Form 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 29, 1997

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 0-12390

QUANTUM CORPORATION

Incorporated Pursuant to the Laws of the State of Delaware

IRS Employer Identification Number 94-2665054

500 McCarthy Blvd., Milpitas, California 95035

(408) 894-4000

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 X No
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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of June 29, 1997: 132,226,790

QUANTUM CORPORATION

10-Q REPORT

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QUANTUM CORPORATION

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share data)
(unaudited)

	Three Months Ended	
	June 29, 1997	June 30, 1996
Sales	$ 1,446,144	$ 1,153,502
Cost of sales	1,170,210	1,012,223
Gross profit	275,934	141,279
Operating expenses:		
Research and development	74,029	66,665
Sales and marketing	41,732	36,195
General and administrative	27,473	21,487
	143,234	124,347
Income from operations	132,700	16,932
Other (income) expense:		
Interest expense	6,035	11,032
Interest and other income, net	(3,759)	707
	2,276	11,739
Income before income taxes	130,424	5,193
Income tax provision	33,910	1,350
Net income	$ 96,514	$ 3,843
Net income per share:		
Primary	$ 0.69	$ 0.03
Fully diluted	$ 0.61	$ 0.03
Weighted average common and common equivalent shares:		
Primary	140,881	115,692
Fully diluted	162,511	115,692

See accompanying notes to condensed consolidated financial statements

QUANTUM CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 29, 1997	March 31, 1997
	(unaudited)	(Note 1)
Assets		
Current assets:		
Cash and cash equivalents	$ 365,973	$ 345,125
Accounts receivable, net of allowance for doubtful accounts of $10,539 and $10,610	887,389	887,477
Inventories	295,251	252,802
Deferred taxes	122,899	122,899
Other current assets	49,105	80,116
Total current assets	1,720,617	1,688,419
Property and equipment, net of accumulated depreciation of $177,957 and $226,691	231,845	407,206
Purchased intangibles, net	8,945	42,131
Investment in joint venture	134,944	--
Other assets	17,079	20,507

	$2,113,430	$2,158,263
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 472,354	$ 502,069
Accrued warranty expense	97,651	94,989
Accrued compensation	56,340	63,093
Income taxes payable	47,091	31,153
Current portion of long-term debt	872	44,229
Other accrued liabilities	123,124	80,045
Total current liabilities	797,432	815,578
Deferred taxes	34,264	33,587
Convertible subordinated debt	241,350	241,350
Long-term debt	40,694	177,668
Redeemable preferred stock	3,888	3,888
Shareholders' equity:		
Common stock	472,896	459,800
Retained earnings	522,906	426,392
Total shareholders' equity	995,802	886,192
	$2,113,430	$2,158,263

See accompanying notes to condensed consolidated financial statements.

<TABLE>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

<CAPTION>

	Three Months Ended	
	June 29, 1997	June 30, 1996
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Cash flows from operating activities:		
Net income	$ 96,514	$ 3,843
Items not requiring the current use of cash:		
Depreciation	21,094	21,423
Amortization	3,802	6,731
Deferred income taxes	677	--
Compensation related to stock plans	669	365
Changes in assets and liabilities:		
Accounts receivable	93	(19,114)
Inventories	(42,449)	10,017
Accounts payable	(29,715)	(33,252)
Income taxes payable	15,938	(87)
Accrued warranty expense	2,662	(13,948)
Other assets and liabilities	42,323	(61,367)
Net cash provided by (used in) operating activities	111,608	(85,389)
Cash flows from investing activities:		
Investment in property and equipment	(33,282)	(43,980)
Proceeds from disposition of property and equipment	4,176	--
Proceeds from repayment of note receivable	18,000	--
Proceeds from sale of interest in recording heads operations	94,000	--
Net cash provided by (used in) investing activities	82,894	(43,980)
Cash flows from financing activities:		
Proceeds from long-term credit facilities	--	125,000
Principal payments on credit facilities	(180,331)	(31,349)
Proceeds from issuance of common stock	6,677	11,002
Net cash provided by (used in) financing activities	(173,654)	104,653
Net increase (decrease) in cash and cash equivalents	20,848	(24,716)
Cash and cash equivalents at beginning of period	345,125	164,752
Cash and cash equivalents at end of period	$ 365,973	$ 140,036

Supplemental disclosure of cash flow information:		
Conversion of debentures	--	$ 35,583
Cash paid during the period for:		
Interest	$ 3,433	$ 9,611
Income Taxes	$ 637	$ 1,494

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See accompanying notes to condensed consolidated financial statements
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QUANTUM CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of presentation

The accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full fiscal year. Certain prior period amounts have been reclassified to conform to the current period's presentation. The condensed consolidated balance sheet as of March 31, 1997 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The accompanying financial statements should be read in conjunction with the audited financial statements of Quantum Corporation for the fiscal year ended March 31, 1997.

