 2023.

Loss on debt extinguishment, net

(in thousands)	Year Ended March 31,					
	2023	% of	2022	% of	\$ Change	% Change
	Restated	revenue	Restated	revenue		
Loss on debt extinguishment, net	\$ (1,392)	— %	\$ (4,960)	(1) %	\$ 3,568	72 %

In fiscal 2023, loss on debt extinguishment, net was related to prepayment of our long-term debt.

Income tax provision

(in thousands)	Year Ended March 31,					
	2023	% of	2022	% of	\$ Change	% Change
	Restated	revenue	Restated	revenue		
Income tax provision	\$ 1,940	1 %	\$ 1,341	— %	\$ 599	45 %

Our income tax provision is primarily influenced by foreign and state income taxes. In fiscal 2023, the income tax provision increased \$0.6 million or 45%, compared to fiscal 2022, related primarily to higher current foreign taxes as a result of an increase in foreign taxable income.

Due to our history of net losses in the U.S., 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 judgment 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 Three Months Ended December 31, 2023 and 2022

Revenue

(dollars in thousands)	Three Months Ended December 31,					
	2023	% of	2022	% of	\$ Change	% Change
		revenue		revenue		
Product revenue	\$ 37,113	51 %	\$ 77,494	69 %	\$ (40,381)	(52) %
Service and subscription	32,771	46 %	33,155	29 %	(384)	(1) %
Royalty	2,042	3 %	2,826	2 %	(784)	(28) %
Total revenue	\$ 71,926	100 %	\$ 113,475	100 %	\$ (41,549)	(37) %

Product Revenue

In the three months ended December 31, 2023, product revenue decreased \$40.4 million, or 52%, as compared to the same period in 2022. The primary driver of the decrease was lower demand from our large hyperscale customers, as well as declines in the linear-tape open media market impacting both media cartridge sales and associated linear-tape open royalties.

Service Revenue

Service and subscription revenue decreased \$0.4 million, or 1%, in the three months ended December 31, 2023 compared to the same period in 2022. This decrease was due in part to certain long-lived products reaching their end-of-service-life, partially offset by new support bookings and the transition towards subscription-based licensing.

Royalty Revenue

We receive royalties from third parties that license our linear-tape open media patents through our membership in the linear-tape open consortium. Royalty revenue decreased \$0.8 million, or 28%, in the three months ended December 31, 2023 compared to the same period in 2022 due to decreased market volume of older generation linear-tape open media.

Gross Profit and Margin

(dollars in thousands)	Three Months Ended December 31,					
	2023	Gross margin %	2022	Gross margin %	\$ Change	Basis point change
Product	\$ 7,069	19.0 %	\$ 18,966	24.5 %	\$ (11,897)	(550)
Service and subscription	20,070	61.2 %	20,776	62.7 %	(706)	(150)
Royalty	2,042	100.0 %	2,826	100.0 %	(784)	—
Gross profit	<u>\$ 29,181</u>	<u>40.6 %</u>	<u>\$ 42,568</u>	<u>37.5 %</u>	<u>\$ (13,387)</u>	<u>310</u>

Gross profit and margin percentages are key metrics that management monitors to assess the performance on the business.

Product Gross Margin

Product gross margin decreased to 19.0%, or by 550 basis points, for the three months ended December 31, 2023, as compared with the same period in 2022. The primary driver of the decrease was lower demand from our large hyperscale customers, as well as declines in the linear-tape open media market impacting both media cartridge sales and associated linear-tape open royalties.

Service and Subscription Gross Margin

Service and subscription gross margins decreased 150 basis points for the three months ended December 31, 2023, as compared with the same period in 2022. This decrease was primarily driven by lower service revenues on a similar service cost basis.

Royalty Gross Margin

Royalties do not have significant related cost of sales.

Operating Expenses

(dollars in thousands)	Three Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Sales and marketing	\$ 14,244	20 %	\$ 16,339	14 %	\$ (2,095)	(13)%
General and administrative	11,893	17 %	10,969	10 %	924	8 %
Research and development	8,763	12 %	11,254	10 %	(2,491)	(22)%
Restructuring charges	497	1 %	(41)	— %	538	(1,312)%
Total operating expenses	<u>\$ 35,397</u>	<u>49 %</u>	<u>\$ 38,521</u>	<u>34 %</u>	<u>\$ (3,124)</u>	<u>(8)%</u>

In the three months ended December 31, 2023, sales and marketing expenses decreased \$2.1 million, or 13%, as compared with the same period in 2022. This decrease was primarily driven by the pivot of existing sales and marketing investment towards high-growth markets.

In the three months ended December 31, 2023, general and administrative expenses increased \$0.9 million, or 8%, as compared with the same period in 2022. This increase was largely driven by higher project expense related to the re-evaluation of the Company's application of standalone selling price under Topic 606.

In the three months ended December 31, 2023, research and development expenses decreased \$2.5 million, or 22%, as compared with the same period in 2022. This decrease was primarily driven by cost reduction measures to streamline common development functions across business units, and further consolidate acquired businesses.

In the three months ended December 31, 2023, restructuring expenses increased \$0.5 million as compared with the same period in 2022. The increase was the result of cost reduction initiatives.

Other Income (Expense)

(dollars in thousands)	Three Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Other income (expense)	\$ (1,419)	(2) %	\$ (544)	(—) %	\$ (875)	(161) %

The change in other income (expense), net during the three months ended December 31, 2023 compared with the same period in 2022 was related primarily to fluctuations in foreign currency exchange rates during the three months ended December 31, 2023.

Interest Expense

(dollars in thousands)	Three Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Interest expense	\$ 3,937	5 %	\$ 2,701	2 %	\$ 1,236	46 %

In the three months ended December 31, 2023, interest expense increased \$1.2 million, or 46%, as compared with the same period in 2022 due to a higher effective interest rate on our Term Loan.

Loss on Debt Extinguishment

There were no debt extinguishments in the three months ended December 31, 2023 and 2022.

Income Taxes

(dollars in thousands)	Three Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Income tax provision	\$ 510	1 %	\$ 693	1 %	\$ (183)	(26) %

The income tax provision for the three months ended December 31, 2023 and 2022 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 judgment is required in assessing our ability to realize any future benefit from our net deferred tax assets. We intend to maintain this valuation allowance until sufficient positive evidence exists to support its reversal. Our income tax expense recorded in the future will be reduced to the extent that sufficient positive evidence materializes to support a reversal of, or decrease in, our valuation allowance.

Comparison of the Nine Months Ended December 31, 2023 and 2022

Revenue

	Nine Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
(dollars in thousands)						
Product revenue	\$ 138,635	58 %	\$ 203,192	65 %	\$ (64,557)	(32) %
Service and subscription	94,229	39 %	99,937	32 %	(5,708)	(6) %
Royalty	7,235	3 %	9,744	3 %	(2,509)	(26) %
Total revenue	<u>\$ 240,099</u>	<u>100 %</u>	<u>\$ 312,873</u>	<u>100 %</u>	<u>\$ (72,774)</u>	<u>(23) %</u>

Product Revenue

In the nine months ended December 31, 2023, product revenue decreased \$64.6 million, or 32%, as compared to the same period in 2022. The primary driver of the decrease was lower demand from our large hyperscale customers, as well as declines in the linear-tape open media market impacting both media cartridge sales and associated linear-tape open royalties.

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 and subscription revenue decreased \$5.7 million or 6% in the nine months ended December 31, 2023 compared to the same period in 2022, partially driven by lower overall legacy service revenues offset by higher subscription revenue.

Royalty Revenue

We receive royalties from third parties that license our linear-tape open media patents through our membership in the linear-tape open consortium. Royalty revenue decreased \$2.5 million, or 26%, in the nine months ended December 31, 2023 compared to the same period in 2022 due to decreased market volume of older generation linear-tape open media.

Gross Profit and Margin

	Nine Months Ended December 31,					
	2023	Gross margin %	2022	Gross margin %	\$ Change	Basis point change
(dollars in thousands)						
Product	\$ 33,421	24.1 %	\$ 40,182	19.8 %	\$ (6,761)	430
Service and subscription	56,900	60.4 %	57,708	57.7 %	(808)	270
Royalty	7,235	100.0 %	9,744	100.0 %	(2,509)	—
Gross profit	<u>\$ 97,556</u>	<u>40.6 %</u>	<u>\$ 107,634</u>	<u>34.4 %</u>	<u>\$ (10,078)</u>	<u>620</u>

Gross profit and margin percentages are key metrics that management monitors to assess the performance on the business.

Product Gross Margin

Product gross margin increased to 24.1% or by 430 basis points for the nine months ended December 31, 2023, as compared with the same period in 2022. This increase was primarily due to a more favorable mix of revenues, weighted towards our higher margin product lines, as well as improvements in our operational efficiency and logistics costs. In addition, the prior year period included a \$6.9 million inventory reserve provision recorded during the nine months ended December 31, 2022.

Service and Subscription Gross Margin

Service and subscription gross margin of 60.4% increased 270 basis points for the nine months ended December 31, 2023, as compared with the same period in 2022. This increase was primarily driven by lower overhead costs across our support and repair functions.

Royalty Gross Margin

Royalties do not have significant related cost of sales.

Operating expenses

(dollars in thousands)	Nine Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Sales and marketing	\$ 45,800	19 %	\$ 47,894	15 %	\$ (2,094)	(4) %
General and administrative	34,833	15 %	35,223	11 %	(390)	(1) %
Research and development	28,828	12 %	33,925	11 %	(5,097)	(15) %
Restructuring charges	3,164	1 %	1,605	1 %	1,559	97 %
Total operating expenses	\$ 112,625	47 %	\$ 118,647	38 %	\$ (6,022)	(5) %

In the nine months ended December 31, 2023, sales and marketing expenses decreased \$2.1 million, or 4% compared with the same period in 2022 as we pivoted existing sales and marketing investment towards high growth markets.

In the nine months ended December 31, 2023, general and administrative expenses decreased \$0.4 million, or 1%, as compared with the same period in 2022. This decrease was largely driven by a reduced facilities footprint, as well as other cost reduction efforts across the business, offset by higher project expense related to the re-evaluation of the Company's application of standalone selling price under Topic 606.

In the nine months ended December 31, 2023, research and development expense decreased \$5.1 million, or 15%, as compared with the same period in 2022. This decrease was primarily driven by cost reduction measures to streamline common development functions across business units, and further consolidate acquired businesses.

In the nine months ended December 31, 2023, restructuring expenses increased \$1.6 million as compared with the same period in 2022. The increase was the result of cost reduction initiatives.

Other Income (Expense)

(dollars in thousands)	Nine Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Other income (expense)	\$ (2,049)	(1) %	\$ 2,638	1 %	\$ (4,687)	178 %

The change in other income (expense), net during the nine months ended December 31, 2023 compared with the same period in 2022 was related primarily to fluctuations in foreign currency exchange rates during the nine months ended December 31, 2023.

Interest expense

(dollars in thousands)	Nine Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Interest expense	\$ 10,992	5 %	\$ 7,537	2 %	\$ 3,455	46 %

In the nine months ended December 31, 2023, interest expense increased \$3.5 million, or 46%, as compared with the same period in 2022 due to a higher effective interest rate on our Term Loan.

Loss on debt extinguishment

	Nine Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
(dollars in thousands)						
Loss on debt extinguishment	\$ —	— %	\$ (1,392)	— %	\$ 1,392	100 %

In the nine months ended December 31, 2023, loss on debt extinguishment decreased \$1.4 million as compared with the same period in 2022 due to a loss on debt extinguishment of \$1.4 million for a prepayment of our Term Loan.

Income Taxes

	Nine Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
(dollars in thousands)						
Income tax provision	\$ 1,573	1 %	\$ 1,564	— %	\$ 9	1 %

The income tax provision for the nine months ended December 31, 2023 and 2022 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 judgment 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 Three Months Ended September 30, 2023 and 2022

Revenue

	Three Months Ended September 30,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
(dollars in thousands)						
Product revenue	\$ 42,947	57 %	\$ 64,110	64 %	\$ (21,163)	(33) %
Service and subscription	30,505	40 %	32,977	33 %	(2,472)	(7) %
Royalty	2,228	3 %	3,478	3 %	(1,250)	(36) %
Total revenue	\$ 75,680	100 %	\$ 100,565	100 %	\$ (24,885)	(25) %

Product Revenue

In the three months ended September 30, 2023, product revenue decreased \$21.2 million, or 33%, as compared to the same period in 2022. The primary driver of the decrease was lower demand from our large hyperscale customers, as well as declines in the linear-tape open media market impacting both media cartridge sales and associated linear-tape open royalties.

Service and subscription revenue decreased \$2.5 million, or 7%, in the three months ended September 30, 2023 compared to the same period in 2022. This decrease was due in part to certain long-lived products reaching their end-of-service-life, partially offset by new support bookings and the transition towards subscription-based licensing.

Royalty Revenue

We receive royalties from third parties that license our linear-tape open media patents through our membership in the linear-tape open consortium. Royalty revenue decreased \$1.3 million, or 36%, in the three months ended September 30, 2023 compared to the same period in 2022 due to decreased market volume of older generation linear-tape open media.

Gross Profit and Margin

(dollars in thousands)	Three Months Ended September 30,					
	2023	Gross margin %	2022	Gross margin %	\$ Change	Basis point change
Product	\$ 12,228	28.5 %	\$ 7,550	11.8 %	\$ 4,678	1,670
Service and subscription	18,279	59.9 %	18,231	55.3 %	48	460
Royalty	2,228	100.0 %	3,478	100.0 %	(1,250)	—
Gross profit	<u>\$ 32,735</u>	43.3 %	<u>\$ 29,259</u>	29.1 %	<u>\$ 3,476</u>	1,420

Gross profit and margin percentages are key metrics that management monitors to assess the performance on the business.

Product Gross Margin

Product gross margin increased to 28.5%, or by 1,670 basis points, for the three months ended September 30, 2023, as compared with the same period in 2022. This increase was primarily due to a more favorable mix of revenues, weighted towards our higher margin product lines, as well as improvements in our operational efficiency and logistics costs. In addition, the prior year period included a \$6.9 million inventory reserve provision recorded during the three months ended September 30, 2022.

Service and Subscription Gross Margin

Service and subscription gross margins increased 460 basis points for the three months ended September 30, 2023, as compared with the same period in 2022. This increase was primarily driven by lower overhead costs across our support and repair functions.

Royalty Gross Margin

Royalties do not have significant related cost of sales.

Operating Expenses

(dollars in thousands)	Three Months Ended September 30,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Sales and marketing	\$ 15,717	21 %	\$ 15,593	16 %	\$ 124	1 %
General and administrative	10,241	14 %	11,940	12 %	(1,699)	(14) %
Research and development	9,152	12 %	10,546	10 %	(1,394)	(13) %
Restructuring charges	1,338	2 %	921	1 %	417	45 %
Total operating expenses	<u>\$ 36,448</u>	48 %	<u>\$ 39,000</u>	39 %	<u>\$ (2,552)</u>	(7) %

In the three months ended September 30, 2023, sales and marketing expense increased \$0.1 million, or 1%, as compared with the same period in 2022. Overall costs remain relatively flat as we pivot existing sales and marketing investment towards high-growth markets.

In the three months ended September 30, 2023, general and administrative expenses decreased \$1.7 million, or 14%, as compared with the same period in 2022. This decrease was largely driven by a reduced facilities footprint, as well as other cost reduction efforts across the business.

In the three months ended September 30, 2023, research and development expenses decreased \$1.4 million, or 13%, as compared with the same period in 2022. This decrease was primarily driven by cost reduction measures to consolidate acquired businesses.

In the three months ended September 30, 2023, restructuring expenses increased \$0.4 million as compared with the same period in 2022. The increase was the result of cost reduction initiatives.

Other Income (Expense)

(dollars in thousands)	Three Months Ended September 30,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Other income (expense)	\$ 367	0 %	\$ 2,431	2 %	\$ (2,064)	85 %

The change in other income (expense), net during the three months ended September 30, 2023 compared with the same period in 2022 was related primarily to fluctuations in foreign currency exchange rates during the three months ended September 30, 2023.

Interest Expense

(dollars in thousands)	Three Months Ended September 30,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Interest expense	\$ 3,855	5 %	\$ 2,745	3 %	\$ 1,110	40 %

In the three months ended September 30, 2023, interest expense increased \$1.1 million, or 40%, as compared with the same period in 2022 due to a higher effective interest rate on our Term Loan.

Loss on Debt Extinguishment

There were no debt extinguishments in the three months ended September 30, 2023 and 2022.

Income Taxes

(dollars in thousands)	Three Months Ended September 30,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Income tax provision	\$ 533	1 %	\$ 461	— %	\$ 72	16 %

The income tax provision for the three months ended September 30, 2023 and 2022 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 judgment 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, 2023 and 2022

Revenue

(dollars in thousands)	Six Months Ended September 30,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Product revenue	\$ 101,522	60 %	\$ 125,698	64 %	\$ (24,176)	(19) %
Service and subscription	61,458	37 %	66,782	33 %	(5,324)	(8) %
Royalty	5,194	3 %	6,918	3 %	(1,724)	(25) %
Total revenue	\$ 168,174	100 %	\$ 199,398	100 %	\$ (31,224)	(16) %

Product Revenue

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In the six months ended September 30, 2023, product revenue decreased \$24.2 million, or 19%, as compared to the same period in 2022. The primary driver of the decrease was lower demand from our large hyperscale customers, as well as declines in the linear-tape open media market impacting both media cartridge sales and associated linear-tape open royalties.

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 and subscription revenue decreased \$5.3 million, or 8%, in the six months ended September 30, 2023 compared to the same period in 2022, partially driven by lower overall legacy service revenues offset by higher subscription revenue.

Royalty Revenue

We receive royalties from third parties that license our linear-tape open media patents through our membership in the linear-tape open consortium. Royalty revenue decreased \$1.7 million, or 25%, in the six months ended September 30, 2023 compared to the same period in 2022 due to decreased market volume of older generation linear-tape open media.

Gross Profit and Margin

(dollars in thousands)	Six Months Ended September 30,					
	2023	Gross margin %	2022	Gross margin %	\$ Change	Basis point change
Product	\$ 26,352	26.0 %	\$ 21,216	16.9 %	\$ 5,136	910
Service and subscription	36,830	59.9 %	36,932	55.3 %	(102)	460
Royalty	5,194	100.0 %	6,918	100.0 %	(1,724)	—
Gross profit	<u>\$ 68,376</u>	40.7 %	<u>\$ 65,066</u>	32.6 %	<u>\$ 3,310</u>	810

Gross profit and margin percentages are key metrics that management monitors to assess the performance on the business.

Product Gross Margin

Product gross margin increased to 26.0%, or by 910 basis points, for the six months ended September 30, 2023, as compared with the same period in 2022. This increase was primarily due to a more favorable mix of revenues, weighted towards our higher margin product lines, as well as improvements in our operational efficiency and logistics costs. In addition, the prior year period included a \$6.9 million inventory reserve provision recorded during the six months ended September 30, 2022.

Service and Subscription Gross Margin

Service and subscription gross margin of 59.9% increased 460 basis points for the six months ended September 30, 2023, as compared with the same period in 2022. This increase was primarily driven by lower overhead costs across our support and repair functions.

Royalty Gross Margin

Royalties do not have significant related cost of sales.

Operating expenses

(dollars in thousands)	Six Months Ended September 30,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Sales and marketing	\$ 31,557	19 %	\$ 31,555	16 %	\$ 2	— %
General and administrative	22,940	14 %	24,254	12 %	(1,314)	(5) %
Research and development	20,065	12 %	22,671	11 %	(2,606)	(11) %
Restructuring charges	2,667	2 %	1,646	1 %	1,021	62 %
Total operating expenses	\$ 77,229	46 %	\$ 80,126	40 %	\$ (2,897)	(4) %

In the six months ended September 30, 2023, sales and marketing expense was flat compared with the same period in 2022 as we pivoted existing sales and marketing investment towards high-growth markets.

In the six months ended September 30, 2023, general and administrative expense decreased \$1.3 million, or 5%, compared with the same period in 2022. This decrease was largely driven by a reduced facilities footprint, as well as other cost reduction efforts across the business.

In the six months ended September 30, 2023, research and development expenses decreased \$2.6 million, or 11%, as compared with the same period in 2022. This decrease was primarily driven by cost reduction measures to consolidate acquired businesses.

In the six months ended September 30, 2023, restructuring expenses increased \$1.0 million as compared with the same period in 2022. The increase was the result of cost reduction initiatives.

Other Income (Expense)

(dollars in thousands)	Six Months Ended September 30,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Other income (expense)	\$ (630)	0 %	\$ 3,182	2 %	\$ (3,812)	120 %

The change in other income (expense), net during the six months ended September 30, 2023 compared with the same period in 2022 was related primarily to fluctuations in foreign currency exchange rates during the three months ended September 30, 2023.

Interest expense

(dollars in thousands)	Six Months Ended September 30,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Interest expense	\$ 7,055	4 %	\$ 4,836	2 %	\$ 2,219	46 %

In the six months ended September 30, 2023, interest expense increased \$2.2 million, or 46%, as compared with the same period in 2022 due to a higher effective interest rate on our Term Loan.

Loss on debt extinguishment

(dollars in thousands)	Six Months Ended September 30,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
Loss on debt extinguishment	\$ —	— %	\$ (1,392)	(1) %	\$ 1,392	100 %

In the six months ended September 30, 2023, loss on debt extinguishment decreased \$1.4 million as compared with the same period in 2022 due to a loss on debt extinguishment of \$1.4 million for a prepayment of our Term Loan.

Income Taxes

(dollars in thousands)	Six Months Ended September 30,				\$ Change	% Change
	2023	% of revenue	2022	% of revenue		
Income tax provision	\$ 1,063	1 %	\$ 872	— %	\$ 191	22 %

The income tax provision for the six months ended September 30, 2023 and 2022 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 judgment is required in assessing our ability to realize any future benefit from our net deferred tax assets. We intend to maintain this valuation allowance until sufficient positive evidence exists to support its reversal. Our income tax expense recorded in the future will be reduced to the extent that sufficient positive evidence materializes to support a reversal of, or decrease in, our valuation allowance.

Liquidity and Capital Resources

We consider liquidity in terms of the sufficiency of internal and external cash resources to fund our operating, investing and financing activities. Our principal sources of liquidity include cash from operating activities, cash and cash equivalents on our balance sheet and amounts available under our credit facility with PNC Bank, National Association (as amended from time to time, the "PNC Credit Facility") pursuant to the Amended Restated Revolving Credit and Security Agreement dated December 27, 2018. 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 had cash and cash equivalents of \$25.7 million as of March 31, 2024, which excludes \$0.2 million of short-term restricted cash. Our total outstanding Term Loan debt was \$87.9 million, and we had \$27.3 million available to borrow under the PNC Credit Facility as of March 31, 2024.

We generated negative cash flows from operations of approximately \$10.2 million and \$4.9 million for the fiscal years ended March 31, 2024 and 2023, respectively, and generated net losses of approximately \$41.3 million and \$18.4 million for the fiscal years ended March 31, 2024 and 2023, respectively. We have funded operations through the sale of common stock, term debt borrowings and revolving credit facility borrowings described in *Note 5: Debt*.

We are subject to various debt covenants under our debt agreements. Our failure to comply with our debt covenants could materially and adversely affect our financial condition and ability to service our obligations. On February 14, 2024, we entered into amendments to the Credit Agreements which waived testing of the total net leverage ratio financial covenant for the fiscal quarter ended December 31, 2023. On May 24, 2024, we entered into amendments to the Credit Agreements which, among other things, waives compliance with our net leverage covenant as of March 31, 2024, reduced the daily minimum liquidity below \$15.0 million until June 16, 2023 and waived any default that might arise as a result of the restatement of certain of our historical financial statements. The Term Loan and PNC Credit Facility both mature on August 5, 2026 under the terms of the related agreements. As discussed in *Note 1: Description of Business and Significant Accounting Policies—Going Concern*, we expect to be in violation of our net leverage covenant as of the June 30, 2024 testing date and the violation will cause the outstanding Term Loan and PNC Credit Facility outstanding balances to become due as an event of default. As a result, we have classified the Term Loan and PNC Credit Facility as current liabilities in the accompanying consolidated balance sheet. We are currently working to obtain additional covenant waivers or refinance the existing Term Debt and PNC Credit Facility. Additionally, we are evaluating strategies to obtain additional funding to provide additional liquidity, including potential asset sales. In the event we are unable to obtain an extension of the waiver, additional funding will be required to pay the amount due on the revolver and term loan. However, we may be unable to obtain an extension of the waiver, or obtain additional funding. As such, there can be no assurance that we will be able to obtain additional liquidity when needed or under acceptable terms, if at all.

See "Risks Related to our Indebtedness" section of *Item 1A. Risk Factors*.

Registration Rights Agreement

We have entered into a registration rights agreement with the holders of warrants previously issued to certain lenders in December 2018, June 2020 and June 2023 (the "Registration Rights Agreement"). The Registration Rights Agreement grants certain registration rights for the shares of common stock issuable upon the exercise of the warrants, including (i) 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, (ii) 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 (iii) customary piggyback registration rights, subject to certain customary limitations.

Cash Flows

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

(in thousands)	Year Ended March 31,	
	2024	2023
		Restated
Cash provided by (used in):		
Operating activities	\$ (10,156)	\$ (4,894)
Investing activities	(5,869)	(15,601)
Financing activities	15,713	41,165
Effect of exchange rate changes	(3)	12
Net change in cash, cash equivalents, and restricted cash	\$ (315)	\$ 20,682

Net Cash Used in Operating Activities

Net cash used in operating activities was \$10.2 million for the year ended March 31, 2024, primarily attributable to lower revenue and timing of certain vendor payments.

Net cash used in operating activities was \$4.9 million for the year ended March 31, 2023, primarily attributable to cash provided by operating activities excluding changes in assets and liabilities of \$1.5 million offset by cash used associated with working capital changes of \$6.4 million including cash used related to manufacturing and service inventories of \$5.3 million.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$5.9 million for the year ended March 31, 2024, primarily attributable to the implementation costs of a new Enterprise Resource Planning system.

Net cash used in investing activities was \$15.6 million for the year ended March 31, 2023, primarily attributable to \$12.6 million of capital expenditures and \$3.0 million of cash paid related to the deferred purchase price for a prior business acquisition.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$15.7 million for the year ended March 31, 2024 due primarily to borrowings under our Term Loan credit facility.

Net cash provided by financing activities was \$41.2 million for the year ended March 31, 2023 due primarily to \$66.2 million of net cash received from the rights offering of 30 million shares of our common stock offset in part by a \$20.0 million prepayment of our term debt and term debt principal amortization payments and amendment fees totaling \$3.3 million.

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 of business litigation, See *Note 11: Commitments and Contingencies*, to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Contractual Obligations

Contractual obligations are cash amounts that we are obligated to pay as part of certain contracts that we have entered into during the normal course of business. Below is a table that shows our contractual obligations as of March 31, 2024 (in thousands):

(in thousands)	Payments Due by Period				
	Total	1 year or less	1 – 3 Years	3 – 5 Years	More than 5 years
Debt obligations ⁽¹⁾	\$ 114,546	\$ 114,546	\$ —	\$ —	\$ —
Future lease commitments ⁽²⁾	21,127	2,538	3,776	2,730	12,083
Purchase obligations ⁽³⁾	32,400	32,400	—	—	—
Total	\$ 168,073	\$ 149,484	\$ 3,776	\$ 2,730	\$ 12,083

(1) Consists of principal on our Term Loan and PNC Credit Facility.

(2) Represents aggregate future minimum lease payments under non-cancelable operating leases.

(3) Includes primarily non-cancelable inventory purchase commitments.

Off-Balance Sheet Arrangements

We do not currently have any other off-balance sheet arrangements and do not have any holdings in variable interest entities.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The preparation of our consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (“GAAP”) 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 Annual Report on Form 10-K. 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 the following 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. The following accounting policies include estimates that require management’s subjective or complex judgments about the effects of matters that are inherently uncertain. For information on our significant accounting policies, including the policies discussed below, see *Note 1: Description of Business and Significant Accounting Policies*, to our consolidated financial statements.

Revenue Recognition

Our revenue is derived from three main sources: (a) products, (b) service and subscription, and (c) royalties. Our performance obligations are satisfied at a point in time or over time as stand ready obligations. Product revenue is recognized at the point in time when the customer takes control of the product, which typically occurs at the point of shipment. Service and subscription revenue consists of customer support agreements, software subscriptions, installation, and consulting & training. Our software subscriptions include term licenses which are recognized as revenue when the license has been delivered to the customer and related customer support which is recognized ratably over the service period. Revenue from customer support agreements is recognized ratably over the contractual term of the agreement. Installation services are typically completed within a short period of time and revenue from these services are recognized at the point when installation is complete. A majority of our consulting and training revenue does not take significant time to complete therefore these obligations are satisfied upon completion of such services at a point in time. We license certain products under royalty arrangements, pursuant to which our licensees periodically provide us with reports containing units sold to end users subject to the royalties. The reports substantiate that our performance obligation has been satisfied and we recognize royalty revenue based on the reports or when amounts can be reasonably estimated.

There are significant judgments used when applying Accounting Standards Codification (“ASC”) Topic 606 to contracts with customers. Most of our contracts contain multiple goods and services designed to meet each customer’s unique storage needs. For contracts with multiple performance obligations, we allocate the transaction price to each performance obligation based on the relative standalone selling price of the good or service underlying each performance obligation. Where standalone selling price may not be directly observable (e.g., the performance obligation is not sold separately), we maximize the use of observable inputs by using information including internal discounting practices, competitor pricing, competitor margins, performance obligations with similar customers and product groupings. Determining the observable inputs and applying them to our performance obligations requires significant judgment. We reassess standalone selling price determination periodically.

Product revenue may be impacted by a variety of price adjustments or other factors, including rebates, returns and stock rotation. We use the expected value method to estimate the net consideration expected to be returned by the customer. We use historical data and current trends to drive our estimates. We record a reduction to revenue to account for these items that may result in variable consideration. We initially measure a returned asset at the carrying amount of the inventory, less any expected costs to recover the goods including potential decreases in value of the returned goods.

Income Taxes

Deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and tax bases of assets and liabilities, measured at the enacted tax rates expected to apply to taxable income in the years in which those tax assets or liabilities are expected to be realized or settled. Based on the evaluation of available evidence, both positive and negative, we recognize future tax benefits, such as net operating loss carryforwards and tax credit carryforwards, to the extent that realizing these benefits is considered to be more likely than not.

A valuation allowance is provided if we believe it is more likely than not that all or some portion of the deferred tax asset will not be realized. An increase or decrease in the valuation allowance, if any, that results from a change in circumstances, and which causes a change in our judgment about the realizability of the related deferred tax asset, is included in the tax provision.

We recognize the financial statement effects of an uncertain income tax position when it is more likely than not, based on technical merits, that the position will be sustained upon examination. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances and changes in tax law. We recognize penalties and tax-related interest expense as a component of income tax expense in our consolidated statements of operations. See *Note 10: Income Taxes*, to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Inventories

Manufacturing Inventories

Our manufacturing inventory is recorded at the lower of cost or net realizable value, with cost being determined on a first-in, first-out (“FIFO”) basis. Costs include material, direct labor, and an allocation of overhead. Adjustments to reduce the cost of manufacturing inventory to its net realizable value, if required, are made for estimated excess, obsolete or impaired balances. Factors influencing these adjustments include declines in demand, rapid technological changes, product life cycle and development plans, component cost trends, product pricing, physical deterioration and quality issues. Revisions to these adjustments would be required if these factors differ from our estimates.

Service Parts Inventories

Our service parts inventories are recorded at the lower of cost or net realizable value, with cost being determined on a FIFO basis. Service parts inventories consist of both component parts, which are primarily used to repair defective units, and finished units, which are provided for customer use permanently or on a temporary basis while the defective unit is being repaired. We record adjustments to reduce the carrying value of service parts inventory to its net realizable value and dispose of parts with no use and a net realizable value of zero. Factors influencing these adjustments include product life cycles, end of service life plans and the volume of enhanced or extended warranty service contracts. Estimates of net realizable value involve significant estimates and judgments about the future, and revisions would be required if these factors differ from our estimates.

Business Acquisitions, Goodwill and Acquisition-Related Intangible Assets

We allocate the purchase price to the intangible and tangible assets acquired and liabilities assumed in a business combination at their estimated fair values on the date of acquisition, with the excess recorded to goodwill. We use our best estimates and assumptions to assign fair value to the assets acquired and liabilities assumed as well as the useful lives of the acquired intangible assets. Examples of critical estimates in valuing certain intangible assets we have acquired include, but are not limited to, future expected cash flows, expected technology life cycle, attrition rates of customers, and discount rates. We estimate the useful lives of each intangible asset based on the expected period over which we anticipate generating economic benefit from the asset. The amounts and useful lives assigned to acquired intangible assets impact the amount and timing of future amortization expense.

While we use our best estimates and assumptions as part of the purchase price allocation process to value assets acquired and liabilities assumed, these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the estimated fair value of the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to the consolidated statements of operations.

Warrant Accounting

We account for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant’s specific terms and applicable authoritative guidance ASC 480, *Distinguishing Liabilities from Equity* (“Topic 480”) and ASC 815, *Derivatives and Hedging* (“Topic 815”). The assessment considers whether the warrants are freestanding financial instruments pursuant to Topic 480, meet the definition of a liability pursuant to Topic 480, and whether the warrants meet all of the requirements for equity classification under Topic 815, including whether the warrants are indexed to the Company’s own shares of common stock and whether the warrant holders could potentially require “net cash settlement” in a circumstance outside of the Company’s control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance or modification. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. This liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in the Company’s consolidated statement of operations.

Recently Issued and Adopted Accounting Pronouncements

For recently issued and adopted accounting pronouncements, see *Note 1: Description of Business and Significant Accounting Policies*, to our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure due to potential changes in inflation or interest rates. We do not hold financial instruments for trading purposes.

Interest Rate Risk

We are subject to interest rate risk on borrowings under our variable interest rate term debt and PNC Credit Facility. See *Note 5: Debt* to our consolidated financial statements for a description of our long-term debt. Changes in the market interest rate will increase or decrease our interest expense. Assuming no change in the outstanding borrowings under the term debt and the PNC Credit Facility during fiscal 2024, a hypothetical 100-basis point increase or decrease in market interest rates sustained throughout the year would not result in a material change to our annual interest expense. Our other long-term debt related to lease obligations have fixed interest rates and terms, and as such, we consider the associated risk to our results of operations from changes in market rates of interest applied to our lease obligations to be minimal.

Foreign Exchange Risk

We conduct business in certain international markets. Because we operate in international markets, we have exposure to different economic climates, political arenas, tax systems and regulations that could affect foreign exchange rates. Our primary exposure to foreign currency risk relates to transacting in foreign currency and recording the activity in U.S. dollars. Changes in exchange rates between the U.S. dollar and these other currencies will result in transaction gains or losses, which we recognize in our consolidated statements of operations.

To the extent practicable, we minimize our foreign currency exposures by maintaining natural hedges between our assets and liabilities and revenues and expenses denominated in foreign currencies. We may enter into foreign exchange derivative contracts or other economic hedges in the future. Our goal in managing our foreign exchange risk is to reduce to the extent practicable our potential exposure to the changes that exchange rates might have on our earnings.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Quantum Corporation

Opinion on the financial statements

We have audited the accompanying consolidated balance sheet of Quantum Corporation (a Delaware corporation) and subsidiaries (the "Company") as of March 31, 2024, the related consolidated statement of operations and comprehensive loss, consolidated statement of stockholders' deficit, and cash flows for the year ended March 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and the results of its operations and its cash flows for the year ended March 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Going concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, as of March 31, 2024, the Company was in default of certain debt covenants of its term debt and credit facility and obtained a waiver from its lenders. All defaults existing at March 31, 2024 were waived by the lenders through July 2024. The Company believes it is probable that it will be in violation certain debt covenants at the next testing date of July 2024. The Company's plan, which is also described in Note 1, contemplates the Company obtaining additional covenant waivers or refinancing the existing term debt and credit facility. Additionally, the Company is evaluating strategies to obtain the additional funding, including potential asset sales. In the event the Company is unable to obtain an extension of the waiver additional funding will be required to pay the amount due on the revolver and term loan. However, the Company may be unable to obtain an extension of the waiver or obtain additional funding. As such, there can be no assurance that the Company will be able to obtain additional liquidity when needed or under acceptable terms, if at all. The Company's ability to achieve this plan is uncertain and raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Determination of Standalone Selling Price

As described further in Note 1 to the financial statements, the Company's contracts with customers often include multiple performance obligations. The transaction price of each contract is allocated to individual performance obligations based upon relative stand-alone selling price ("SSP"). The SSP of performance obligations is determined based on observable prices at which the Company separately sells the products and services or alternative methods. We identified the determination of the SSP of performance obligations as a critical audit matter.

The principal consideration for our assessment that the determination of the SSP of performance obligations represents a critical audit matter is that the estimates made in determining SSP involve significant judgments. Evaluating the appropriateness of these estimates requires a high degree of auditor judgment and an increased extent of effort.

Our audit procedures related to the determination of the SSP of performance obligations included the following procedures, among others:

- Tested management's process for developing the estimates of SSP by evaluating the appropriateness of the overall methodology used by management to develop the estimates by considering (i) whether the methodology maximized the use of observable inputs available and (ii) making inquiries of staff members outside of the accounting department.
- Tested the accuracy of management's calculations of estimated selling prices.
- In the cases where directly observable standalone sales were not available, for selected items we evaluated whether the significant assumptions used by management were reasonable by (i) considering the consistency with external market and competitor margin data and (ii) making inquiries of staff members outside of the accounting department.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2023.

Bellevue, Washington
June 28, 2024

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Quantum Corporation
San Jose, California

Opinions on the Financial Statements

We have audited the accompanying consolidated balance sheets of Quantum Corporation (the Company) as of March 31, 2023 and 2022 and the related consolidated statements of operations and comprehensive loss, stockholders' deficit, and cash flows for each of the two years in the period ended March 31, 2023, and the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended March 31, 2023 in conformity with accounting principles generally accepted in the United States of America.

Restatement of Previously Issued Financial Statements

As discussed in Note 14 to the consolidated financial statements, the 2023 and 2022 consolidated financial statements have been restated to correct misstatements.

Basis for Opinions

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provides a reasonable basis for our opinion.

/s/ Armanino^{LLP}
San Ramon, California

We have served as the Company's auditor since 2019. In 2023, we became the predecessor auditor.