2. Inventories

Inventories consisted of the following:
(In thousands)

	June 29, 1997	March 31, 1997
Materials and purchased parts	$ 41,720	$ 39,898
Work in process	17,249	48,005
Finished goods	236,282	164,899
	$295,251	$252,802

3. Net income per share

Net income per share amounts are computed by dividing income or loss amounts by the weighted average of common and common equivalent shares (when dilutive) outstanding during the period. Primary net income per share computations for the three month periods ended June 29, 1997 and June 30, 1996 were computed based on weighted average shares outstanding, including the dilutive impact of common stock equivalents, which consist of outstanding stock options. Net income per share computed on a fully diluted basis for the three month periods ended June 29, 1997 and June 30, 1996 assumes conversion of the Company's outstanding convertible subordinated debentures as of the beginning of the respective periods. Net income per share reflects the effect of the two-for-one stock split effected as a stock dividend in June 1997.

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share," which is required to be adopted in the Company's fiscal quarter ending December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements, primary earnings per share is replaced by basic earnings per share, for which the dilutive effect of stock options will be excluded. Under Statement 128, basic earnings per share will exceed previously computed primary earnings per share in periods with net income. The impact of Statement 128 on the calculation of fully diluted earnings per share is not expected to be material.

4. Debt & Capital

The previously outstanding revolving credit line, term loan, and equipment loan, which had carrying amounts of $110 million, $56 million, and $14 million, as of March 31, 1997, respectively, were repaid and terminated in the first fiscal 1998 quarter.

In June 1997, the Company entered into an unsecured senior credit facility which provides a $500 million revolving credit line and expires in June 2000. At the option of the Company, borrowings under the revolving credit line bear interest at either LIBOR plus a margin determined by a total funded debt ratio, or a base rate, with option periods of one to six months. As of June 29, 1997, there was no outstanding balance drawn on this line.

The Company has filed a registration statement pursuant to which the Company may issue debt or equity securities, in one or more series or issuances, limited to $450 million aggregate public offering price or its equivalent in one or more foreign currencies, currency units or composite currencies as may be designated by the Company. Debt securities which may be offered under the registration may be either senior or subordinated, and the specific terms would be set pursuant to a specific offering. The number of shares of Common stock, par value $0.01 per share, which may be issued under the registration, as well as the initial public offering price or method of determining the initial public offering price, would be set pursuant to a specific offering. The registration statement became effective on July 24, 1997. For a description of securities issued pursuant to the registration statement, refer to Note 7 of the Notes to Condensed Consolidated Financial Statements.

5. Litigation

The Company and certain of its current and former officers and directors have been named as defendants in two class action lawsuits, one filed on August 28, 1996 in the Superior Court of Santa Clara County, California, and one filed on August 30, 1996 in the U.S. District Court for the Northern District of California. The plaintiff in both class actions purports to represent a class of all persons who purchased the Company's common stock between February 26, 1996 and June 13, 1996. The complaints allege that the defendants violated various federal securities laws and California statutes by concealing and/or misrepresenting material adverse information about the Company and that individual defendants sold shares of the Company's stock based upon material nonpublic information.

On February 25, 1997, in the Santa Clara County action, the Court sustained defendants' demurrer to most of the causes of action in the complaint, with leave to amend. At a June 12, 1997 demurrer hearing in state court, the judge dismissed the action as to four of the individual defendants with prejudice and as to three of the individual defendants without prejudice. The demurrer as to the Company was overruled. Defendants' motion that the action not be permitted to proceed as a class action was denied without prejudice and the hearing on class certification has been continued for ninety days.

Defendants filed their motion to dismiss the federal complaint on April 16, 1997. Oral argument was heard on July 30, 1997. Following oral argument, the Court granted defendants' motion to dismiss. The Court did not indicate whether dismissal would be with or without prejudice. To date, no formal ruling has been issued by the Court.

Certain of the Company's current and former officers and directors were also named as defendants in a derivative lawsuit, which was filed on November 8, 1996 in the Superior Court of Santa Clara County. The derivative complaint was based on factual allegations substantially similar to those alleged in the class action lawsuits. Defendants' demurrer to the derivative complaint was sustained without prejudice on April 14, 1997. Plaintiffs did not file an amended complaint. On August 7, 1997, the Court issued an order of dismissal and entered final judgment dismissing the complaint.

6. MKE/Quantum Joint Venture

On May 16, 1997, the Company sold a controlling interest in its recording heads operations (RHO) to MKE. RHO designs, develops, and manufactures MR recording heads used in the Company's disk drive products. The sale was achieved through MKE acquiring a 51% interest in a new joint venture (JV) entity, MKE-Quantum Components LLC, that was formed to hold the operations, assets, and certain liabilities of RHO.

Pursuant to the terms of the transaction, Quantum contributed certain RHO assets and operations and leased certain premises to the JV and retained a 49% ownership interest in the JV; the JV assumed $51 million of debt payable to Quantum; and MKE paid Quantum $94 million and contributed $110 million to the JV in exchange for a 51% controlling ownership interest in the JV.

The RHO assets which Quantum contributed to the JV are primarily comprised of inventory, equipment, accounts receivable, and intangibles, which aggregated approximately $210 million and the third party liabilities totaled approximately $32 million. In addition, the JV will lease certain premises from Quantum, and

RHO employees will become employees of the JV. One of these leases results, in substance, in a transfer of premises with an approximate carrying value of $48 million to the JV.

MKE and the Company will share pro rata in the capital funding requirements, if any, and results of operations of the JV. The Company plans to continue to utilize the recording heads manufactured by the JV in its disk drive products manufactured by MKE.

Effective May 16, 1997, the Company began to account for its 49% interest in the JV using the equity method of accounting. The Company's equity interest in the operating results of the JV were reported in interest and other income, net. The results of RHO through May 15, 1997 were consolidated.

Unaudited Pro Forma Information

Giving effect to the above-noted sale transaction as if it had occurred on April 1, 1996, the pro forma effect on the Company's consolidated balance sheet at March 31, 1997, would not have been significant, and net income for the three month period ended June 29, 1997 would have been approximately $99 million or $0.62 per share, fully diluted compared to $10 million or $0.09 per share, fully diluted for the three month period ended June 30, 1996. This unaudited pro forma information is intended for information purposes only and is not necessarily indicative of the future results of operations of the JV or the results of the Company that would have occurred had the JV arrangement been in effect for the full fiscal quarter presented.

7. Subsequent Event

In July 1997, the Company issued $288 million of 7% convertible subordinated notes. The notes mature on August 1, 2004, and are convertible at the option of the holder at any time prior to maturity, unless previously redeemed, into shares of the Company's common stock at a conversion price of $46.325 per share. The notes are redeemable at the Company's option on or after August 1, 1999 and prior to August 1, 2001, under certain conditions related to the price of the Company's common stock. In the event of certain changes involving all or substantially all of the Company's common stock, the notes would become redeemable at the option of the holder. Redemption prices range from 107% of the principal to 100% at maturity. The notes are unsecured obligations subordinated in right of payment to all existing and future senior indebtedness of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis includes:

- Business overview.
- Strategic developments.
- A comparison of Quantum's results of operations in the quarter ended June 29, 1997 with the results in the quarter ended June 30, 1996.
- A discussion of Quantum's operating liquidity and capital resources.
- A discussion of trends and uncertainties, which include those related to the information storage industry and those related to more specific characteristics of Quantum.

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements usually contain the words "estimate," "anticipate," "expect" or similar expressions. All forward-looking statements are inherently uncertain as they are based on various expectations and assumptions concerning future events and they are subject to numerous known and unknown risks and uncertainties. These uncertainties could cause actual results to differ materially from those expected for the reasons set forth below under Trends and Uncertainties. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Business Overview

Quantum Corporation ("Quantum" or the "Company"), operating in a single business segment, designs, develops, and markets information storage products, including high-performance, high-quality hard disk drives, half-inch cartridge tape drives, tape drive related products, and solid state disk drives. The half-inch cartridge tape drives and solid state disk drives are manufactured by the Company. The Company combines its engineering and design expertise with the high-volume manufacturing capabilities of its exclusive manufacturing partner,

Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE") of Japan, a subsidiary of Matsushita Electric Industrial Co., Ltd., to produce high-quality hard disk drives. Quantum is also involved in the manufacture of magnetoresistive ("MR") recording heads that are used in hard disk drives produced for the Company.

The Company's strategy is to offer a diversified product portfolio that features leading-edge technology and high-quality manufacturing for a broad range of market applications. Inherent in this strategy is a focus on meeting and anticipating customers' information storage needs and on the research and development of storage product technology.

The Company markets its products worldwide to major original equipment manufacturers ("OEMs"), a broad range of distributors, resellers, and systems integrators.

The Company's information storage business currently includes the following four components:

Desktop and Portable Storage Products. Quantum designs, develops, and markets hard disk drives designed to meet the storage needs of desktop systems. These products are designed for entry-level to high-end desktop personal computers ("PCs") for use in both home and business environments.

Workstation and Systems Storage Products. Quantum designs, develops, and markets technologically advanced hard disk drives for the demanding storage needs of network servers, workstations, storage subsystems, high-end desktop systems, and minicomputers. These products are designed for storage-intensive applications, such as graphics, disk arrays, desktop publishing systems, multimedia computing systems, and networked data bases and file servers.