June 6, 2023, except for the effects of the tables reflecting the impact of the restatement as of and for the years ended March 31, 2023 and 2022 discussed in Note 14 and Note 15 (not presented herein) to the consolidated financial statements appearing under Item 8 of the Company's 2024 Annual Report (Form 10-K), as to which the date is June 28, 2024.

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

	March 31,		
	2024	2023 Restated	2022 Restated
Assets			
Current assets:			
Cash and cash equivalents	\$ 25,692	\$ 25,963	\$ 5,210
Restricted cash	168	212	283
Accounts receivable, net of allowance for credit losses of \$22, \$201 and \$422, respectively	67,788	72,464	69,354
Manufacturing inventories	17,753	19,441	33,546
Service parts inventories	9,783	25,304	24,254
Prepaid expenses	2,186	4,158	7,853
Other current assets	8,414	5,513	4,697
Total current assets	131,784	153,055	145,197
Property and equipment, net	12,028	16,555	12,853
Intangible assets, net	1,669	4,941	9,584
Goodwill	12,969	12,969	12,969
Right-of-use assets, net	9,425	10,291	11,107
Other long-term assets	19,740	15,846	9,925
Total assets	\$ 187,615	\$ 213,657	\$ 201,635
Liabilities and Stockholders' Deficit			
Current liabilities:			
Accounts payable	\$ 26,087	\$ 35,716	\$ 34,220
Accrued compensation	18,214	15,710	16,141
Deferred revenue, current portion	78,511	79,807	87,128
Term debt, current portion	82,496	5,000	4,375
Revolving credit facility	26,604	—	—
Warrant liabilities	4,046	7,989	18,237
Other accrued liabilities	13,986	13,666	16,562
Total current liabilities	249,944	157,888	176,663
Deferred revenue, net of current portion	38,176	35,495	39,788
Revolving credit facility	—	16,750	17,735
Term debt, net of current portion	—	66,354	89,448
Operating lease liabilities	9,621	10,169	9,891
Other long-term liabilities	11,372	11,370	11,849
Total liabilities	309,113	298,026	345,374
Commitments and Contingencies (Note 11)			
Stockholders' deficit			
Preferred stock:			
Preferred stock, 20,000 shares authorized; no shares issued as of March 31, 2024, 2023 and 2022, respectively	—	—	—
Common stock:			
Common stock, \$0.01 par value; 225,000 shares authorized; 95,850, 93,574 and 60,433 shares issued and outstanding at March 31, 2024, 2023 and 2022, respectively	959	936	605
Additional paid-in capital	707,116	702,370	624,805
Accumulated deficit	(827,380)	(786,094)	(767,726)
Accumulated other comprehensive loss	(2,193)	(1,581)	(1,423)
Total stockholders' deficit	(121,498)	(84,369)	(143,739)
Total liabilities and stockholders' deficit	\$ 187,615	\$ 213,657	\$ 201,635

The accompanying notes are an integral part of these consolidated financial statements.

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

	Year Ended March 31,		
	2024	2023	2022
		Restated	Restated
Revenue			
Product	\$ 174,879	\$ 274,854	\$ 230,814
Service and subscription	126,590	133,518	137,241
Royalty	10,131	13,705	15,377
Total revenue	311,600	422,077	383,432
Cost of revenue			
Product	136,419	220,031	169,780
Service and subscription	50,292	58,782	56,012
Total cost of revenue	186,711	278,813	225,792
Gross profit	124,889	143,264	157,640
Operating expenses			
Sales and marketing	60,893	66,034	62,957
General and administrative	51,547	47,752	45,256
Research and development	38,046	44,555	51,812
Restructuring charges	3,280	1,605	850
Total operating expenses	153,766	159,946	160,875
Loss from operations	(28,877)	(16,682)	(3,235)
Other income (expense), net	(1,746)	1,956	(251)
Interest expense	(15,089)	(10,560)	(11,888)
Change in fair value of warrant liability	5,137	10,250	60,030
Loss on debt extinguishment, net	—	(1,392)	(4,960)
Net income (loss) before income taxes	(40,575)	(16,428)	39,696
Income tax provision	711	1,940	1,341
Net income (loss)	<u>\$ (41,286)</u>	<u>\$ (18,368)</u>	<u>\$ 38,355</u>
Net income (loss) per share - basic	\$ (0.43)	\$ (0.20)	\$ 0.65
Net income (loss) per share - diluted	\$ (0.43)	\$ (0.28)	\$ (0.32)
Weighted average shares - basic	95,087	90,348	58,871
Weighted average shares - diluted	95,087	91,188	66,017
Net income (loss)	\$ (41,286)	\$ (18,368)	\$ 38,355
Foreign currency translation adjustments, net	(612)	(158)	(567)
Total comprehensive income (loss)	<u>\$ (41,898)</u>	<u>\$ (18,526)</u>	<u>\$ 37,788</u>

The accompanying notes are an integral part of these consolidated financial statements.

QUANTUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended March 31,		
	2024	2023	2022
		Restated	Restated
Operating activities			
Net income (loss)	\$ (41,286)	\$ (18,368)	\$ 38,355
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	9,313	10,118	9,418
Amortization of debt issuance costs	2,735	1,624	2,414
Long-term debt related costs	—	992	8,471
Provision for manufacturing and service inventories	6,490	18,052	5,740
Gain on PPP loan extinguishment	—	—	(10,000)
Stock-based compensation	4,721	10,750	13,829
Change in fair value of warrant liabilities	(3,943)	(10,250)	(60,030)
Other non-cash	3,304	(2,067)	(832)
Changes in assets and liabilities, net of effect of acquisitions:			
Accounts receivable	4,846	(2,966)	3,651
Manufacturing inventories	(1,396)	(1,839)	(12,069)
Service parts inventories	11,852	(3,503)	(4,400)
Accounts payable	(11,193)	1,158	(1,939)
Prepaid expenses	1,971	3,695	(3,959)
Deferred revenue	1,386	(11,611)	(13,119)
Accrued restructuring charges	—	—	(580)
Accrued compensation	2,504	(431)	(3,073)
Other assets	(2,197)	(1,270)	(2,602)
Other liabilities	737	1,022	(3,003)
Net cash used in operating activities	(10,156)	(4,894)	(33,728)
Investing activities			
Purchases of property and equipment	(5,869)	(12,581)	(6,316)
Business acquisitions	—	(3,020)	(7,808)
Net cash used in investing activities	(5,869)	(15,601)	(14,124)
Financing activities			
Borrowings of long-term debt, net of debt issuance costs	12,541	—	94,961
Repayments of long-term debt	(5,747)	(24,596)	(94,301)
Borrowings of credit facility	421,623	497,280	309,000
Repayments of credit facility	(412,704)	(498,665)	(291,265)
Proceeds from issuance of common stock	—	67,146	1,762
Net cash provided by financing activities	15,713	41,165	20,157
Effect of exchange rate changes on cash and cash equivalents	(3)	12	51
Net change in cash, cash equivalents, and restricted cash	(315)	20,682	(27,644)
Cash, cash equivalents, and restricted cash at beginning of period	26,175	5,493	33,137
Cash, cash equivalents, and restricted cash at end of period	\$ 25,860	\$ 26,175	\$ 5,493
Supplemental disclosure of cash flow information			
Cash paid for interest	\$ 12,314	\$ 8,701	\$ 9,140
Cash paid for income taxes, net of refunds	\$ 1,776	\$ 1,418	\$ 944
Non-cash transactions			
Purchases of property and equipment included in accounts payable	\$ 661	\$ 1,049	\$ 147
Transfer of manufacturing inventory to services inventory	\$ 341	\$ 4,045	\$ 211
Transfer of manufacturing inventory to property and equipment	\$ 264	\$ 343	\$ 818
Paid-in-kind interest	\$ 2,314	\$ 319	\$ —
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:			
Cash and cash equivalents	\$ 25,692	\$ 25,963	\$ 5,210
Restricted cash, current	168	212	283
Total cash, cash equivalents and restricted cash at the end of period	\$ 25,860	\$ 26,175	\$ 5,493

The accompanying notes are an integral part of these consolidated financial statements.

QUANTUM CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
Balances as restated, March 31, 2021*	56,915	\$ 570	\$ 606,431	\$ (806,081)	\$ (856)	\$ (199,936)
Net income	—	—	—	38,355	—	38,355
Foreign currency translation adjustments, net of income taxes	—	—	—	—	(567)	(567)
Shares issued under employee stock purchase plan	389	4	1,758	—	—	1,762
Shares issued under employee incentive plans, net	2,308	23	(23)	—	—	—
Shares issued in connection with business acquisition	821	8	2,810	—	—	2,818
Stock-based compensation	—	—	13,829	—	—	13,829
Restated, March 31, 2022	60,433	\$ 605	\$ 624,805	\$ (767,726)	\$ (1,423)	\$ (143,739)
Net loss	—	—	—	(18,368)	—	(18,368)
Foreign currency translation adjustments, net of income taxes	—	—	—	—	(158)	(158)
Shares issued under employee stock purchase plan	600	6	891	—	—	897
Shares issued under employee incentive plans, net	2,180	21	(21)	—	—	—
Shares issued in connection with rights offering, net	30,000	300	65,949	—	—	66,249
Shares issued in connection with business acquisition	361	4	(4)	—	—	—
Stock-based compensation	—	—	10,750	—	—	10,750
Restated, March 31, 2023	93,574	\$ 936	\$ 702,370	\$ (786,094)	\$ (1,581)	\$ (84,369)
Net loss	—	—	—	(41,286)	—	(41,286)
Foreign currency translation adjustments, net of income taxes	—	—	—	—	(612)	(612)
Shares issued under employee incentive plans, net	2,276	23	(23)	—	—	—
Warrants issued related to long-term debt	—	—	49	—	—	49
Stock-based compensation	—	—	4,720	—	—	4,720
March 31, 2024	95,850	\$ 959	\$ 707,116	\$ (827,380)	\$ (2,193)	\$ (121,498)

*The March 31, 2021 ending total shareholders' deficit reflects the impact of the restatement totaling \$87.7 million related to SSP and warrant classification adjustments prior to that time, including a \$67.5 million increase of Accumulated deficit and a \$20.2 million decrease of Additional paid-in -capital.

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 1: DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES****Description of Business**

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

Basis of Presentation

The consolidated financial statements and accompanying notes have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). All intercompany balances and transactions have been eliminated. The Company reviews subsidiaries and affiliates, as well as other entities, to determine if they should be considered variable interest entities (“VIE”), and whether it should change the consolidation determinations based on changes in their characteristics. The Company considers an entity a VIE if its equity investors own an interest therein that lacks the characteristics of a controlling financial interest or if such investors do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or if the entity is structured with non-substantive voting interests. To determine whether or not the entity is consolidated with the Company’s results, the Company also evaluates which interests are variable interests in the VIE and which party is the primary beneficiary of the VIE.

Going Concern

These consolidated financial statements have been prepared in accordance with GAAP assuming the Company will continue as a going concern. The going concern assumption contemplates the realization of assets and satisfaction

of liabilities in the normal course of business. However, substantial doubt about the Company's ability to continue as a going concern exists.

The Company was in violation of its March 31, 2024 net leverage covenant and received a waiver from its lenders in May 2024 (See *Note 13: Subsequent Events* for additional information) which provides forbearance from the lenders exercising their rights to immediately call the loans until the next net leverage covenant testing date in July 2024. However, the Company believes it is probable that it will be in violation of the net leverage covenant at the next testing date. If the Company is unable to obtain additional waivers, the Term Debt and PNC Credit Facility will become immediately due, and additional liquidity will be required to satisfy the obligations. Due to the fact that a violation of the debt covenants results in the debt becoming currently payable, the long-term portion of the Term Debt and PNC Credit Facility have been classified as a current liability in the accompanying consolidated balance sheet as of March 31, 2024. See *Note 5: Debt* for additional information related to the Company's debt agreements.

The Company is currently working to obtain additional covenant waivers or refinance the existing Term Debt and PNC Credit Facility. Additionally, the Company is evaluating strategies to obtain the additional funding, including potential asset sales. In the event the Company is unable to obtain an extension of the waiver additional funding will be required to pay the amount due on the revolver and term loan. However, the Company may be unable to obtain an extension of the waiver, or obtain additional funding. As such, there can be no assurance that the Company will be able to obtain additional liquidity when needed or under acceptable terms, if at all.

The consolidated financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities, and reported expenses that may be necessary if the Company were unable to continue as a going concern. Our credit facilities are collateralized by a pledge of all our assets.

Restatement of Previously Issued Consolidated Financial Statements

During the year ended March 31, 2024, the Company identified multiple prior period misstatements. In accordance with Staff Accounting Bulletins No. 99 ("SAB No. 99") Topic 1.M, "Materiality" and SAB No. 99 Topic 1.N "Considering the Effects of Misstatements when Quantifying Misstatements in the Current Year Financial Statements," the Company assessed the materiality of these errors to its previously issued consolidated financial statements. Based upon the Company's evaluation of both quantitative and qualitative factors, the Company concluded the errors were material to the Company's previously issued consolidated financial statements for the fiscal years ended March 31, 2023 and 2022. Accordingly, the Company has restated the accompanying fiscal years ended March 31, 2023 and 2022 Consolidated Financial Statements for the fiscal years ended March 31, 2023 and 2022. See *Note 14: Restatement of Previously Issued Financial Statements*.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions due to risks and uncertainties. Such estimates include, but are not limited to, the determination of standalone selling price for revenue arrangements with multiple performance obligations, inventory adjustments, useful lives of intangible assets and property and equipment, stock-based compensation, fair value of warrants, and provision for income taxes including related reserves. Management bases its estimates on historical experience and on various other assumptions which management believes to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Cash and Cash Equivalents

The Company has cash deposits and cash equivalents deposited in or managed by major financial institutions. Cash equivalents include all highly liquid investment instruments with an original maturity of three months or less and consist primarily of money market accounts. At times the related amounts are in excess of amounts insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses with these financial institutions and does not believe such balances are exposed to significant credit risk.

Restricted Cash

Restricted cash is comprised of bank guarantees and similar required minimum balances that serve as cash collateral in connection with various items including insurance requirements, value added taxes, ongoing tax audits and leases in certain countries.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recorded at the invoiced amount, and stated at realizable value, net of an allowance for credit losses. The Company maintains an allowance for credit losses for estimated losses based on historical experience and expected collectability of outstanding accounts receivable. The Company performs ongoing credit evaluations of its customers' financial condition, and for the majority of its customers require no collateral. For customers that do not meet the Company's credit standards, the Company may require a form of collateral, such as cash deposits or letters of credit, prior to the completion of a transaction. These credit evaluations require significant judgment and are based on multiple sources of information. The Company analyzes such factors as its historical bad debt experience, industry and geographic concentrations of credit risk, current economic trends and changes in customer payment terms. The Company will write-off customer balances in full to the reserve when it has determined that the balance is not recoverable. Changes in the allowance for credit losses are recorded in general and administrative expenses.

Fair Value of Financial Instruments

The carrying value of our financial instruments, excluding debt and warrants, approximates fair value.

Manufacturing Inventories

Manufacturing inventory is recorded at the lower of cost or net realizable value, with cost being determined on a first-in, first-out ("FIFO") basis. Costs include material, direct labor, and an allocation of overhead in the case of work in process. Adjustments to reduce the cost of manufacturing inventory to its net realizable value, if required, are made for estimated excess, obsolete or impaired balances. Factors influencing these adjustments include declines in demand, rapid technological changes, product life cycle and development plans, component cost trends, product pricing, physical deterioration and quality issues. Revisions to these adjustments would be required if these factors differ from the Company's estimates.

Service Parts Inventories

Service parts inventories are recorded at the lower of cost or net realizable value, with cost being determined on a FIFO basis. The Company carries service parts because it generally provides product warranty for one to three years and earns revenue by providing enhanced and extended warranty and repair services during and beyond this warranty period. Service parts inventories consist of both component parts, which are primarily used to repair defective units, and finished units, which are provided for customer use permanently or on a temporary basis while the defective unit is being repaired. The Company records adjustments to reduce the carrying value of service parts inventory to its net realizable value and disposes of parts with no use and a net realizable value of zero. Factors influencing these adjustments include product life cycles, end of service life plans and volume of enhanced or extended warranty service contracts. Estimates of net realizable value involve significant estimates and judgments about the future, and revisions would be required if these factors differ from the Company's estimates.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization, computed on a straight-line basis over the estimated useful lives of the assets as follows:

Machinery and equipment	3 to 5 years
Computer equipment	3 to 5 years
Other software	3 years
Furniture and fixtures	5 years
Other office equipment	5 years
Leasehold improvements	Shorter of useful life or life of lease

When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the balance sheet and any resulting gain or loss is reflected in the consolidated statements of operations and comprehensive income (loss) in the period realized.

The Company evaluates the recoverability of the carrying amount of its property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be fully recoverable. A potential impairment charge is evaluated when the undiscounted expected cash flows derived from an asset group are less than its carrying amount. Impairment losses, if applicable, are measured as the amount by which the carrying value of an asset group exceeds its fair value and are recognized in operating results. Judgment is used when applying these impairment rules to determine the timing of impairment testing, the undiscounted cash flows used to assess impairments and the fair value of the asset group.

In fiscal 2022, we entered into a new lease in Centennial, Colorado and we incurred material leasehold improvements which are being amortized over the term of the lease. At the time of inception, this term was 15.5 years and as at March 31, 2024 there are 13.4 years remaining.

Business Combinations

The Company allocates the purchase price to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over the fair values of the assets acquired and liabilities assumed is recorded as goodwill. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the estimated fair value of the assets acquired and liabilities assumed, with the corresponding offset to goodwill. The results of operations of an acquired business are included in its consolidated financial statements from the date of acquisition. Acquisition-related expenses are expensed as incurred.

Goodwill

Goodwill represents the excess of the purchase price consideration over the estimated fair value of the tangible and intangible assets acquired and liabilities assumed in a business combination. Goodwill is evaluated for impairment annually in the third quarter of the Company's fiscal year as a single reporting unit, and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. The Company may elect to qualitatively assess whether it is more likely than not that the fair value of its reporting unit is less than its carrying value. If the Company opts not to qualitatively assess, a quantitative goodwill impairment test is performed. The quantitative test compares its reporting unit's carrying amount, including goodwill, to its fair value calculated based on its enterprise value. If the carrying amount exceeds its fair value, an impairment loss is recognized for the excess. The Company did not recognize any impairment of goodwill in any of the periods presented in the consolidated financial statements.

Purchased Intangible Assets

Purchased intangible assets with finite lives are stated at cost, net of accumulated amortization. The Company amortizes its intangible assets on a straight-line basis over an estimated useful life of two to four years.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets, including property and equipment and finite-lived intangible assets, for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The Company measures the recoverability of these assets by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If the total of the future undiscounted cash flows is less than the carrying amount of an asset, the Company records an impairment charge for the amount by which the carrying amount of the asset exceeds its fair market value.

Operating Leases

The Company determines if an arrangement contains a lease at inception. Lease liabilities are recognized at the present value of the future lease payments at commencement date. The interest rate implicit in the Company's operating leases are not readily determinable, and therefore an incremental borrowing rate is estimated to determine the present value of future payments. The estimated incremental borrowing rate factors in a hypothetical interest rate on a collateralized basis with similar terms, payments, and economic environments. The operating lease right-of-use ("ROU") asset is determined based on the lease liability initially established and reduced for any

prepaid lease payments and any lease incentives. The Company accounts for the lease and non-lease components of operating lease contract consideration as a single lease component.

Certain of the operating lease agreements contain rent concession, rent escalation, and option to renew provisions. Rent concession and rent escalation provisions are considered in determining the lease cost. Lease cost is recognized on a straight-line basis over the lease term commencing on the date the Company has the right to use the leased property. The Company generally uses the base, non-cancelable, lease term when recognizing the lease assets and liabilities, unless it is reasonably certain that an extension or termination option will be exercised.

Certain operating leases require the Company to pay taxes, insurance, maintenance, and other operating expenses associated with the leased asset. Such amounts are not included in the measurement of the lease liability to the extent they are variable in nature. These variable lease costs are recognized as a variable lease expense when incurred.

In addition, certain operating lease agreements contain tenant improvement allowances from the Company's landlords. These allowances are accounted for as lease incentives and reduce its ROU asset and lease cost over the lease term.

For short-term leases which have a lease term less than twelve months and do not include an option to purchase the underlying asset that is reasonably certain to be exercised, the Company recognizes rent expense in the consolidated statements of operations and comprehensive loss on a straight-line basis over the lease term and record variable lease payments as incurred.

Revenue Recognition

The Company generates revenue from three main sources: (1) product, (2) service and subscription, and (3) royalties. Sales tax collected on sales is netted against government remittances and thus, recorded on a net basis. The Company's performance obligations are satisfied at a point in time or over time as stand ready obligations. The majority of revenue is recognized at a point in time when products are accepted or based upon shipping terms when control transfers.

Product Revenue

The Company's product revenue is comprised of multiple storage solution hardware and software offerings targeted towards consumer and enterprise customers. Revenue from product sales is recognized at the point in time when the customer takes control of the product. If there are significant post-delivery obligations, the related revenue is deferred until such obligations are fulfilled. Revenue from contracts with customer acceptance criteria are recognized upon end user acceptance.

Service and Subscription Revenue

Service and subscription revenue consists of four components: (a) post-contract customer support agreements, (b) software subscriptions, (c) installation, and (d) consulting & training.

Customers have the option to choose between different levels of hardware and software support. The Company's support plans include various stand-ready obligations such as technical assistance hot-lines, replacement parts maintenance, and remote monitoring that are delivered whenever called upon by its customers. Support plans provide additional services and assurance outside the scope of the Company's primary product warranties. Revenue from support plans is recognized ratably over the contractual term of the service contract as this aligns with delivery to the customer.

The Company also sells software subscriptions that include term licenses which are recognized as revenue when the license is delivered to the customer and related customer support which is recognized ratably over the service period.

The Company offers installation services on all its products. Customers can opt to either have Quantum or a Quantum-approved third-party service provider install its products. Installation services are typically completed within a short period of time and revenue from these services are recognized at the point when installation is complete.

A majority of the Company's consulting and training revenue does not take significant time to complete therefore these obligations are satisfied upon completion of such services at a point in time.

Royalty Revenue

The Company licenses certain intellectual property to third party manufacturers which gives the manufacturers rights to intellectual property including the right to either manufacture or include the intellectual property in their products for resale. Licensees pay the Company a per-unit royalty for sales of their products that incorporate its intellectual property. On a periodic and timely basis, the licensees provide the Company with reports containing units sold to end users subject to the royalties. The reports substantiate that the performance obligation has been satisfied therefore revenue is recognized based on the reports or when amounts can be reasonably estimated.

Deferred Revenue

Deferred revenue primarily consists of amounts that have been invoiced, which are typically with net 45-day payment terms, but have not yet been recognized as revenue and performance obligations pertaining to subscription services. The current portion of deferred revenue represents the amounts that are expected to be recognized as revenue within one year of the consolidated balance sheet dates.

Significant Judgments

The Company generally enters into contracts with customers to provide storage solutions to meet their individual needs. Most of the Company's contracts contain multiple goods and services designed to meet each customer's unique storage needs. Contracts with multiple goods and services have multiple distinct performance obligations as the promise to transfer hardware, installation services, and support services are capable of being distinct and provide economic benefit to customers on their own.

Stand-alone selling price

For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation based on the relative standalone selling price ("SSP") of the good or service underlying each performance obligation. The SSP represents the amount for which the Company would sell the good or service to a customer on a standalone basis (i.e., not sold as a bundle with any other products or services). Where SSP may not be directly observable (e.g., the performance obligation is not sold separately), the Company maximized the use of observable inputs by using information including historical and current selling prices, internal discounting practices competitor information for similar customers and similar products/services, and other observable inputs.

Variable consideration

Product revenue includes multiple types of variable consideration, such as rebates, returns, or stock rotations. All contracts with variable consideration require payment upon satisfaction of the performance obligation typically with net 45-day payment terms. The Company does not include significant financing components in its contracts. The Company constrains estimates of variable consideration to amounts that are not expected to result in a significant revenue reversal in the future, primarily based on the expected value of consideration to be returned to the customer under the specific terms of the underlying programs.

The expected value method is used to estimate the consideration expected to be returned to the customer. The Company uses historical data and current trends to drive the estimates. The Company records a reduction to revenue to account for these programs. For inventory returns, the Company initially measures this asset at the carrying amount of the inventory, less any expected costs to recover the goods including potential decreases in the value of the returned goods.

Costs of Obtaining Contracts with Customers

The Company's primary cost to obtain contracts is sales commissions earned by sales representatives. These costs are incremental and expected to be recovered indirectly through the margin inherent within the contract. A large portion of the Company's contracts are completed within a one-year performance period, and for contracts with a specified term of one year or less, the Company has elected to apply a practical expedient available in Topic

340-40, which allows the Company to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company would otherwise have recognized is one year or less.

Sales commissions earned on contracts exceeding one year qualify for capitalization after application of the practical expedient. The duration of these contracts ranges from 1-7 years. Total capitalized costs were \$2.7 million, \$2.0 million and \$1.1 million for fiscal 2024, 2023 and 2022, respectively. Total amortization of capitalized costs of obtaining revenue contracts were \$0.9 million, \$0.5 million and \$0.1 million for fiscal 2024, 2023 and 2022, respectively. These costs are recognized straight line over the associated sales contract term.

Cost of Service and Subscription Revenue

The Company classifies expenses as service cost of revenue by estimating the portion of its total cost of revenue that relates to providing field support to its customers under contract. These estimates are based upon a variety of factors, including the nature of the support activity and the level of infrastructure required to support the activities from which it earns service and subscription revenue. In the event its service business changes, its estimates of cost of service and subscription revenue may be impacted.

Research and Development Costs

Expenditures relating to the development of new products and processes are expensed as incurred. These costs include expenditures for employee compensation, materials used in the development effort, other internal costs, as well as expenditures for third party professional services. The Company has determined that technological feasibility for its software products is reached shortly before the products are released to manufacturing. Costs incurred after technological feasibility is established have not been material. The Company expenses software-related research and development costs as incurred.

Internal-use Software Costs

The Company capitalizes costs incurred to implement software solely for its internal use, including (i) hosted applications used to deliver the Company's support services, and (ii) certain implementation costs incurred in a hosting arrangement that is a service contract when the preliminary project stage is complete, management with the relevant authority authorizes and commits to the funding of the software project, and it is probable the project will be completed and used to perform the intended function.

Software implementation costs are capitalized to either other current assets or other long-term assets on the Company's consolidated balance sheet and amortized over 10 years starting when the software is ready for its intended use. Software implementation costs capitalized were \$5.0 million, \$5.6 million and \$3.1 million in fiscal 2024, 2023 and 2022, respectively. Related amortization expense for software implementation costs was \$ 0.1 million, \$0.1 million and \$0.1 million during fiscal 2024, 2023 and 2022, respectively.

Advertising Expense

Advertising expense is recorded as incurred and was \$ 2.5 million, \$3.2 million, and \$3.5 million in fiscal 2024, 2023 and 2022, respectively.

Shipping and Handling Fees

Shipping and handling fees are included in cost of revenue as incurred and were \$ 9.7 million, \$12.1 million, and \$11.5 million in fiscal 2024, 2023 and 2022, respectively.

Restructuring Reserves

Restructuring reserves include charges related to the realignment and restructuring of the Company's business operations. These charges represent judgments and estimates of the Company's costs of severance, closure and consolidation of facilities and settlement of contractual obligations under its operating leases, including sublease rental rates, asset write-offs and other related costs. The Company reassesses the reserve requirements to complete each individual plan under the restructuring programs at the end of each reporting period. If these estimates change in the future or actual results differ from the Company's estimates, additional charges may be required.

Foreign Currency Translation

The Company's international operations generally use their local currency as their functional currency. Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Income and expense accounts are translated at the average monthly exchange rates during the year. Resulting translation adjustments are reported as a component of other comprehensive loss and recorded in accumulated other comprehensive loss in the accompanying consolidated balance sheets.

Warrant Accounting

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance ASC Topic 480, *Distinguishing Liabilities from Equity* ("Topic 480") and ASC Topic 815, *Derivatives and Hedging* ("Topic 815"). The assessment considers whether the warrants are freestanding financial instruments pursuant to Topic 480, meet the definition of a liability pursuant to Topic 480, and whether the warrants meet all of the requirements for equity classification under Topic 815, including whether the warrants are indexed to the Company's own common shares and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance or modification. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. This liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in the Company's consolidated statement of operations.

Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes*, in which deferred tax asset and liabilities are recognized based on differences between the financial reporting carrying values of assets and liabilities and the tax basis of those assets and liabilities, measured at the enacted tax rates expected to apply to taxable income in the years in which those tax assets or liabilities are expected to be realized or settled.

A valuation allowance is provided if the Company believes it is more likely than not that all or some portion of the deferred tax asset will not be realized. An increase or decrease in the valuation allowance, if any, that results from a change in circumstances, and which causes a change in the Company's judgment about the realizability of the related deferred tax asset, is included in the tax provision.

The Company assesses whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized in the consolidated financial statements from such a position is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company reevaluates these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances and changes in tax law. The Company recognizes penalties and tax-related interest expense as a component of income tax expense in the consolidated statements of operations.

Asset Retirement Obligations

The Company records an asset retirement obligation for the fair value of legal obligations associated with the retirement of tangible long-lived assets and a corresponding increase in the carrying amount of the related asset in the period in which the obligation is incurred. In periods subsequent to initial measurement, the Company recognizes changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate. Over time, the liability is accreted to its present value and the capitalized cost is depreciated over the estimated useful life of the asset. The Company's obligations relate primarily to certain legal obligations to remediate leased property on which certain assets are located.

Warranty Expense

The Company warrants its products against certain defects and the terms range from one to three years. The Company provides for the estimated costs of fulfilling its obligations under hardware warranties at the time the related revenue is recognized. The Company estimates the provision based on historical and projected product failure rates, historical and projected repair costs, and knowledge of specific product failures (if any). The Company regularly reassesses its estimates to determine the adequacy of the recorded warranty liability and adjusts the provision, as necessary.

Debt Issuance Costs

Debt issuance costs for revolving credit agreements are capitalized and amortized over the term of the underlying agreements on a straight-line basis. Amortization of these debt issuance costs is included in interest expense while the unamortized debt issuance cost balance is included in other current assets or other assets. Debt issuance costs for the Term Loans are recorded as a reduction to the carrying amount and are amortized over their terms using the effective interest method. Amortization of these debt issuance costs is included in interest expense.

Stock-Based Compensation

The Company classifies stock-based awards granted in exchange for services as either equity awards or liability awards. The classification of an award as either an equity award or a liability award is generally based upon cash settlement options. Equity awards are measured based on the fair value of the award at the grant date. Liability awards are re-measured to fair value each reporting period. The Company recognizes stock-based compensation on a straight-line basis over the award's requisite service period, which is generally the vesting period of the award, less actual forfeitures. No compensation expense is recognized for awards for which participants do not render the requisite services. For equity and liability awards earned based on performance or upon occurrence of a contingent event, when and if the awards will be earned is estimated. If an award is not considered probable of being earned, no amount of stock-based compensation is recognized. If the award is deemed probable of being earned, related compensation expense is recorded over the estimated service period. To the extent the estimate of awards considered probable of being earned changes, the amount of stock-based compensation recognized will also change.

Concentration of Credit Risk

The Company sells products to customers in a wide variety of industries on a worldwide basis. In countries or industries where the Company is exposed to material credit risk, the Company may require collateral, including cash deposits and letters of credit, prior to the completion of a transaction. The Company does not believe it has significant credit risk beyond that provided for in the consolidated financial statements in the ordinary course of business. During the fiscal year ended March 31, 2024, no customer represented 10% or more of the Company's total revenue. In fiscal 2023, one customer represented more than 10% of the Company's total revenue. In fiscal 2022, no customer represented 10% or more of the Company's total revenue. One customer comprised approximately 23% of accounts receivable as of March 31, 2024. One customer comprised approximately 22% of accounts receivable as of March 31, 2023. One customer comprised approximately 21% of accounts receivable as of March 31, 2022.

If the Company is unable to obtain adequate quantities of the inventory needed to sell its products, the Company could face cost increases or delays or discontinuations in product shipments, which could have a material adverse effect on the Company's results of operations. In many cases, the Company's chosen vendor may be the sole source of supply for the products or parts they manufacture, or services they provide, for the Company. Some of the products the Company purchases from these sources are proprietary or complex in nature, and therefore cannot be readily or easily replaced by alternative sources.

Segment Reporting

The Company's chief operating decision-maker is its Chief Executive Officer and Chief Financial Officer who make resource allocation decisions and assess performance based on financial information presented on a consolidated basis. There are no segment managers who are held accountable by the chief operating decision-maker, or anyone else, for operations, operating results, and planning for levels or components below the consolidated unit level.

Accordingly, the Company has one reportable segment and operates in three geographic regions: (a) Americas; (b) Europe, Middle East, and Africa ("EMEA"); and (c) Asia Pacific ("APAC").

The following table summarizes property and equipment, net by geographic region (in thousands):

	For the year ended March 31,					
	2024		2023		2022	
United States ¹	\$	11,759	\$	16,289	\$	12,506
International		269		266		347
Total	\$	12,028	\$	16,555	\$	12,853

¹ Property and equipment for regions outside of the United States is not significant.

Defined Contribution Plan

The Company sponsors a qualified 401(k) retirement plan for its U.S. employees. The plan covers substantially all employees who have attained the age of 18. Participants may voluntarily contribute to the plan up to the maximum limits established by Internal Revenue Service regulations. For the years ended March 31, 2024, 2023 and 2022, the Company incurred \$1.4 million, \$1.7 million, and \$1.7 million in matching contributions, respectively.

Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires disclosure of incremental segment information on an annual and interim basis. ASU 2023-07 will be effective for our fiscal year beginning April 1, 2024, and interim periods within our fiscal year beginning April 1, 2025, with early adoption permitted and requires application on a fully retrospective basis. We are currently evaluating the impact of this standard on our financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires greater disaggregation of tax information in rate reconciliation and income taxes paid by jurisdiction. ASU 2023-09 will be effective for our fiscal year beginning April 1, 2025, with early adoption permitted. We are currently evaluating the impact of this standard on our financial statement disclosures.

NOTE 2: REVENUE

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

	Year Ended March 31,					
	2024	%	2023	%	2022	%
			Restated		Restated	
Americas¹						
Product revenue	\$ 92,907		\$ 175,652		\$ 130,248	
Service and subscription	71,317		77,581		82,927	
Total revenue	164,224	53 %	253,233	60 %	213,175	55 %
EMEA						
Product revenue	59,465		70,025		71,498	
Service and subscription	47,372		46,279		46,401	
Total revenue	106,837	34 %	116,304	28 %	117,899	31 %
APAC						
Product revenue	22,507		29,177		29,068	
Service and subscription	7,901		9,658		7,913	
Total revenue	30,408	10 %	38,835	9 %	36,981	10 %
Consolidated						
Product revenue	174,879		274,854		230,814	
Service and subscription	126,590		133,518		137,241	
Royalty ²	10,131	3 %	13,705	3 %	15,377	4 %
Total revenue	\$ 311,600	100 %	\$ 422,077	100 %	\$ 383,432	100 %

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

² Royalty revenue is not allocable to geographic regions.

Revenue by Solution

	Year Ended March 31,					
	2024	%	2023	%	2022	%
			As restated		As restated	
Primary storage systems	\$ 53,525	17 %	\$ 63,334	15 %	\$ 67,592	18 %
Secondary storage systems	100,599	32 %	178,431	42 %	118,537	31 %
Device and media	33,477	11 %	42,008	10 %	49,959	13 %
Service	113,868	37 %	124,599	30 %	131,967	34 %
Royalty	10,131	3 %	13,705	3 %	15,377	4 %
Total revenue ¹	\$ 311,600	100 %	\$ 422,077	100 %	\$ 383,432	100 %

¹ Subscription revenue of \$7.3 million, \$5.6 million and \$4.2 million allocated to Primary and Secondary storage systems for the fiscal years ended 2024, 2023 and 2022, respectively.

Contract Balances

The following table presents the Company's contract liabilities and certain information related to this balance as of March 31, 2024 (in thousands):

	March 31, 2024	
Deferred revenue	\$	116,687
Revenue recognized in the period from amounts included in contract liabilities at the beginning of the period	\$	76,304
		March 31, 2023
		As Restated
Deferred revenue	\$	115,302
Revenue recognized in the period from amounts included in contract liabilities at the beginning of the period	\$	83,113
		March 31, 2022
		As Restated
Deferred revenue	\$	126,916
Revenue recognized in the period from amounts included in contract liabilities at the beginning of the period	\$	86,731

Remaining Performance Obligations

Total remaining performance obligations (“RPO”) which is contracted but not recognized revenue was \$ 131.4 million as of March 31, 2024. RPO consists of both deferred revenue and non-cancelable amounts that are expected to be invoiced and recognized as revenue in future periods and excludes variable consideration related to sales-based royalties. Of the \$131.4 million RPO at the end of fiscal 2024, we expect to recognize approximately 31.1% over the next 13 to 60 months.

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

	Current	Non-Current	Total
As of March 31, 2024	\$ 90,546	\$ 40,895	\$ 131,441

Deferred revenue primarily consists of amounts invoiced and paid but not recognized as revenue including performance obligations pertaining to subscription services. The table below reflects our deferred revenue as of March 31, 2024 (in thousands):

(in thousands)	Deferred revenue by period			
	Total	1 year or less	1 – 3 Years	3 year or greater
Service revenue	\$ 107,819	\$ 74,332	\$ 28,184	\$ 5,303
Subscription revenue	8,868	4,180	3,686	1,002
Total	\$ 116,687	\$ 78,512	\$ 31,870	\$ 6,305

NOTE 3: BUSINESS ACQUISITIONS

Pivot3

In July 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 were 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. 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):

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

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

	Amount	Estimated Useful Life
Goodwill	\$ 9,503	
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	(11,385)	
Total	\$ 7,818	

Pivot3 has also agreed to license to the Company certain intellectual property rights related to the business. The historical results of operations for Pivot3 were not significant to the Company's consolidated results of operations for the periods presented.

EnCloudEn

In October 2021, the Company acquired all intellectual property rights and certain other assets of EnCloudEn, an early stage hyperconverged infrastructure software company. The transaction costs associated with the acquisition were not material and were expensed as incurred. The total purchase consideration for the acquisition was \$2.8 million with \$2.6 million paid at closing and an additional \$ 0.2 million paid in three equal quarterly installments after closing. The fair value of the assets acquired was allocated to developed technology with an estimated useful life of three years.