Specialty Storage Products. Quantum designs, develops, manufactures, and markets half-inch cartridge tape drives and solid state disk drives. The tape drives use advanced linear recording technology and a highly accurate tape guide system to perform data backup for mid-range and high-end computer systems. The solid state disk drives have the high execution speeds required for applications such as imaging, multimedia, video-on-demand, on-line transaction processing, material requirements planning, and scientific modeling.

Recording Heads. Quantum is involved in the design, development, and manufacture of MR recording heads used in the Company's products. The Company believes that MR technology, which provides higher capacity per disk than conventional thin-film heads, will replace thin-film heads as the leading recording head technology. The Company does not currently market thin-film or MR heads to other companies. Effective May 16, 1997, the Company's involvement in the design, development, and manufacture of recording heads is through a 49% ownership interest in a joint venture with MKE as discussed in the Strategic Developments section.

Quantum operates in an industry characterized by rapid technological change. The Company is currently concentrating its product development efforts on broadening its existing disk and tape drive product lines through the introduction of new products, including new tape drives, new high-capacity hard disk drive products to be manufactured by MKE, as well as new products targeted specifically for the increasing storage needs of the desktop market. The Company is also focusing its efforts on applying its MR technology to new generations of disk drives.

Strategic Developments

MKE/Quantum Recording Heads Joint Venture. On May 16, 1997, MKE and Quantum formed a recording heads joint venture company, MKE-Quantum Components LLC. Pursuant to the terms of the transaction, Quantum contributed certain recording heads assets and operations, transfered employees of the Company's recording heads operations and leased certain premises to the joint venture and retained a 49% ownership interest in the joint venture; the joint venture assumed $51 million of debt payable to Quantum; and MKE paid Quantum $94 million and contributed $110 million to the joint venture in exchange for a 51% controlling ownership interest in the joint venture. The joint venture combines Quantum's engineering and design expertise with MKE's manufacturing expertise.

Renegotiated MKE Master Agreement. In May 1997, Quantum completed renegotiation of its master agreement with MKE, which covers the general terms of the business relationship. The agreement was extended for a period of 10 years, unless sooner terminated as a result of certain specified events including a change-in-control of either Quantum or MKE. MKE currently manufactures all of the hard disk drives developed and marketed by Quantum. Quantum's relationship with MKE, which dates from 1984, is built on Quantum's engineering and design expertise and MKE's high-volume, high-quality manufacturing expertise.

Results of Operations

Sales. Sales in the quarter ended June 29, 1997, were $1,446 million compared to $1,154 million in the quarter ended June 30, 1996. The increase reflected an increase in shipments of tape drives, tape drive-related products and disk drives, as well as an increase in the average drive price. The increase in the average drive price reflected a change in sales mix to a higher proportion of high capacity drives and tape drives, which generally have a higher unit price than the desktop products and a shift in sales to higher capacity desktop drives. The increase in sales also reflects the impact of the successful completion of the transition of the manufacturing of high-end disk drives to MKE during fiscal 1997 which depressed sales in the quarter ended June 30, 1996. As part of the transition, older high-end disk drive products ceased production in July 1996, and new high-end drives manufactured by MKE did not ramp until the third and fourth quarters of fiscal 1997.

Sales of desktop hard drives represented 67% of total sales for the quarter ended June 29, 1997, and the company anticipates that desktop products will continue to constitute a majority of sales in the future. However, the company also expects that sales of DLT product, which represented 18% of sales and a much higher percentage operating profits for the quarter ended June 29, 1997, will continue to increase as a percentage of the Company's total sales and operating profits in the future. The summer months of the second fiscal quarter for hard disk drives are expected to continue the historical pattern of soft demand. However, an expected continuation of growth in the tape business is anticipated to partially offset this pattern, and accordingly, sales are expected to be relatively flat compared to the first fiscal 1998 quarter.

Sales to the Company's top five customers were 46% of sales in the quarter ended June 29, 1997, compared with 42% of sales in the quarter ended June 30, 1996. Sales to Hewlett-Packard were

$174 million, or 12% of sales, in the quarter ended June 29, 1997, and were less than 10% of sales in the quarter ended June 30, 1996. Sales to Digital Equipment Corporation were $162 million, or 11% of sales, in the quarter ended June 29, 1997, and were less than 10% of sales in the quarter ended June 30, 1996. Sales to Compaq Computer, Inc. were less than 10% in the quarter ended June 29, 1997, compared with $121 million, or 10% of sales, in the quarter ended June 30, 1996.

Gross Margin Rate. The gross margin rate increased 6.9 percentage points to 19.1% in the quarter ended June 29, 1997, from 12.2% in the quarter ended June 30, 1996. The increase reflected a higher proportion of tape drive and tape drive related product sales in the quarter ended June 29, 1997, compared to the quarter ended June 30, 1996, as these products achieved a higher gross margin rate than sales of hard disk drive products of the Company. The gross margin increase also reflected a stronger product mix and pricing in the desktop market in the quarter ended June 29, 1997, compared to the quarter ended June 30, 1996. In addition, the increase reflected the introduction and market acceptance of the new high end products; high-end margins in the quarter ended June 30, 1996 had been largely eroded during the transition of high-end disk drive manufacturing to MKE.