NOTE 4: BALANCE SHEET INFORMATION

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

Manufacturing inventories

	March 31,		
	2024	2023	2022
Manufactured finished goods	\$ 7,074	\$ 6,958	\$ 14,607
Work in progress	769	1,304	2,546
Raw materials	9,910	11,179	16,393
Total manufacturing inventories	\$ 17,753	\$ 19,441	\$ 33,546

Service inventories

	March 31,		
	2024	2023	2022
Finished goods	\$ 3,660	\$ 19,834	\$ 19,234
Component parts	6,123	5,470	5,020
Total service inventories	\$ 9,783	\$ 25,304	\$ 24,254

Property and equipment, net

	March 31,		
	2024	2023	2022
Machinery and equipment, and software	\$ 49,095	\$ 48,534	\$ 47,777
Leasehold improvements	12,473	14,405	6,029
Furniture and fixtures	1,109	863	844
	62,677	63,802	54,650
Less: accumulated depreciation	(50,649)	(47,247)	(41,797)
Total property, plant and equipment, net	\$ 12,028	\$ 16,555	\$ 12,853

Depreciation expense for property and equipment amounted to \$ 6.0 million, \$5.5 million, and \$5.7 million for the years ended March 31, 2024, 2023, and 2022, respectively.

Intangibles, net

	March 31, 2024			March 31, 2023			March 31, 2022		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Developed technology	\$ 9,013	\$ (8,550)	\$ 463	\$ 9,013	\$ (6,269)	\$ 2,744	\$ 9,208	\$ (3,121)	\$ 6,087
Customer lists	4,398	(3,192)	1,206	4,398	(2,201)	2,197	4,600	(1,103)	3,497
Intangible assets, net	\$ 13,411	\$ (11,742)	\$ 1,669	\$ 13,411	\$ (8,470)	\$ 4,941	\$ 13,808	\$ (4,224)	\$ 9,584

Intangible assets amortization expense was \$3.3 million, \$4.6 million, and \$3.7 million for the years ended March 31, 2024, 2023, and 2022, respectively. As of March 31, 2024, the remaining weighted-average amortization period for definite-lived intangible assets was approximately 0.9 years. The Company recorded amortization of developed technology in cost of product revenue, and customer lists in sales and marketing expenses in the consolidated statements of operations.

As of March 31, 2024, the future expected amortization expense for intangible assets is as follows (in thousands):

Fiscal year ending	Estimated future amortization expense	
2025	\$	1,388
Thereafter		281
Total	\$	1,669

Goodwill

	Amount
Balance at March 31, 2022	\$ 12,969
Goodwill acquired	—
Balance at March 31, 2023	\$ 12,969
Goodwill acquired	—
Balance at March 31, 2024	\$ 12,969

Other long-term assets

	March 31,		
	2024	2023	2022
Capitalized SaaS implementation costs for internal use	\$ 15,349	\$ 11,483	\$ 6,261
Capitalized debt costs	1,923	1,690	1,779
Contract asset	1,477	1,247	699
Deferred taxes	734	1,054	866
Other	257	372	320
Total other long-term assets	<u>\$ 19,740</u>	<u>\$ 15,846</u>	<u>\$ 9,925</u>

Other accrued liabilities

	March 31,		
	2024	2023	2022
Accrued expenses	\$ 4,251	\$ 1,988	\$ 4,984
Asset retirement obligation	2,069	2,513	4,590
Accrued income taxes	1,044	1,509	943
Accrued warranty	1,545	2,094	1,899
Accrued interest	524	494	278
Lease liability	1,256	1,364	1,727
Other	3,297	3,704	2,141
Total other accrued liabilities	<u>\$ 13,986</u>	<u>\$ 13,666</u>	<u>\$ 16,562</u>

The following table details the change in the accrued warranty balance (in thousands):

	Year Ended March 31,		
	2024	2023	2022
Balance as of April 1	\$ 2,094	\$ 1,899	2,383
Current period accruals	2,563	3,477	3,717
Adjustments to prior estimates	(141)	(18)	(156)
Charges incurred	(2,971)	(3,264)	(4,045)
Balance as of March 31	<u>\$ 1,545</u>	<u>\$ 2,094</u>	<u>\$ 1,899</u>

NOTE 5: DEBT

The following table summarizes the Company's borrowing as of the dates presented (in thousands):

	Year Ended March 31,		
	2024	2023	2022
Term Loan	\$ 87,942	\$ 74,667	\$ 98,723
PNC Credit Facility	26,604	16,750	17,735
Less: current portion	(109,100)	(5,000)	(4,375)
Less unamortized debt issuance costs ⁽¹⁾	(5,446)	(3,313)	(4,900)
Long-term debt, net	<u>\$ —</u>	<u>\$ 83,104</u>	<u>\$ 107,183</u>

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

On August 5, 2021, the Company entered into a senior secured term loan, as amended (the "2021 Term Loan"). 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 of the 2021 Term Loan and (b) 5% of the original principal balance thereof thereafter. Principal and interest payments are payable on a quarterly basis. Loans under the Term Loan designated as ABR Loans 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 secured overnight financing rate ("SOFR") 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 SOFR Rate Loans bear interest at a rate per annum equal to the SOFR Rate plus an applicable margin of 6.00%

(the "Applicable Margin"). The SOFR Rate is subject to a floor of 0.75%. The Company can designate a loan as an ABR Rate Loan or SOFR Rate Loan in its discretion.

The Company has a revolving credit facility agreement with PNC Bank, as amended (the "PNC Credit Facility" and, collectively with the Term Loan, the "Credit Agreements") maturing on August 5, 2026 and providing for borrowings up to a maximum principal amount of the lesser of: (a) \$40.0 million or (b) the amount of the borrowing base, as defined in the PNC Credit Facility agreement. PNC Credit Facility loans designated as PNC SOFR Loans bear interest at a rate per annum equal to the SOFR rate plus 2.75% until December 31, 2023 and thereafter between 2.25% and 2.75% determined based on the Company's Total Net Leverage Ratio, (as defined in the PNC Credit Facility agreement) for the most recently completed fiscal quarter (the "PNC SOFR Loan Interest Rate"). Loans under the PNC Credit Facility designated as PNC Domestic Rate Loans and Swing Loans bear interest at a rate per annum equal to the greatest of (i) the base commercial lending rate of PNC Bank; (ii) the Overnight Bank Funding Rate plus 0.5%; and (iii) the daily SOFR rate plus 1.0%, plus 1.75% until December 31, 2023 and thereafter between 1.25% and 1.75% determined based on the Company's Total Net Leverage Ratio (the "PNC Domestic Loan Interest Rate"). With respect to any PNC SOFR 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) 6.50%, minus (y) the PNC SOFR Loan Interest Rate, plus (z) if the SOFR Rate applicable to such interest payment is less than 0.75%, (i) 0.75% minus (ii) such SOFR Rate. With respect to any Domestic Rate Loan or Swing Loan, the Company has agreed to pay an affiliate of certain Term Loan lenders a fee equal to a percentage per annum equal to the sum of (x) 5.50%, minus (y) the PNC Domestic Loan 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.

The Credit Agreements contain 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 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 Credit Agreements contain financial covenants relating to minimum liquidity and quarterly total net leverage. The PNC Credit Facility contains a financial covenant related to the Company's quarterly fixed charges coverage ratio, as defined in the PNC Credit Facility agreements beginning in the fiscal quarter ending March 31, 2025.

The Term Loan and PNC Credit Facility matures on August 5, 2026 under the terms of the related agreements. As discussed in *Note 1: Description of Business and Significant Accounting Policies—Going Concern*, the Company expect to be in violation of its net leverage covenant as of the June 30, 2024 testing date and the violation will cause the outstanding Term Loan and PNC Credit Facility outstanding balances to become due as an event of default. As a result, the Company has classified the Term Loan and PNC Credit Facility as current liabilities in the accompanying consolidated balance sheet.

On June 1, 2023, the Company entered into amendments to the Credit Agreements (the "June 2023 Amendment") which, among other things, provided an advance of \$15.0 million in additional Term Loan borrowings (the "2023 Term Loan" and, collectively with the 2021 Term Loan, the "Term Loan") and incurred \$0.9 million in original issuance discount and origination fees which have been recorded as a reduction to the carrying amount of the 2023 Term Loan and amortized to interest expense over the loan term. The terms of the 2023 Term Loan are substantially similar to the terms of the 2021 Term Loan, including in relation to maturity and security, except that, among other things, (a) the Applicable Margin (i) for any 2023 Term Loan designated an "ABR Loan" is 9.00% per annum and (ii) for any 2023 Term Loan designated as a "SOFR Loan" is 10.00% per annum, (b) accrued interest on the 2023 Term Loan is payable in kind ("PIK"), and is capitalized and added to the principal amount of the 2023 Term Loan at the end of each interest period applicable thereto, (c) the 2023 Term Loan does not amortize prior to the maturity date thereof, and (d) the 2023 Term Loan may not be prepaid prior to the payment in full of the existing term loans. In connection with the 2023 Term Loan, the Company issued warrants to purchase an aggregate of 1.25 million shares

(the "June 2023 Warrants") of the Company's common stock, at an exercise price of \$ 1.00 per share. See *Note 8: Common Stock* for additional discussion related to the 2023 Warrants.

The June 2023 Amendment to the Term Loan was accounted for as a modification. The value of the June 2023 Warrants in addition to \$ 0.7 million of fees paid to the lenders have been reflected as a reduction to the carrying amount of the Term Loan and amortized to interest expense over the remaining loan term. The Company incurred \$0.9 million of legal and financial advisory fees which were included in general and administrative expenses in the condensed consolidated statement of operations and comprehensive loss. The June 2023 Amendments to the PNC Credit Facility were accounted for as modifications and \$0.7 million in related fees and expenses were recorded to other assets and are amortized to interest expense over the remaining term of the agreement.

On February 14, 2024, the Company entered into amendments to the Credit Agreements which waived testing of the total net leverage ratio financial covenant for the fiscal quarter ended December 31, 2023. In connection with the amendment, the Company incurred fees related to the Term Loan that was paid-in-kind of \$1.2 million and an amendment fee of \$0.1 million that was paid in cash. These fees have been reflected as a reduction to the carrying amount of the Term Loan and are amortized to interest expense over the remaining loan term. In connection with the related PNC Credit Facility amendment, the Company incurred \$0.2 in fees and expenses.

On March 22, 2024, the Company entered into amendments to the Credit Agreements. The amendment, among other things, (i) permits the sale of certain assets by the Company and (ii) require that certain proceeds from the sale of such assets be applied to partially prepay the outstanding term loans under the Term Loan credit facility. The Company did not incur any amendment fees related to the March 2024 amendments and the financial terms of the Credit Agreements were not impacted.

The Company is required to pay an undrawn commitment fee related to the PNC Credit Facility at a rate per annum of between 0.25% and 0.375% (the "PNC Commitment Fee") based on the average PNC Credit Facility Usage Amount ending on the last day of the most recently completed quarter (the "Average Usage Amount") multiplied by \$40 million less the Average Usage Amount. The Company has also agreed to pay affiliates of certain Term Loan lenders a fee at a rate per annum equal to 1.00% minus the PNC Commitment Fee multiplied by \$ 40 million less the Average Usage Amount.

As of March 31, 2024, the interest rates on the 2021 Term Loan and 2023 Term Loan was 11.65% and 15.65%, respectively. As of March 31, 2024, the interest rate on the PNC Credit Facility was 10.25%. As of March 31, 2024, the PNC Credit Facility had a borrowing base of \$27.3 million which includes a reduction of \$0.8 million related to outstanding letters of credit issued on the Company's behalf. As of March 31, 2024, there was \$ 0.7 million available to borrow under the PNC Credit Facility.

We are subject to various debt covenants under our debt agreements. Our failure to comply with our debt covenants could materially and adversely affect our financial condition and ability to service our obligations. On February 14, 2024, we entered into amendments to the Credit Agreements which waived testing of the total net leverage ratio financial covenant for the fiscal quarter ended December 31, 2023. On May 24, 2024, we entered into amendments to the Credit Agreements which, among other things, waives compliance with our net leverage covenant as of March 31, 2024, reduced the daily minimum liquidity below \$15.0 million until June 16, 2023 and waived any default that might arise as a result of the restatement of certain of our historical financial statements. The Term Loan and PNC Credit Facility both mature on August 5, 2026 under the terms of the related agreements. As discussed in *Note 1: Description of Business and Significant Accounting Policies—Going Concern*, we expect to be in violation of our net leverage covenant as of the June 30, 2024 testing date and the violation will cause the outstanding Term Loan and PNC Credit Facility outstanding balances to become due as an event of default. As a result, we have classified the Term Loan and PNC Credit Facility as current liabilities in the accompanying consolidated balance sheet. We are currently working to obtain additional covenant waivers or refinance the existing Term Debt and PNC Credit Facility. Additionally, we are evaluating strategies to obtain additional funding to provide additional liquidity, including potential asset sales. In the event we are unable to obtain an extension of the waiver, additional funding will be required to pay the amount due on the revolver and term loan. However, we may be unable to obtain an extension of the waiver, or obtain additional funding. As such, there can be no assurance that we will be able to obtain additional liquidity when needed or under acceptable terms, if at all.

The June 2023 Amendment and the June 2023 Warrants were entered into with and issued to certain entities managed by Pacific Investment Management Company, LLC ("PIMCO") which is considered a related party due to the fact that Christopher D. Neumeyer is a member of the Company's Board of Directors and also an executive vice president and portfolio manager at PIMCO. The principal and PIK interest related to the June 2023 Amendment which totaled \$17.3 million as of March 31, 2024 are payable at maturity.

NOTE 6: LEASES

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

Operating leases	Year Ended March 31,		
	2024	2023	2022
Operating lease right-of-use assets	\$ 9,425	\$ 10,291	\$ 11,107
Other current liabilities	\$ 1,256	\$ 1,364	\$ 1,727
Operating lease liability	9,621	10,169	9,891
Total operating lease liabilities	\$ 10,877	\$ 11,533	\$ 11,618

The components of lease expense were as follows (in thousands):

Lease expense	Year Ended March 31,		
	2024	2023	2022
Operating lease expense	\$ 3,007	\$ 4,276	\$ 3,727
Variable lease expense	291	753	643
Short-term lease expense	—	—	15
Total lease expense	\$ 3,298	\$ 5,029	\$ 4,385

Maturity of Lease Liabilities	Operating Leases
2024	\$ 2,538
2025	2,062
2026	1,714
2027	1,523
2028	1,207
Thereafter	12,083
Total lease payments	\$ 21,127
Less: Imputed interest	(10,250)
Present value of lease liabilities	\$ 10,877

Lease Term and Discount Rate	March 31,		
	2024	2023	2022
Weighted average remaining operating lease term (years)	10.53	10.85	10.88
Weighted average discount rate for operating leases	12.64 %	12.66 %	12.9 %

Operating cash outflows related to operating leases totaled \$ 2.9 million, \$3.5 million and \$3.7 million for the fiscal years ended March 31, 2024, March 31, 2023, and March 31, 2022, respectively.

NOTE 7: RESTRUCTURING CHARGES

During fiscal years 2024, 2023 and 2022, the Company approved certain restructuring plans to improve operational efficiencies and rationalize its cost structure. All restructuring activities were completed by the fourth quarter of fiscal 2024, and no asset impairments occurred as a result.

The following tables show the activity and the estimated timing of future payouts for accrued restructuring (in thousands):

	Severance and benefits	Total
Balance as of March 31, 2021	\$ 580	\$ 580
Adjustments of prior estimates	850	850
Other non-cash	(1,430)	(1,430)
Balance as of March 31, 2022	—	—
Restructuring costs	1,605	1,605
Cash payments	(1,605)	(1,605)
Balance as of March 31, 2023	—	—
Restructuring costs	3,280	3,280
Cash payments	(3,280)	(3,280)
Balance as of March 31, 2024	\$ —	\$ —

NOTE 8: COMMON STOCK

In the fiscal year ended March 31, 2023, the Company's shareholders approved an increase in its authorized shares of common stock from 125 million to 225 million.

Common Stock Rights Offering

On April 22, 2022, the Company completed a rights offering of 30 million shares of its common stock for \$ 2.25 per share (the "Rights Offering"). The proceeds net of offering expenses was \$66.2 million. A portion of the proceeds from the Rights Offering was used to prepay \$ 20.0 million of the Company's Term Loan.

Long-Term Incentive Plan

The Company maintains two stockholder-approved incentive plans, the 2012 Long-Term Incentive Plan ("2012 Plan") and a 2023 Long-Term Incentive Plan ("2023 Plan"). The 2023 Plan serves as the successor to our 2012 Plan and provides for grants of performance share units, restricted stock units and stock options. Our equity awards typically vest between one and three years. Stock options, performance shares and restricted stock grants to non-employee directors typically vest over one year. The term of each stock option under the 2023 Plan will not exceed seven years. Stock options, performance share units and restricted stock units granted under the 2023 Plan are subject to forfeiture if employment terminates.

The 2023 Plan has 7.4 million shares authorized for issuance of new shares, with 1.6 million performance shares and restricted shares outstanding, and 6.7 million shares available for future issuance under the Plan as of March 31, 2024.

2021 Inducement Plan

The Company's 2021 Inducement Plan became effective on February 1, 2021 and provides for issuance of inducement equity awards to individuals who were not previously an employee or non-employee director of the Company as an inducement material to such individual's entering into employment with the Company. The term of each stock option and restricted stock unit under the plan will not exceed seven years, and each award generally vests between two and three years.

On December 30, 2022 the Leadership and Compensation Committee of the Board of Directors approved an amendment to the 2021 Inducement Plan to increase the number of shares of common stock of the Company authorized for issuance thereunder from 770,000 to 1.5 million. There were 0.8 million shares available for future issuance as of March 31, 2024.

The Company accounts for all forfeitures of stock-based awards when they occur.

Employee Stock Purchase Plan

The Company's has an Employee Stock Purchase Plan (the "ESPP") which enables eligible employees to purchase shares of its common stock at a discount. Purchases will be accomplished through participation in discrete offering periods. On each purchase date, eligible employees will purchase the Company's common stock at a price per share equal to 85% of the lesser of (i) the fair market value of the Company's common stock on the first trading day of the offering period, and (ii) the fair market value of the Company's common stock on the purchase date.

The Company has reserved shares of common stock for future issuance under its ESPP as follows (in thousands):

	March 31,		
	2024	2023	2022
Shares available for issuance at beginning of period	88	688	1,077
Shares issued during the period	—	(600)	(389)
Total shares available for future issuance at end of period	<u>88</u>	<u>88</u>	<u>688</u>

The Company uses the Black-Scholes-Merton option-pricing model ("Black-Scholes") to determine the fair value for stock options, shares forecasted to be issued pursuant to its ESPP, and warrants. This requires the use of assumptions about expected life, stock price, volatility, risk-free interest rates and expected dividends.

Expected Life—The expected term was based on historical experience with similar awards, giving consideration to the contractual terms, exercise patterns and post-vesting forfeitures.

Volatility—The expected stock price volatility for the Company's common stock was based on the historical volatility of its common stock over the most recent period corresponding with the estimated expected life of the award.

Risk-Free Rate—The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.

Dividend Yield—The Company has never declared or paid any cash dividends and does not currently plan to pay cash dividends in the foreseeable future. Consequently, an expected dividend yield of zero was used.

The weighted-average grant date fair value and the assumptions used in calculating fair values of shares forecasted to be issued pursuant to the Company's ESPP are as follows:

	Year Ended March 31,		
	2024	2023	2022
Expected life	n/a	0.5 years	0.5 years
Volatility	n/a	96%	51% - 57%
Risk-free interest rate	n/a	3.10%	0.06% - 0.23%
Dividend yield	n/a	—%	—%
Fair value of common stock	n/a	\$1.85	\$4.60 - \$6.40

Performance Stock Units

The Company granted 0.1 million, 0.4 million, and 0.6 million of performance share units with market conditions (“Market PSUs”) in fiscal 2024, 2023, and 2022, respectively. Market PSUs vest one to three years from the issuance date and become eligible for vesting based on the Company achieving certain stock price targets and are contingent upon continued service of the holder of the award during the vesting period. The estimated fair value of these Market PSUs is determined at the issuance date using a Monte Carlo simulation model.

Assumptions used in the Monte Carlo model to calculate fair values of market PSU’s during each fiscal period are as follows:

Weighted-Average	2024	2023	2022
Discount period (years)	3.00	3.00	2.98
Risk-free interest rate	3.53%	2.84%	0.93%
Stock price volatility	80.50%	80.00%	75.00%
Grant date fair value	\$0.91	\$1.17	\$5.40

The Company granted 0.9 million, 0.9 million and 0.0 million of performance share units with financial performance conditions (“Performance PSUs”) in the fiscal years ended March 31, 2024, 2023 and 2022, respectively. Performance PSUs become eligible for vesting based on the Company achieving certain financial performance targets, and are contingent upon continued service of the holder of the award during the vesting period. Performance PSUs are valued at the market closing share price on the date of grant and compensation expense for Performance PSUs is recognized when it is probable that the performance conditions will be achieved. Compensation expense recognized related to Performance PSUs is reversed if the Company determines that it is no longer probable that the performance conditions will be achieved.

The following table summarizes activity for Market PSUs and Performance PSUs for the year ended March 31, 2024 (shares in thousands):

	Shares	Weighted-Average Grant Date Fair Value per Share
Outstanding as of March 31, 2023	1,613	\$ 2.72
Granted	1,055	\$ 0.51
Vested	(271)	\$ 3.53
Forfeited or cancelled	(850)	\$ 1.57
Outstanding as of March 31, 2024	<u>1,547</u>	<u>\$ 1.79</u>

As of March 31, 2024, there was \$0.6 million of unrecognized stock-based compensation related to Market PSUs and Performance PSUs, which is expected to be recognized over a weighted-average period of one year.

The total grant date fair value of shares vested during fiscal years ended March 31, 2024, 2023, and 2022 was \$ 1.0 million, \$1.9 million, and \$3.9 million, respectively.

Restricted Stock Units

The Company granted 1.2 million, 2.9 million, and 2.8 million of service-based restricted stock units (“RSUs”) in the fiscal years ended March 31, 2024, 2023 and 2022, respectively, which generally vest ratably over a three-year service period. RSUs are valued at the market closing share price on the date of grant and compensation expense for RSUs is recognized ratably over the applicable vesting period.

The following table summarizes activity for restricted stock units for the year ended March 31, 2024 (shares in thousands):

	Shares	Weighted-Average Grant Date Fair Value per Share
Outstanding as of March 31, 2023	4,494	\$ 3.09
Granted	1,209	\$ 0.54
Vested	(1,993)	\$ 3.19
Forfeited or cancelled	(829)	\$ 3.24
Outstanding as of March 31, 2024	<u>2,881</u>	<u>\$ 1.87</u>

The total grant date fair value of RSUs vested during fiscal years ended March 31, 2024, 2023, and 2022 was \$ 6.4 million, \$5.2 million, and \$5.0 million, respectively.

As of March 31, 2024, there was \$2.6 million of total unrecognized stock-based compensation related to RSUs, which is expected to be recognized over a weighted-average period of two years.

Compensation Expense

The following table details the Company's stock-based compensation expense, net of forfeitures (in thousands):

	Year Ended March 31,		
	2024	2023	2022
Cost of revenue	\$ 774	\$ 929	\$ 1,112
Research and development	1,091	2,997	5,843
Sales and marketing	669	2,397	2,516
General and administrative	2,187	4,427	4,358
Total stock-based compensation	<u>\$ 4,721</u>	<u>\$ 10,750</u>	<u>\$ 13,829</u>

	Year Ended March 31,		
	2024	2023	2022
Restricted stock units	\$ 4,551	\$ 9,299	\$ 9,331
Performance share units	170	878	3,811
Employee stock purchase plan	—	573	687
Total stock-based compensation	<u>\$ 4,721</u>	<u>\$ 10,750</u>	<u>\$ 13,829</u>

Warrants

In connection with a debt refinancing and debt amendment activities, the Company issued warrants to purchase shares of the Company common stock in December 2018 which are exercisable until December 27, 2028 (the "December 2018 Warrants"), in June 2020 which are exercisable until June 16, 2030 (the "June 2020 Warrants") and in June 2023 which are exercisable until June 1, 2033 (the "June 2023 Warrants").

The exercise price and the number of shares underlying the Company's December 2018 Warrants, June 2020 Warrants and June 2023 Warrants (collectively, the "Lender Warrants") and are subject to adjustment in the event of specified events, including dilutive issuances of equity instruments at a price lower than the exercise price of the respective warrants (the "Down Round Feature"), repricing of existing equity-linked instruments at a price lower than the exercise price of the respective warrants (the "Warrant Repricing Feature"), a subdivision or combination of the common stock, a reclassification of the common stock or specified dividend payments. 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 common stock at the time of exercise. The Company's warrants also have a provision that determines the potential stock price used when applying the Black-Scholes valuation model to determine the settlement price of the warrants in Successor Major Transactions ("SMT"), as defined in the respective warrant agreements, which include a change in control or liquidation (the "Warrant Settlement Price Provision"). The Warrant Settlement Price Provision requires the use of the greater of the closing price of the

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Company's common stock on the trading day immediately preceding the date on which an SMT is consummated, the closing market price of the Company's common stock following the first public announcement of an SMT or the closing market of the Company's common stock immediately preceding the announcement of an SMT. Because of these terms, equity classification was precluded, and these warrants are carried as liabilities at fair value.

The Company uses Level 2 inputs for its valuation methodology for the warrant liabilities as their fair values were determined by using the Black-Scholes model based on various assumptions. The assumptions used in calculating fair values of the Lender Warrants are as follows:

	December 2018 Warrants	June 2020 Warrants	June 2023 Warrants
March 31, 2024:			
Discount period (years)	4.7 years	6.2 years	9.2 years
Risk-free interest rate	4.19%	4.16%	4.16%
Stock price volatility	87.00%	86.00%	81.00%
Grant date fair value	\$0.33	\$0.30	\$0.45
March 31, 2023:			
Discount period (years)	5.7 years	7.2 years	n/a
Risk-free interest rate	3.55%	3.52%	n/a
Stock price volatility	79.00%	77.00%	n/a
Grant date fair value	\$0.77	\$0.69	n/a
March 31, 2022:			
Discount period (years)	6.7 years	8.2 years	n/a
Risk-free interest rate	2.39%	2.36%	n/a
Stock price volatility	79.00%	74.00%	n/a
Grant date fair value	\$1.80	\$1.59	n/a

The Company has adopted ASC 2017-11, *Earnings per share (Topic 260)*; *Distinguishing liabilities from equity (Topic 480)*; *Derivatives and hedging (Topic 718)* ("ASC 2017-11") which provides guidance that the inclusion of certain anti-dilution provisions including down-round provisions in which the exercise price and number of shares underlying an equity-linked instrument are adjusted based on certain specified events does not preclude an instrument from being equity classified. The Company has concluded the Warrant Repricing Feature does not meet the definition of a down-round provision that would provide a scope exception allowing equity classification; therefore, the Company's warrants are required to be classified as liabilities. In addition, the Company has concluded that the use of the greater of three share price inputs to the Black-Scholes valuation model in the Warrant Settlement Price Provision precludes the warrants from being indexed to the Company's own common stock under Topic 815 therefore requiring the Company to classify the warrants as liabilities with changes in fair value being recognized in the Company's consolidated statement of operations.

The following summarizes the Company's outstanding Lender Warrants (in thousands, except exercise price):

	December 2018 Warrants	June 2020 Warrants	June 2023 Warrants	Total
March 31, 2024:				
Exercise price	\$ 1.33	\$ 2.77	\$ 1.00	
Number shares under warrant(s)	7,131	3,683	1,250	12,064
Fair value	\$ 2,320	\$ 1,135	\$ 591	\$ 4,046
March 31, 2023:				
Exercise price	\$ 1.33	\$ 2.79	n/a	
Number shares under warrant(s)	7,111	3,656	n/a	10,767
Fair value	\$ 5,447	\$ 2,542	n/a	\$ 7,989
March 31, 2022:				
Exercise price	\$ 1.33	\$ 3.00	n/a	
Number shares under warrant(s)	7,111	3,400	n/a	10,511
Fair value	\$ 12,769	\$ 5,468	n/a	\$ 18,237

The Rights Offering triggered the Down Round Feature for the for June 2020 Warrants on April 22, 2022 due to the price per share received in the Rights Offering being lower than the exercise price. The exercise price for the June 2020 Warrants was adjusted to \$2.79 per share and an additional 256,111 warrants were issued with an exercise price of \$2.79. The issuance of the June 2023 Warrants triggered the Warrant Repricing Feature in the June 2020 Warrants and the December 2018 Warrants. The exercise price for the June 2020 Warrants was adjusted to \$2.77 per share and an additional 27,269 warrants were issued with an exercise price of \$2.77. The exercise price for the December 2018 warrants was not adjusted and an additional 20,417 warrants were issued with an exercise price of \$1.33. The changes to the exercise price and number of warrants related to these adjustments were recorded as an adjustment to the warrant liability and reflected as a change in fair value of the warrant liability in the respective periods.

The table below sets forth a summary of changes in the fair value of the Company's Level 2 warrant liabilities for the year ended December 31, 2023

Balance at March 31, 2021	\$ 78,267
Change in fair value of warrant liabilities	(60,030)
Balance at March 31, 2022	18,237
Change in fair value of warrant liabilities	(10,250)
Balance at March 31, 2023	7,989
Issuance of warrants	1,194
Change in fair value of warrant liabilities	(5,137)
Balance at March 31, 2024	4,046

The Company also issued 50,000 warrants to purchase the Company's common stock in June 2020 and June 2023 to advisors of the Company at an exercise price of \$3.00 and \$1.00, respectively (collectively the "Other Warrants"). The Company has concluded that the Other Warrants do not contain provisions that would require liability classification under Topic 480 or Topic 718 and have been equity classified.

Registration Rights Agreements

The Lender Warrants grant the holders certain registration rights for the shares of common stock issuable upon the exercise of the applicable 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 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.

NOTE 9: NET INCOME (LOSS) PER SHARE

Equity Instruments Outstanding

The Company has stock options, performance share units, restricted stock units and options to purchase shares under its ESPP, granted under various stock incentive plans that, upon exercise and vesting, would increase shares outstanding. The Company has also issued warrants to purchase shares of the Company's stock.

The following table sets forth the computation of basic and diluted net income (loss) per share attributable to common stockholders (in thousands, except per share data):

	Year Ended March 31,		
	2024	2023	2022
		As Restated	As Restated
Numerator:			
Net income (loss) attributable to common stockholders used in basic earnings per share	\$ (41,286)	\$ (18,368)	\$ 38,355
Add back: Excluded (gain) loss on assumed exercise of liability-classified common stock warrants during the period	—	(7,323)	(59,753)
Net loss attributable to common stockholders used in diluted earnings per share	<u>\$ (41,286)</u>	<u>\$ (25,691)</u>	<u>\$ (21,398)</u>
Denominator:			
Weighted average common shares outstanding used in basic earnings per share	95,087	90,348	58,871
Incremental common shares from:			
Assumed exercise of dilutive warrants	—	840	7,146
Weighted average common shares outstanding used in diluted earnings per share	<u>95,087</u>	<u>91,188</u>	<u>66,017</u>
Net income (loss) per share attributable to common stockholders - Basic	\$ (0.43)	\$ (0.20)	\$ 0.65
Net income (loss) per share attributable to common stockholders - Diluted	<u>\$ (0.43)</u>	<u>\$ (0.28)</u>	<u>\$ (0.32)</u>

The dilutive impact related to shares of common stock from incentive plans and outstanding warrants is determined by applying the treasury stock method to the assumed vesting of outstanding performance share units and restricted stock units and the exercise of outstanding options and warrants. The dilutive impact related to shares of common stock 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.

The following weighted-average outstanding shares of common stock equivalents were excluded from the computation of diluted net income (loss) per share attributable to common stockholders for the periods presented because including them would have been anti-dilutive (in thousands):

	Year Ended March 31,		
	2024	2023	2022
Stock awards	336	543	1,996
Warrants	12,164	3,706	50
ESPP	—	8	11
Total	<u>12,500</u>	<u>4,257</u>	<u>2,057</u>

The Company had outstanding market based restricted stock units as of March 31, 2024 that were eligible to vest into shares of common stock subject to the achievement of certain stock price targets in addition to a time-based vesting period. These contingently issuable shares are excluded from the computation of diluted earnings per share if, based on current period results, the shares would not be issuable if the end of the reporting period were the end of the contingency period. There were 0.9 million shares of contingently issuable market-based restricted stock units that were excluded from the table above as the market conditions were not satisfied as of March 31, 2024.

NOTE 10: INCOME TAXES

Pre-tax income (loss) reflected in the consolidated statements of operations for the years ended March 31, 2024, 2023 and 2022 is as follows (in thousands):

	Year Ended March 31,		
	2024	2023	2022
		As Restated	As Restated
U.S.	\$ (40,555)	\$ (18,429)	\$ 39,146
Foreign	(20)	2,001	550
Total	\$ (40,575)	\$ (16,428)	\$ 39,696

Income tax provision consists of the following (in thousands):

	Year Ended March 31,		
	2024	2023	2022
		As Restated	As Restated
Current tax expense			
Federal	\$ —	\$ —	\$ —
State	14	70	477
Foreign	919	2,045	1,381
Total current tax expense	933	2,115	1,858
Deferred tax expense			
Federal	18	23	9
State	21	108	22
Foreign	(261)	(306)	(548)
Total deferred tax expense (benefit)	(222)	(175)	(517)
Income tax provision	\$ 711	\$ 1,940	\$ 1,341

The income tax provision differs from the amount computed by applying the federal statutory rate of 21% to loss before income taxes as follows (in thousands):

	For the year ended March 31,		
	2024	2023	2022
		As Restated	As Restated
Expense (benefit) at the federal statutory rate	\$ (8,507)	\$ (3,450)	\$ 8,341
Equity compensation	1,102	1,945	195
Permanent items	768	1,498	1,941
Foreign taxes	264	586	1,761
State income taxes	(860)	(124)	(133)
Valuation allowance	6,313	2,890	(7,396)
Uncertain tax positions	(8,010)	(3,791)	(6,349)
Credit monetization	—	—	(2,100)
Expiration of attributes	10,901	5,733	18,345
Research and development credits	(1,169)	(1,582)	(2,094)
Warrant fair value adjustments	(1,093)	(2,152)	(12,606)
Other	1,002	387	1,436
Income tax provision	\$ 711	\$ 1,940	\$ 1,341

Significant components of deferred tax assets and liabilities are as follows (in thousands):

	As of March 31,		
	2024	2023	2022
		As Restated	As Restated
Deferred tax assets			
Loss carryforwards	\$ 54,280	\$ 56,675	\$ 59,636
Deferred revenue	27,431	25,903	29,206
Capitalized research and development	27,785	23,949	16,289
Tax credits	15,888	15,894	16,085
Disallowed interest	16,572	13,162	12,296
Other accruals and reserves not currently deductible for tax purposes	4,685	4,494	4,450
Lease obligations	2,269	2,384	2,514
Inventory	2,426	2,715	1,701
Acquired intangibles	1,344	961	853
Accrued warranty expense	365	495	447
Gross deferred tax assets	153,045	146,632	143,477
Valuation allowance	(147,674)	(141,218)	(138,086)
Total deferred tax assets, net of valuation allowance	<u>\$ 5,371</u>	<u>\$ 5,414</u>	<u>\$ 5,391</u>
Deferred tax liabilities			
Depreciation	\$ (2,038)	\$ (2,009)	\$ (1,921)
Lease assets	(1,929)	(2,128)	(2,439)
Other	(1,130)	(548)	(1,048)
Total deferred tax liabilities	<u>\$ (5,097)</u>	<u>\$ (4,685)</u>	<u>\$ (5,408)</u>
Net deferred tax assets (liabilities)	<u>\$ 274</u>	<u>\$ 729</u>	<u>\$ (17)</u>

The valuation allowance increased by \$6.5 million during the year ended March 31, 2024, increased by \$3.1 million during the year ended March 31, 2023, and decreased by \$7.4 million during the year ended March 31, 2022, respectively.

A reconciliation of the gross unrecognized tax benefits is as follows (in thousands):

	For the year ended March 31,		
	2024	2023	2022
		As restated	As restated
Beginning Balance	\$ 96,343	\$ 99,603	\$ 101,119
Increase in balances related to tax positions in current period	2,229	2,778	2,785
Increase in balances related to tax positions in prior period	—	—	4,881
Decrease in balances related to tax positions in prior period	(1,364)	(817)	(1,020)
Decrease in balances due to lapse in statute of limitations	(8,867)	(5,221)	(8,162)
Ending balance	<u>\$ 88,341</u>	<u>\$ 96,343</u>	<u>\$ 99,603</u>

During fiscal 2024, excluding interest and penalties, there was a \$8.0 million change in the Company's unrecognized tax benefits. Including interest and penalties, the total unrecognized tax benefit at March 31, 2024 was \$89.5 million, of which \$77.1 million, if recognized, would favorably affect the effective tax rate. At March 31, 2024, accrued interest and penalties totaled \$1.2 million. The Company's practice is to recognize interest and penalties related to income tax matters in the income tax provision in the consolidated statements of operations. As of March 31, 2024, \$82.4 million of unrecognized tax benefits were recorded as a contra deferred tax asset in other long-term assets in the consolidated balance sheets and \$7.1 million (including interest and penalties) were included in other long-term liabilities in the consolidated balances sheets.

The Company files its tax returns as prescribed by the laws of the jurisdictions in which it operates. The Company's U.S. tax returns have been audited for years through 2002 by the Internal Revenue Service. In other major jurisdictions, the Company is generally open to examination for the most recent three to five fiscal years. During the next 12 months, it is reasonably possible that approximately \$12.6 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. Upon recognition of the tax benefit related to the expiring statutes of limitation \$11.9 million will be offset by the establishment of a related valuation allowance. The net tax benefit recognized in the income statement is estimated to be \$0.7 million.

As of March 31, 2024, the Company had federal net operating loss and tax credit carryforwards of approximately \$ 208.5 million and \$47.3 million, respectively. The net operating loss and tax credit carryforwards expire in varying amounts in fiscal 2025 if not previously utilized, and \$12.8 million are indefinite-lived net operating loss carryforwards. These carryforwards include \$11.1 million of acquired net operating losses and \$ 2.5 million of acquired credits, the utilization of which is subject to various limitations due to prior changes in ownership.