For the second fiscal 1998 quarter, the Company expects to experience continued gross margin pressure with respect to both its desktop and high-end hard disk drive products. However, an expected continuation of growth in the tape business is anticipated to partially offset this impact, and accordingly, the gross margin rate is expected to be relatively flat compared to the first fiscal 1998 quarter.

Research and Development Expenses. In the quarter ended June 29, 1997, the Company's investment in research and development was $74 million, or 5.1% of sales, compared to $67 million, or 5.8% of sales, in the quarter ended June 30, 1996. The decrease in research and development expense as a percentage of sales reflects the timing of certain pre-production activity which varies from quarter to quarter. For the second fiscal 1998 quarter, the Company expects increased expenditures associated with pre-production activity for hard disk drive products in development. The decrease also reflects the impact of applying the equity method of accounting to the Company's involvement in the recording heads operations, effective May 16, 1997. Reflecting management's continued focus on the development and timely introduction of new information storage products and technologies, as a percentage of sales, research and development expenses for the remainder of fiscal 1998 are expected to increase over the level achieved in the first fiscal 1998 quarter.

Sales and Marketing Expenses. Sales and marketing expenses in the quarter ended June 29, 1997 were $42 million, or 2.9% of sales, compared with $36 million, or 3.1% of sales, in the quarter ended June 30, 1996. The increase in sales and marketing expenses was related to the costs of supporting the Company's higher

volume of sales. As a percentage of sales, sales and marketing expenses for the second fiscal 1998 quarter are expected to increase slightly compared with the level achieved in the first fiscal 1998 quarter.

General and Administrative Expenses. General and administrative expenses in the quarter ended June 29, 1997, were $27 million, or 1.9% of sales, compared to $21 million, or 1.9% of sales, in the quarter ended June 30, 1996. The increase in general and administrative expenses reflected expansion of the Company's infrastructure. As compared to the first fiscal 1998 quarter, general and administrative expenses are expected to be relatively flat for the second fiscal quarter.

Interest and Other Income/Expense. Net interest and other income and expense was $2 million net expense in the quarter ended June 29, 1997, and $12 million net expense in the quarter ended June 30, 1996. The decline in net expense reflects a decrease in the average amount of debt outstanding during the quarter ended June 29, 1997, compared to the quarter ended June 30, 1996, and an increase in interest income reflecting higher average cash balances during the quarter ended June 29, 1997.

Income Taxes. The effective tax rate in the quarter ended June 29, 1997, at 26% was flat compared to the rate in the quarter ended June 30, 1996.

Liquidity and Capital Resources

At June 29, 1997, the Company had $366 million in cash and cash equivalents, compared to $345 million at March 31, 1997. For the three month period ended June 29, 1997, cash was provided by operating activities, primarily from net income, and from investing activities. Cash provided by investing activities included a $94 million payment from MKE as part of the formation of the recording heads joint venture company and the repayment of a note receivable, partially offset by investment in property and equipment. Cash was used in financing activities for the repayment of the previously outstanding senior credit facility, which included a revolving credit line and term loan, and a term loan secured by specified capital equipment.

The revolving credit line, term loan, and equipment loan, which were paid off and terminated in the first fiscal 1998 quarter had carrying amounts of $110 million, $56 million, and $14 million, as of March 31, 1997, respectively.

In June 1997, the Company entered into an unsecured senior credit facility which provides a $500 million revolving credit line and expires in June 2000. At the option of the Company, borrowings under the revolving credit line, bear interest at either LIBOR plus a margin determined by a total funded debt ratio, or a base rate, with option periods of one to six months. As of June 29, 1997, there was no outstanding balance drawn on this line.

The Company has filed a registration statement pursuant to which the Company may issue debt or equity securities, in one or more series or issuances, limited to $450 million aggregate public offering price or its equivalent in one or more foreign currencies, currency units or composite currencies as may be designated by the Company. Debt securities which may be offered under the registration may be either senior or subordinated, and the specific terms would be set pursuant to a

specific offering. The number of shares of Common stock, par value $0.01 per share, which may be issued under the registration, as well as the initial public offering price or method of determining the initial public offering price, would be set pursuant to a specific offering. The registration statement became effective on July 24, 1997.

The Company expects to spend approximately $200 million for capital equipment, expansion of the Company's facilities, and leasehold improvements in fiscal 1998. These capital expenditures will support the tape business, research and development, and general corporate operations. The Company believes that it will be able to fund these capital requirements. Refer to the Future Capital Needs section of the Trends and Uncertainties section for additional discussion of capital.

The Company believes that its existing and available capital resources, including its unsecured senior credit facility and any cash generated from operations will be sufficient to meet all currently planned expenditures and sustain operations for the remainder of the fiscal year. However, this belief assumes that operating results and cash flow from operations will meet the Company's expectations, and actual results could vary due to certain of the factors described in the Trends and Uncertainties section that follows.

Trends and Uncertainties

Operating in the information storage industry, Quantum is affected by numerous trends and uncertainties, some of which are specific to the industry while others relate more specifically to Quantum. These are discussed below.

Trends and Uncertainties - Information Storage Industry

Key trends and uncertainties inherent in the information storage industry and how these trends and uncertainties specifically impact the Company are summarized below.

- Intense competition - The information storage products industry in general, and the disk drive industry in particular, is characterized by intense competition that results in rapid price erosion; short product life cycles; and continuous introduction of new, more cost-effective products offering increased levels of capacity and performance.

- Rapid technological change - Technology advancement in the information storage industry is increasingly rapid.

- Customer concentration - High-purchase-volume customers for information storage products are concentrated within a small number of computer system manufacturers, distribution channels, and system integrators.

- Fluctuating product demand - The demand for hard disk drive products depends on the demand for the computer systems in which hard disk drives are used, which in turn is affected by computer system product cycles and by prevailing economic conditions.

- Intellectual property conflicts - The hard disk drive industry has been characterized by significant litigation relating to patent and other intellectual property rights.

Intensely Competitive Industry. To compete within the information storage industry, Quantum frequently introduces new products and transitions to newer versions of existing products. Product introductions and transitions are significant to the operating results of Quantum, and if they are not successful, the Company would be materially and adversely affected. The hard disk drive industry also tends to experience periods of excess product inventory and intense price competition. If price competition intensifies, the Company may be forced to lower prices more than expected, which could materially adversely affect the Company. In addition, the Company's customers could commence the manufacture of disk and tape drives for their own use or for sale to others. Any such loss of customers could have a material adverse effect on the Company.

Quantum faces direct competition from a number of companies, including Seagate, Western Digital, IBM, Maxtor, Exabyte and Sony. In the event that the Company is unable to compete effectively with these or any other company, the Company would be materially adversely affected. The Company's information storage product competition can be further broken down as follows:

Desktop Storage Products. In the market for desktop products, Quantum competes primarily with Seagate, Western Digital, and Maxtor. Quantum and its competitors have developed and are developing a number of products targeted at particular segments of this market, such as business users and home PC buyers, and factors such as time to market can have a significant effect on the success of any particular product. The desktop market is characterized by more competitiveness and shorter product life cycles than the hard disk drive market in general.

Workstation and System Storage Products. The Company faces competition in the high-capacity disk drive market primarily from Seagate, IBM and Fujitsu. Seagate has the largest share of the market for high-capacity disk drives. Although the same competitive factors identified above as being generally applicable to the overall disk drive industry apply to high-capacity disk drives, the Company believes that the performance and quality of its products are more important to the users in this market than to users in the desktop market. The Company's success in the high-capacity market during the foreseeable future is dependent on the successful development, timely introduction, and market acceptance of key new products, as to which there can be no assurance.

Specialty Storage Products. In the market for tape drives, the Company competes with other companies that have tape drive product offerings and alternative formats. The company targets a market segment that requires a mission critical backup system and competes in this segment based on the reliability and durability of its tape drives. Although the Company has experienced excellent market acceptance of its tape drive products, the market may become more competitive as other companies broaden their product line in this market. As a result, the Company could experience increased price

competition. If price competition occurs, the Company may be forced to lower prices, in which case the Company could be materially adversely affected.

Rapid Technological Change, New Product Development, and Qualification. The combination of an environment of rapid technological changes, short product life cycles and competitive pressures results in gross margins on specific products decreasing rapidly. Accordingly, any delay in introduction of more advanced and more cost-effective products can result in significantly lower sales and gross margins. The Company's future is therefore dependent on its ability to anticipate what customers will demand and to develop the new products to meet this demand. The Company must also qualify new products with its customers, successfully introduce these products to the market on a timely basis, and commence volume production to meet customer demands. For example, during the first quarter of fiscal 1998 the Company expects to introduce a new desktop product that will account for a significant portion of the Company's sales. There can be no assurance that the Company will successfully qualify this new desktop product with its customers on a timely basis or that such product will be produced in sufficient quantities to meet customer demand. Due to these factors, the Company expects that sales of new products will continue to account for a significant portion of its future sales and that sales of older products will decline accordingly.