Certain changes in stock ownership could result in a limitation on the amount of both acquired and self generated net operating loss and tax credit carryovers that can be utilized each year. If the Company has previously undergone, or should it experience in the future, such a change in stock ownership, it could severely limit the usage of these carryover tax attributes against future income, resulting in additional tax charges.

Due to its history of net losses and the difficulty in predicting future results, Quantum believes that it cannot rely on projections of future taxable income to realize the deferred tax assets. Accordingly, it has established a full valuation allowance against its U.S. and certain foreign net deferred tax assets. Significant management judgment is required in determining the Company's deferred tax assets and liabilities and valuation allowances for purposes of assessing its ability to realize any future benefit from its net deferred tax assets. The Company intends to maintain this valuation allowance until sufficient positive evidence exists to support the reversal of the valuation allowance. The Company's 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, its valuation allowance.

NOTE 11: 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 its 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 March 31, 2024, the Company had issued non-cancelable commitments for \$32.4 million to purchase inventory from its contract manufacturers and suppliers.

Leases

At the end of fiscal 2024, the Company had various non-cancelable operating leases for office facilities. Refer to *Note 6: Leases* for additional information regarding lease commitments.

Legal Proceedings

From time to time, we are a party to various legal proceedings and claims arising from the normal course of business activities. Based on current available information, we do not expect that the ultimate outcome of any currently pending unresolved matters, individually or in the aggregate, will have a material adverse effect on our results of operations, cash flows or financial position.

Realtime Data Matter

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 was thereafter 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. On

July 31, 2017, the Court in the Northern District of California stayed proceedings in this litigation pending the outcome of Inter Partes Review proceedings before the Patent Trial and Appeal Board relating to the asserted 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 Quantum Corporation Confidential 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." In opinions dated May 4, 2021 and August 23, 2021, the Court in the Delaware Action reaffirmed its earlier ruling and granted defendants' motions to dismiss under Section 101. Realtime Data appealed those decisions to the Federal Circuit, which affirmed on August 2, 2023. In January 2024, the U.S. Supreme Court denied Realtime Data's petition for certiorari to hear the case. Following that decision, the parties entered into a covenant not to sue and settlement agreement. The agreement provides that Realtime Data will not sue Quantum based on certain covered patents and dismissed the action pending in the Northern District of California with prejudice.

Arrow Electronics Matter

On July 27, 2023, Arrow Electronics, Inc. ("Arrow Electronics"), an electronics component distributor filed a lawsuit in a federal court in the Northern District of California against Quantum, alleging breach of contract and breach of the covenant of good faith and fair dealing, seeking, among other things just over \$4.6 million in damages. Quantum has filed a responsive pleading disputing Arrow Electronics' claims and plans to aggressively defend itself against them. At this time, Quantum believes the probability that this lawsuit will have a material adverse effect on our business, operating results, or financial condition is remote.

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company follows the guidance in ASC 820, *Fair Value Measurement* for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period and non-financial assets and liabilities that are re-measured and reported at fair value at least annually. The Company has certain non-financial assets that are measured at fair value on a non-recurring basis when there is an indicator of impairment, and they are recorded at fair value only when an impairment is recognized. See *Note 8: Common Stock* for disclosure related to the Company's asset and liabilities that are revalued at fair value at each reporting period. These assets include property and equipment and amortizable intangible assets. The Company did not record impairments to any non-financial assets in the fiscal years ended March 31, 2024, 2023 and 2022.

The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities). The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

- Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs based on management's assessment of the assumptions that market participants would use in pricing the asset or liability.

Information related to the fair value of the Company's warrant liabilities which were determined utilizing Level 2 inputs to determine such fair value are included in *Note 8: Common Stock*. The following table represents the carrying value and total estimated fair value of the Company's Term Loan and PNC Credit Facility which have been determined utilizing level 2 inputs to determine fair value.

	March 31,					
	2024		2023		2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Term Loan	\$ 87,942	\$ 75,143	\$ 74,667	\$ 66,684	\$ 98,723	\$ 98,723
PNC Credit Facility	26,604	24,743	16,750	15,918	17,735	17,735

The carrying amounts reported in the accompanying consolidated financial statements for cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses and other current liabilities approximate their respective fair values because of the short-term nature of these accounts.

NOTE 13: SUBSEQUENT EVENTS

Debt Amendments

On May 24, 2024, the Company entered into amendments to the Credit Agreements which, among other things, waives compliance with the Company's net leverage covenant as of March 31, 2024 as well as any default that might arise as a result of the restatement of certain of the Company's historical financial statements.

In connection with the amendment to the Term Loan, the Company issued to the Term Loan lenders (the "2024 Term Loan Warrants") to purchase an aggregate of 2,000,000 shares of the Company's common stock at a purchase price of \$ 0.46. The exercise price and the number of shares underlying the 2024 Term Loan Warrants are subject to adjustment in the event of specified events, including dilutive issuances at a price lower than the exercise price of the 2024 Term Loan Warrants, a subdivision or combination of the common stock, a reclassification of the common stock or specified dividend payments. 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 common stock at the time of exercise.

Term Debt Prepayment

On March 23, 2024, the Company sold certain service inventory for an approximate \$ 15.0 million. On April 2, 2024, the Company used a portion of the proceeds from the disposition of these assets to prepay \$12.3 million of the Term Loan.

NOTE 14: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

As described in *Note 1: Description of Business and Significant Accounting Policies*, and as further described below, in November 2023, the Company determined that it was necessary to re-evaluate its application of standalone selling price under Topic 606. The Company concluded that its application of Topic 606 related to standalone selling price was inconsistent with the generally accepted application of the guidance. The Company's management reperformed the determination of standalone selling price with the support of external advisors, and the resulting calculations have been applied to the revenue allocations in the fiscal years ended March 31, 2024, March 31, 2023 and March 31, 2022. The Company additionally identified contractual terms contained within outstanding warrant agreements issued to its prior and current lenders in 2018, 2020 and 2023, which required further evaluation under Topic 815. After consulting with external advisors and completing an extensive review process, management concluded that the classification of warrants as equity was not consistent with Topic 815 and has restated them as a liability. This also resulted in the requirement to account for the change in the fair value of the warrants through the Statement of Operations. As a result of these errors, the Company is restating the financial statements for the years ended March 31, 2023 and 2022.

The nature of the restatement adjustments and their impact on previously reported consolidated financial statements is as follows:

- a. *Application of Topic 606 related to standalone selling price* - The Company historically used invoice price as the standalone selling price for all goods and services. This was partly because of the high level of customization for each product sold and because the pricing for individual performance obligations is highly variable. Standalone selling price has now been established for all goods and services sold in a bundled

contract using the adjusted market assessment approach or the cost plus a reasonable margin approach and maximizing the use of observable inputs. The impact on the consolidated statement of operations and comprehensive loss for the fiscal years ended March 31, 2022 and March 31, 2023 is an increase to product revenue of \$7.1 million and \$8.3 million respectively, an increase to service revenue of \$3.6 million and \$1.0 million respectively, and a decrease to pre-tax loss of \$10.6 million and \$9.3 million respectively. The impact to the consolidated balance sheet at March 31, 2022 and March 31, 2023 is an increase to short term deferred revenue of \$0.6 million as at March 31, 2022, a decrease to short term deferred revenue of \$2.7 million as at March 31, 2023, and a decrease to long term deferred revenue of \$1.8 million and \$7.8 million, respectively.

- b. *Application of Topic 815 related to classification of outstanding warrants* - The Company inappropriately classified the warrants issued in 2018, 2020 and 2023 as equity. The impact on the consolidated statement of operations and comprehensive loss for the fiscal years ended March 31, 2022 and March 31, 2023 is an increase to the change in value of warrant liabilities of \$60.0 million and \$10.2 million, respectively, and a decrease to pre-tax loss of \$60.0 million and \$10.2 million respectively. The impact to the consolidated balance sheet at March 31, 2022 and March 31, 2023 is a decrease to warrant liabilities of \$18.2 million and \$8.0 million, respectively, and a decrease to additional paid-in capital of \$20.2 million and \$20.2 million, respectively.

Below are our restated consolidated balance sheets as of March 31, 2023 and 2022, and the restated consolidated statements of operations and comprehensive loss, statements of stockholders' equity, and statements of cash flows for each of the years ended March 31, 2023 and 2022.

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

March 31, 2023

	As previously reported	Restatement adjustments	Reference	As restated
Assets				
Current assets:				
Cash and cash equivalents	\$ 25,963	\$ —		\$ 25,963
Restricted cash	212	—		212
Accounts receivable, net of allowance for credit losses of \$201	72,464	—		72,464
Manufacturing inventories	19,441	—		19,441
Service parts inventories	25,304	—		25,304
Prepaid expenses	4,158	—		4,158
Other current assets	5,513	—		5,513
Total current assets	153,055	—		153,055
Property and equipment, net	16,555	—		16,555
Intangible assets, net	4,941	—		4,941
Goodwill	12,969	—		12,969
Right-of-use assets, net	10,291	—		10,291
Other long-term assets	15,846	—		15,846
Total assets	\$ 213,657	\$ —		\$ 213,657
Liabilities and Stockholders' Deficit				
Current liabilities:				
Accounts payable	\$ 35,716	\$ —		35,716
Accrued compensation	15,710	—		15,710
Deferred revenue, current portion	82,504	(2,697)	(a)	79,807
Term debt, current portion	5,000	—		5,000
Warrant liabilities	—	7,989	(b)	7,989
Other accrued liabilities	13,666	—		13,666
Total current liabilities	152,596	5,292		157,888
Deferred revenue, net of current portion	43,306	(7,811)		35,495
Revolving credit facility	16,750	—		16,750
Term debt, net of current portion	66,354	—		66,354
Operating lease liabilities	10,169	—		10,169
Other long-term liabilities	11,370	—		11,370
Total liabilities	300,545	(2,519)		298,026
Stockholders' deficit				
Preferred stock:				
Preferred stock, 20,000 shares authorized; no shares issued	—	—		—
Common stock:				
Common stock, \$0.01 par value; 225,000 shares authorized; 93,574 shares issued and outstanding	936	—		936
Additional paid-in capital	722,603	(20,233)	(b)	702,370
Accumulated deficit	(808,846)	22,752	(a) (b)	(786,094)
Accumulated other comprehensive loss	(1,581)	—		(1,581)
Total stockholders' deficit	(86,888)	2,519		(84,369)
Total liabilities and stockholders' deficit	\$ 213,657	\$ —		\$ 213,657

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

March 31, 2022

	As previously reported	Restatement adjustments	Reference	As restated
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,210	\$ —		\$ 5,210
Restricted cash	283	—		283
Accounts receivable, net of allowance for credit losses of \$422, respectively	69,354	—		69,354
Manufacturing inventories	33,546	—		33,546
Service parts inventories	24,254	—		24,254
Prepaid expenses	7,853	—		7,853
Other current assets	4,697	—		4,697
Total current assets	145,197	—		145,197
Property and equipment, net	12,853	—		12,853
Intangible assets, net	9,584	—		9,584
Goodwill	12,969	—		12,969
Right-of-use assets, net	11,107	—		11,107
Other long-term assets	9,925	—		9,925
Total assets	\$ 201,635	\$ —		\$ 201,635
Liabilities and Stockholders' Deficit				
Current liabilities:				
Accounts payable	\$ 34,220	\$ —		34,220
Accrued compensation	16,141	—		16,141
Deferred revenue, current portion	86,517	611	(a)	87,128
Term debt, current portion	4,375	—		4,375
Warrant liabilities	—	18,237	(b)	18,237
Other accrued liabilities	16,562	—		16,562
Total current liabilities	157,815	18,848		176,663
Deferred revenue, net of current portion	41,580	(1,792)		39,788
Revolving credit facility	17,735	—		17,735
Term debt, net of current portion	89,448	—		89,448
Operating lease liabilities	9,891	—		9,891
Other long-term liabilities	11,849	—		11,849
Total liabilities	328,318	17,056		345,374
Stockholders' deficit				
Preferred stock:				
Preferred stock, 20,000 shares authorized; no shares issued	—	—		—
Common stock:				
Common stock, \$0.01 par value; 225,000 shares authorized; 60,433 shares issued and outstanding	605	—		605
Additional paid-in capital	645,038	(20,233)	(b)	624,805
Accumulated deficit	(770,903)	3,177	(a) (b)	(767,726)
Accumulated other comprehensive loss	(1,423)	—		(1,423)
Total stockholders' deficit	(126,683)	(17,056)		(143,739)
Total liabilities and stockholders' deficit	\$ 201,635	\$ —		\$ 201,635

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

	Year Ended March 31, 2023			
	As previously reported	Restatement adjustments	Reference	As restated
Revenue				
Product	\$ 266,537	\$ 8,317	(a)	\$ 274,854
Service and subscription	132,510	1,008	(a)	133,518
Royalty	13,705	—		13,705
Total revenue	412,752	9,325		422,077
Cost of revenue				
Product	220,031	—		220,031
Service and subscription	58,782	—		58,782
Total cost of revenue	278,813	—		278,813
Gross profit	133,939	9,325		143,264
Operating expenses				
Sales and marketing	66,034	—		66,034
General and administrative	47,752	—		47,752
Research and development	44,555	—		44,555
Restructuring charges	1,605	—		1,605
Total operating expenses	159,946	—		159,946
Income (loss) from operations	(26,007)	9,325		(16,682)
Other income, net	1,956	—		1,956
Interest expense	(10,560)	—		(10,560)
Change in fair value of warrant liability	—	10,250	(b)	10,250
Loss on debt extinguishment, net	(1,392)	—		(1,392)
Net income (loss) before income taxes	(36,003)	19,575		(16,428)
Income tax provision	1,940	—		1,940
Net income (loss)	\$ (37,943)	\$ 19,575		\$ (18,368)
Deemed dividend on warrants	(389)	389	(b)	—
Net income (loss) attributable to common stockholders	\$ (38,332)	\$ 19,964		\$ (18,368)
Net income (loss) per share attributable to common stockholders- basic	\$ (0.42)	\$ 0.22		\$ (0.20)
Net income (loss) per share attributable to common stockholders - diluted	\$ (0.42)	\$ 0.14		\$ (0.28)
Weighted average shares - basic	90,348	90,348		90,348
Weighted average shares - basic and diluted	90,348	91,188		91,188
Net income (loss)	\$ (37,943)	\$ 19,575		\$ (18,368)
Foreign currency translation adjustments, net	(158)	—		(158)
Total comprehensive income (loss)	\$ (38,101)	\$ 19,575		\$ (18,526)

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

	Year Ended March 31, 2022			
	As previously reported	Restatement adjustments	Reference	As restated
Revenue				
Product	\$ 223,761	\$ 7,053	(a)	\$ 230,814
Service and subscription	133,689	3,552	(a)	137,241
Royalty	15,377	—		15,377
Total revenue	<u>372,827</u>	<u>10,605</u>		<u>383,432</u>
Cost of revenue				
Product	169,780	—		169,780
Service and subscription	56,012	—		56,012
Total cost of revenue	<u>225,792</u>	<u>—</u>		<u>225,792</u>
Gross profit	<u>147,035</u>	<u>10,605</u>		<u>157,640</u>
Operating expenses				
Research and development	51,812	—		51,812
Sales and marketing	62,957	—		62,957
General and administrative	45,256	—		45,256
Restructuring charges	850	—		850
Total operating expenses	<u>160,875</u>	<u>—</u>		<u>160,875</u>
Income (loss) from operations	<u>(13,840)</u>	<u>10,605</u>		<u>(3,235)</u>
Other expense, net	(251)	—		(251)
Interest expense	(11,888)	—		(11,888)
Change in fair value of warrant liabilities	—	60,030	(b)	60,030
Loss on debt extinguishment, net	(4,960)	—		(4,960)
Net income (loss) before income taxes	<u>(30,939)</u>	<u>70,635</u>		<u>39,696</u>
Income tax provision	1,341	—		1,341
Net income (loss)	<u>\$ (32,280)</u>	<u>\$ 70,635</u>		<u>\$ 38,355</u>
Net income (loss) per share - basic	\$ (0.55)	\$ 1.20		\$ 0.65
Net income (loss) per share - diluted	\$ (0.55)	\$ 0.23		\$ (0.32)
Weighted average shares - basic	58,871	58,871		58,871
Weighted average shares - diluted	58,871	66,017		66,017
Net income (loss)	\$ (32,280)	\$ 70,635		\$ 38,355
Foreign currency translation adjustments, net	(567)	—		(567)
Total comprehensive income (loss)	<u>\$ (32,847)</u>	<u>\$ 70,635</u>		<u>\$ 37,788</u>

QUANTUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended March 31, 2023			
	As previously reported	Restatement adjustments	Reference	As restated
Operating activities				
Net income (loss)	\$ (37,943)	\$ 19,575	(a) (b)	\$ (18,368)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	10,118	—		10,118
Amortization of debt issuance costs	1,624	—		1,624
Long-term debt related costs	992	—		992
Provision for manufacturing and service inventories	18,052	—		18,052
Stock-based compensation	10,750	—		10,750
Change in fair value of warrant liabilities	—	(10,250)	(b)	(10,250)
Other non-cash	(2,067)	—		(2,067)
Changes in assets and liabilities, net of effect of acquisitions:				
Accounts receivable	(2,966)	—		(2,966)
Manufacturing inventories	(1,839)	—		(1,839)
Service parts inventories	(3,503)	—		(3,503)
Accounts payable	1,158	—		1,158
Prepaid expenses	3,695	—		3,695
Deferred revenue	(2,286)	(9,325)	(a)	(11,611)
Accrued compensation	(431)	—		(431)
Other assets	(1,270)	—		(1,270)
Other liabilities	1,022	—		1,022
Net cash used in operating activities	(4,894)	—		(4,894)
Investing activities				
Purchases of property and equipment	(12,581)	—		(12,581)
Business acquisitions	(3,020)	—		(3,020)
Net cash used in investing activities	(15,601)	—		(15,601)
Financing activities				
Borrowings of long-term debt, net of debt issuance costs	—	—		—
Repayments of long-term debt	(24,596)	—		(24,596)
Borrowings of credit facility	497,280	—		497,280
Repayments of credit facility	(498,665)	—		(498,665)
Borrowings of paycheck protection program	—	—		—
Proceeds from secondary offering, net	—	—		—
Payment of taxes due upon vesting of restricted stock	—	—		—
Proceeds from issuance of common stock	67,146	—		67,146
Net cash provided by financing activities	41,165	—		41,165
Effect of exchange rate changes on cash and cash equivalents	12	—		12
Net change in cash, cash equivalents, and restricted cash	20,682	—		20,682
Cash, cash equivalents, and restricted cash at beginning of period	5,493	—		5,493
Cash, cash equivalents, and restricted cash at end of period	\$ 26,175	\$ —		\$ 26,175
Supplemental disclosure of cash flow information				
Cash paid for interest	\$ 8,701	\$ —		\$ 8,701
Cash paid for income taxes, net of refunds	\$ 1,418	\$ —		\$ 1,418
Non-cash transactions				
Purchases of property and equipment included in accounts payable	\$ 1,049	\$ —		\$ 1,049
Transfer of manufacturing inventory to services inventory	\$ 4,045	\$ —		\$ 4,045
Transfer of manufacturing inventory to property and equipment	\$ 343	\$ —		\$ 343
Payment of litigation settlements with insurance proceeds	\$ —	\$ —		\$ —
Paid-in-kind interest	\$ 319	\$ —		\$ 319
Deemed dividend	\$ 389	\$ (389)	(b)	\$ —
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:				
Cash and cash equivalents	\$ 25,963	\$ —		\$ 25,963
Restricted cash, current	212	—		212
Total cash, cash equivalents and restricted cash at the end of period	\$ 26,175	\$ —		\$ 26,175

QUANTUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended March 31, 2022			
	As previously reported	Restatement adjustments	Reference	As adjusted
Operating activities				
Net income (loss)	\$ (32,280)	\$ 70,635	(a) (b)	\$ 38,355
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	9,418	—		9,418
Amortization of debt issuance costs	2,414	—		2,414
Long-term debt related costs	8,471	—		8,471
Provision for manufacturing and service inventories	5,740	—		5,740
Gain on PPP loan extinguishment	(10,000)	—		(10,000)
Stock-based compensation	13,829	—		13,829
Change in fair value of warrant liabilities	—	(60,030)	(b)	(60,030)
Other non-cash	(832)	—		(832)
Changes in assets and liabilities, net of effect of acquisitions:				
Accounts receivable	3,651	—		3,651
Manufacturing inventories	(12,069)	—		(12,069)
Service parts inventories	(4,400)	—		(4,400)
Accounts payable	(1,939)	—		(1,939)
Prepaid expenses	(3,959)	—		(3,959)
Deferred revenue	(2,514)	(10,605)	(a)	(13,119)
Accrued restructuring charges	(580)	—		(580)
Accrued compensation	(3,073)	—		(3,073)
Other assets	(2,602)	—		(2,602)
Other liabilities	(3,003)	—		(3,003)
Net cash used in operating activities	(33,728)	—		(33,728)
Investing activities				
Purchases of property and equipment	(6,316)	—		(6,316)
Business acquisitions	(7,808)	—		(7,808)
Net cash used in investing activities	(14,124)	—		(14,124)
Financing activities				
Borrowings of long-term debt, net of debt issuance costs	94,961	—		94,961
Repayments of long-term debt	(94,301)	—		(94,301)
Borrowings of credit facility	309,000	—		309,000
Repayments of credit facility	(291,265)	—		(291,265)
Proceeds from issuance of common stock	1,762	—		1,762
Net cash provided by financing activities	20,157	—		20,157
Effect of exchange rate changes on cash and cash equivalents	51	—		51
Net change in cash, cash equivalents, and restricted cash	(27,644)	—		(27,644)
Cash, cash equivalents, and restricted cash at beginning of period	33,137	—		33,137
Cash, cash equivalents, and restricted cash at end of period	\$ 5,493	\$ —		\$ 5,493
Supplemental disclosure of cash flow information				
Cash paid for interest	\$ 9,140	\$ —		\$ 9,140
Cash paid for income taxes, net of refunds	\$ 944	\$ —		\$ 944
Non-cash transactions				
Purchases of property and equipment included in accounts payable	\$ 147	\$ —		\$ 147
Transfer of manufacturing inventory to services inventory	\$ 211	\$ —		\$ 211
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:				
Cash and cash equivalents	\$ 5,210	\$ —		\$ 5,210
Restricted cash, current	283	—		283
Total cash, cash equivalents and restricted cash at the end of period	\$ 5,493	\$ —		\$ 5,493

QUANTUM CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in thousands)

	Reference	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
		Shares	Amount				
As previously reported							
Balance, March 31, 2022		60,433	\$ 605	\$ 645,038	\$ (770,903)	\$ (1,423)	\$ (126,683)
Net loss		—	—	—	(37,943)	—	(37,943)
Foreign currency translation adjustments, net		—	—	—	—	(158)	(158)
Shares issued under employee stock purchase plan		600	6	891	—	—	897
Shares issued under employee incentive plans, net		2,180	21	(21)	—	—	—
Shares issued in connection with rights offering, net		30,000	300	65,949	—	—	66,249
Shares issued in connection with business acquisition		361	4	(4)	—	—	—
Settlement of warrant down round provision		—	—	389	—	—	389
Deemed dividend on warrants		—	—	(389)	—	—	(389)
Stock-based compensation		—	—	10,750	—	—	10,750
Balance, March 31, 2023		93,574	\$ 936	\$ 722,603	\$ (808,846)	\$ (1,581)	\$ (86,888)
Adjustments							
March 31, 2022	(a) (b)	—	—	(20,233)	3,177	—	(17,056)
Net loss	(a) (b)	—	—	—	19,575	—	19,575
March 31, 2023		—	\$ —	\$ (20,233)	\$ 22,752	\$ —	\$ 2,519
As restated							
March 31, 2022		60,433	\$ 605	\$ 624,805	\$ (767,726)	\$ (1,423)	\$ (143,739)
Net loss		—	—	—	(18,368)	—	(18,368)
Foreign currency translation adjustments, net		—	—	—	—	(158)	(158)
Shares issued under employee stock purchase plan		600	6	891	—	—	897
Shares issued under employee incentive plans, net		2,180	21	(21)	—	—	—
Shares issued in connection with rights offering, net		30,000	300	65,949	—	—	66,249
Shares issued in connection with business acquisition		361	4	(4)	—	—	—
Stock-based compensation		—	—	10,750	—	—	10,750
March 31, 2023		93,574	\$ 936	\$ 702,370	\$ (786,094)	\$ (1,581)	\$ (84,369)

QUANTUM CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in thousands)

	Reference	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
		Shares	Amount				
As previously reported							
Balance, March 31, 2021		56,915	\$ 570	\$ 626,664	\$ (738,623)	\$ (856)	\$ (112,245)
Net loss		—	—	—	(32,280)	—	(32,280)
Foreign currency translation adjustments, net		—	—	—	—	(567)	(567)
Shares issued under employee stock purchase plan		389	4	1,758	—	—	1,762
Shares issued under employee incentive plans, net		2,308	23	(23)	—	—	—
Shares issued in connection with business acquisition		821	8	2,810	—	—	2,818
Stock-based compensation		—	—	13,829	—	—	13,829
Balance, March 31, 2022		60,433	\$ 605	\$ 645,038	\$ (770,903)	\$ (1,423)	\$ (126,683)
Adjustments							
March 31, 2021	(a) (b)	—	—	(20,233)	(67,458)	—	(87,691)
Net loss	(a) (b)	—	—	—	70,635	—	70,635
March 31, 2022		—	\$ —	\$ (20,233)	\$ 3,177	\$ —	\$ (17,056)
As restated							
March 31, 2021		56,915	\$ 570	\$ 606,431	\$ (806,081)	\$ (856)	\$ (199,936)
Net loss		—	—	—	38,355	—	38,355
Foreign currency translation adjustments, net		—	—	—	—	(567)	(567)
Shares issued under employee stock purchase plan		389	4	1,758	—	—	1,762
Shares issued under employee incentive plans, net		2,308	23	(23)	—	—	—
Shares issued in connection with business acquisition		821	8	2,810	—	—	2,818
Stock-based compensation		—	—	13,829	—	—	13,829
March 31, 2022		60,433	\$ 605	\$ 624,805	\$ (767,726)	\$ (1,423)	\$ (143,739)

NOTE 15: QUARTERLY FINANCIAL SUMMARY (Unaudited)

The following tables present the impact of the restatement for the quarters ended June 30, 2023, December 31, 2022, September 30, 2022, and June 30, 2022. These tables also include financial information for the quarters ended December 31, 2023 and September 30, 2023 that were not previously filed.

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 March 31, 2024, the results of operations and comprehensive loss, statements of cash flows, and changes in stockholder's deficit for the three and nine months ended June 30, September 30 and December 31, 2023 and 2022.

The nature of the restatement adjustments are as follows:

- a. *Application of Topic 606 related to standalone selling price* - The Company historically used invoice price as the standalone selling price for all goods and services. This was partly because of the high level of customization for each product sold and because the pricing for individual performance obligations is highly variable. Standalone selling price has now been established for all goods and services sold in a bundled contract using the adjusted market assessment approach or the cost plus a reasonable margin approach and maximizing the use of observable inputs.
- b. *Application of Topic 815 related to classification of outstanding warrants* - The Company inappropriately classified the warrants issued in 2018, 2020 and 2023 as equity.

Summarized Financial Items

The following table sets forth financial information summarizing the effects of the restatement and other immaterial error correction on our previously reported Statements of Operations for the quarters ended June 30, 2023, December 31, 2022, September 30, 2022, and June 30, 2022. It also includes summarized information for each of the quarters ended December 31, 2023 and September 30, 2023.

(in thousands, except per share data)

	FY 2024			
	March 31	December 31	September 30	June 30
	As restated			
Total revenue	\$ 71,500	\$ 71,926	\$ 75,680	\$ 92,495
Gross profit	27,332	29,181	32,736	35,641
Income (loss) from operations	(13,808)	(6,216)	(3,712)	(5,139)
Change in fair value of warrants	(2,203)	2,213	4,402	726
Income (loss) before income taxes	(19,805)	(9,359)	(2,798)	(8,612)
Net income (loss)	(18,943)	(9,869)	(3,331)	(9,142)
Income (loss) per share - basic	\$ (0.20)	\$ (0.10)	\$ (0.04)	\$ (0.10)

(in thousands, except per share data)

	FY 2023			
	March 31	December 31	September 30	June 30
	As restated	As restated	As restated	As restated
Total revenue	\$ 109,203	\$ 113,475	\$ 100,565	\$ 98,833
Gross profit	35,642	42,568	29,259	35,807
Income (loss) from operations	(5,666)	4,047	(9,741)	(5,319)
Change in fair value of warrants	(430)	4	3,092	7,582
Income (loss) before income taxes	(9,800)	806	(6,963)	(469)
Net income (loss)	(10,176)	113	(7,424)	(879)
Income (loss) per share - basic	\$ (0.11)	\$ —	\$ (0.08)	\$ (0.01)
Income (loss) per share - diluted	\$ (0.11)	\$ —	\$ (0.10)	\$ (0.07)

Quarterly Financial Summary

The net impact of the restatement on our quarterly and year-to-date unaudited condensed financial statements is as follows:

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	FY 2024		
	December 31	September 30	June 30 As restated
Assets			
Current assets:			
Cash and cash equivalents	\$ 24,377	\$ 25,574	\$ 25,465
Restricted cash	172	180	200
Accounts receivable, net of allowance for credit losses of \$21, \$26 and \$163, respectively	60,020	51,529	66,245
Manufacturing inventories	20,409	21,376	20,017
Service parts inventories	25,423	25,880	25,276
Prepaid expenses	3,763	4,149	6,444
Other current assets	7,224	5,389	6,004
Total current assets	<u>141,388</u>	<u>134,077</u>	<u>149,651</u>
Property and equipment, net	13,251	14,621	15,583
Intangible assets, net	1,986	2,819	3,801
Goodwill	12,969	12,969	12,969
Right-of-use assets, net	9,625	9,844	10,017
Other long-term assets	19,986	20,475	18,463
Total assets	<u>\$ 199,205</u>	<u>\$ 194,805</u>	<u>\$ 210,484</u>
Liabilities and Stockholders' Deficit			
Current liabilities:			
Accounts payable	\$ 22,426	\$ 26,946	\$ 30,560
Accrued compensation	15,286	13,746	14,894
Deferred revenue, current portion	73,240	70,696	76,688
Term debt, current portion	82,587	82,681	5,000
Revolving credit facility	32,000	21,450	17,800
Warrant liabilities	1,843	4,056	8,457
Other accrued liabilities	13,854	11,724	12,715
Total current liabilities	<u>241,236</u>	<u>231,299</u>	<u>166,114</u>
Deferred revenue, net of current portion	37,281	35,337	35,685
Term debt, net of current portion	—	—	77,814
Operating lease liabilities	9,885	10,079	10,001
Other long-term liabilities	12,734	12,522	12,191
Total liabilities	<u>301,136</u>	<u>289,237</u>	<u>301,805</u>
Stockholders' deficit			
Preferred stock:			
Preferred stock, 20,000 shares authorized; no shares issued	—	—	—
Common stock:			
Common stock, \$0.01 par value; 225,000 shares authorized; 95,850, 95,519 and 93,705 shares issued and outstanding, respectively	959	956	938
Additional paid-in capital	706,133	705,229	704,309
Accumulated deficit	(808,436)	(798,566)	(795,236)
Accumulated other comprehensive loss	(587)	(2,052)	(1,332)
Total stockholders' deficit	<u>(101,931)</u>	<u>(94,433)</u>	<u>(91,321)</u>
Total liabilities and stockholders' deficit	<u>\$ 199,205</u>	<u>\$ 194,804</u>	<u>\$ 210,484</u>

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	FY 2023		
	December 31	September 30	June 30
	As restated	As restated	As restated
Assets			
Current assets:			
Cash and cash equivalents	\$ 26,028	\$ 25,698	\$ 26,528
Restricted cash	219	223	255
Accounts receivable, net of allowance for credit losses of \$219, \$195 and \$195 respectively	72,911	61,309	64,909
Manufacturing inventories	32,402	23,671	32,642
Service parts inventories	25,822	25,458	25,129
Prepaid expenses	7,198	9,241	10,715
Other current assets	7,489	4,839	4,574
Total current assets	<u>172,069</u>	<u>150,439</u>	<u>164,752</u>
Property and equipment, net	16,794	15,973	14,093
Intangible assets, net	6,497	7,245	8,420
Goodwill	12,969	12,969	12,969
Right-of-use assets, net	10,468	10,579	10,641
Other long-term assets	13,600	12,477	10,796
Total assets	<u>\$ 232,397</u>	<u>\$ 209,682</u>	<u>\$ 221,671</u>
Liabilities and Stockholders' Deficit			
Current liabilities:			
Accounts payable	\$ 41,788	\$ 34,263	\$ 33,867
Accrued compensation	15,527	13,192	14,531
Deferred revenue, current portion	70,876	69,499	74,130
Term debt, current portion	5,000	5,000	5,000
Warrant liabilities	7,559	7,563	10,655
Other accrued liabilities	15,852	14,502	14,157
Total current liabilities	<u>156,602</u>	<u>144,019</u>	<u>152,340</u>
Deferred revenue, net of current portion	36,220	36,480	37,391
Revolving credit facility	27,736	21,500	17,300
Term debt, net of current portion	67,306	68,250	69,195
Operating lease liabilities	10,346	10,315	9,932
Other long-term liabilities	12,150	11,653	12,013
Total liabilities	<u>310,360</u>	<u>292,217</u>	<u>298,171</u>
Stockholders' deficit			
Preferred stock:			
Preferred stock, 20,000 shares authorized; no shares issued	—	—	—
Common stock:			
Common stock, \$0.01 par value; 225,000 shares authorized; 93,144, 92,158 and 90,606 shares issued and outstanding, respectively	932	922	907
Additional paid-in capital	699,536	696,567	693,895
Accumulated deficit	(775,914)	(776,027)	(768,603)
Accumulated other comprehensive loss	(2,517)	(3,997)	(2,699)
Total stockholders' deficit	<u>(77,963)</u>	<u>(82,535)</u>	<u>(76,500)</u>
Total liabilities and stockholders' deficit	<u>\$ 232,397</u>	<u>\$ 209,682</u>	<u>\$ 221,671</u>

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

June 30, 2023

	As previously reported	Restatement adjustments	Reference	As restated
Assets				
Current assets:				
Cash and cash equivalents	\$ 25,465	\$ —		\$ 25,465
Restricted cash	200	—		200
Accounts receivable, net of allowance for credit losses of \$163	66,245	—		66,245
Manufacturing inventories	20,017	—		20,017
Service parts inventories	25,276	—		25,276
Prepaid expenses	6,444	—		6,444
Other current assets	6,004	—		6,004
Total current assets	<u>149,651</u>	<u>—</u>		<u>149,651</u>
Property and equipment, net	15,583	—		15,583
Intangible assets, net	3,801	—		3,801
Goodwill	12,969	—		12,969
Right-of-use assets, net	10,017	—		10,017
Other long-term assets	18,463	—		18,463
Total assets	<u>\$ 210,484</u>	<u>\$ —</u>		<u>\$ 210,484</u>
Liabilities and Stockholders' Deficit				
Current liabilities:				
Accounts payable	\$ 30,560	\$ —		\$ 30,560
Accrued compensation	14,894	—		14,894
Deferred revenue, current portion	79,686	(2,998)	(a)	76,688
Term debt, current portion	5,000	—		5,000
Revolving credit facility	17,800	—		17,800
Warrant liabilities	—	8,457	(b)	8,457
Other accrued liabilities	12,715	—		12,715
Total current liabilities	<u>160,655</u>	<u>5,459</u>		<u>166,114</u>
Deferred revenue, net of current portion	43,903	(8,218)		35,685
Term debt, net of current portion	77,814	—		77,814
Operating lease liabilities	10,001	—		10,001
Other long-term liabilities	12,191	—		12,191
Total liabilities	<u>304,564</u>	<u>(2,759)</u>		<u>301,805</u>
Stockholders' deficit				
Preferred stock:				
Preferred stock, 20,000 shares authorized; no shares issued	—	—		—
Common stock:				
Common stock, \$0.01 par value; 225,000 shares authorized; 93,705 shares issued and outstanding	938	—		938
Additional paid-in capital	725,736	(21,427)	(b)	704,309
Accumulated deficit	(819,422)	24,186	(a) (b)	(795,236)
Accumulated other comprehensive loss	(1,332)	—		(1,332)
Total stockholders' deficit	<u>(94,080)</u>	<u>2,759</u>		<u>(91,321)</u>
Total liabilities and stockholders' deficit	<u>\$ 210,484</u>	<u>\$ —</u>		<u>\$ 210,484</u>

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	December 31, 2022			
	As previously reported	Restatement adjustments	Reference	As restated
Assets				
Current assets:				
Cash and cash equivalents	\$ 26,028	\$ —		\$ 26,028
Restricted cash	219	—		219
Accounts receivable, net of allowance for credit losses of \$219	72,911	—		72,911
Manufacturing inventories	32,402	—		32,402
Service parts inventories	25,822	—		25,822
Prepaid expenses	7,198	—		7,198
Other current assets	7,489	—		7,489
Total current assets	<u>172,069</u>	<u>—</u>		<u>172,069</u>
Property and equipment, net	16,794	—		16,794
Intangible assets, net	6,497	—		6,497
Goodwill	12,969	—		12,969
Right-of-use assets, net	10,468	—		10,468
Other long-term assets	13,600	—		13,600
Total assets	<u>\$ 232,397</u>	<u>\$ —</u>		<u>\$ 232,397</u>
Liabilities and Stockholders' Deficit				
Current liabilities:				
Accounts payable	\$ 41,788	\$ —		\$ 41,788
Accrued compensation	15,527	—		15,527
Deferred revenue, current portion	72,669	(1,793)	(a)	70,876
Term debt, current portion	5,000	—		5,000
Warrant liabilities	—	7,559	(b)	7,559
Other accrued liabilities	15,852	—		15,852
Total current liabilities	<u>150,836</u>	<u>5,766</u>		<u>156,602</u>
Deferred revenue, net of current portion	41,076	(4,856)		36,220
Revolving credit facility	27,736	—		27,736
Term debt, net of current portion	67,306	—		67,306
Operating lease liabilities	10,346	—		10,346
Other long-term liabilities	12,150	—		12,150
Total liabilities	<u>309,450</u>	<u>910</u>		<u>310,360</u>
Stockholders' deficit				
Preferred stock:				
Preferred stock, 20,000 shares authorized; no shares issued	—	—		—
Common stock:				
Common stock, \$0.01 par value; 225,000 shares authorized; 93,144 shares issued and outstanding	932	—		932
Additional paid-in capital	719,769	(20,233)	(b)	699,536
Accumulated deficit	(795,237)	19,323	(a) (b)	(775,914)
Accumulated other comprehensive loss	(2,517)	—		(2,517)
Total stockholders' deficit	<u>(77,053)</u>	<u>(910)</u>		<u>(77,963)</u>
Total liabilities and stockholders' deficit	<u>\$ 232,397</u>	<u>\$ —</u>		<u>\$ 232,397</u>