The Company is frequently in the process of qualifying new products with its customers. The customer qualification process for disk drive products, particularly high-capacity products, can be lengthy, complex, and difficult. In addition, the Company transitioned the manufacturing of its high capacity products to MKE during the first half of fiscal 1997, and MKE has only recently begun volume production of such high-capacity products. In the event that the Company is unable to obtain additional customer qualifications for new products in a timely manner, or at all, or in the event that MKE is unable to continue to manufacture such products in volume and with consistent high quality, the Company would be materially adversely affected.

There can be no assurance that the Company will be successful in the development and marketing of any new products and components in response to technological change or evolving industry standards, that the Company will not experience difficulties that could delay or prevent the successful development, introduction and marketing of these products and components; or that the Company's new products and components will adequately meet the requirements of the marketplace and achieve market acceptance. In addition, technological advances in magnetic, optical or other technologies, or the development of new technologies, could result in the introduction of competitive products with superior performance to and substantially lower prices than the Company's products. Further, the Company's new products and components are subject to significant technological risks. If the Company experiences delays in the commencement of commercial shipments of new products or components, the Company could experience delays or loss of product sales. If the Company is unable, for technological or other reasons, to develop and introduce new products in a timely manner in response to changing market conditions or customer requirements, the Company would be materially adversely affected.

Customer Concentration. In addition to the information storage industry and the Company's customer base being concentrated, the customers generally are not obligated to purchase any

minimum volume of the Company's products, and the Company's relationships with its customers are generally terminable at will by its customers.

Sales of the Company's desktop products, which comprise a majority of its overall sales, were concentrated with several key customers in the quarter ended June 29, 1997, and the fiscal year ended March 31, 1997. Sales to the top five customers of the Company represented 46% of total sales for the first quarter of fiscal 1998, and 38% of sales for the fiscal year ended March 31, 1997. In the three month period ended June 29, 1997, revenue from the top five customers was derived from both the OEM and Distribution sales channel, 31% and 15% respectively. On the OEM side both HP and Digital represented over 10% of total revenue. On the Distribution side Electronic Resources represented just under 10% of total revenue. In addition the Company is unable to predict whether or not there will be any significant change in demand for any of its customers' products in the future. In the event that any such changes result in decreased demand for the Company's products, whether by loss of or delays in orders, the Company could be materially adversely affected.

Fluctuation in Product Demand. Fluctuation in demand for the Company's products generally results in fluctuations in the Company's operating results. Demand for computer systems-especially in the PC market segment, where the Company derives a significant amount of its disk drive sales-has historically been subject to significant fluctuations. Such fluctuations in end-user demand have in the past, and may in the future, result in the deferral or cancellation of orders for the Company's products, each of which could have a material adverse effect on the

Company. During the past several years, there has been significant growth in the demand for PCs, a portion of which represented sales of PCs for use in the home. However, many analysts predict that future growth may be at a moderately slower rate than the rate experienced in recent years.

Sales of tape drives and tape drive-related products, which have been a less significant component of sales for the Company than sales of disk drive products but which have recently had a significant impact on margins and profitability, have tended to be more stable. In this regard the company expects sales of DLT products, which represented 18% of sales and a much higher percentage of operating profits for the quarter ended June 29, 1997, will continue to increase as a percentage of the Company's total sales and operating profits in the future.

The Company has experienced longer product cycles for its tape drives and tape drive-related products, compared with the short product cycles of disk drive products. However, there is no assurance that this trend will continue.

The Company could experience decreases in demand for its products in the future, which could have a material adverse effect on the Company. For the second fiscal 1998 quarter, the Company expects to experience continued gross margin pressure with respect to both its desktop and high-end hard disk drive products.

The hard disk drive industry has also been subject, from time to time, to seasonal fluctuations in demand. The Company has typically experienced relatively flat demand in the quarter ending September 30 compared with the quarter ending June 30. The Company expects this trend to continue with respect to the quarter ended September 28, 1997. In addition, the Company's

shipments tend to be highest in the third month of each quarter, which occurred in the quarter ended June 29, 1997 and which the Company expects to occur again in the quarter ending September 28, 1997. As a result, and because the Company has no long-term purchase commitments from its customers, future demand is difficult to predict. The failure by the Company to complete shipments in the final month of a quarter due to a decline in customer demand, manufacturing problems or other factors would adversely affect the Company's operating results for that quarter.

Intellectual Property Matters. From time to time, the Company is approached by companies and individuals alleging Quantum's need for a license under patented technology that Quantum assertedly uses. If required, there can be no assurance that licenses to any such technology could be obtained or obtained on commercially reasonable terms. Adverse resolution of any intellectual property litigation could subject the Company to substantial liabilities and require it to refrain from manufacturing certain products. In addition, the costs of engaging in such litigation may be substantial, regardless of the outcome.