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	September 30, 2022			
	As previously reported	Restatement adjustments	Reference	As restated
Assets				
Current assets:				
Cash and cash equivalents	\$ 25,698	\$ —		\$ 25,698
Restricted cash	223	—		223
Accounts receivable, net of allowance for credit losses of \$195	61,309	—		61,309
Manufacturing inventories	23,671	—		23,671
Service parts inventories	25,458	—		25,458
Prepaid expenses	9,241	—		9,241
Other current assets	4,839	—		4,839
Total current assets	<u>150,439</u>	<u>—</u>		<u>150,439</u>
Property and equipment, net	15,973	—		15,973
Intangible assets, net	7,245	—		7,245
Goodwill	12,969	—		12,969
Right-of-use assets, net	10,579	—		10,579
Other long-term assets	12,477	—		12,477
Total assets	<u>\$ 209,682</u>	<u>\$ —</u>		<u>\$ 209,682</u>
Liabilities and Stockholders' Deficit				
Current liabilities:				
Accounts payable	\$ 34,263	\$ —		\$ 34,263
Accrued compensation	13,192	—		13,192
Deferred revenue, current portion	70,184	(685)	(a)	69,499
Term debt, current portion	5,000	—		5,000
Warrant liabilities	—	7,563	(b)	7,563
Other accrued liabilities	14,502	—		14,502
Total current liabilities	<u>137,141</u>	<u>6,878</u>		<u>144,019</u>
Deferred revenue, net of current portion	40,165	(3,685)		36,480
Revolving credit facility	21,500	—		21,500
Term debt, net of current portion	68,250	—		68,250
Operating lease liabilities	10,315	—		10,315
Other long-term liabilities	11,653	—		11,653
Total liabilities	<u>289,024</u>	<u>3,193</u>		<u>292,217</u>
Stockholders' deficit				
Preferred stock:				
Preferred stock, 20,000 shares authorized; no shares issued	—	—		—
Common stock:				
Common stock, \$0.01 par value; 225,000 shares authorized; 92,158 shares issued and outstanding	922	—		922
Additional paid-in capital	716,800	(20,233)	(b)	696,567
Accumulated deficit	(793,067)	17,040	(a) (b)	(776,027)
Accumulated other comprehensive loss	(3,997)	—		(3,997)
Total stockholders' deficit	<u>(79,342)</u>	<u>(3,193)</u>		<u>(82,535)</u>
Total liabilities and stockholders' deficit	<u>\$ 209,682</u>	<u>\$ —</u>		<u>\$ 209,682</u>

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

June 30, 2022

	As previously reported	Restatement adjustments	Reference	As restated
Assets				
Current assets:				
Cash and cash equivalents	\$ 26,528	\$ —		\$ 26,528
Restricted cash	255	—		255
Accounts receivable, net of allowance for credit losses of \$195	64,909	—		64,909
Manufacturing inventories	32,642	—		32,642
Service parts inventories	25,129	—		25,129
Prepaid expenses	10,715	—		10,715
Other current assets	4,574	—		4,574
Total current assets	<u>164,752</u>	<u>—</u>		<u>164,752</u>
Property and equipment, net	14,093	—		14,093
Intangible assets, net	8,420	—		8,420
Goodwill	12,969	—		12,969
Right-of-use assets, net	10,641	—		10,641
Other long-term assets	10,796	—		10,796
Total assets	<u>\$ 221,671</u>	<u>\$ —</u>		<u>\$ 221,671</u>
Liabilities and Stockholders' Deficit				
Current liabilities:				
Accounts payable	\$ 33,867	\$ —		\$ 33,867
Accrued compensation	14,531	—		14,531
Deferred revenue, current portion	74,267	(137)	(a)	74,130
Term debt, current portion	5,000	—		5,000
Warrant liabilities	—	10,655	(b)	10,655
Other accrued liabilities	14,157	—		14,157
Total current liabilities	<u>141,822</u>	<u>10,518</u>		<u>152,340</u>
Deferred revenue, net of current portion	40,196	(2,805)		37,391
Revolving credit facility	17,300	—		17,300
Term debt, net of current portion	69,195	—		69,195
Operating lease liabilities	9,932	—		9,932
Other long-term liabilities	12,013	—		12,013
Total liabilities	<u>290,458</u>	<u>7,713</u>		<u>298,171</u>
Stockholders' deficit				
Preferred stock:				
Preferred stock, 20,000 shares authorized; no shares issued as of June 30, 2022	—	—		—
Common stock:				
Common stock, \$0.01 par value; 225,000 shares authorized; 90,606 shares issued and outstanding at June 30, 2022	907	—		907
Additional paid-in capital	714,128	(20,233)	(b)	693,895
Accumulated deficit	(781,123)	12,520	(a) (b)	(768,603)
Accumulated other comprehensive loss	(2,699)	—		(2,699)
Total stockholders' deficit	<u>(68,787)</u>	<u>(7,713)</u>		<u>(76,500)</u>
Total liabilities and stockholders' deficit	<u>\$ 221,671</u>	<u>\$ —</u>		<u>\$ 221,671</u>

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

	FY 2024					
	3 Months Ended	9 Months Ended	3 Months Ended	6 Months Ended	3 Months Ended	
	December 31		September 30		June 30	As restated
Revenue						
Product	\$ 37,113	\$ 138,635	\$ 42,947	\$ 101,522	\$ 58,577	
Service and subscription	32,771	94,229	30,505	61,458	30,953	
Royalty	2,042	7,235	2,228	5,194	2,965	
Total revenue	<u>71,926</u>	<u>240,099</u>	<u>75,680</u>	<u>168,174</u>	<u>92,495</u>	
Cost of revenue						
Product	30,044	105,214	30,719	75,170	44,451	
Service and subscription	12,701	37,329	12,225	24,628	12,403	
Total cost of revenue	<u>42,745</u>	<u>142,543</u>	<u>42,944</u>	<u>99,798</u>	<u>56,854</u>	
Gross profit	<u>29,181</u>	<u>97,556</u>	<u>32,736</u>	<u>68,376</u>	<u>35,641</u>	
Operating expenses						
Sales and marketing	14,244	45,800	15,717	31,557	15,839	
General and administrative	11,893	34,833	10,241	22,940	12,699	
Research and development	8,763	28,828	9,152	20,065	10,913	
Restructuring charges	497	3,164	1,338	2,667	1,329	
Total operating expenses	<u>35,397</u>	<u>112,625</u>	<u>36,448</u>	<u>77,229</u>	<u>40,780</u>	
Loss from operations	<u>(6,216)</u>	<u>(15,069)</u>	<u>(3,712)</u>	<u>(8,853)</u>	<u>(5,139)</u>	
Other income (expense), net	(1,419)	(2,049)	367	(630)	(998)	
Interest expense	(3,937)	(10,992)	(3,855)	(7,055)	(3,201)	
Change in fair value of warrant liabilities	2,213	7,341	4,402	5,128	726	
Net loss before income taxes	<u>(9,359)</u>	<u>(20,769)</u>	<u>(2,798)</u>	<u>(11,410)</u>	<u>(8,612)</u>	
Income tax provision	510	1,573	533	1,063	530	
Net loss	<u>\$ (9,869)</u>	<u>\$ (22,342)</u>	<u>\$ (3,331)</u>	<u>\$ (12,473)</u>	<u>\$ (9,142)</u>	
Net loss per share - basic	\$ (0.10)	\$ (0.24)	\$ (0.04)	\$ (0.13)	\$ (0.10)	
Net loss per share - diluted	\$ (0.10)	\$ (0.24)	\$ (0.04)	\$ (0.13)	\$ (0.10)	
Weighted average shares - basic	95,806	94,834	95,010	94,345	93,673	
Weighted average shares - diluted	95,806	94,834	95,010	94,345	93,711	
Net loss	\$ (9,869)	\$ (22,342)	\$ (3,331)	\$ (12,473)	\$ (9,142)	
Foreign currency translation adjustments, net	1,465	994	(720)	(471)	249	
Total comprehensive loss	<u>\$ (8,404)</u>	<u>\$ (21,348)</u>	<u>\$ (4,051)</u>	<u>\$ (12,944)</u>	<u>\$ (8,893)</u>	

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

	FY 2023				
	3 Months Ended	9 Months Ended	3 Months Ended	6 Months Ended	3 Months Ended
	December 31		September 30		June 30
	As restated	As restated	As restated	As restated	As restated
Revenue					
Product	\$ 77,494	\$ 203,192	\$ 64,110	\$ 125,698	\$ 61,588
Service and subscription	33,155	99,937	32,977	66,782	33,805
Royalty	2,826	9,744	3,478	6,918	3,440
Total revenue	113,475	312,873	100,565	199,398	98,833
Cost of revenue					
Product	58,528	163,010	56,561	104,482	47,921
Service and subscription	12,379	42,229	14,745	29,850	15,105
Total cost of revenue	70,907	205,239	71,306	134,332	63,026
Gross profit	42,568	107,634	29,259	65,066	35,807
Operating expenses					
Sales and marketing	16,339	47,894	15,593	31,555	15,962
General and administrative	10,969	35,223	11,940	24,254	12,314
Research and development	11,254	33,925	10,546	22,671	12,125
Restructuring charges	(41)	1,605	921	1,646	725
Total operating expenses	38,521	118,647	39,000	80,126	41,126
Income (loss) from operations	4,047	(11,013)	(9,741)	(15,060)	(5,319)
Other income (expense), net	(544)	2,638	2,431	3,182	751
Interest expense	(2,701)	(7,537)	(2,745)	(4,836)	(2,091)
Change in fair value of warrant liability	4	10,678	3,092	10,675	7,582
Loss on debt extinguishment, net	—	(1,392)	—	(1,392)	(1,392)
Net income (loss) before income taxes	806	(6,626)	(6,963)	(7,431)	(469)
Income tax provision	693	1,564	461	872	410
Net income (loss)	\$ 113	\$ (8,190)	\$ (7,424)	\$ (8,303)	\$ (879)
Net income (loss) per share - basic and diluted	\$ 0.00	\$ (0.10)	\$ (0.08)	\$ (0.09)	\$ (0.01)
Net income (loss) per share - basic and diluted	\$ 0.00	\$ (0.18)	\$ (0.10)	\$ (0.18)	\$ (0.07)
Weighted average shares - basic and diluted	92,752	89,335	91,550	87,617	83,641
Weighted average shares - basic and diluted	92,752	90,440	92,773	89,315	85,756
Net income (loss)	\$ 113	\$ (8,190)	\$ (7,424)	\$ (8,303)	\$ (879)
Foreign currency translation adjustments, net	1,480	(1,094)	(1,298)	(2,574)	(1,276)
Total comprehensive income (loss)	\$ 1,593	\$ (9,284)	\$ (8,722)	\$ (10,877)	\$ (2,155)

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

Three Months Ended

6/30/2023

	As previously reported	Adjustments	Reference	As restated
Revenue				
Product	\$ 57,447	\$ 1,130	(a)	\$ 58,577
Service and subscription	31,375	(422)	(a)	30,953
Royalty	2,965	—		2,965
Total revenue	91,787	708		92,495
Cost of revenue				
Product	44,451	—		44,451
Service and subscription	12,403	—		12,403
Total cost of revenue	56,854	—		56,854
Gross profit	34,933	708		35,641
Operating expenses				
Sales and marketing	15,839	—		15,839
General and administrative	12,699	—		12,699
Research and development	10,913	—		10,913
Restructuring charges	1,329	—		1,329
Total operating expenses	40,780	—		40,780
Income (loss) from operations	(5,847)	708		(5,139)
Other expense, net	(998)	—		(998)
Interest expense	(3,201)	—		(3,201)
Change in fair value of warrant liabilities	—	726	(b)	726
Net income (loss) before income taxes	(10,046)	1,434		(8,612)
Income tax provision	530	—		530
Net income (loss) from operations	\$ (10,576)	\$ 1,434		\$ (9,142)
Net income (loss) per share - basic and diluted	\$ (0.11)	\$ 0.01		\$ (0.10)
Net income (loss) per share - basic and diluted	\$ (0.11)	\$ 0.01		\$ (0.10)
Weighted average shares - basic and diluted	93,673	93,673		93,673
Weighted average shares - basic and diluted	93,673	93,711		93,711
Net income (loss)	\$ (10,576)	\$ 1,434		\$ (9,142)
Foreign currency translation adjustments, net	249	—		249
Total comprehensive income (loss)	\$ (10,327)	\$ 1,434		\$ (8,893)

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

	Three Months Ended			
	12/31/2022			
	As previously reported	Adjustments	Reference	As restated
Revenue				
Product	\$ 75,420	\$ 2,074	(a)	\$ 77,494
Service and subscription	32,950	205	(a)	33,155
Royalty	2,826	—		2,826
Total revenue	111,196	2,279		113,475
Cost of revenue				
Product	58,528	—		58,528
Service and subscription	12,379	—		12,379
Total cost of revenue	70,907	—		70,907
Gross profit	40,289	2,279		42,568
Operating expenses				
Sales and marketing	16,339	—		16,339
General and administrative	10,969	—		10,969
Research and development	11,254	—		11,254
Restructuring charges	(41)	—		(41)
Total operating expenses	38,521	—		38,521
Income from operations	1,768	2,279		4,047
Other expense, net	(544)	—		(544)
Interest expense	(2,701)	—		(2,701)
Change in fair value of warrant liability	—	4	(b)	4
Net income (loss) before income taxes	(1,477)	2,283		806
Income tax provision	693	—		693
Net income (loss)	\$ (2,170)	\$ 2,283		\$ 113
Net income (loss) per share - basic	\$ (0.02)	\$ 0.02		\$ 0.00
Net income (loss) per share - diluted	\$ (0.02)	\$ 0.02		\$ 0.00
Weighted average shares - basic	92,752	92,752		92,752
Weighted average shares - diluted	92,752	92,752		92,752
Net income (loss)	\$ (2,170)	\$ 2,283		\$ 113
Foreign currency translation adjustments, net	1,480	—		1,480
Total comprehensive income (loss)	\$ (690)	\$ 2,283		\$ 1,593

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

	Three Months Ended							
	9/30/2022				6/30/2022			
	As previously reported	Adjustments	Reference	As restated	As previously reported	Adjustments	Reference	As restated
Revenue								
Product	\$ 62,967	\$ 1,143	(a)	\$ 64,110	\$ 60,211	\$ 1,377	(a)	\$ 61,588
Service and subscription	32,692	285	(a)	32,977	33,423	382	(a)	33,805
Royalty	3,478	—		3,478	3,440	—		3,440
Total revenue	99,137	1,428		100,565	97,074	1,759		98,833
Cost of revenue								
Product	56,561	—		56,561	47,921	—		47,921
Service and subscription	14,745	—		14,745	15,105	—		15,105
Total cost of revenue	71,306	—		71,306	63,026	—		63,026
Gross profit	27,831	1,428		29,259	34,048	1,759		35,807
Operating expenses								
Sales and marketing	15,593	—		15,593	15,962	—		15,962
General and administrative	11,940	—		11,940	12,314	—		12,314
Research and development	10,546	—		10,546	12,125	—		12,125
Restructuring charges	921	—		921	725	—		725
Total operating expenses	39,000	—		39,000	41,126	—		41,126
Income (loss) from operations	(11,169)	1,428		(9,741)	(7,078)	1,759		(5,319)
Other income, net	2,431	—		2,431	751	—		751
Interest expense	(2,745)	—		(2,745)	(2,091)	—		(2,091)
Change in fair value of warrant liability	—	3,092	(b)	3,092	—	7,582	(b)	7,582
Loss on debt extinguishment, net	—	—		—	(1,392)	—		(1,392)
Net income (loss) before income taxes	(11,483)	4,520		(6,963)	(9,810)	9,341		(469)
Income tax provision	461	—		461	410	—		410
Net income (loss)	\$ (11,944)	\$ 4,520		\$ (7,424)	\$ (10,220)	\$ 9,341		\$ (879)
Deemed dividend on warrants	—	—		—	(389)	389	(b)	—
Net income (loss) attributable to common stockholders	\$ (11,944)	\$ 4,520		\$ (7,424)	\$ (10,609)	\$ 9,730		\$ (879)
Net income (loss) per share attributable to common stockholders - basic and diluted	\$ (0.13)	\$ 0.05		\$ (0.08)	\$ (0.12)	\$ 0.11		\$ (0.01)
Net income (loss) per share attributable to common stockholders - basic and diluted	\$ (0.13)	\$ 0.03		\$ (0.10)	\$ (0.12)	\$ 0.05		\$ (0.07)
Weighted average shares - basic and diluted	91,550	91,550		91,550	83,641	83,641		83,641
Weighted average shares - basic and diluted	91,550	92,773		92,773	83,641	85,756		85,756
Net income (loss) attributable to common stockholders	\$ (11,944)	\$ 4,520		\$ (7,424)	\$ (10,220)	\$ 9,341		\$ (879)
Foreign currency translation adjustments, net	(1,298)	—		(1,298)	(1,276)	—		(1,276)
Total comprehensive income (loss)	\$ (13,242)	\$ 4,520		\$ (8,722)	\$ (11,496)	\$ 9,341		\$ (2,155)

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

	FY 2023							
	Nine Months Ended				Six Months Ended			
	December 31				September 30			
	As previously reported	Adjustments	Reference	As restated	As previously reported	Adjustments	Reference	As restated
Revenue								
Product	\$ 198,597	\$ 4,595	(a)	\$ 203,192	\$ 123,178	\$ 2,520	(a)	\$ 125,698
Service and subscription	99,066	871	(a)	99,937	66,116	666	(a)	66,782
Royalty	9,744	—		9,744	6,918	—		6,918
Total revenue	<u>307,407</u>	<u>5,466</u>		<u>312,873</u>	<u>196,212</u>	<u>3,186</u>		<u>199,398</u>
Cost of revenue								
Product	163,010	—		163,010	104,482	—		104,482
Service and subscription	42,229	—		42,229	29,850	—		29,850
Total cost of revenue	<u>205,239</u>	<u>—</u>		<u>205,239</u>	<u>134,332</u>	<u>—</u>		<u>134,332</u>
Gross profit	<u>102,168</u>	<u>5,466</u>		<u>107,634</u>	<u>61,880</u>	<u>3,186</u>		<u>65,066</u>
Operating expenses								
Sales and marketing	47,894	—		47,894	31,555	—		31,555
General and administrative	35,223	—		35,223	24,254	—		24,254
Research and development	33,925	—		33,925	22,671	—		22,671
Restructuring charges	1,605	—		1,605	1,646	—		1,646
Total operating expenses	<u>118,647</u>	<u>—</u>		<u>118,647</u>	<u>80,126</u>	<u>—</u>		<u>80,126</u>
Income (loss) from operations	<u>(16,479)</u>	<u>5,466</u>		<u>(11,013)</u>	<u>(18,246)</u>	<u>3,186</u>		<u>(15,060)</u>
Other income, net	2,638	—		2,638	3,182	—		3,182
Interest expense	(7,537)	—		(7,537)	(4,836)	—		(4,836)
Change in fair value of warrant liability	—	10,678	(b)	10,678	—	10,675	(b)	10,675
Loss on debt extinguishment, net	(1,392)	—		(1,392)	(1,392)	—		(1,392)
Net income (loss) from operations before income taxes	<u>(22,770)</u>	<u>16,144</u>		<u>(6,626)</u>	<u>(21,292)</u>	<u>13,861</u>		<u>(7,431)</u>
Income tax provision	1,564	—		1,564	872	—		872
Net income (loss) from operations	<u>\$ (24,334)</u>	<u>\$ 16,144</u>		<u>\$ (8,190)</u>	<u>\$ (22,164)</u>	<u>\$ 13,861</u>		<u>\$ (8,303)</u>
Deemed dividend on warrants	(389)	389	(b)	—	(389)	389	(b)	—
Net income (loss) attributable to common stockholders	<u>\$ (24,723)</u>	<u>\$ 16,533</u>		<u>\$ (8,190)</u>	<u>\$ (22,553)</u>	<u>\$ 14,250</u>		<u>\$ (8,303)</u>
Net income (loss) per share attributable to common stockholders - basic	\$ (0.28)	\$ 0.18		\$ (0.10)	\$ (0.25)	\$ 0.16		\$ (0.09)
Net income (loss) per share attributable to common stockholders - diluted	\$ (0.28)	\$ 0.10		\$ (0.18)	\$ (0.25)	\$ —		\$ (0.18)
Weighted average shares - basic	89,335	89,335		89,335	87,617	87,617		87,617
Weighted average shares - diluted	89,335	89,335		90,440	87,617	87,617		89,315
Net income (loss)	<u>\$ (24,334)</u>	<u>\$ 16,144</u>		<u>\$ (8,190)</u>	<u>\$ (22,164)</u>	<u>\$ 13,861</u>		<u>\$ (8,303)</u>
Foreign currency translation adjustments, net	(1,094)	—		(1,094)	(2,574)	—		(2,574)
Total comprehensive income (loss)	<u>\$ (25,428)</u>	<u>\$ 16,144</u>		<u>\$ (9,284)</u>	<u>\$ (24,738)</u>	<u>\$ 13,861</u>		<u>\$ (10,877)</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	9 months ended	6 months ended	3 months ended
	12/31/2023	9/30/2023	6/30/2023
			As restated
Operating activities			
Net loss	\$ (22,342)	\$ (12,473)	\$ (9,142)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	7,593	5,295	2,752
Amortization of debt issuance costs	1,948	1,234	520
Provision for manufacturing and service inventories	3,328	892	516
Gain on PPP loan extinguishment	—	—	—
Stock-based compensation	3,741	2,831	1,901
Change in fair value of warrant liabilities	(6,146)	(3,933)	469
Other non-cash	3,010	826	750
Changes in assets and liabilities, net of effect of acquisitions:			
Accounts receivable	12,616	21,109	6,255
Manufacturing inventories	(3,099)	(2,070)	(692)
Service parts inventories	(1,520)	(1,505)	(516)
Accounts payable	(13,226)	(9,073)	(5,421)
Prepaid expenses	394	8	(2,287)
Deferred revenue	(4,780)	(9,268)	(2,929)
Accrued restructuring charges	—	—	110
Accrued compensation	(425)	(1,946)	(816)
Other assets	(3,230)	(2,240)	(1,422)
Other liabilities	2,605	162	508
Net cash used in operating activities	(19,533)	(10,151)	(9,444)
Investing activities			
Purchases of property and equipment	(5,025)	(3,925)	(2,299)
Net cash used in investing activities	(5,025)	(3,925)	(2,299)
Financing activities			
Borrowings of long-term debt, net of debt issuance costs	12,889	12,889	12,889
Repayments of long-term debt	(4,497)	(3,247)	(1,997)
Borrowings of credit facility	318,223	217,084	108,186
Repayments of credit facility	(303,671)	(213,082)	(107,834)
Proceeds from issuance of common stock	—	—	(9)
Net cash provided by financing activities	22,944	13,644	11,235
Effect of exchange rate changes on cash and cash equivalents	(12)	11	(2)
Net change in cash, cash equivalents, and restricted cash	(1,626)	(421)	(510)
Cash, cash equivalents, and restricted cash at beginning of period	26,175	26,175	26,175
Cash, cash equivalents, and restricted cash at end of period	\$ 24,549	\$ 25,754	\$ 25,665
Supplemental disclosure of cash flow information			
Cash paid for interest	\$ 9,154	\$ 6,079	\$ 2,665
Cash paid for income taxes, net of refunds	\$ 1,136	\$ 831	\$ 307
Non-cash transactions			
Purchases of property and equipment included in accounts payable	\$ 164	\$ 689	\$ 977
Transfer of manufacturing inventory to services inventory	\$ 75	\$ (218)	\$ (226)
Transfer of manufacturing inventory to property and equipment	\$ 205	\$ 172	\$ 143
Paid-in-kind interest	\$ 1,401	\$ 777	\$ 191
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:			
Cash and cash equivalents	\$ 24,377	\$ 25,574	\$ 25,465
Restricted cash, current	172	180	200
Total cash, cash equivalents and restricted cash at the end of period	\$ 24,549	\$ 25,754	\$ 25,665

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	9 months ended	6 months ended	3 months ended
	12/31/2022	9/30/2022	6/30/2022
	As restated	As restated	As restated
Operating activities			
Net income (loss)	\$ (8,190)	\$ (8,303)	\$ (879)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	7,235	5,133	2,586
Amortization of debt issuance costs	1,201	768	336
Long-term debt related costs	992	992	—
Provision for manufacturing and service inventories	11,334	9,946	1,631
Gain on PPP loan extinguishment	—	—	—
Stock-based compensation	8,340	5,357	3,069
Change in fair value of warrant liabilities	(10,678)	(10,675)	(7,582)
Non-cash loss on debt extinguishment	—	—	992
Other non-cash	(3,193)	(2,918)	(1,469)
Changes in assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(3,367)	8,264	4,677
Manufacturing inventories	(9,352)	416	(412)
Service parts inventories	(2,671)	(1,971)	(1,384)
Accounts payable	7,015	293	(175)
Prepaid expenses	654	(1,208)	—
Deferred revenue	(19,817)	(20,933)	(15,393)
Accrued restructuring charges	130	115	39
Accrued compensation	(614)	(2,949)	(1,610)
Other assets	(1,455)	(835)	(3,000)
Other liabilities	2,840	573	228
Net cash used in operating activities	(19,596)	(17,935)	(18,346)
Investing activities			
Purchases of property and equipment	(10,644)	(7,795)	(3,036)
Business acquisitions	(2,000)	(2,000)	(2,000)
Net cash used in investing activities	(12,644)	(9,795)	(5,036)
Financing activities			
Borrowings of long-term debt, net of debt issuance costs	—	—	—
Repayments of long-term debt	(23,346)	(22,096)	(20,846)
Borrowings of credit facility	363,103	229,605	109,740
Repayments of credit facility	(353,502)	(226,240)	(110,575)
Proceeds from issuance of common stock	66,718	66,723	66,324
Net cash provided by financing activities	52,973	47,992	44,643
Effect of exchange rate changes on cash and cash equivalents	21	166	29
Net change in cash, cash equivalents, and restricted cash	20,754	20,428	21,290
Cash, cash equivalents, and restricted cash at beginning of period	5,493	5,493	5,493
Cash, cash equivalents, and restricted cash at end of period	\$ 26,247	\$ 25,921	\$ 26,783
Supplemental disclosure of cash flow information			
Cash paid for interest	\$ 6,270	\$ 4,114	\$ 1,863
Cash paid for income taxes, net of refunds	\$ 837	\$ 465	\$ 115
Non-cash transactions			
Purchases of property and equipment included in accounts payable	\$ 1,198	\$ 548	\$ 133
Transfer of manufacturing inventory to services inventory	\$ 2,308	\$ 1,905	\$ 890
Transfer of manufacturing inventory to property and equipment	\$ 264	\$ 279	\$ 193
Paid-in-kind interest	\$ 319	\$ 319	\$ 319
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:			
Cash and cash equivalents	\$ 26,028	\$ 25,698	\$ 26,528
Restricted cash, current	219	223	255
Total cash, cash equivalents and restricted cash at the end of period	\$ 26,247	\$ 25,921	\$ 26,783

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended June 30, 2023			
	As previously reported	Restatement adjustments	Reference	As restated
Operating activities				
Net income (loss)	\$ (10,576)	\$ 1,434	(a) (b)	\$ (9,142)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	2,752	—		2,752
Amortization of debt issuance costs	520	—		520
Long-term debt related costs	—	—		—
Provision for manufacturing and service inventories	516	—		516
Gain on PPP loan extinguishment	—	—		—
Stock-based compensation	1,901	—		1,901
Change in fair value of warrant liabilities	—	469	(b)	469
Non-cash income tax benefit	—	—		—
Non-cash loss on debt extinguishment	—	—		—
Other non-cash	734	16		750
Changes in assets and liabilities, net of effect of acquisitions:				
Accounts receivable	6,255	—		6,255
Manufacturing inventories	(692)	—		(692)
Service parts inventories	(516)	—		(516)
Accounts payable	(5,421)	—		(5,421)
Prepaid expenses	(2,287)	—		(2,287)
Deferred revenue	(2,221)	(708)	(a)	(2,929)
Accrued restructuring charges	110	—		110
Accrued compensation	(816)	—		(816)
Other assets	(1,422)	—		(1,422)
Other liabilities	508	—		508
Net cash used in operating activities	(10,655)	1,211		(9,444)
Investing activities				
Purchases of property and equipment	(2,299)	—		(2,299)
Net cash used in investing activities	(2,299)	—		(2,299)
Financing activities				
Borrowings of long-term debt, net of debt issuance costs	14,100	(1,211)		12,889
Repayments of long-term debt	(1,997)	—		(1,997)
Borrowings of credit facility	108,186	—		108,186
Repayments of credit facility	(107,834)	—		(107,834)
Proceeds from issuance of common stock	(9)	—		(9)
Net cash provided by financing activities	12,446	(1,211)		11,235
Effect of exchange rate changes on cash and cash equivalents	(2)	—		(2)
Net change in cash, cash equivalents, and restricted cash	(510)	—		(510)
Cash, cash equivalents, and restricted cash at beginning of period	26,175	—		26,175
Cash, cash equivalents, and restricted cash at end of period	\$ 25,665	\$ —		\$ 25,665
Supplemental disclosure of cash flow information				
Cash paid for interest	\$ 2,665	\$ —		\$ 2,665
Cash paid for income taxes, net of refunds	\$ 307	\$ —		\$ 307
Non-cash transactions				
Purchases of property and equipment included in accounts payable	\$ 977	\$ —		\$ 977
Transfer of manufacturing inventory to services inventory	\$ (226)	\$ —		\$ (226)
Transfer of manufacturing inventory to property and equipment	\$ 143	\$ —		\$ 143
Paid-in-kind interest	\$ 191	\$ —		\$ 191
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:				
Cash and cash equivalents	\$ 25,465	\$ —		\$ 25,465
Restricted cash, current	200	—		200
Total cash, cash equivalents and restricted cash at the end of period	\$ 25,665	\$ —		\$ 25,665

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended December 31, 2022			
	As previously reported	Restatement adjustments	Reference	As restated
Operating activities				
Net income (loss)	\$ (24,334)	\$ 16,144	(a) (b)	\$ (8,190)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	7,235	—		7,235
Amortization of debt issuance costs	1,201	—		1,201
Long-term debt related costs	992	—		992
Provision for manufacturing and service inventories	11,334	—		11,334
Stock-based compensation	8,340	—		8,340
Change in fair value of warrant liabilities	—	(10,678)	(b)	(10,678)
Other non-cash	(3,193)	—		(3,193)
Changes in assets and liabilities, net of effect of acquisitions:				
Accounts receivable	(3,367)	—		(3,367)
Manufacturing inventories	(9,352)	—		(9,352)
Service parts inventories	(2,671)	—		(2,671)
Accounts payable	7,015	—		7,015
Prepaid expenses	654	—		654
Deferred revenue	(14,351)	(5,466)	(a)	(19,817)
Accrued restructuring charges	130	—		130
Accrued compensation	(614)	—		(614)
Other assets	(1,455)	—		(1,455)
Other liabilities	2,840	—		2,840
Net cash used in operating activities	(19,596)	—		(19,596)
Investing activities				
Purchases of property and equipment	(10,644)	—		(10,644)
Business acquisitions	(2,000)	—		(2,000)
Net cash used in investing activities	(12,644)	—		(12,644)
Financing activities				
Borrowings of long-term debt, net of debt issuance costs	—	—		—
Repayments of long-term debt	(23,346)	—		(23,346)
Borrowings of credit facility	363,103	—		363,103
Repayments of credit facility	(353,502)	—		(353,502)
Proceeds from issuance of common stock	66,718	—		66,718
Net cash provided by financing activities	52,973	—		52,973
Effect of exchange rate changes on cash and cash equivalents	21	—		21
Net change in cash, cash equivalents, and restricted cash	20,754	—		20,754
Cash, cash equivalents, and restricted cash at beginning of period	5,493	—		5,493
Cash, cash equivalents, and restricted cash at end of period	\$ 26,247	\$ —		\$ 26,247
Supplemental disclosure of cash flow information				
Cash paid for interest	\$ 6,270	\$ —		\$ 6,270
Cash paid for income taxes, net of refunds	\$ 837	\$ —		\$ 837
Non-cash transactions				
Purchases of property and equipment included in accounts payable	\$ 1,198	\$ —		\$ 1,198
Transfer of manufacturing inventory to services inventory	\$ 2,308	\$ —		\$ 2,308
Transfer of manufacturing inventory to property and equipment	\$ 264	\$ —		\$ 264
Paid-in-kind interest	\$ 319	\$ —		\$ 319
Deemed dividend	\$ 389	\$ (389)	(b)	\$ —
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:				
Cash and cash equivalents	\$ 26,028	\$ —		\$ 26,028
Restricted cash, current	219	—		219
Total cash, cash equivalents and restricted cash at the end of period	\$ 26,247	\$ —		\$ 26,247

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended September 30, 2022			
	As previously reported	Restatement adjustments	Reference	As restated
Operating activities				
Net income (loss)	\$ (22,164)	\$ 13,861	(a) (b)	\$ (8,303)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	5,133	—		5,133
Amortization of debt issuance costs	768	—		768
Long-term debt related costs	992	—		992
Provision for manufacturing and service inventories	9,946	—		9,946
Gain on PPP loan extinguishment	—	—		—
Stock-based compensation	5,357	—		5,357
Change in fair value of warrant liabilities	—	(10,675)	(b)	(10,675)
Other non-cash	(2,918)	—		(2,918)
Changes in assets and liabilities, net of effect of acquisitions:				
Accounts receivable	8,264	—		8,264
Manufacturing inventories	416	—		416
Service parts inventories	(1,971)	—		(1,971)
Accounts payable	293	—		293
Prepaid expenses	(1,208)	—		(1,208)
Deferred revenue	(17,747)	(3,186)	(a)	(20,933)
Accrued restructuring charges	115	—		115
Accrued compensation	(2,949)	—		(2,949)
Other assets	(835)	—		(835)
Other liabilities	573	—		573
Net cash used in operating activities	(17,935)	—		(17,935)
Investing activities				
Purchases of property and equipment	(7,795)	—		(7,795)
Business acquisitions	(2,000)	—		(2,000)
Net cash used in investing activities	(9,795)	—		(9,795)
Financing activities				
Borrowings of long-term debt, net of debt issuance costs	—	—		—
Repayments of long-term debt	(22,096)	—		(22,096)
Borrowings of credit facility	229,605	—		229,605
Repayments of credit facility	(226,240)	—		(226,240)
Proceeds from issuance of common stock	66,723	—		66,723
Net cash provided by financing activities	47,992	—		47,992
Effect of exchange rate changes on cash and cash equivalents	166	—		166
Net change in cash, cash equivalents, and restricted cash	20,428	—		20,428
Cash, cash equivalents, and restricted cash at beginning of period	5,493	—		5,493
Cash, cash equivalents, and restricted cash at end of period	\$ 25,921	\$ —		\$ 25,921
Supplemental disclosure of cash flow information				
Cash paid for interest	\$ 4,114	\$ —		\$ 4,114
Cash paid for income taxes, net of refunds	\$ 465	\$ —		\$ 465
Non-cash transactions				
Purchases of property and equipment included in accounts payable	\$ 548	\$ —		\$ 548
Transfer of manufacturing inventory to services inventory	\$ 1,905	\$ —		\$ 1,905
Transfer of manufacturing inventory to property and equipment	\$ 279	\$ —		\$ 279
Paid-in-kind interest	\$ 319	\$ —		\$ 319
Deemed dividend	\$ 389	\$ (389)	(b)	\$ —
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:				
Cash and cash equivalents	\$ 25,698	\$ —		\$ 25,698
Restricted cash, current	223	—		223
Total cash, cash equivalents and restricted cash at the end of period	\$ 25,921	\$ —		\$ 25,921

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended June 30, 2022			
	As previously reported	Restatement adjustments	Reference	As restated
Operating activities				
Net income (loss)	\$ (10,220)	\$ 9,341	(a) (b)	\$ (879)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	2,586	—		2,586
Amortization of debt issuance costs	336	—		336
Long-term debt related costs	—	—		—
Provision for manufacturing and service inventories	1,631	—		1,631
Gain on PPP loan extinguishment	—	—		—
Stock-based compensation	3,069	—		3,069
Change in fair value of warrant liabilities	—	(7,582)	(b)	(7,582)
Non-cash income tax benefit	—	—		—
Non-cash loss on debt extinguishment	992	—		992
Other non-cash	(1,469)	—		(1,469)
Changes in assets and liabilities, net of effect of acquisitions:				
Accounts receivable	4,677	—		4,677
Manufacturing inventories	(412)	—		(412)
Service parts inventories	(1,384)	—		(1,384)
Accounts payable	(175)	—		(175)
Prepaid expenses	—	—		—
Deferred revenue	(13,634)	(1,759)	(a)	(15,393)
Accrued restructuring charges	39	—		39
Accrued compensation	(1,610)	—		(1,610)
Other assets	(3,000)	—		(3,000)
Other liabilities	228	—		228
Net cash used in operating activities	(18,346)	—		(18,346)
Investing activities				
Purchases of property and equipment	(3,036)	—		(3,036)
Business acquisitions	(2,000)	—		(2,000)
Net cash used in investing activities	(5,036)	—		(5,036)
Financing activities				
Borrowings of long-term debt, net of debt issuance costs	—	—		—
Repayments of long-term debt	(20,846)	—		(20,846)
Borrowings of credit facility	109,740	—		109,740
Repayments of credit facility	(110,575)	—		(110,575)
Borrowings of paycheck protection program	—	—		—
Proceeds from secondary offering, net	—	—		—
Payment of taxes due upon vesting of restricted stock	—	—		—
Proceeds from issuance of common stock	66,324	—		66,324
Net cash provided by financing activities	44,643	—		44,643
Effect of exchange rate changes on cash and cash equivalents	29	—		29
Net change in cash, cash equivalents, and restricted cash	21,290	—		21,290
Cash, cash equivalents, and restricted cash at beginning of period	5,493	—		5,493
Cash, cash equivalents, and restricted cash at end of period	\$ 26,783	\$ —		\$ 26,783
Supplemental disclosure of cash flow information				
Cash paid for interest	\$ 1,863	\$ —		\$ 1,863
Cash paid for income taxes, net of refunds	\$ 115	\$ —		\$ 115
Non-cash transactions				
Purchases of property and equipment included in accounts payable	\$ 133	\$ —		\$ 133
Transfer of manufacturing inventory to services inventory	\$ 890	\$ —		\$ 890
Transfer of manufacturing inventory to property and equipment	\$ 193	\$ —		\$ 193
Paid-in-kind interest	\$ 319	\$ —		\$ 319
Deemed dividend	\$ 389	\$ (389)	(b)	\$ —
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:				
Cash and cash equivalents	\$ 26,528	\$ —		\$ 26,528
Restricted cash, current	255	—		255
Total cash, cash equivalents and restricted cash at the end of period	\$ 26,783	\$ —		\$ 26,783

QUANTUM CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in thousands)

Three Months Ended	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
Balance, March 31, 2023, As restated	93,574	\$ 936	\$ 702,370	\$ (786,094)	\$ (1,581)	\$ (84,369)
Activity, As reported	131	2	3,133	(10,576)	249	(7,192)
Adjustments	—	—	(1,194)	1,434	—	240
Balance, June 30, 2023, As restated	<u>93,705</u>	<u>\$ 938</u>	<u>\$ 704,309</u>	<u>\$ (795,236)</u>	<u>\$ (1,332)</u>	<u>\$ (91,321)</u>

QUANTUM CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in thousands)

Three Months Ended	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
Balance, June 30, 2023, As Restated	93,705	\$ 938	\$ 704,309	\$ (795,236)	\$ (1,332)	\$ (91,321)
Net loss	—	—	—	(3,331)	—	(3,331)
Foreign currency translation adjustments, net	—	—	—	—	(720)	(720)
Shares issued under employee incentive plans, net	1,814	18	(18)	—	—	—
Stock-based compensation	—	—	939	—	—	939
Balance, September 30, 2023	<u>95,519</u>	<u>\$ 956</u>	<u>\$ 705,230</u>	<u>\$ (798,567)</u>	<u>\$ (2,052)</u>	<u>\$ (94,433)</u>

Six Months Ended	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
Balance, March 31, 2023, As Restated	93,574	\$ 936	\$ 702,370	\$ (786,094)	\$ (1,581)	\$ (84,369)
Net loss	—	—	—	(12,473)	—	(12,473)
Foreign currency translation adjustments, net	—	—	—	—	(471)	(471)
Warrants issued related to long-term debt	—	—	49	—	—	49
Shares issued under employee incentive plans, net	1,945	20	(20)	—	—	—
Stock-based compensation	—	—	2,831	—	—	2,831
Balance, September 30, 2023	<u>95,519</u>	<u>\$ 956</u>	<u>\$ 705,230</u>	<u>\$ (798,567)</u>	<u>\$ (2,052)</u>	<u>\$ (94,433)</u>

QUANTUM CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in thousands)

Three Months Ended	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
Balance, September 30, 2023	95,519	\$ 956	\$ 705,230	\$ (798,567)	\$ (2,052)	\$ (94,433)
Net loss	—	—	—	(9,869)	—	(9,869)
Foreign currency translation adjustments, net	—	—	—	—	1,465	1,465
Shares issued under employee incentive plans, net	331	3	(3)	—	—	—
Stock-based compensation	—	—	906	—	—	906
Balance, December 31, 2023	<u>95,850</u>	<u>\$ 959</u>	<u>\$ 706,133</u>	<u>\$ (808,436)</u>	<u>\$ (587)</u>	<u>\$ (101,931)</u>
Nine Months Ended						
Balance, March 31, 2023	93,574	\$ 936	\$ 702,370	\$ (786,094)	\$ (1,581)	\$ (84,369)
Net loss	—	—	—	(22,342)	—	(22,342)
Foreign currency translation adjustments, net	—	—	—	—	994	994
Shares issued under employee incentive plans, net	2,276	23	(23)	—	—	—
Warrants issued in connection with debt refinancing	—	—	49	—	—	49
Stock-based compensation	—	—	3,737	—	—	3,737
Balance, December 31, 2023	<u>95,850</u>	<u>\$ 959</u>	<u>\$ 706,133</u>	<u>\$ (808,436)</u>	<u>\$ (587)</u>	<u>\$ (101,931)</u>

QUANTUM CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in thousands)

Three Months Ended	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
Balance, March 31, 2022, As restated	60,433	\$ 605	\$ 624,805	\$ (767,726)	\$ (1,423)	\$ (143,739)
Activity, As reported	30,173	302	69,091	(10,219)	(1,276)	57,898
Adjustments	—	—	—	9,341	—	9,341
Balance, June 30, 2022, As restated	<u>90,606</u>	<u>\$ 907</u>	<u>\$ 693,896</u>	<u>\$ (768,604)</u>	<u>\$ (2,699)</u>	<u>\$ (76,500)</u>
Activity, As reported	1,552	15	2,671	(11,943)	(1,298)	(10,555)
Adjustments	—	—	—	4,520	—	4,520
Balance, September 30, 2022, As restated	<u>92,158</u>	<u>\$ 922</u>	<u>\$ 696,567</u>	<u>\$ (776,027)</u>	<u>\$ (3,997)</u>	<u>\$ (82,535)</u>
Activity, As reported	986	\$ 10	\$ 2,969	\$ (2,170)	\$ 1,480	2,289
Adjustments	—	—	—	2,283	—	2,283
Balance, December 31, 2022, As restated	<u>93,144</u>	<u>\$ 932</u>	<u>\$ 699,536</u>	<u>\$ (775,914)</u>	<u>\$ (2,517)</u>	<u>\$ (77,963)</u>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under Exchange Act as of each of the fiscal quarters ended March 31, 2024, December 31, 2023 and September 30, 2023. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were not effective due to material weaknesses in internal control over financial reporting described below.

Notwithstanding the identified material weaknesses, management, including our chief executive officer and chief financial officer have determined, based on the procedures performed, that the Consolidated Financial Statements included in this Annual Report on Form 10-K fairly represent in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, for the periods presented in accordance with U.S. generally accepted accounting principles.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our internal control over financial reporting using the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework (2013)*. Based on this assessment, management concluded that the Company's internal control over financial reporting was not effective as of March 31, 2024 due to the material weaknesses described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

The Company identified a material weakness in its internal control over financial reporting related to the Company's accounting practices and procedures for the application of standalone selling price under Accounting Standards Codification Topic 606 Revenue from Contracts with Customers ("Topic 606"). Specifically, the Company did not have adequate controls in place to conclude on the application of standalone selling price consistent with the generally accepted application of the guidance in Topic 606. The absence of adequate controls with respect to the application of standalone selling price impacted the accuracy of the Company's revenue allocations in (i) for the fiscal years ended March 31, 2024, March 31, 2023 and March 31, 2022, and (ii) for each of the first three quarters in such fiscal years.

Additionally, the Company identified a material weakness in its internal control over financial reporting related to the Company's accounting practices and procedures for warrant agreements under Accounting Standards Codification Topic 815 Contracts in Entity's Own Equity ("Topic 815"). Specifically, the Company did not have adequate controls

in place to accurately evaluate and classify warrants consistent with Topic 815. The absence of adequate controls with respect to the classification of warrants resulted in warrants being classified as equity and not as liability, impacted the accuracy of the Company's presentation in (i) for the fiscal years ended March 31, 2024, March 31, 2023 and March 31, 2022, and (ii) for each of the first three quarters in such fiscal years.

Further, the Company identified a material weakness in its internal control over financial reporting as effective controls were not maintained over the accuracy of the inputs in the sales order entry process. Specifically, the Company did not sufficiently execute controls over the review of data inputs in the sales order entry process to ensure accuracy of the price, quantity, and related customer data. The control deficiency did not result in a misstatement; however, this control deficiency could result in a misstatement of revenue that would result in a material misstatement to the annual or interim consolidated financial statements for the fiscal year ended March 31, 2024 that would not be prevented or detected.

Remediation Plan

The Company is implementing enhancements to its internal controls to remediate the identified material weaknesses in its internal control over financial reporting related to the Company's accounting practices and procedures. Specifically, the Company plans to:

- Review and update significant relevant accounting policies, procedures and controls.
- Provide additional training to individuals involved in the assessments for these topics.
- Engage with external third parties to assist with assessments for these topics, where necessary.

The Company is committed to maintaining a strong internal control environment and believes these remediation efforts will represent significant improvements in its controls over the control environment. These steps will take time to be fully implemented and confirmed to be effective and sustainable. Additional controls may also be required over time. While the Company believes that these efforts will improve its internal control over financial reporting, the Company will not be able to conclude whether the steps the Company is taking will remediate the material weakness in internal control over financial reporting until a sufficient period of time has passed to allow management to test the design and operational effectiveness of the new and enhanced controls. Until the remediation steps set forth above are fully implemented and tested, the material weaknesses described above will continue to exist.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our internal control performed during the fiscal quarter ended March 31, 2024, except for commencing implementation of the remediation plan described above, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

(b) Trading Plans.

During each of the fiscal quarters ended March 31, 2024, December 31, 2023 and September 30, 2023, no director or officer adopted or terminated any contract, instruction, or written plan for the purchase or sale of securities of the Company pursuant to Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 is incorporated by reference from the sections entitled “Board of Directors and Committees,” “Board of Directors and Committees—Board Committees and Leadership Structure,” “Corporate Governance,” and “Compensation Discussion and Analysis—Anti-Hedging and Anti-Pledging Policies” in our definitive Proxy Statement for our 2024 annual stockholders’ meeting.

Certain other information relating to our executive officers appears in Part I of this Annual Report on Form 10-K under the heading “Information About Our Executive Officers.”

Item 405 of Regulation S-K calls for disclosure of any known late filing or failure by an insider to file a report required by Section 16(a) of the Exchange Act. To the extent disclosure for delinquent reports is being made, it can be found under the caption “Delinquent Section 16(a) Reports” in the Proxy Statement for our 2024 annual stockholders’ meeting and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference from the sections entitled “Corporate Governance—Non-Employee Director Compensation,” “Compensation Discussion and Analysis,” “Fiscal 2024 Compensation Tables,” “Board Committee Reports and Related Information— Compensation Committee Report” and “Corporate Governance—Non-Employee Director Compensation—Compensation Committee Interlocks and Insider Participation” in our definitive Proxy Statement for our 2024 annual stockholders’ meeting.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 is incorporated by reference from the section entitled “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in our definitive Proxy Statement for our 2024 annual stockholders’ meeting.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated by reference from the section entitled “Board of Directors and Committees—Board Meetings and Independence,” and “Board Committee Reports and Related Information—Related Party Transactions” in our definitive Proxy Statement for our 2024 annual stockholders’ meeting.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 is incorporated by reference from the section entitled “Board Committee Reports and Related Information—Independent Registered Public Accounting Firm” in our definitive Proxy Statement for our 2024 annual stockholders’ meeting.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report

1. Financial Statements

Reference is made to the Index to Financial Statements of Quantum Corporation included in Item 8 of Part II of this report.

2. Financial Statement Schedules

All schedules have been omitted because they are not required, not applicable, or the required information is included in the financial statements or notes thereto.

3. Exhibits

See Item 15(b) below. Each management contract or compensatory plan or arrangement required to be filed has been identified.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Filing Date	Exhibit	
2.1	Asset Purchase Agreement dated July 18, 2021 by and between PV3 (an ABC) LLC, as assignee for the benefit of Pivot3, Inc., and the Company.*	8-K	07/22/21	2.1	
3.1	Amended and Restated Certificate of Incorporation of the Company, as amended through August 19, 2022	10-K	06/06/23	3.1	
3.2	Amended and Restated Bylaws of the Company, as amended through February 8, 2016				X
4.1	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	10-K	06/06/23	4.1	
4.2	Certificate of Designation of Rights, Preferences and Privileges of Series B Junior Participating Preferred Stock	S-3	10/09/03	4.7	
4.3	Warrant to Purchase Common Stock dated December 27, 2018 issued to OC II FIE V LP	8-K	12/28/18	4.1	
4.4	Warrant to Purchase Common Stock dated December 27, 2018 issued to BTC Holdings Fund I, LLC	8-K	12/28/18	4.2	
4.5	Warrant Agreement dated June 16, 2020 by and between the Company and Armory Securities, LLC	8-K	06/17/20	4.4	
4.6	Warrant to Purchase Common Stock dated June 16, 2020, Warrant No. B-1, issued to OC II FIE V LP	8-K	06/17/20	4.1	
4.7	Warrant to Purchase Common Stock dated June 16, 2020, Warrant No. B-2, issued to Blue Torch Credit Opportunities Fund I LP	8-K	06/17/20	4.2	
4.8	Warrant to Purchase Common Stock dated June 16, 2020, Warrant No. B-3, issued to BTC Holdings SC Fund LLC	8-K	06/17/20	4.3	
4.9	Amended and Restated Registration Rights Agreement dated June 16, 2020 by and among the Company, OC II FIE V LP, Blue Torch Credit Opportunities Fund I LP and BTC Holdings SC Fund LLC	8-K	06/17/20	4.5	
4.10	Amendment No. 1 and Joinder to Amended and Restated Registration Rights Agreement, dated as of June 1, 2023, between the Company, OC II FIE V LP, Blue Torch Credit Opportunities Fund I LP, BTC Holdings SC Fund LLC and CO Finance LVS XVII LLC	8-K	06/06/23	4.2	
4.11	Registration Rights Agreement dated December 12, 2020 by and between the Company and the securityholders of Square Box Systems Limited	8-K	12/14/20	4.1	
4.12	Warrant to Purchase Common Stock, dated June 1, 2023, Warrant No. 2023-2, issued to OC III LVS XL LP	8-K	06/06/23	4.1	
10.1	Lease Agreement dated February 6, 2006 by and between the Company and CS/Federal Drive AB LLC (For Building A)	8-K	02/10/06	10.2	
10.2	Lease Agreement dated February 6, 2006 by and between the Company and CS/Federal Drive AB LLC (For Building B)	8-K	02/10/06	10.3	
10.3#	Form of Indemnification Agreement by and between the Company and the Named Executive Officers and Directors	8-K	09/28/22	10.3	
10.4#	Form of Amended and Restated Director Change of Control Agreement by and between the Company and the Directors (other than the CEO)	8-K	05/10/11	10.2	
10.5#	Form of Amended and Restated Change of Control Agreement by and between the Company and each of the Company's Executive Officers	10-Q	11/06/15	10.2	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Filing Date	Exhibit	
10.6#	Offer Letter dated May 1, 2017 by and between the Company and Marc Rothman	8-K	05/04/17	10.1	
10.7#	Quantum Corporation Executive Officer Incentive Plan, restated as of August 23, 2017	8-K	08/24/17	10.2	
10.8#	Offer Letter dated June 22, 2018 by and between the Company and James J. Lerner	8-K	06/27/18	10.1	
10.9#	Change of Control Agreement dated June 22, 2018 by and between the Company and James J. Lerner	8-K	06/27/18	10.2	
10.10	Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018 by and among the Company, Quantum LTO Holdings, LLC, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank, National Association	8-K	12/28/18	10.2	
10.11	First Amendment dated April 3, 2020 to Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018 by and among the Company, Quantum LTO Holdings, LLC, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank, National Association	8-K	04/06/20	10.2	
10.12	Second Amendment dated April 11, 2020 to the Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018 by and among the Company, Quantum LTO Holdings, LLC, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank, National Association	8-K	04/16/20	10.3	
10.13	Third Amendment dated June 16, 2020 to Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018 by and among the Company, Quantum LTO Holdings, LLC, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank, National Association	8-K	06/17/20	10.2	
10.14	Fourth Amendment dated December 10, 2020 to Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018 by and among the Company, Quantum LTO Holdings, LLC, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank, National Association	8-K	12/14/20	10.2	
10.15	Fifth Amendment dated February 5, 2021 to Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018 by and among the Company, Quantum LTO Holdings, LLC, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank, National Association	10-K	06/08/22	10.30	
10.16	Sixth Amendment dated August 5, 2021 to Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018, by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank, National Association	10-K	06/08/22	10.31	
10.17	Seventh Amendment dated September 30, 2021 to Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018 by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank, National Association	8-K	10/06/21	10.1	
10.18	Eighth Amendment dated March 15, 2022 to Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018 by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank, National Association	8-K	03/17/22	10.3	
10.19	Ninth Amendment dated April 25, 2022 to Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018 by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank, National Association	8-K	04/27/22	10.1	
10.20	Tenth Amendment dated June 1, 2023 to Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018 by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank, National Association	8-K	06/06/23	10.2	
10.21	Waiver dated November 13, 2023 to Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018 by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank National Association	8-K	11/13/23	10.2	

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Filing Date	Exhibit	
10.22	Eleventh Amendment and Waiver dated February 14, 2024 to Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018 by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank National Association	8-K	02/20/24	10.2	
10.23	Twelfth Amendment dated March 22, 2024 to Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018 by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank National Association	8-K	03/25/24	10.2	
10.24	Stipulation and Agreement of Settlement entered into on April 11, 2019	8-K	05/31/19	99.2	
10.25#	Offer Letter dated October 3, 2018 by and between the Company and Lewis W. Moorehead	10-K	08/06/19	10.75	
10.26#	Quantum Corporation 2012 Long-Term Incentive Plan Agreement, as amended and restated on November 13, 2019	8-K	11/18/19	10.1	
10.27#	Form of Restricted Stock Unit Agreement (US Employees) under the Quantum Corporation 2012 Long-Term Incentive Plan	10-K	06/24/20	10.2	
10.28#	Form of Market-Based Restricted Stock Unit Agreement (US Employees) under the Quantum Corporation 2012 Long-Term Incentive Plan	10-K	06/24/20	10.3	
10.29#	Form of Restricted Stock Unit Agreement (Non-US Employees) under the Quantum Corporation 2012 Long-Term Incentive Plan	10-K	06/24/20	10.4	
10.30#	Form of Restricted Stock (PSU) Unit Agreement (Non-US Employees) under the Quantum Corporation 2012 Long-Term Incentive Plan	10-K	06/24/20	10.5	
10.31#	Form of Restricted Stock Unit Agreement (Directors) under the Quantum Corporation 2012 Long-Term Incentive Plan	10-K	06/24/20	10.6	
10.32#	Quantum Corporation 2023 Long-Term Incentive Plan Agreement				X
10.33#	Quantum Corporation Employee Stock Purchase Plan Agreement, as amended and restated on July 25, 2023				X
10.34#	2021 Inducement Plan	S-8	02/01/21	10.1	
10.35#	Amendment No. 1 to 2021 Inducement Plan	10-K	06/06/23	10.30	
10.36	Term Loan Credit and Security Agreement dated August 5, 2021 by and among the Company, the borrowers and guarantors party thereto, the lenders party thereto, and Blue Torch Finance LLC	8-K	08/05/21	10.1	
10.37	First Amendment dated September 30, 2021 to Term Loan Credit and Security Agreement dated August 5, 2021 by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and Blue Torch Finance LLC	8-K	10/06/21	10.2	
10.38	Second Amendment dated March 15, 2022 to Term Loan Credit and Security Agreement dated August 5, 2021 by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and Blue Torch Finance LLC	8-K	03/17/22	10.2	
10.39	Third Amendment dated April 25, 2022 to Term Loan Credit and Security Agreement dated August 5, 2021 by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and Blue Torch Finance LLC	8-K	04/27/22	10.2	
10.40	Fourth Amendment dated June 1, 2023 to Term Loan Credit and Security Agreement dated August 5, 2021 by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and Blue Torch Finance LLC	8-K	06/06/23	10.1	
10.41	Waiver dated November 10, 2023 to Term Loan Credit and Security Agreement dated August 5, 2021 by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and Blue Torch Finance LLC	8-K	11/13/23	10.1	
10.42	Fifth Amendment and Waiver dated February 14, 2024 to Term Loan Credit and Security Agreement dated August 5, 2021 by and among the Company, Quantum LTO Holdings, LLC, the borrowers and guarantors party thereto, the lenders party thereto, and Blue Torch Finance LLC	8-K	02/20/24	10.1	
10.43	Sixth Amendment dated March 22, 2024 to Term Loan Credit and Security Agreement dated August 5, 2021 by and among the Company, Quantum LTO Holdings, LLC, the borrowers and guarantors party thereto, the lenders party thereto, and Blue Torch Finance LLC	8-K	03/25/24	10.1	
10.44#	Director Offer Letter dated September 16, 2022 by and between the Company and Don Jaworski	8-K	09/28/22	10.1	

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Filing Date	Exhibit	
10.45#	Director Offer Letter dated September 16, 2022 by and between the Company and Hugues Meyrath	8-K	09/28/22	10.2	
10.46#	Offer Letter dated December 15, 2022 by and between the Company and Kenneth P. Gianella	8-K	01/11/23	10.1	
10.47#	Transition Agreement dated January 9, 2023 by and between the Company and J. Michael Dodson	8-K	01/11/23	10.3	
10.48#	Offer Letter dated June 5, 2023 by and between the Company and Laura Nash	8-K	06/06/23	10.3	
10.49#	Offer Letter dated November 9, 2023 by and between the Company and Henk Jan Spanjaard				X
16.1	Letter from Armanino LLP dated July 27, 2023.	8-K	07/27/23	16.1	
16.2	Letter from Armanino LLP dated August 21, 2023	8-K	08/21/23	16.1	
21.1	List of Subsidiaries	10-K	06/24/20	21.1	
23.1	Consent of Grant Thornton LLP				X
23.2	Consent of Armanino, LLP				X
24.1	Power of Attorney (contained on the signature page hereof)				X
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.INS	XBRL Instance Document				X
101.SCH	XBRL Taxonomy Extension Schema Document				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				X

* Schedules and attachments 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.

Indicates management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

<u>June 28, 2024</u> (Date)	<u>/s/ Kenneth P. Gianella</u> Kenneth P. Gianella Chief Financial Officer
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POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints James J. Lerner, Kenneth P. Gianella and Brian E. Cabrera, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons in the capacities on June 28, 2024.

<u>Signature</u>	<u>Title</u>
<u>/s/ James J. Lerner</u> James J. Lerner	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
<u>/s/ Kenneth P. Gianella</u> Kenneth P. Gianella	Chief Financial Officer (Principal Financial Officer)
<u>/s/ Laura Nash</u> Laura Nash	Chief Accounting Officer (Principal Accounting Officer)
<u>/s/ Todd W. Arden</u> Todd W. Arden	Director
<u>/s/ Donald Jaworski</u> Donald Jaworski	Director
<u>/s/ Hugues Meyrath</u> Hugues Meyrath	Director
<u>/s/ Christopher D. Neumeyer</u> Christopher D. Neumeyer	Director
<u>/s/ Marc E. Rothman</u> Marc E. Rothman	Director
<u>/s/ Yue Zhou White</u> Yue Zhou White	Director

**AMENDED AND RESTATED
BYLAWS OF
QUANTUM CORPORATION**

(as amended on November 18, 2008)

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AMENDED AND RESTATED
BYLAWS
OF
QUANTUM CORPORATION

ARTICLE I - CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of Quantum Corporation shall be fixed in the corporation's certificate of incorporation, as the same may be amended from time to time.

1.2 OTHER OFFICES

The corporation's board of directors may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II - MEETINGS STOCKHOLDERS

2.1 PLACE OF MEETINGS

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the board of directors. The board of directors may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the Delaware General Corporation Law (the "DGCL"). In the absence of any such designation or determination, stockholders' meetings shall be held at the corporation's principal executive office.

2.2 ANNUAL MEETING

The annual meeting of stockholders shall be held each year. The board of directors shall designate the date and time of the annual meeting. At the annual meeting, directors shall be elected and any other proper business may be transacted.

2.3 SPECIAL MEETING

(i) A special meeting of the stockholders, other than those required by statute, may be called only by either (i) the board of directors, (ii) the chairman of the board of directors of the corporation, if there be one, or (iii) the president of the corporation. The board of directors may cancel, postpone or reschedule any previously scheduled special meeting at any time, before or after the notice for such meeting has been sent to the stockholders.

(ii) The notice of a special meeting shall include the purpose for which the meeting is called. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting by or at the direction of the board of directors, chairperson of the board of directors, or president. Nothing contained in this Section 2.3(ii) shall be construed as limiting, fixing or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

2.4 ADVANCE NOTICE PROCEDURES

(i) *Advance Notice of Stockholder Business (Other than Director Nominations)*. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be brought: (A) pursuant to the corporation's proxy

materials with respect to such meeting, (B) by or at the direction of the board of directors, or (C) by a stockholder of the corporation who (1) is a stockholder of record at the time of the giving of the notice required by this Section 2.4(i) and on the record date for the determination of stockholders entitled to vote at the annual meeting and (2) has timely complied in proper written form with the notice procedures set forth in this Section 2.4(i). In addition, for business to be properly brought before an annual meeting by a stockholder, such business must be a proper matter for stockholder action pursuant to these bylaws and applicable law. For the avoidance of doubt, clause (C) above shall be the exclusive means for a stockholder to bring business (other than relating to director nominations) before an annual meeting of stockholders.

(a) To comply with clause (C) of Section 2.4(i) above, a stockholder's notice must set forth all information required under this Section 2.4(i) and must be timely received by the secretary of the corporation. To be timely, a stockholder's notice must be received by the secretary at the principal executive offices of the corporation not later than the 45th day nor earlier than the 75th day before the one-year anniversary of the date on which the corporation first mailed its proxy materials or a notice of availability of proxy materials (whichever is earlier) for the preceding year's annual meeting; *provided, however*, that in the event that no annual meeting was held in the previous year or if the date of the annual meeting is advanced by more than 30 days prior to or delayed by more than 60 days after the one-year anniversary of the date of the previous year's annual meeting, then, for notice by the stockholder to be timely, it must be so received by the secretary not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of (i) the 90th day prior to such annual meeting, or (ii) the tenth day following the day on which Public Announcement (as defined below) of the date of such annual meeting is first made. In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described in this Section 2.4(i)(a). "**Public Announcement**" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or any successor thereto (the "**1934 Act**").

(b) To be in proper written form, a stockholder's notice to the secretary must set forth as to each matter of business the stockholder intends to bring before the annual meeting: (1) a brief description of the business intended to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (2) the name and address, as they appear on the corporation's books, of the stockholder proposing such business and any Stockholder Associated Person (as defined below), (3) the class and number of shares of the corporation that are held of record or are beneficially owned by the stockholder or any Stockholder Associated Person and any derivative positions held or beneficially held by the stockholder or any Stockholder Associated Person, (4) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of such stockholder or any Stockholder Associated Person with respect to any securities of the corporation, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit from share price changes for, or to increase or decrease the voting power of, such stockholder or any Stockholder Associated Person with respect to any securities of the corporation, (5) any material interest of the stockholder or a Stockholder Associated Person in such business, and (6) a statement whether either such stockholder or any Stockholder Associated Person will deliver a proxy statement and form of proxy to holders of at least the percentage of the corporation's voting shares required under applicable law to carry the proposal (such information provided and statements made as required by clauses (1) through (6), a "**Business Solicitation Statement**"). In addition, to be in proper written form, a stockholder's notice to the secretary must be supplemented not later than ten days following the record date to disclose the information contained in clauses (3) and (4) above as of the record date. For purposes of this Section 2.4, a "**Stockholder Associated Person**" of any stockholder shall mean (i) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of stock of the corporation owned of record or beneficially by such stockholder and on whose behalf the proposal or nomination, as the case may be, is being made, or (iii) any person controlling, controlled by or under common control with such person referred to in the preceding clauses (i) and (ii).

(c) Without exception, no business shall be conducted at any annual meeting except in accordance with the provisions set forth in this Section 2.4(i) and, if applicable, Section 2.4(ii). In addition, business proposed to be brought by a stockholder may not be brought before the annual meeting if such stockholder or a Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Business Solicitation

Statement applicable to such business or if the Business Solicitation Statement applicable to such business contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairperson of the annual meeting shall, if the facts warrant, determine and declare at the annual meeting that business was not properly brought before the annual meeting and in accordance with the provisions of this Section 2.4(i), and, if the chairperson should so determine, he or she shall so declare at the annual meeting that any such business not properly brought before the annual meeting shall not be conducted.

(ii) *Advance Notice of Director Nominations at Annual Meetings.* Notwithstanding anything in these bylaws to the contrary, only persons who are nominated in accordance with the procedures set forth in this Section 2.4(ii) shall be eligible for election or re-election as directors at an annual meeting of stockholders. Nominations of persons for election to the board of directors of the corporation shall be made at an annual meeting of stockholders only (A) by or at the direction of the board of directors or (B) by a stockholder of the corporation who (1) was a stockholder of record at the time of the giving of the notice required by this Section 2.4(ii) and on the record date for the determination of stockholders entitled to vote at the annual meeting and (2) has complied with the notice procedures set forth in this Section 2.4(ii). In addition to any other applicable requirements, for a nomination to be made by a stockholder, the stockholder must have given timely notice thereof in proper written form to the secretary of the corporation.

(a) To comply with clause (B) of Section 2.4(ii) above, a nomination to be made by a stockholder must set forth all information required under this Section 2.4(ii) and must be received by the secretary of the corporation at the principal executive offices of the corporation at the time set forth in, and in accordance with, the final three sentences of Section 2.4(i)(a) above.

(b) To be in proper written form, such stockholder's notice to the secretary must set forth:

(1) as to each person (a "nominee") whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of the nominee, (B) the principal occupation or employment of the nominee, (C) the class and number of shares of the corporation that are held of record or are beneficially owned by the nominee and any derivative positions held or beneficially held by the nominee, (D) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of the nominee with respect to any securities of the corporation, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit of share price changes for, or to increase or decrease the voting power of the nominee, (E) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, (F) a written statement executed by the nominee acknowledging that as a director of the corporation, the nominee will owe a fiduciary duty under Delaware law with respect to the corporation and its stockholders, and (G) any other information relating to the nominee that would be required to be disclosed about such nominee if proxies were being solicited for the election of the nominee as a director, or that is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation the nominee's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected); and

(2) as to such stockholder giving notice, (A) the information required to be provided pursuant to clauses (2) through (5) of Section 2.4(i)(b) above, and the supplement referenced in the second sentence of Section 2.4(i)(b) above (except that the references to "business" in such clauses shall instead refer to nominations of directors for purposes of this paragraph), and (B) a statement whether either such stockholder or Stockholder Associated Person will deliver a proxy statement and form of proxy to holders of a number of the corporation's voting shares reasonably believed by such stockholder or Stockholder Associated Person to be necessary to elect such nominee(s) (such information provided and statements made as required by clauses (A) and (B) above, a "**Nominee Solicitation Statement**").

(c) At the request of the board of directors, any person nominated by a stockholder for election as a director must furnish to the secretary of the corporation (1) that information required to be set forth in the stockholder's notice of nomination of such person as a director as of a date subsequent to the date on which the notice of such person's nomination was given and (2) such other information as may reasonably be required by the corporation to determine

the eligibility of such proposed nominee to serve as an independent director of the corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee; in the absence of the furnishing of such information if requested, such stockholder's nomination shall not be considered in proper form pursuant to this Section 2.4(ii).

(d) Without exception, no person shall be eligible for election or re-election as a director of the corporation at an annual meeting of stockholders unless nominated in accordance with the provisions set forth in this Section 2.4(ii). In addition, a nominee shall not be eligible for election or re-election if a stockholder or Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Nominee Solicitation Statement applicable to such nominee or if the Nominee Solicitation Statement applicable to such nominee contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairperson of the annual meeting shall, if the facts warrant, determine and declare at the annual meeting that a nomination was not made in accordance with the provisions prescribed by these bylaws, and if the chairperson should so determine, he or she shall so declare at the annual meeting, and the defective nomination shall be disregarded.

(iii) *Advance Notice of Director Nominations for Special Meetings.*

(a) For a special meeting of stockholders at which directors are to be elected pursuant to Section 2.3, nominations of persons for election to the board of directors shall be made only (1) by or at the direction of the board of directors or (2) by any stockholder of the corporation who (A) is a stockholder of record at the time of the giving of the notice required by this Section 2.4(iii) and on the record date for the determination of stockholders entitled to vote at the special meeting and (B) delivers a timely written notice of the nomination to the secretary of the corporation that includes the information set forth in Sections 2.4(ii)(b) and (ii)(c) above. To be timely, such notice must be received by the secretary at the principal executive offices of the corporation not later than the close of business on the later of the 90th day prior to such special meeting or the tenth day following the day on which Public Announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. A person shall not be eligible for election or re-election as a director at a special meeting unless the person is nominated (i) by or at the direction of the board of directors or (ii) by a stockholder in accordance with the notice procedures set forth in this Section 2.4(iii). In addition, a nominee shall not be eligible for election or re-election if a stockholder or Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Nominee Solicitation Statement applicable to such nominee or if the Nominee Solicitation Statement applicable to such nominee contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading.

(b) The chairperson of the special meeting shall, if the facts warrant, determine and declare at the meeting that a nomination or business was not made in accordance with the procedures prescribed by these bylaws, and if the chairperson should so determine, he or she shall so declare at the meeting, and the defective nomination or business shall be disregarded.

(iv) *Other Requirements and Rights.* In addition to the foregoing provisions of this Section 2.4, a stockholder must also comply with all applicable requirements of state law and of the 1934 Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.4, including, with respect to business such stockholder intends to bring before the annual meeting that involves a proposal that such stockholder requests to be included in the corporation's proxy statement, the requirements of Rule 14a-8 (or any successor provision) under the 1934 Act. Nothing in this Section 2.4 shall be deemed to affect any right of the corporation to omit a proposal from the corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the 1934 Act.

2.5 NOTICE OF STOCKHOLDERS' MEETINGS

Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Except as otherwise provided in the DGCL, the certificate of incorporation or these bylaws, the written notice of any meeting of

stockholders shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting.

2.6 QUORUM

The holders of a majority of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. Where a separate vote by a class or series or classes or series is required, a majority of the outstanding shares of such class or series or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter, except as otherwise provided by law, the certificate of incorporation or these bylaws.

If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the chairperson of the meeting, or (ii) the stockholders entitled to vote at the meeting, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.7 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time, place if any thereof, and the means of remote communications if any by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 CONDUCT OF BUSINESS

The chairperson of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business.

2.9 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 of these bylaws, subject to Section 217 (relating to voting rights of fiduciaries, pledgors and joint owners of stock) and Section 218 (relating to voting trusts and other voting agreements) of the DGCL.

Except as may be otherwise provided in the certificate of incorporation or these bylaws, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

Except as otherwise required by law, the certificate of incorporation or these bylaws, in all matters other than the election of directors, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Except as otherwise required by law, the certificate of incorporation or these bylaws, directors shall be elected by a plurality of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or series or classes or series is required, in all matters other than the election of directors, the affirmative vote of the majority of shares of such class or series or classes or series present in person or represented by proxy at the meeting shall be the act of such class or series or classes or series, except as otherwise provided by law, the certificate of incorporation or these bylaws.

2.10 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Subject to the rights of the holders of the shares of any series of Preferred Stock or any other class of stock or series thereof having a preference over the Common Stock as dividend or upon liquidation, any action required or

permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting of stockholders of the corporation and may not be effected by any consent in writing by such stockholders.

2.11 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING; GIVING CONSENTS

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other such action.

If the board of directors does not so fix a record date:

(i) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(ii) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting *provided, however*, that the board of directors may fix a new record date for the adjourned meeting.

2.12 PROXIES

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL.

2.13 LIST OF STOCKHOLDERS ENTITLED TO VOTE

The officer who has charge of the stock ledger of the corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. The corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least 10 days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the corporation's principal place of business. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

2.14 INSPECTORS OF ELECTION.

A written proxy may be in the form of a telegram, cablegram, or other means of electronic transmission which sets forth or is submitted with information from which it can be determined that the telegram, cablegram, or other means of electronic transmission was authorized by the person.

Before any meeting of stockholders, the board of directors shall appoint an inspector or inspectors of election to act at the meeting or its adjournment. The number of inspectors shall be either one (1) or three (3). If any person appointed as inspector fails to appear or fails or refuses to act, then the chairperson of the meeting may, and upon the request of any stockholder or a stockholder's proxy shall, appoint a person to fill that vacancy.

Such inspectors shall:

- (i) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;
- (ii) receive votes, ballots or consents;
- (iii) hear and determine all challenges and questions in any way arising in connection with the right to vote;
- (iv) count and tabulate all votes or consents;
- (v) determine when the polls shall close;
- (vi) determine the result; and
- (vii) do any other acts that may be proper to conduct the election or vote with fairness to all stockholders.

The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three (3) inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is *prima facie* evidence of the facts stated therein.

ARTICLE III - DIRECTORS

3.1 POWERS

The business and affairs of the corporation shall be managed by or under the direction of the board of directors, except as may be otherwise provided in the DGCL or the certificate of incorporation.

3.2 NUMBER OF DIRECTORS

The board of directors shall consist of one or more members, each of whom shall be a natural person. Unless the certificate of incorporation fixes the number of directors, the number of directors shall be determined from time to time by resolution of the board of directors. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

Except as provided in Section 3.4 of these bylaws, each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until such director's successor is elected and qualified or until such director's earlier death, resignation or removal. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws. The certificate of incorporation or these bylaws may prescribe other qualifications for directors.

3.4 RESIGNATION AND VACANCIES

Any director may resign at any time upon notice given in writing or by electronic transmission to the corporation. A resignation is effective when the resignation is delivered unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events. A resignation which is conditioned upon the director failing to receive a specified vote for reelection as a director may provide that it is irrevocable. Unless

otherwise provided in the certificate of incorporation or these bylaws, when one or more directors resign from the board of directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective.

Unless otherwise provided in the certificate of incorporation or these bylaws, vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. If the directors are divided into classes, a person so elected by the directors then in office to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall have been duly elected and qualified.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the DGCL.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board of directors (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the voting stock at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the DGCL as far as applicable.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The board of directors may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 REGULAR MEETINGS.

Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board of directors.

3.7 SPECIAL MEETINGS; NOTICE

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairperson of the board of directors, the chief executive officer, the president, the secretary or a majority of the authorized number of directors.

Notice of the time and place of special meetings shall be:

- (i) delivered personally by hand, by courier or by telephone;
- (ii) sent by United States first-class mail, postage prepaid;
- (iii) sent by facsimile; or
- (iv) sent by electronic mail,

directed to each director at that director's address, telephone number, facsimile number or electronic mail address, as the case may be, as shown on the corporation's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or (iii) sent by electronic mail, it shall be delivered or sent at least 24 hours before the time of the holding of the meeting. If the notice is sent by United States mail, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. Any oral notice may be communicated to the director. The notice need not specify the place of the meeting (if the meeting is to be held at the corporation's principal executive office) nor the purpose of the meeting.

3.8 QUORUM; VOTING

At all meetings of the board of directors, a majority of the total authorized number of directors shall constitute a quorum for the transaction of business. If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the board of directors, except as may be otherwise specifically provided by statute, the certificate of incorporation or these bylaws.

If the certificate of incorporation provides that one or more directors shall have more or less than one vote per director on any matter, every reference in these bylaws to a majority or other proportion of the directors shall refer to a majority or other proportion of the votes of the directors.

3.9 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board of directors or committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the board of directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

3.10 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have the authority to fix the compensation of directors.

3.11 REMOVAL OF DIRECTORS

Any director may be removed from office by the stockholders of the corporation only for cause.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

ARTICLE IV - COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may, by resolution passed by a majority of the authorized number of directors, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent

provided in the resolution of the board of directors or in these bylaws, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the corporation.

4.2 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

- (i) Section 3.5 (place of meetings and meetings by telephone);
- (ii) Section 3.6 (regular meetings);
- (iii) Section 3.7 (special meetings and notice);
- (iv) Section 3.8 (quorum; voting);
- (v) Section 7.5 (waiver of notice); and
- (vi) Section 3.9 (action without a meeting)

with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members *However:*

- (i) the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee;
- (ii) special meetings of committees may also be called by resolution of the board of directors; and
- (iii) notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board

of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

Any provision in the certificate of incorporation providing that one or more directors shall have more or less than one vote per director on any matter shall apply to voting in any committee or subcommittee, unless otherwise provided in the certificate of incorporation or these bylaws.

4.4 SUBCOMMITTEES

Unless otherwise provided in the certificate of incorporation, these bylaws or the resolutions of the board of directors designating the committee, a committee may create one or more subcommittees, each subcommittee to consist of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

ARTICLE V - OFFICERS

5.1 OFFICERS

The officers of the corporation shall be a president and a secretary. The corporation may also have, at the discretion of the board of directors, a chairperson of the board of directors, a vice chairperson of the board of directors, a chief executive officer, a chief financial officer or treasurer, one or more assistant treasurers, one or more assistant secretaries, and any such other officers as may be appointed in accordance with the provisions of these bylaws. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS.

The board of directors shall appoint the officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws, subject to the rights, if any, of an officer under any contract of employment.

5.3 SUBORDINATE OFFICERS

The board of directors may appoint, or empower the chief executive officer or, in the absence of a chief executive officer, the president, or any other officer specified in Section 5.1 to appoint, such other officers and agents as the business of the corporation may require. Each of such officers and agents shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors (or, as applicable, the chief executive officer, president or other officer specified in Section 5.1 of these bylaws to whom such officer reports) may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the board of directors at any regular or special meeting of the board of directors or, except in the case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES

Any vacancy occurring in any office of the corporation shall be filled by the board of directors or as provided in Section 5.3.

5.6 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The chairperson of the board of directors, the president, any vice president, the treasurer, the secretary or assistant secretary of this corporation, or any other person authorized by the board of directors or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

5.7 AUTHORITY AND DUTIES OF OFFICERS

All officers of the corporation shall have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors or the stockholders (or, as applicable, the chief executive officer, president or other officer specified in Section 5.1 of these bylaws to whom such officer reports) and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the board of directors.

ARTICLE VI - STOCK

6.1 STOCK CERTIFICATES; PARTLY PAID SHARES

The shares of the corporation shall be represented by certificates, provided that the board of directors may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the corporation by the chairperson of the board of directors or vice-chairperson of the board of directors,

or the president or a vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The corporation shall not have power to issue a certificate in bearer form.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly-paid shares, or upon the books and records of the corporation in the case of uncertificated partly-paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully-paid shares, the corporation shall declare a dividend upon partly-paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

6.2 SPECIAL DESIGNATION ON CERTIFICATES

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; *provided, however*, that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this section 6.2 or Sections 156, 202(a) or 218(a) of the DGCL or with respect to this section 6.2 a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated stock and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

6.3 LOST CERTIFICATES

Except as provided in this Section 6.3, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and cancelled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

6.4 DIVIDENDS

The board of directors, subject to any restrictions contained in the certificate of incorporation or applicable law, may declare and pay dividends upon the shares of the corporation's capital stock. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock, subject to the provisions of the certificate of incorporation.

The board of directors may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

6.5 TRANSFER OF STOCK

Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by an attorney duly authorized, and, if such stock is certificated, upon the surrender of a certificate or certificates for a like number of shares, properly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer.

6.6 STOCK TRANSFER AGREEMENTS

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

6.7 REGISTERED STOCKHOLDERS

The corporation:

- (i) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner;
- (ii) shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares; and
- (iii) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII - MANNER OF GIVING NOTICE AND WAIVER

7.1 NOTICE OF STOCKHOLDERS' MEETINGS

Notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the corporation's records. An affidavit of the secretary or an assistant secretary of the corporation or of the transfer agent or other agent of the corporation that the notice has been given shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

7.2 NOTICE BY ELECTRONIC TRANSMISSION

Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the certificate of incorporation or these bylaws, any notice to stockholders given by the corporation under any provision of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Any such consent shall be deemed revoked if:

- (i) the corporation is unable to deliver by electronic transmission two consecutive notices given by the corporation in accordance with such consent; and
- (ii) such inability becomes known to the secretary or an assistant secretary of the corporation or to the transfer agent, or other person responsible for the giving of notice.

However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Any notice given pursuant to the preceding paragraph shall be deemed given:

- (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;

(ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice;

(iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and

(iv) if by any other form of electronic transmission, when directed to the stockholder.

An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

An “**electronic transmission**” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

Notice by a form of electronic transmission shall not apply to Sections 164, 296, 311, 312 or 324 of the DGCL.

7.3 NOTICE TO STOCKHOLDERS SHARING AN ADDRESS

Except as otherwise prohibited under the DGCL, without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the corporation under the provisions of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Any stockholder who fails to object in writing to the corporation, within 60 days of having been given written notice by the corporation of its intention to send the single notice, shall be deemed to have consented to receiving such single written notice.

7.4 NOTICE TO PERSON WITH WHOM COMMUNICATION IS UNLAWFUL

Whenever notice is required to be given, under the DGCL, the certificate of incorporation or these bylaws, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

7.5 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the DGCL, the certificate of incorporation or these bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the certificate of incorporation or these bylaws.

ARTICLE VIII - INDEMNIFICATION

8.1 THIRD PARTY ACTIONS

Subject to Section 8.4 of these bylaws, the corporation shall, to the fullest extent permitted by the General Corporation Law of the State of Delaware, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a

director or officer of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

8.2 ACTIONS BY OR IN THE RIGHT OF THE CORPORATION

Subject to Section 8.4 of these bylaws, the corporation shall, to the fullest extent permitted by the General Corporation Law of the State of Delaware, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

8.3 SUCCESSFUL DEFENSE

To the extent that a present or former director or officer of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 8.1 or 8.2 of this Article VIII, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

8.4 DETERMINATION OF CONDUCT

Subject to any rights under any contract between this corporation and any person seeking indemnification pursuant to this Article VIII, any indemnification under this Article VIII (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of such person is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 8.1 or 8.2 of this Article VIII. Such determination shall be made (1) by the Board of Directors (or by an executive committee thereof) by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders (but only if a majority of the directors who are not parties to such action, suit or proceeding, if they constitute a quorum of the board of directors, presents the issue of entitlement to indemnification to the stockholders for their determination). Notwithstanding the foregoing, an Agent of the corporation shall be able to contest any determination that the director or officer has not met the applicable standard of conduct, set forth in Section 8.1 or 8.2 of this Article VIII, by petitioning a court of appropriate jurisdiction.

8.5 GOOD FAITH DEFINED

For purposes of any determination under Section 8.4 of this Article VIII, to the fullest extent permitted the General Corporation Law of the State of Delaware, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful,

if such person's action is based on the records or books of account of the corporation or any other corporation, partnership, joint venture, trust or other enterprise, or on information supplied to such person by the officers of the corporation or any other corporation, partnership, joint venture, trust or other enterprise in the course of their duties, or on the advice of legal counsel for the corporation or any other corporation, partnership, joint venture, trust or other enterprise or on information or records given or reports made to the corporation or any other corporation or any other corporation, partnership, joint venture, trust or other enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the corporation or such other corporation, partnership, joint venture, trust or other enterprise. The provisions of this Section 8.5 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 8.1 or 8.2 of this Article VIII, as the case may be.

8.6 PAYMENT OF EXPENSES IN ADVANCE

To the fullest extent permitted by the Delaware General Corporation Law, expenses incurred by a person who is or was a director or officer of the corporation in defending or settling any civil or criminal action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article VIII.

8.7 INDEMNITY NOT EXCLUSIVE

The indemnification and advancement of expenses provided by, or granted pursuant to, the other subparagraphs of this Article VIII shall not be deemed exclusive of, and shall be subject to, any other rights to which those seeking indemnification or advancement of expenses may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

8.8 INSURANCE INDEMNIFICATION

The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article VIII.

8.9 CERTAIN DEFINITIONS

For purposes of this Article VIII, references to

- (a) "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director or officer of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VIII (including, without limitation, the provisions of Section 8.4 of these bylaws) with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued;
- (b) "other enterprises" shall include employee benefit plans;
- (c) "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and
- (d) "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a

manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the corporation” as referred to in this Article VIII.

8.10 INDEMNITY FUND

Upon resolution passed by the Board of Directors, the corporation may establish a trust or other designated account, grant a security interest or use other means (including, without limitation, a letter of credit), to ensure the payment of any or all of its obligations arising under this Article VIII and/or agreements which may be entered into between the corporation and its officers and directors from time to time.

8.11 INDEMNIFICATION OF OTHER PERSONS

The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not a current or former director or officer of the corporation but whom the corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware or otherwise. The corporation may, in its sole discretion, indemnify an employee, trustee or other agent as permitted by the General Corporation Law of the State of Delaware. The corporation shall indemnify an employee, trustee or other agent where required by law.

8.12 SAVINGS CLAUSE

If this Article VIII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then, subject to the provisions of Section 8.4, the corporation shall nevertheless indemnify each person seeking indemnification hereunder against expense (including attorneys’ fees), judgments, fines and amounts paid in settlement with respect to any action, suit, proceeding or investigation, whether civil, criminal or administrative, and whether internal or external, including a grand jury proceeding and an action or suit brought by or in the right of the corporation, to the full extent permitted by any applicable portion of this Article VIII that shall not have been invalidated or by any other applicable law.

8.13 CONTINUATION OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

8.14 EFFECT OF AMENDMENT OR REPEAL

Neither any amendment or repeal of any section of this Article VIII, nor the adoption of any provision of the Certificate of Incorporation or these bylaws inconsistent with this Article VIII, shall adversely affect any right or protection of any director, officer, employee or other agent established pursuant to this Article VIII existing at the time of such amendment, repeal or adoption of an inconsistent provision, including, without limitation, by eliminating or reducing the effect of this Article VIII, for or in respect of any act, omission or other matter occurring, or any action or proceeding accruing or arising (or that, but for this Article VIII, would accrue or arise), prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE IX - GENERAL MATTERS

9.1 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

Except as otherwise provided by law, the certificate of incorporation or these bylaws, the board of directors may authorize any officer or officers, or agent or agents, to enter into any contract or execute any document or instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

9.2 FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the board of directors and may be changed by the board of directors.

9.3 SEAL

The corporation may adopt a corporate seal, which shall be adopted and which may be altered by the board of directors. The corporation may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

9.4 CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the DGCL shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term “**person**” includes both a corporation and a natural person.

ARTICLE X - AMENDMENTS

These bylaws may be adopted, amended or repealed by the stockholders entitled to vote. However, the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws.

A bylaw amendment adopted by stockholders which specifies the votes that shall be necessary for the election of directors shall not be further amended or repealed by the board of directors.

QUANTUM CORPORATION

CERTIFICATE OF AMENDMENT OF BYLAWS

The undersigned hereby certifies that he or she is the duly elected, qualified, and acting Secretary or Assistant Secretary of Quantum Corporation, a Delaware corporation and that the foregoing bylaws, comprising 23 pages, were amended and restated on November 18, 2008 by the corporation's board of directors.

IN WITNESS WHEREOF, the undersigned has hereunto set his or her hand this 18th day of November, 2008.

/s/ Shawn D. Hall
Shawn D. Hall, Secretary

CERTIFICATE OF AMENDMENT
TO THE BYLAWS OF
QUANTUM CORPORATION

The undersigned, Shawn D. Hall, hereby certifies that he is the duly appointed, qualified, and acting Secretary of Quantum Corporation, a Delaware corporation (the "**Company**"), and that on January 20, 2010, the Board of Directors of the Company (the "**Board**") amended such Bylaws as set forth below:

Implementation of Majority Voting Policy

WHEREAS: The Board deems it advisable and in the best interests of the Company and its stockholders to implement a majority voting policy with respect to uncontested elections of directors to the Board; and

WHEREAS: The Board may adopt, amend or repeal any provision of the Bylaws.

NOW, THEREFORE, BE IT RESOLVED: That Article II, Section 2.9 of the Bylaws are hereby amended and restated in their entirety to read as follows:

"2.9 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 of these bylaws, subject to Section 217 (relating to voting rights of fiduciaries, pledgors and joint owners of stock) and Section 218 (relating to voting trusts and other voting agreements) of the DGCL.

Except as may be otherwise provided in the certificate of incorporation or these bylaws, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

Except as otherwise required by law, the certificate of incorporation or these bylaws, in all matters other than the election of directors, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Except as otherwise required by law, the certificate of incorporation or these bylaws, directors shall be elected in accordance with Section 3.3 of these bylaws. Where a separate vote by a class or series or classes or series is required, in all matters other than the election of directors, the affirmative vote of the majority of shares of such class or series or classes or series present in person or represented by proxy at the meeting shall be the act of such class or series or classes or series, except as otherwise provided by law, the certificate of incorporation or these bylaws.

Except as provided in Section 3.4 of these bylaws, each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until such director's successor is elected and qualified or until such director's earlier death, resignation or removal. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws. The certificate of incorporation or these bylaws may prescribe other qualifications for directors."

RESOLVED FURTHER: That Article III, Section 3.3 of the Bylaws are hereby amended and restated in their entirety to read as follows:

"3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

Except as provided in Section 3.4 of these bylaws, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. A nominee for director shall be elected to the board of directors if the votes cast for such nominee's election exceed the votes cast against such nominee's election; provided, however, that directors shall be elected by a plurality of the votes cast at any meeting of stockholders for which (i) the secretary of the corporation receives notice that a stockholder has nominated a person for election to the board of directors in

compliance with the advance notice requirements for stockholder nominees for director set forth in Section 2.4 of these bylaws and (ii) such nomination has not been withdrawn by such stockholder on or prior to the date that is ten (10) calendar days in advance of the date the corporation files its definitive proxy statement (regardless of whether thereafter revised or supplemented) for such meeting with the Securities and Exchange Commission. "Votes cast" shall include votes to withhold authority in each case but shall exclude abstentions with respect to that director's election. If directors are to be elected by a plurality of the votes cast, stockholders shall not be permitted to vote against a nominee. Each director, including a director elected or appointed to fill a vacancy (including vacancies from newly created directorships), shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws. The certificate of incorporation or these bylaws may prescribe other qualifications for directors."

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 21st day of January, 2010.

By: /s/ Shawn D. Hall
Signature

Shawn D. Hall,

Secretary, General Counsel, and Senior Vice President

CERTIFICATE OF AMENDMENT

TO THE BYLAWS OF

QUANTUM CORPORATION

The undersigned, Shawn D. Hall, hereby certifies that he is the duly appointed, qualified, and acting Secretary of Quantum Corporation, a Delaware corporation (the “**Company**”), and that on February 3, 2016, the Board of Directors of the Company (the “**Board**”) amended such Bylaws as set forth below:

Removal of Directors

WHEREAS: Following the ruling on December 21, 2015 of the Delaware Chancery Court in the *In re: Vaalco Energy Inc.* matter, the Board believes it to be in the best interest of the Company and its shareholders to amend its bylaws as set forth below; and

WHEREAS: The Board may adopt, amend or repeal any provision of the Bylaws.

NOW, THEREFORE, BE IT RESOLVED: That Article III, Section 3.11 of the Bylaws are hereby amended and restated in their entirety to read as follows:

“3.11 REMOVAL OF DIRECTORS

Any director may be removed from office by the stockholders of the corporation in accordance with the provisions of the DGCL.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director’s term of office.”

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 8th day of February, 2016.

By: /s/ Shawn D. Hall

Signature

Shawn D. Hall,

Secretary, General Counsel, and Senior Vice President

QUANTUM CORPORATION
2023 LONG-TERM INCENTIVE PLAN

(Adopted on July 23, 2023)

1. Purposes of the Plan; Award Types. The purposes of this Plan are to attract, retain and incentivize the best available personnel for positions of substantial responsibility, 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, and Performance Awards.

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

(a) "Administrator" has the meaning set forth in Section 4(a) of the Plan.

(b) "Affiliate" means any corporation or any other entity (including, but not limited to, partnerships and joint ventures) controlling, controlled by, or under common control with the Company.

(c) "Applicable Laws" means the legal and regulatory requirements relating to the administration of equity-based awards, including but not limited to the related issuance of Shares under U.S. federal and 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, only to the extent applicable with respect to an Award or Awards, the tax, securities, exchange control, and other laws of any jurisdictions other than the United States where Awards are, or will be, granted under the Plan. Reference to a section of an Applicable Law or regulation related to that section shall include such section or regulation, any valid regulation issued under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

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

(e) "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.

(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 (a "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 (i), (1) the acquisition of beneficial ownership of additional stock by any one Person who is considered to beneficially own more than fifty percent (50%) of the total voting power of the stock of the Company at the time of the acquisition if the additional stock will not be considered a Change in Control; and (2) if the stockholders of the Company immediately before such change in ownership continue to

retain immediately after the change in ownership, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately prior to the change in ownership, direct or indirect beneficial ownership of fifty percent (50%) or more of the total voting power of the stock of the Company, such event shall not be considered a Change in Control under this subsection (i). For this purpose, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company, as the case may be, either directly or through one or more subsidiary corporations or other business entities;

(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 subsection (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. 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.

A transaction will not be deemed a Change in Control (x) unless the transaction qualifies as a change in control event within the meaning of Section 409A, or (y) if its primary purpose is to (A) change the jurisdiction of the Company's incorporation, or (B) 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.

(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(a) of the Plan.

- (j) “Common Stock” means the common stock of the Company.
- (k) “Company” means Quantum Corporation, a Delaware corporation, or any successor thereto.
- (l) “Company Group” means the Company, any Parent or Subsidiary of the Company, and any Affiliate.
- (m) “Consultant” means any person engaged by a member of the Company Group to render bona fide services to such entity. A Consultant must be a person to whom the issuance of Shares registered on Form S-8 under the Securities Act is permitted.
- (n) “Director” means a member of the Board.
- (o) “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.
- (p) “Dividend Equivalent” means a credit, made at the discretion of the Administrator or as otherwise provided by the Plan, to the account of a Participant in an amount equal to the cash dividends paid on one Share for each Share represented by a Restricted Stock Unit (including a Restricted Stock Unit granted as a Performance Award) held by such Participant.
- (q) “Effective Date” has the meaning provided in Section 18 of the Plan.
- (r) “Employee” means any person, including officers and Directors, employed by the Company or any member of the Company Group. However, with respect to Incentive Stock Options, an Employee must be 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.
- (s) “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- (t) “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 transfer for value any outstanding Awards to a financial institution or other person or entity selected by the Administrator (excluding for bona fide estate planning purposes as approved by the Administrator), 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 14 of the Plan. The Administrator will determine the terms and conditions of any Exchange Program in its discretion, but only to the extent permitted by the Company’s stockholders.
- (u) “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, Nasdaq Global
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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 Day 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.

Notwithstanding the foregoing, if the determination date for the Fair Market Value occurs on a weekend, holiday, or other day other than a Trading Day, the Fair Market Value will be the price as determined under subsections (i) or (ii) above on the immediately preceding Trading Day, unless otherwise determined by the Administrator. In addition, for purposes of determining the Fair Market Value of shares for any reason other than the determination of the Exercise Price of Options or Stock Appreciation Rights, Fair Market Value will be determined by the Administrator in a manner compliant with Applicable Laws and applied consistently for such purpose. Note that the determination of Fair Market Value for purposes of tax withholding may be made in the Administrator's sole discretion subject to Applicable Laws and is not required to be consistent with the determination of Fair Market Value for other purposes.

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

(w) "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.

(x) "ISO Limit" has the meaning provided in Section 3(c) of the Plan.

(y) "Maximum Share Limit" has the meaning provided in Section 3(a) of the Plan.

(z) "Nonstatutory Stock Option" means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(aa) "Option" means a stock option granted pursuant to the Plan.

(ab) "Outside Director" means a Director who is not an Employee or Consultant.

(ac) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(ad) "Participant" means the holder of an outstanding Award.

(ae) "Performance Award" means an Award granted pursuant to Section 11 of the Plan 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 cash- or stock-denominated and may be settled for cash, Shares, or other securities or a combination of the foregoing.

(af) “Plan” means this 2023 Long-Term Incentive Plan.

(ag) “Prior Plan” means the Quantum Corporation Amended and Restated 2012 Long-Term Incentive Plan.

(ah) “Restricted Stock” means Shares issued pursuant to a Restricted Stock award under Section 8 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 or a cash amount), granted pursuant to Section 9 of the Plan. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(aj) “Section 409A” means Section 409A of the Code.

(ak) “Securities Act” means U.S. Securities Act of 1933, as amended.

(al) “Service Provider” means an Employee, Director or Consultant. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be a Service Provider and the effective date of such individual’s status as, or cessation of status as, a Service Provider. For purposes of an individual’s rights, if any, under the Plan as of the time of the Company’s determination, all such determinations by the Company shall be final, binding and conclusive, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination.

(am) “Share” means a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.

(an) “Stock Appreciation Right” or “SAR” means an Award, granted alone or in connection with an Option, that pursuant to Section 10 of the Plan is designated as a Stock Appreciation Right.

(ao) “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code.

(ap) “Substitute Awards” means Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a company acquired by the Company Group or with which a member of the Company Group combines.

(aq) “Tax Obligations” means tax and social insurance liability obligations and requirements in connection with the Awards, including (i) all federal, state, and local taxes (including the Participant’s Federal Insurance Contributions Act (FICA) obligation) that are required to be withheld by the Company or the employing Affiliate, (ii) the Participant’s and, to the extent required by the Company (or Affiliate), the Company’s (or Affiliate’s) fringe benefit tax liability, if any, associated with the grant, vesting, or exercise of an Award or sale of Shares, and (iii) any other Company (or Affiliate) taxes or

social insurance liabilities the responsibility for which the Participant has, or has agreed to bear, with respect to such Award (or exercise thereof or issuance of Shares thereunder).

(ar) “Trading Day” means a day on which the primary stock exchange or national market system (or other trading platform, as applicable) on which the Common Stock trades is open for trading.

3. **Stock Subject to the Plan.**

(a) Stock Subject to the Plan. Subject to the provisions of Section 14 of the Plan regarding adjustments, the maximum aggregate number of Shares that may be issued under the Plan is 6,000,000 plus (i) any Shares that, as of the date stockholders initially approve the Plan (the “**Approval Date**”), have been reserved but not issued pursuant to any awards granted under the Prior Plan and are not subject to any awards granted thereunder, and (ii) any Shares subject to awards granted under the Prior Plan that, after the Approval Date (x) expire or otherwise terminate without having been vested or exercised in full, (y) are forfeited to or repurchased by the Company due to failure to vest, and (z) would have, but for the termination of the Prior Plan, again become available for future use under the terms of the Prior Plan (the “**Maximum Share Limit**”). Notwithstanding the foregoing, the maximum number of Shares to be added to the Plan pursuant to clauses (i) and (ii) of the prior sentence shall be equal to 5,957,921 Shares. The Shares may be authorized but unissued Common Stock, or Common Stock issued and then reacquired by the Company.

(b) Share Recycling.

(i) If an Option or SAR expires or becomes unexercisable without having been exercised in full or is surrendered pursuant to an Exchange Program, the unpurchased Shares subject to the Option or SAR will become available for future issuance under the Plan. Upon exercise of a SAR 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.

(ii) 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 unvested Shares issued pursuant to Awards that are reacquired by the Company or are forfeited to the Company due to failure to vest will become available for future issuance under the Plan.

(iii) Shares used to pay the exercise price or purchase price of an Award will not become available for future grant and/or sale under the Plan. Shares purchased in the open market with proceeds from Option exercises will not become available for issuance under the Plan.

(iv) Shares used to satisfy the Tax Obligations related to an Award of Restricted Stock or Restricted Stock Units will not become available for future grant or sale under the Plan. Shares used to satisfy the Tax Obligations under an Option or SAR will not become available for future grant or sale under the Plan.

(v) If any portion of an Award is paid to a Participant in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan.

(c) Incentive Stock Option Limit. Subject to adjustment as provided in Section 14 of the Plan, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the Maximum Share Limit.

(d) Substitute Awards. In connection with an entity's merger or consolidation with the Company or the Company's acquisition of an entity's property or stock, the Administrator may grant Awards in substitution for any options or other stock or stock-based awards granted before such merger or consolidation by such entity or its affiliate. Substitute Awards may be granted on such terms as the Administrator deems appropriate, notwithstanding limitations on Awards in the Plan. Substitute Awards will not count against the Maximum Share Limit (nor will Shares subject to a Substitute Award be added to the Shares available for Awards under the Plan as provided above), except that Shares acquired by exercise of substitute Incentive Stock Options will count against the maximum number of Shares that may be issued pursuant to the exercise of Incentive Stock Options under the Plan. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan (and Shares subject to such Awards shall not be added to the Shares available for Awards under the Plan as provided above); provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees, Consultants or Directors prior to such acquisition or combination.

(e) Reservation of Shares; Fractional Shares. The Company shall at all times reserve a number of Shares sufficient to cover the Company's obligations and contingent obligations to deliver Shares with respect to Awards then outstanding under the Plan (exclusive of any obligations to the extent the Company has the right to settle such rights in cash). Unless the Administrator provides otherwise, no fractional Shares shall be issuable pursuant to the exercise or settlement of Awards under the Plan. The Administrator shall also have the authority to determine whether fractional Shares shall be rounded down or a cash payment shall be made in lieu of fractional Shares.

4. Administration of the Plan.

(a) Administrator. The Plan will be administered by the Board or a Committee consisting of two or more directors of the Company (the "Administrator"). The Board will retain the authority to concurrently administer the Plan with a Committee and may revoke the delegation of some or all authority previously delegated. In addition, to the extent required by the Board, the composition of a Committee responsible for administering the Plan will satisfy such requirements of the New York Stock Exchange or the Nasdaq Stock Market, as applicable, and as the Securities and Exchange Commission may establish for administrators acting under plans intended to qualify for exemption under Rule 16b-3 under the Exchange Act.

(b) Delegation. To the extent permitted by Applicable Laws, the Board or the Committee may also authorize one or more officers of the Company to designate Employees, other than officers under Section 16 of the Exchange Act, to receive Awards, and/or to determine the number of

such Awards to be received by such persons; provided, however, that the Board or the Committee shall specify the total number of Awards that such officers may so award. This delegation may be revoked at any time by the Administrator.

(c) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, any limitations specified by the Board, and any requirements imposed by Applicable Laws, the Administrator will have the authority, in its sole discretion, to construe and interpret the terms of the Plan and make any determinations and perform any actions deemed necessary or advisable to administer the Plan, including :

- (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;
- (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 method of payment for Shares purchased under any Award, the method for satisfaction of any Tax Obligation arising in connection with an Award, the time or times when Awards may be exercised or settled (which may be based on performance criteria), whether an Award will be settled in Shares, cash or a combination thereof, any vesting acceleration or waiver of forfeiture restrictions, and any restriction, limitation or requirement regarding any Award or the Shares relating to an Award (for example, any holding period or ownership requirement);

(vi) to institute and determine the terms and conditions of any Exchange Program with the consent of the Company's stockholders;

(vii) to establish, 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, easing the administration of the Plan and/or for qualifying for favorable tax treatment under applicable foreign laws;

(viii) to interpret, modify or amend each Award (subject to Section 21 of the Plan);

(ix) to allow Participants to satisfy Tax Obligations in such manner as prescribed in Section 18 of the Plan;

(x) to delegate ministerial duties to any of the Company's employees, and to authorize any person to take any steps and execute, on behalf of the Company, any documents required for an Award previously granted by the Administrator to be effective;

(xi) to allow a Participant, in compliance with all Applicable Laws (including 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;

(xii) 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 (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;

(xiii) to temporarily suspend the exercisability of an Award if the Administrator deems such suspension to be necessary or appropriate for administrative purposes, including in connection with Section 16 of the Plan, provided that, unless prohibited by Applicable Laws, such suspension not in connection with a transaction described under Section 16 of the Plan shall be lifted not less than ten (10) Trading Days before the last date that the Award may be exercised;

(xiv) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award deemed necessary or advisable for administering the Plan.

(d) 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 Applicable Law.

5. Eligibility and Award Limitations.

(a) Eligibility. Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, and Performance Awards may be granted to Service Providers. Incentive Stock Options may be granted only to Employees of the Company or Parent or Subsidiary of the Company.

(b) Fiscal Year Limit on Employee/Consultant Awards. Subject to adjustment as provided in Section 14 of the Plan, during any Fiscal Year, no Employee or Consultant will be granted:

(i) Options and/or SARs (including Performance Awards structured as Options or SARs) covering more than a total of 1,000,000 Shares; provided, however, that in connection with his or her initial employment or engagement, such Participant may be granted Options and/or SARs covering an additional 1,000,000 Shares in the Fiscal Year in which his or her service first commences;

(ii) Restricted Stock and/or Restricted Stock Units (including Performance Awards structured as Restricted Stock or Restricted Stock Units) covering more than 750,000 Shares; provided, however, that in connection with his or her initial employment or engagement, such Participant may be granted Restricted Stock or Restricted Stock Units covering up to a total of 750,000 additional Shares in the Fiscal Year in which his or her service first commences; and

(iii) Cash-denominated Performance Awards having an initial value greater than \$10,000,000; provided, however, that in connection with his or her initial employment or engagement, such Participant may be granted additional cash-denominated Performance Awards in the

Fiscal Year in which his or her service first commences having an initial value no greater than an additional \$10,000,000.

(c) Fiscal Year Limit on Outside Director Awards. Subject to adjustment as provided in Section 14 of the Plan, 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.

6. Stock Options.

(a) Stock Option Award Agreement. Each Option will be evidenced by an Award Agreement that will specify the number of Shares subject to the Option, per share exercise price, its expiration date, and such other terms and conditions as the Administrator determines. Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. An Option not designated as an Incentive Stock Option is a Nonstatutory Stock Option.

(b) Term of Option. The term of each 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: (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, Dividend Equivalents 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, Dividend Equivalent or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 14 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 to the extent that the Option is vested on the date of termination (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 ninety (90) days 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 to the extent the Option is vested on the date of termination (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 to the extent that the Option is vested on the date of death (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 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 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.

(e) Tolling of Expiration. If exercising an Option prior to its expiration is not permitted because of Applicable Laws, other than the rules of any stock exchange or quotation system on which the Common Stock is listed or quoted, the Option will remain exercisable until thirty (30) days after the first date on which exercise no longer would be prevented by such provisions; provided, however, that this tolling of expiration shall not apply if and to the extent the holder of such Option is a United States taxpayer and the tolling would result in a violation of Section 409A such that the Option would be subject to additional taxation or interest under Section 409A. If this would result in the Option remaining exercisable past its Expiration Date, then unless earlier terminated pursuant to Section 16 of the Plan relating to a merger or Change in Control, the Option will remain exercisable only until the end of the later of (x) the first day on which its exercise would not be prevented by Section 22(a) of the Plan relating to legal compliance and (y) its expiration date.

(f) Incentive Stock Option Limitations. 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. If for any reason an Option (or portion thereof) designated as an Incentive Stock Option shall not qualify as an Incentive Stock Option, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a Nonstatutory Stock Option granted under the Plan. 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.

(g) No Reload Options. No Option granted under the Plan shall contain any provision entitling the Participant to the automatic grant of additional Options in connection with any exercise of the original Option.

7. Restricted Stock.

(a) Restricted Stock Award Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the number of Shares subject to the Award of Restricted Stock and such other terms and conditions as the Administrator determines. For the avoidance of doubt, Restricted Stock may be granted without any vesting requirements (e.g., vested stock bonuses). Unless the Administrator determines otherwise, Shares of Restricted Stock will be held in escrow while unvested.

(b) Transferability. Except as provided in this Section 8 or Section 14 of the Plan, 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 vesting period (if any).

(c) Escrow; Other Restrictions. Restricted Stock may be granted with or without any vesting requirements (e.g., vested stock bonuses). Unless the Administrator determines otherwise, Shares of Restricted Stock will be held in escrow while unvested. The Administrator, in its sole discretion, may impose prior to grant, such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares, if any, have lapsed. Shares of Restricted Stock will be released from escrow as soon as practicable after the last day of the vesting period or at such other time as the Administrator may determine.

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

(e) Dividends and Other Distributions. During the vesting period, Participants 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. Any such dividends or other distributions credited/payable in connection with Shares of Restricted Stock that are not yet vested will be subject to the same restrictions and risk of forfeiture as the underlying Award and will not be paid until the underlying Award vests. At the Administrator's discretion, the Restricted Stock Award Agreement may require that the holder of Restricted Stock invest any cash dividends received in additional Shares of Restricted Stock. Such additional Shares of Restricted Stock shall be subject to the same conditions as

the Award with respect to which the dividend was paid. Shares of Restricted Stock may not receive Dividend Equivalents.

(f) 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 of the Plan, again will become available for grant under the Plan.

8. Restricted Stock Units.

(a) Restricted Stock Unit Award Agreement. Each Award of Restricted Stock Units will be evidenced by an Award Agreement that will specify the number of Restricted Stock Units subject to the Award and such other terms and conditions as the Administrator determines.

(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.

(c) Form and Timing of Payment. Payment of vested 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 settle earned Restricted Stock Units in cash, Shares, or a combination of both.

(d) Voting Rights. Participants shall have no voting rights with respect to Shares represented by Restricted Stock Units until the date of the issuance of such Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company).

(e) Dividend Equivalent Rights. An award of Restricted Stock Units may, at the Administrator's discretion, include a right to Dividend Equivalents. Such right, if awarded, entitles the Participant to be credited with an amount equal to all cash dividends paid on one Share while the Restricted Stock Unit is outstanding. Settlement of Dividend Equivalents may be made in the form of cash, in the form of Shares, or in a combination of both. Dividend Equivalents may also be converted into additional Restricted Stock Units at the Administrator's discretion. Dividend Equivalents shall not be distributed prior to settlement of the Restricted Stock Unit to which the Dividend Equivalents pertain. Prior to distribution, any Dividend Equivalents shall be subject to the same conditions and restrictions (including any forfeiture conditions) as the Restricted Stock Units to which they attach. The value of Dividend Equivalents payable or distributable with respect to any unvested Restricted Stock Units that do not vest will be forfeited. Any entitlement to Dividend Equivalents or similar entitlements will be established and administered either consistent with an exemption from, or in compliance with, the applicable requirements of Section 409A to the extent applicable to the Participant. All such Dividend Equivalent payments will be made no later than March 15 of the calendar year following the calendar year in which the right to the Dividend Equivalent payment becomes nonforfeitable, unless determined otherwise by the Administrator or unless deferred in a manner intended to comply with Section 409A of the Code.

(f) 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) Stock Appreciation Right Award Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the number of Shares subject to the Stock Appreciation Right, its per share exercise price, its expiration date, and such other terms and conditions as the Administrator determines.

(b) 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. Notwithstanding the foregoing, Stock Appreciation Rights 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. 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. Until Shares are issued in respect of a Stock Appreciation Right (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, Dividend Equivalents or any other rights as a stockholder will exist with respect to the Shares subject to a Stock Appreciation Right.

(c) 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 7(a) of the Plan relating to the maximum term and Sections 7(c) and 7(d) of the Plan relating to exercise also will apply to Stock Appreciation Rights.

(d) 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 Awards.

(a) Award Agreement. Each Performance Award will be evidenced by an Award Agreement that will specify the period during which any performance objectives or other vesting provisions will be measured (the “**Performance Period**”), and such other terms and conditions as the Administrator determines. Each Performance Award’s threshold, target, and maximum payout values (as applicable) will be established by the Administrator on or before the grant date of the Award.

(b) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions in its discretion which, depending on the extent to

which they are met, will determine the number of Shares or value of the payout for the Performance Award. The Administrator may set vesting criteria based upon continued employment or service, the achievement of specific performance objectives (such as Company-wide, departmental, divisional, business unit, or individual goals), applicable federal or state securities laws or any other basis determined by the Administrator in its discretion. Performance Awards that are Restricted Stock Units may contain Dividend Equivalent rights, subject to the provisions of Section 8(e) of the Plan.

(c) Earning Performance Awards. After the applicable Performance Period has ended, the holder of a Performance Award will be entitled to receive a payout of the number of Shares or cash, as applicable, 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.

(d) Form and Timing of Payout. Payment of earned Performance Awards will be made at the time(s) specified in the Award Agreement. Payment with respect to earned Performance Awards will be made in cash, in Shares of equivalent value, or any combination of cash and Shares, with the determination of form of payment made by the Administrator at the time of grant (unless otherwise provided in the Award Agreement).

(e) Cancellation of Awards. On the date set forth in the Award Agreement, all unearned or unvested Shares subject to a Performance Award 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. Unless the Administrator provides otherwise 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 such 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 and any member of the Company Group. 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 (or the Participant's guardian or legal representative). If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate.

13. Capitalization Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property, but excepting normal cash dividends), recapitalization, stock split, reverse stock split, reorganization, reincorporation, reclassification, merger, consolidation, split-up, split-off, 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 of stock that may be delivered under the Plan and/or the number, class, and price of shares of stock covered by each outstanding Award, the numerical Share limits in Section 3 of the Plan and the per person numerical Share limits in Section 6 of the Plan. Adjustments to Awards and the grant of new Awards (including, but not limited to, substitute Awards) under this Section 14 will not count against the per person numerical Share or dollar limits in Section 6 of the Plan. Any fractional share resulting from an adjustment pursuant to this Section 14 shall be rounded down to the nearest whole number, and in no event may the exercise or purchase price under any Award be decreased to an amount less than the par value, if any, of the stock subject to such Award.

14. 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.

15. Merger or Change in Control.

(a) General. In the event of a merger of the Company with or into another corporation or other entity or a Change in Control (a "Transaction"), each outstanding Award will be treated as the Administrator determines (subject to the provisions of this Section) without a Participant's consent, including 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 (or an affiliate thereof). The Administrator will not be required to treat all Awards or portions thereof similarly in the Transaction.

(b) Continuation or Assumption. An Award will be considered assumed if, following the Transaction, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, 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 or Performance Award, 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. 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.

(c) Non-Continuation. 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 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.

(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 Performance Awards, 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.

16. Tax Matters.

(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 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 all Tax Obligations.

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may designate the method or methods by which a Participant may satisfy such Tax Obligations. As determined by the Administrator in its discretion from time to time, these methods may include one or more of the following (i) paying cash, check, or other cash equivalents, (ii) having the Company withhold otherwise deliverable cash (including cash from the sale of Shares issued to the Participant) or Shares having a Fair Market Value equal to the amount required to be withheld or such greater amount (including up to a maximum statutory amount) as the Administrator may determine or permit if such amount does not result in unfavorable financial accounting treatment, as the Administrator determines in its sole discretion, (iii) forcing the sale of Shares issued pursuant to an Award (or exercise thereof) having a Fair Market Value equal to the minimum statutory amount applicable in a Participant's jurisdiction or a greater amount as the Administrator may determine or permit if such greater amount would not result in unfavorable financial accounting treatment, as the Administrator determines in its sole discretion, (iv) requiring the Participant to deliver to the Company already-owned Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld or a greater amount as the Administrator may determine or permit if such greater amount would not result in unfavorable financial accounting treatment, as the Administrator determines in its sole discretion, (v) requiring the Participant to engage in a cashless exercise transaction (whether through a broker or otherwise) implemented by the Company in connection with the Plan, (vi) having the Company or a member of the Company Group withhold from wages or any other cash amount due or to become due to the Participant and payable by the Company or any a member of the Company Group, or (vii) such other consideration and method of payment to meet Tax Obligations as the Administrator may determine to the extent permitted by Applicable Laws. In all instances, the satisfaction of the Tax Obligations will not result in any adverse accounting consequence to the Company, as the Administrator may determine in its sole discretion. The Fair Market Value of the Shares to be withheld or delivered will

be determined as of the date the amount of tax to be withheld is calculated or such other date as Administrator determines is applicable or appropriate with respect to the Tax Obligation calculation, and will be rounded up to the nearest whole Share, with no refund provided in the U.S. for any value of the Shares withheld in excess of the Tax Obligations as a result of such rounding.

(c) Compliance With Section 409A. Unless the Administrator determines that compliance with Section 409A is not necessary, it is intended that Awards will be designed and operated so that they are either exempt or excepted from the application of Section 409A or comply with any requirements necessary to avoid the imposition of additional tax under Section 409A(a)(1)(B) so that the grant, payment, settlement, or deferral will not be subject to the additional tax or interest applicable under Section 409A and the Plan and each Award Agreement will be interpreted consistent with this intent. This Section is not a guarantee to any Participant of the consequences of his or her Awards. In no event will the Company have any responsibility, liability or obligation to reimburse, indemnify, or hold harmless Participant for any taxes that may be imposed or other costs that may be incurred, as a result of Section 409A.

17. Other Plan Terms.

(a) Electronic Delivery. The Company may deliver by e-mail or other electronic means (including posting on a website maintained by the Company or by a third party under contract with the Company or another member of the Company Group) all documents relating to the Plan or any Award and all other documents that the Company is required to deliver to its security holders (including prospectuses, annual reports, and proxy statements).

(b) 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.

(c) 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.

(d) Interpretation and Construction. Captions and titles contained in the Plan are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise. The words "include," "includes," and "including" when used in the Plan shall be deemed in each case to be followed by the words "without limitation."

(e) Severability. If any one or more of the provisions (or any part thereof) of this Plan shall be held invalid, illegal or unenforceable in any respect, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan shall not in any way be affected or impaired thereby.

18. Term of the Plan. Unless earlier terminated by the Board, the Plan will become effective July 25, 2023 (the “**Effective Date**”), subject to stockholder approval as provided in Section 22 of the Plan, and will remain in effect until the tenth anniversary of the Effective Date unless terminated earlier under Section 21 of the Plan.

19. Amendment and Termination.

(a) Amendment and Termination of the Plan. 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) Consent of Participants Generally Required. Subject to subsection (d) below, no amendment, alteration, suspension or termination of the Plan or an Award under it will materially impair the rights of any Participant, unless mutually agreed 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.

(d) Exceptions to Consent Requirement. A Participant’s rights will not be deemed to have been impaired by any amendment, alteration, suspension, or termination if the Administrator, in its sole discretion, determines that the amendment, alteration, suspension, or termination taken as a whole does not materially impair the Participant’s rights. Subject to any limitations of Applicable Laws, the Administrator may amend the terms of any one or more Awards without the affected Participant’s consent even if it does materially impair the Participant’s rights if such amendment is done (i) in a manner specified by the Plan, (ii) to maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code, (iii) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award only because it impairs the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code, (iv) to clarify the manner of exemption from Section 409A or compliance with any requirements necessary to avoid the imposition of additional tax or interest under Section 409A(a)(1)(B), or (v) to comply with other Applicable Laws.

20. Conditions Upon Issuance of Shares.

(a) Legal Compliance. The Company will make good faith efforts to comply with all Applicable Laws related to the issuance of Shares. Shares will not be issued pursuant to an Award, including upon exercise or vesting, as applicable, unless the issuance and delivery of such Shares and exercise or vesting of the Award, as applicable, will comply with Applicable Laws. If required by the Administrator, issuance will be further subject to the approval of counsel for the Company with respect to such compliance. If the Company determines it to be impossible or impractical to obtain authority from any regulatory body having jurisdiction or to complete or comply with the requirements of any Applicable Laws, registration or other qualification of the 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 issuance and sale of any Shares hereunder, the Company will be relieved of any liability regarding the failure to issue or sell such Shares as to which such authority, registration,

qualification or rule compliance was not obtained and the Administrator reserves the authority, without the consent of a Participant, to terminate or cancel Awards with or without consideration in such a situation.

(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. Forfeiture Events.

(a) All Awards (including, without limitation, any proceeds, gains or other economic benefit actually or constructively received by Participant upon any receipt or exercise of any Award or upon the receipt or resale of any Shares underlying the Award) will be subject to any provisions of Applicable Laws providing for the recoupment or clawback of incentive compensation; the terms of any Company recoupment, clawback or similar policy in effect at the time of grant of the Award, and any recoupment, clawback or similar provisions that may be included in the applicable Award Agreement.

(b) Unless this Section is specifically mentioned and waived in an Award Agreement or other document, no reduction, forfeiture, or recoupment of compensation under a Company clawback policy or otherwise will be an event that triggers or contributes to any right of a Participant to resign for “good reason” or “constructive termination” (or similar term) under any agreement with the Company or a member of the Company Group.

22. 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.

QUANTUM CORPORATION
EMPLOYEE STOCK PURCHASE PLAN
(As Amended and Restated July 25, 2023)

The following constitute the provisions of the Employee Stock Purchase Plan (herein called the “Plan”) of Quantum Corporation (herein called the “Company”).

1. Purpose. The purpose of the Plan is to provide Employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions or other contributions. It is the intention of the Company to have the Plan qualify as an “Employee Stock Purchase Plan” under Section 423 of the Code, although the Company makes no undertaking or representation to maintain such qualification. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code. In addition, this Plan document authorizes the purchase of Common Stock under a Non-423(b) Component, pursuant to rules, procedures or sub-plans adopted by the Board or a committee appointed by the Board and designed to achieve tax, securities law or other objectives.

2. Definitions.

(a) “Board” shall mean the Board of Directors of the Company.

(b) “Code” shall mean the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code herein will be a reference to any successor or amended section of the Code.

(c) “Code Section 423(b) Plan” shall mean an employee stock purchase plan which is designed to meet the requirements set forth in Section 423(b) of the Code, as amended. The provisions of the Code Section 423(b) Plan should be construed, administered and enforced in accordance with Section 423(b) of the Code.

(d) “Common Stock” shall mean the common stock of the Company.

(e) “Company” shall mean Quantum Corporation, a Delaware corporation.

(f) “Compensation” shall mean all regular straight time earnings, payments for overtime, shift premium, incentive compensation, incentive payments, bonuses, and commissions (except to the extent that the exclusion of any such items for all participants is specifically directed by the Board or a committee appointed by the Board). The Board or a committee appointed by the Board shall have the power and discretion to (i) change the definition of Compensation for future Offering Periods, and (ii) determine what constitutes Compensation for Employees outside of the United States.

(g) “Continuous Status as an Employee” shall mean the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of: (i) a leave of absence agreed to in writing by the Company, provided that such leave is for a period of not more than three (3) months or re-employment upon the expiration of such leave is guaranteed by contract or statute; or (ii) notification by the Company of termination under a reduction-in-force. Termination of participation in the Plan in the case of a reduction-in-force shall be considered to have occurred upon the earlier of (x) the end of the employee’s continuation period, or (y) the first (1st) day after the three (3) month period immediately following the cessation of his or her employment services with the Company, provided, in each case, that he or she will not be entitled to participate in any Offering Period for which the Enrollment Date occurs after the cessation of his or her employment services with the Company.

(h) “Designated Subsidiaries” shall mean the Subsidiaries which have been designated by the Board or a committee appointed by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(i) “Employee” shall mean any person, including an officer, who is employed by the Company or one of its Designated Subsidiaries. The Board or a committee appointed by the Board, in its discretion, from time to time may, prior to an Enrollment Date for all options to be granted on such Enrollment Date, determine (on a uniform and nondiscriminatory basis or as otherwise permitted by Treasury Regulation Section 1.423-2(f)) that the definition of Employee under the Plan or with respect to an Offering will or will not include an individual if he or she: (i) has not completed at least two (2) years of service since his or her last hire date (or such lesser period of time as may be determined by the Board or a committee appointed by the Board in its discretion), (ii) customarily works not more than twenty (20) hours per week or not more than five (5) months per calendar year (or such lesser period of time as may be determined by the Board or a committee appointed by the Board in its discretion), or (iii) is a highly compensated employee under Section 414(q) of the Code.

(j) “Enrollment Date” shall mean, unless otherwise determined by the Board or a committee appointed by the Board, the first Trading Day on or after every February 6 and August 6 of each year.

(k) “Exercise Date” shall mean one or more dates during an Offering on which shares of the Company’s Common Stock may be purchased pursuant to the terms of the Offering.

(l) “Fair Market Value” shall mean, as of any date, the closing sales price of the Common Stock (or the closing bid, if no sales were reported) as quoted on the stock exchange with the greatest volume of trading in Common Stock on the last market trading day prior to the date of determination, as reported in *The Wall Street Journal* or such other source as the Board or a committee appointed by the Board deems reliable.

(m) “New Exercise Date” shall mean a new Exercise Date if the Board or a committee appointed by the Board shortens any Offering Period then in progress.

(n) “Non-423(b) Component” shall mean the grant of an option under the Plan which is not intended to meet the requirements set forth in Section 423(b) of the Code, as amended.

(o) “Offering” shall mean an offer of an option under the Plan that may be exercised during an Offering Period. For purposes of the Plan, the Board or a committee appointed by the Board may designate separate Offerings under the Plan in which Employees of one or more employers will participate, even if the dates of the applicable Offering Periods of each such Offering are identical and the provisions of the Plan will apply separately to each Offering. To the extent permitted by Treasury Regulations Section 1.423-2(a)(1), the terms of each Offering need not be identical provided that the terms of the Plan and an Offering together satisfy Treasury Regulation Sections 1.423-2(a)(2) and (a)(3).

(p) “Offering Period” shall mean a period with respect to which the right to purchase shares of Company’s Common Stock may be granted under the Plan, as determined pursuant to Section 4 hereof.

(q) “Parent” shall mean a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.

(r) “Plan” shall mean this Employee Stock Purchase Plan, which includes a Code Section 423(b) Plan and a Non-423(b) Component.

(s) “Purchase Price” shall have the meaning as set forth in Section 7(b).

(t) “Subsidiary” shall mean a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

(u) “Trading Day” shall mean a day on which the New York Stock Exchange is open for trading.

3. Eligibility

(a) Any Employee (as defined in Section 2) who shall be employed by the Company or one of its Designated Subsidiaries on the date his or her participation in the Plan is effective shall be eligible to participate in the Plan, unless the Company, in its discretion, decides that such participation would infringe any U.S. or foreign law, rules or regulations.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) if, immediately, after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own shares and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary, or (ii) which permits his or her rights to purchase shares under all employee stock purchase plans (as defined in Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate which exceeds Twenty-Five Thousand Dollars (US\$25,000) of the fair market value of the shares (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time.

(c) No employee of the Company or a Designated Subsidiary shall be eligible to participate in the Non-423(b) Component of the Plan if he or she is an officer or director of the Company subject to the requirements of Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the “Act”).

(d) Employees who are citizens or residents of a non-U.S. jurisdiction (without regard to whether they also are citizens or residents of the U.S. or resident aliens of the U.S. (within the meaning of Section 7701(b)(1)(A) of the Code)) may be excluded from participation in the Plan or an Offering if the participation of such Employees is prohibited under the laws of the applicable jurisdiction or if complying with the laws of the applicable jurisdiction would cause the Plan or an Offering to violate Code Section 423. In the case of the Non-423 Component, Employees may be excluded from participation in the Plan or an Offering if the Board or a committee appointed by the Board has determined that participation of such Employees is not advisable or practicable.

4. Offering Periods and Purchase Periods

(a) Shares of the Company’s Common Stock shall be offered for purchase under the Plan through a series of consecutive and/or overlapping Offering Periods with a new Offering Period commencing on an Enrollment Date and shall continue thereafter until terminated in accordance with Section 19 hereof. The Board or a committee appointed by the Board shall have the power to change the duration of Offering Periods with respect to future Offerings. In no event shall the duration of an

Offering Period exceed twenty-seven (27) months. Notwithstanding the foregoing, no offers hereunder shall be made until compliance with all applicable securities law has been obtained.

(b) The Plan shall be implemented through a series of consecutive and/or overlapping Offering Periods, each to be of such duration (not to exceed twenty-seven (27) months per Offering Period) as determined by the Board or a committee appointed by the Board prior to the Enrollment Date. Offering Periods may consist of one or more purchase periods during which payroll deductions are collected from Plan participants and accumulated under the Plan. Payroll deductions shall commence on the first payroll date following the Enrollment Date, or the beginning of the purchase period if applicable, and shall end on the last payroll date in the Offering Period, or the purchase period if applicable, to which such authorization is applicable, unless sooner terminated by the participant as provided in Section 10. The Board or a committee appointed by the Board will announce the Enrollment Date of an Offering Period, the duration of that Offering Period, and any applicable purchase period(s) during the Offering Period in advance of the Enrollment Date.

(c) A participant shall be granted a separate purchase right for each Offering Period in which the participant participates. The purchase right shall be granted on the Enrollment Date and shall be automatically exercised on the applicable Exercise Date within that Offering Period or any earlier day the purchase right is to be exercised hereunder.

5. Participation. An eligible Employee may become a participant in the Plan by completing a subscription agreement authorizing payroll deductions in the form and manner determined by the Company in its discretion from time to time. The Company, in its discretion, may decide that all participants in a specified Offering may submit contributions to the Plan by means other than payroll deductions. If participants are permitted or required to contribute to the Plan by other means, the Company, in its discretion, will determine the procedure for providing the contributions prior to the Exercise Date.

6. Payroll Deductions/Contributions.

(a) At the time a participant files his or her subscription agreement, he or she shall elect to contribute to the Plan (in the form of payroll deductions or otherwise) on each payday during the Offering Period at a rate not exceeding ten percent (10%) of the Compensation which he or she received on such payday, and the aggregate of such payroll deductions pursuant to the Plan during the Offering Period shall not exceed ten percent (10%) of his or her aggregate Compensation during said Offering Period. A participant's subscription agreement shall remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof.

(b) All contributions made for a participant shall be credited to his or her account under the Plan.

(c) A participant may discontinue participation in the Plan as provided in Section 10, or may change the rate of payroll deductions or other contributions by submitting written notice to the Company in the form and manner prescribed by the Board or a committee appointed by the Board (or its designee) authorizing a change in the participant's payroll deduction or contribution rate. The change rate shall be effective (i) in the case of a decrease in rate, with the first payroll period following the Company's receipt of the notice of rate change, and (ii) in the case of an increase in rate at the beginning of the next Offering Period following the Company's receipt of the notice of rate change. If a participant has not followed the procedures prescribed by the Board or a committee appointed by the Board (or its designee) to change the rate of payroll deductions or other contributions, the rate of his or her payroll deductions or other contributions will continue at the originally elected rate throughout the Offering Period and future Offering Periods (unless terminated as provided in Section 10). The Board or a committee appointed by the Board may, in its sole discretion, limit the nature and/or number of payroll deduction or contribution rate changes that may be made by participants during any Offering Period.

7. Grant of Option.

(a) On the Enrollment Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on the Exercise Dates during such Offering Period up to a number of shares of the Company's Common Stock determined by dividing such Employee's contributions to the Plan accumulated during the Offering Period ending on such Exercise Date by the lower of (i) eighty-five percent (85%) of the Fair Market Value of a share of the Company's Common Stock on the Enrollment Date, or (ii) eighty-five (85%) of the Fair Market Value of a share of the Company's Common Stock on the Exercise Date; provided that in no event shall an Employee be permitted to purchase in one calendar year more than a number of shares determined by dividing US\$25,000 by the Fair Market Value of a share of the Company's Common Stock (determined at the time such option is granted), and provided further that such purchase shall be subject to the limitations set forth in Sections 3(b) and 12 hereof. The option shall be automatically exercised on the Exercise Date during the Offering Period, unless the participant has withdrawn pursuant to Section 10, and shall expire on the last day of the Offering Period.

(b) The purchase price per share of the shares offered in a given Offering Period shall be the lower of: (i) 85% of the Fair Market Value of a share of the Common Stock of the Company on the Enrollment Date; or (ii) 85% of the Fair Market Value of a share of the Common Stock of the Company on the Exercise Date (such price, the "Purchase Price").

(c) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) herein, a participant's contributions may be decreased to 0% at such time during any Offering Period which is scheduled to end

during the current calendar year that the aggregate of all contributions accumulated with respect to such Offering Period and any other Offering Period ending within the same calendar year equal \$21,250. Contributions shall recommence at the rate provided in such participant's subscription scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 10.

(d) If the Board or a committee appointed by the Board determines, in its sole discretion, that the exercise of an option or the disposition of Common Stock issued under the Plan will result in tax liability for which the Company or a Designated Subsidiary will have an obligation to withhold, the participant must make adequate provision for the payment of such federal, state, local and foreign income, social insurance, employment and any other applicable taxes. At any time, the Company or the Designated Subsidiary may, but will not be obligated to, withhold from the participant's compensation the amount necessary for the Company or the Designated Subsidiary to meet applicable withholding obligations, including any withholding required to make available to the Company or the Designated Subsidiary any tax deductions or benefits attributable to the sale or early disposition of Common Stock by the eligible Employee.

8. Exercise of Option. The participant's option for the purchase of shares will be exercised automatically on each Exercise Date of each Offering Period and the maximum number of full shares subject to the option will be purchased for such participant at the applicable Purchase Price with the accumulated payroll deductions or other contributions in his or her account unless prior to such Exercise Date the participant has withdrawn from the Offering Period as provided in Section 10 or unless any of the limitations under Sections 3, 7 or 12 would be exceeded. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by the participant. No fractional shares shall be purchased; any payroll deductions or other contributions accumulated in a participant's account which are not sufficient to purchase a full share, or which would cause the limitations under Sections 3, 7 or 12 hereof to be exceeded, shall be returned to the participant after the Exercise Date.

9. Delivery. As promptly as practicable after each Exercise Date, the Company shall arrange the delivery to each participant, as appropriate, the shares of Common Stock purchased upon exercise of the option. The Company may permit or require that shares be deposited directly with a broker designated by the Company or to a designated agent of the Company, and the Company may utilize electronic or automated methods of share transfer. The Company may require that shares be retained with such broker or agent for a designated period of time and/or may establish other procedures to permit tracking of disqualifying dispositions of such shares. No participant will have any voting, dividend, or other stockholder rights with respect to shares of Common Stock subject to any option granted under the Plan until such shares have been purchased and delivered to the participant as provided in this Section 9.

10. Withdrawal; Termination of Employment.

(a) A participant may withdraw all but not less than all the contributions credited to his or her account under the Plan at any time prior to the end of the Offering Period by giving written notice to the Company in the form and manner prescribed by the Board or a committee appointed by the Board for such purpose. All of the participant's contributions credited to his or her account will be paid to him or her promptly after receipt of his or her notice of withdrawal and his or her option for the current Offering Period will be automatically terminated, and no further contributions for the purchase of shares will be made during the Offering Period. If a participant withdraws from an Offering Period, contributions may not resume at the beginning of the succeeding Offering Period unless the participant delivers to the Company a new subscription agreement.

(b) Upon termination of the participant's employment prior to the end of the Offering Period for any reason, including retirement or death, the contributions credited to his or her account will be returned to him or her or, in the case of his or her death, to the person or persons entitled thereto under Section 14, and his or her option will be automatically terminated; provided that if an Employee shall take a leave of absence approved by the Company in accordance with Section 2(g) of this Plan during an Offering Period in which the Employee is a participant, the participant will be deemed to have his or her contributions reduced to 0% during such leave of absence, but he or she shall continue to be a participant in the applicable Offering Period and upon his or her return to employment with the Company shall be eligible to participate fully in any remaining portion of the applicable Offering Period. If the participant fails to return to employment with the Company at the end of such authorized leave of absence, or if his or her employment is otherwise terminated earlier, he or she shall be deemed to have withdrawn from participation in the Plan.

(c) A participant's withdrawal from an Offering Period will not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods.

(d) A participant whose employment transfers between entities through a termination with an immediate rehire (with no break in service) by the Company or a Designated Subsidiary will not be treated as terminated under the Plan; however, if a participant transfers from an Offering under the 423 Component to the Non-423 Component, the exercise of the option will be qualified under the 423 Component only to the extent it complies with Code Section 423.

11. Interest. No interest shall accrue on the contributions of a participant in the Plan, unless required by applicable law, as determined by the Company, and if so required by the laws of a particular jurisdiction, will apply to all participants in the

relevant Offering under the 423 Component, except to the extent otherwise permitted by U.S. Treasury Regulation Section 1.423-2(f).

12. Stock.

(a) The maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be 13,725,769, subject to adjustment upon changes in capitalization of the Company as provided in Section 18. In addition, the maximum number of shares that each participant may purchase on any one Exercise Date shall not exceed 10,000 shares of the Company's Common Stock (subject to adjustment upon changes in capitalization of the Company as provided in Section 18). However, the Board or a committee appointed by the Board, in its discretion and prior to the commencement of an Offering Period, may decide to impose a different limit on the number of shares of the Company's Common Stock that each participant may purchase on any one Exercise Date during such Offering Period. If the total number of shares which would otherwise be subject to options granted pursuant to Section 7(a) hereof at the beginning of an Offering Period exceeds the number of shares then available under the Plan (after deduction of all shares for which options have been exercised or are then outstanding), the Company shall make a pro rata allocation of the shares remaining available for option grant in as uniform a manner as shall be practicable and as it shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares subject to the option to each Employee affected thereby and shall similarly reduce the rate of contributions, if necessary.

(b) Until the shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized exchange agent of the Company), a participant will only have the rights of an unsecured creditor with respect to such shares, and no right to vote or receive dividends or any other rights as a stockholder will exist with respect to such shares.

(c) Shares to be delivered to a participant under the Plan will be registered in the name of the participant or in the name of the participant and his or her spouse, or as otherwise directed by the participant.

13. Administration. The Plan shall be administered by the Board or a committee appointed by the Board. The Board or a committee appointed by the Board will have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to designate separate Offerings under the Plan, to determine eligibility, to adjudicate all disputed claims filed under the Plan and to establish such procedures that it deems necessary for the administration of the Plan (including, without limitation, to adopt such procedures and sub-plans as are necessary or appropriate to permit the participation in the Plan by employees who are foreign nationals or employed outside the U.S., the terms of which sub-plans may take precedence over other provisions of this Plan, with the exception of Section 12(a), but unless otherwise superseded by the terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan). Unless otherwise determined by the Board or a committee appointed by the Board, the Employees eligible to participate in each sub-plan will participate in a separate Offering. Without limiting the generality of the foregoing, the Board or a committee appointed by the Board is specifically authorized (in its discretion) to adopt rules and procedures regarding eligibility to participate, the form and manner for making elections under the Plan, the definition of Compensation, handling of Contributions, making of Contributions to the Plan (including, without limitation, in forms other than payroll deductions), establishment of bank or trust accounts to hold Contributions, payment of interest (if any), conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements and withholding procedures and handling of stock certificates that vary with applicable local requirements. The Board or a committee appointed by the Board also is authorized to determine that, to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f), the terms of an option granted under the Plan or an Offering to citizens or residents of a non-U.S. jurisdiction will be less favorable than the terms of options granted under the Plan or the same Offering to employees resident solely in the U.S. Every finding, decision, interpretation and determination made by the Board or a committee appointed by the Board will, to the full extent permitted by law, be final and binding upon all parties.

14. Designation of Beneficiary.

(a) Unless otherwise determined by the Company, a participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of the Offering Period but prior to delivery to him or her of such shares and cash. In addition, unless otherwise determined by the Company, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to the end of the Offering Period.

(b) Unless otherwise determined by the Company, such designation of beneficiary may be changed by the participant at any time by written notice to the Company in the form and manner prescribed by the Board or a committee appointed by the Board for such purpose. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate or determine to be the appropriate recipients of the shares and/or cash under applicable law.

(c) All beneficiary designations will be in such form and manner as the Board or a committee appointed by the Board may prescribe from time to time.

15. Transferability. Neither contributions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 14 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 10.

16. Use of Funds. All contributions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such contributions, except under Offerings or for participants in the Non-423 Component for which applicable laws require that contributions to the Plan by participants be segregated from the Company's general corporate funds and/or deposited with an independent third party. Until shares of Common Stock are issued, participants will only have the rights of an unsecured creditor with respect to such shares.

17. Reports. Individual accounts will be maintained for each participant in the Plan. Statements of account will be given to participating Employees at least annually as promptly as practically feasible following an Exercise Date, which statements will set forth the amounts of contributions, the per share Purchase Price, the number of shares purchased and the remaining cash balance, if any.

18. Adjustments Upon Changes in Capitalization. In the event that any dividend or other distribution (whether in the form of cash, shares of Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of shares of Common Stock or other securities of the Company, or other change in the corporate structure of the Company that affects the shares of Common Stock, then the Board or a committee appointed by the Board shall, in such manner as it may deem equitable, adjust the number and class of shares of Common Stock (or other securities, property or cash) that may be delivered under the Plan, and the number, class, and price of shares of Common Stock subject to any option under the Plan which has not yet been exercised, as determined by the Board or a committee appointed by the Board (in its sole discretion) to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

19. Amendment or Termination.

(a) The Board may at any time and for any reason terminate or amend the Plan. Except as provided in Section 18 hereof, no such termination can affect options previously granted, provided that an Offering Period may be terminated by the Board or a committee appointed by the Board on an Exercise Date if the Board or its committee, as applicable, determines that the termination of the Offering Period or the Plan is in the best interests of the Company and its shareholders. Except as provided in Section 18 and this Section 19 hereof, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other applicable law, regulation or stock exchange rule), the Company shall obtain shareholder approval in such a manner and to such a degree as required.

(b) Without shareholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the Board (or its committee) shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding or contributing to the Plan in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Board (or its committee) determines in its sole discretion advisable which are consistent with the Plan.

(c) In the event the Board or a committee appointed by the Board determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board or a committee appointed by the Board may, in its discretion and, to the extent necessary or desirable, modify, amend or terminate the Plan to reduce or eliminate such accounting consequence including, but not limited to:

- (i) amending the Plan to conform with the safe harbor definition under the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto), including with respect to an Offering Period underway at the time;
- (ii) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;
- (iii) shortening any Offering Period by setting a New Exercise Date, including an Offering Period underway at the time of the action by the Board or a committee appointed by the Board;

- (iv) reducing the maximum percentage of Compensation a Participant may elect to set aside as payroll deductions or other contributions; and
- (v) reducing the maximum number of shares of Common Stock a Participant may purchase during any Offering Period.

Such modifications or amendments shall not require stockholder approval or the consent of any Plan participants.

20. Notices. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. Stockholder Approval. If required by Section 19, any amendment to the Plan shall be subject to approval by the stockholders of the Company within twelve months before or after the date such amendment is adopted. If such stockholder approval is obtained at a duly held stockholders' meeting, it may be obtained by the affirmative vote of the holders of a majority of the outstanding shares of the Company present or represented and entitled to vote thereon, which approval shall be:

(a) solicited substantially in accordance with Section 14(a) of the Act and the rules and regulations promulgated thereunder, or solicited after the Company has furnished in writing to the holders entitled to vote substantially the same information concerning the Plan as that which would be required by the rules and regulations in effect under Section 14(a) of the Act at the time such information is furnished; and

(b) obtained at or prior to the first annual meeting of stockholders held subsequent to the later of (i) the first registration of Common Stock under Section 12 of the Act, or (ii) the acquisition of an equity security for which exemption is claimed.

In the case of approval by written consent, it must be obtained in accordance with applicable state law.

22. Conditions Upon Issuance of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the U.S. Securities Act of 1933, as amended, the Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option 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 by any of the aforementioned applicable provisions of law.

23. Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Offering Period then in progress shall be shortened by setting a New Exercise Date, and shall terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Board or a committee appointed by the Board. The New Exercise Date shall be before the date of the Company's proposed dissolution or liquidation. The Board or a committee appointed by the Board shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

24. Merger or Asset Sale. In the event of a merger of the Company with or into another corporation or the sale of substantially all of the assets of the Company, each outstanding option shall be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, the Offering Period then in progress shall be shortened by setting a New Exercise Date and such Offering Period shall end on the New Exercise Date. The New Exercise Date shall be before the date of the Company's proposed merger or asset sale. The Board or a committee appointed by the Board shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

25. Code Section 409A. The Code Section 423(b) Plan is exempt from the application of Section 409A of the Code. The Non-423(b) Component is intended to be exempt from Section 409A of the Code under the short-term deferral exception and any ambiguities shall be construed and interpreted in accordance with such intent. In the case of a participant who would otherwise be subject to Section 409A of the Code, to the extent an option to purchase shares of Common Stock or the payment, settlement or deferral thereof is subject to Section 409A of the Code, the option to purchase shares of Common Stock shall be granted, paid, exercised, settled or deferred in a manner that will comply with Section 409A of the Code, including the final regulations and other guidance issued with respect thereto, except as otherwise determined by the Board or a committee appointed by the Board. Notwithstanding the foregoing, the Company shall have no liability to a participant or any other party if the option to purchase

Common Stock under the Plan that is intended to be exempt from or compliant with Section 409A of the Code is not so exempt or compliant or for any action taken by the Board or a committee appointed by the Board with respect thereto.

26. No Right to Employment. Participation in the Plan by a participant will not be construed as giving a participant the right to be retained as an employee of the Company or a Subsidiary, as applicable. Further, the Company or a Subsidiary may dismiss a participant from employment at any time, free from any liability or any claim under the Plan.

27. Severability. If any provision of the Plan is or becomes or is deemed to be invalid, illegal, or unenforceable for any reason in any jurisdiction or as to any participant, such invalidity, illegality or unenforceability will not affect the remaining parts of the Plan, and the Plan will be construed and enforced as to such jurisdiction or participant as if the invalid, illegal or unenforceable provision had not been included.

28. Compliance with Applicable Laws. The terms of this Plan are intended to comply with all applicable laws and will be construed accordingly.

29. Governing Law. Except to the extent that provisions of this Plan are governed by applicable provisions of the Code or any other substantive provision of federal law, this Plan shall be construed in accordance with, and shall be governed by, the substantive laws of the State of California without regard to any provisions of California law relating to the conflict of laws.



Quantum Storage UK Ltd The Lightbox
Willoughby Road Bracknell
RG12 8FB

PRIVATE & CONFIDENTIAL

Henk Jan Spanjaard

9 November 2023

Dear Henk Jan,

Role of Chief Revenue Officer

Quantum Storage UK Ltd., a subsidiary of Quantum Corporation (Quantum or the Company), is pleased to offer you the position of Chief Revenue Officer with effect from 9 November 2023. In this role, you should report to Jamie Lerner. You will relocate to Toronto, Ontario, Canada subject to the timing and terms to be separately agreed between you and the Company.

Salary: Your base salary will be €310,000.00 per annum, paid according to the Company's normal payroll processes. You will also be eligible to earn up to an additional €350,000.00 per annum based on your quota or target attainment as described in your Personal Quota Plan. Your total annual On Target Earnings amount will be €660,000.00.

Equity: The Company will recommend to the Leadership and Compensation Committee (LCC) of the Board that a total of 75,000 Restricted Stock Units (RSUs), vesting in three equal installments on each anniversary of the Grant Date (as defined below). We will also recommend that you be granted 75,000 performance-based RSUs (PSUs), which will vest according to specific performance metrics approved by the LCC. Vesting for both RSUs and PSUs granted is subject to your continued employment.

Subject to approval by the LCC, your grants will be effective on the first day of the first month following your start date (the Grant Date). Your grant information will be administered by the Company's online equity broker. The broker will provide instructions for creating your account and accepting your grants. Should you voluntarily terminate your employment with Quantum, any unvested equity will be forfeited.

Severance: You will be eligible to enter into Quantum's standard form of Change of Control Agreement, which we will provide to you after you accept this offer. In addition, in the event that (a) you incur an Involuntary Termination other than for Cause or your death or Disability, and (b) your termination occurs outside of the Change of Control Period (all terms as defined in the Change of Control Agreement), Quantum will provide to you a lump sum cash payment equal to 6 months of your then-annual base salary.

The Severance is subject to your entering into and not revoking a release of claims, in substantially the form attached to your Change of Control Agreement and any subsequent revisions, in favor of the Company (the Release), within the period required by the Release. Any salary Severance due to you under the Change of Control Agreement above will

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be paid on the 61st day following the date of termination of your employment with the Company, or such later date required by applicable law, including Section 409A of the Internal Revenue Code of 1986 (the Code.)

If the termination of your employment with the Company occurs on a date during the Change of Control Period, then the terms of the Change of Control Agreement will govern the eligibility and payment of any severance benefits to you and no Severance will be payable to you under this letter. Any Severance under this offer letter also will be subject to the provisions set forth in Section 1(c) [Offset] and Section 5 [Limitation on Payments (relating to Section 280G of the Code)] of the Change of Control Agreement.

Confidential Information: During your employment with Quantum, you will have access to confidential and proprietary information, which Quantum vigorously protects. Therefore, you will continue to be bound by your Proprietary Information and Invention Agreement with Quantum.

Offer Terms: This offer is contingent upon your successful completion of an enhanced background verification process and approval by the LCC. All other terms of your current employment agreement will continue to apply unless superseded in writing.

Please sign a copy of this letter and return it to me to indicate your acceptance of this offer. If you have any questions, please feel free to reach out at any time.

Yours sincerely,

/s/ Brian E. Cabrera

Brian Cabrera, Chief Administrative Officer
For and on behalf of Quantum Storage UK Ltd

I accept the offer on the terms set out above.

I propose to commence employment on 9 November 2023

Signed: /s/ Henk Jan Spanjaard

Name: Henk Jan Spanjaard

Dated: Nov 15, 2023

Quantum.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated June 28, 2024, with respect to the consolidated financial statements included in the Annual Report of Quantum Corporation on Form 10-K for the year ended March 31, 2024. We consent to the incorporation by reference of said report in the Registration Statements of Quantum Corporation on Forms S-8 (Nos. 333-184854, 333-200052, 333-218576, 333-221476, 333-234046, 333-236270, 333-252601, 333-259902 and 333-269445).

/s/ Grant Thornton LLP
Bellevue, Washington

June 28, 2024

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-184854, 333-200052, 333-218576, 333-221476, 333-234046, 333-236270, 333-252601, 333-259902 and 333-269445) of Quantum Corporation of our report dated June 6, 2023, except for the effects of the tables reflecting the impact of the restatement as of and for the years ended March 31, 2023 and 2022 discussed in Note 14 and Note 15 (not presented therein) in the consolidated financial statements appearing under Item 8 of the Company's 2024 Annual Report on Form 10-K, as to which date is June 28, 2024, relating to the consolidated financial statements of Quantum Corporation, for the year ended March 31, 2024.

/s/ Armanino^{LLP}
San Ramon, California

June 28, 2024

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-K 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 June 28, 2024

/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, Kenneth P. Gianella, certify that:

- 1) I have reviewed this Annual Report on Form 10-K 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 June 28, 2024

/s/ Kenneth P. Gianella

Kenneth P. Gianella

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 Annual Report of Quantum Corporation, on Form 10-K for the fiscal year ended March 31, 2024, 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 Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Quantum Corporation.

Date June 28, 2024

/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. Kenneth P. Gianella, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Quantum Corporation, on Form 10-K for the fiscal year ended March 31, 2024, 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 Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Quantum Corporation.

Date June 28, 2024

/s/ Kenneth P. Gianella

Kenneth P. Gianella

Chief Financial Officer

(Principal Financial Officer)