Trends and Uncertainties More Specific to Quantum

Certain trends and uncertainties relate more specifically to Quantum and are not necessarily indicative of the information storage industry as a whole. These trends and uncertainties include dependence on MKE for the manufacture of the disk drives that Quantum develops and markets, costs associated with the MR recording head development and manufacture, the recording heads joint venture with MKE, dependence on suppliers, component shortages, future capital needs, warranty costs, foreign manufacturing, and price volatility of Quantum common stock. For information regarding litigation refer to "Legal Proceedings" below.

Dependence on MKE Relationship. Quantum is dependent on MKE for the manufacture of its disk drive products. Approximately 82% of the Company's quarter ended June 29, 1997 sales, and 81% of the year ended March 31,1997 sales, were derived from products manufactured by MKE. In addition, the formation of the joint venture with MKE to produce recording heads used in disk drive production in combination with the transition of the manufacturing of the Company's high-capacity products to MKE in fiscal 1997 has resulted in an increased dependence on MKE. The Company's relationship with MKE is therefore critical to the Company's business and financial performance.

In May 1997, Quantum completed renegotiation of its master agreement with MKE, which covers the general terms of the business relationship. The agreement was extended for a period of 10 years, unless sooner terminated as a result of certain specified events including a change-in-control of either Quantum or MKE. MKE currently manufactures all of the hard disk drives developed and marketed by Quantum. Quantum's relationship with MKE, which dates from 1984, is built on Quantum's engineering and design expertise and MKE's high-volume, high-quality manufacturing expertise.

The Company's dependence on MKE entails, among others, the following principal risks:

Quality and Delivery. The Company relies on MKE's ability to bring new products rapidly to volume production at low cost, to meet the Company's stringent quality requirements, and to respond quickly to changing product delivery schedules from the Company. This requires, among other things, close and continuous collaboration between the Company and MKE in all phases of design, engineering, and production. The Company's business and financial results would be adversely affected if products manufactured by MKE fail to satisfy the Company's quality requirements or if MKE is unable to meet the Company's delivery commitments. In the event MKE is unable to satisfy Quantum's production requirements, the Company would not have an alternative manufacturing source to meet the demand without substantial delay and disruption of the Company's operations. As a result, the Company would be materially adversely affected.

Volume and Pricing. MKE's production schedule is based on the Company's forecasts of its product purchase requirements, and the Company has limited contractual rights to modify short-term purchase orders issued to MKE. Further, the demand in the desktop business is inherently volatile, and there is no assurance that the Company's forecasts are accurate. In addition, the Company periodically negotiates pricing arrangements with MKE. The failure of the Company to accurately forecast its requirements or successfully adjust MKE's production schedule, which could lead to inventory shortages or surpluses, or the failure to reach pricing agreements reasonable to the Company would have a material adverse effect on the Company.

Manufacturing Capacity and Capital Commitment. The Company believes that MKE's current and committed manufacturing capacity should be adequate to meet the Company's requirements at least through the end of fiscal 1998. The Company's future growth will require, however, that MKE continue to devote substantial financial resources to property, plant and equipment and working capital to support manufacture of the Company's products, as to which there can be no assurance. In the event that MKE is unable or unwilling to meet the Company's manufacturing requirements, there can be no assurance that the Company would be able to obtain an alternate source of supply. Any such failure to obtain an alternative source would have a material adverse effect on the Company.

MR Recording Heads Development and Manufacturing. Since the fiscal 1995 acquisition of MR recording heads technology as part of the acquisition of certain businesses of the Storage Business Unit of Digital Equipment Corporation, Quantum has made significant efforts to advance the development of its MR recording heads capability. To further this effort, MKE and Quantum formed a joint venture in the first quarter of fiscal 1998 to partner in the research, development, and production of MR heads and technology. Quantum believes that through MKE's manufacturing expertise, the potential of the MR heads operations will be realized to the benefit of both MKE and Quantum. However, cost-effective production of MR recording heads is not expected to be realized in the near term. Until that time, the Company will incur losses based on its pro rata ownership interest in the new joint venture. However, there can be no assurance that the benefits of the joint venture will be realized on a timely basis or at all.

Although the Company currently obtains the majority of its MR heads from outside sources, the Company believes that by manufacturing MR heads it has developed in-depth knowledge of MR

head technology. The Company believes that MR head technology, which enables higher capacity per disk than conventional thin-film inductive heads, will replace inductive heads as the leading recording head technology. This knowledge is leveraged in the research, development, and production of disk drive products that utilize MR head technology. In addition, the Company believes that having a captive supply of MR heads lowers the risk of MR head supply shortages that may occur in the future as a result of increased requirements for disk drive products that utilize MR recording heads. However, MR technology is relatively complex and, to date, the Company's manufacturing yields for its MR heads have been lower than would be necessary for cost effective production of MR recording heads.

There is an additional uncertainty associated with maintaining or increasing the supply of MR recording heads used in the manufacture of disk drives. There are limited alternative sources of supply for MR recording heads. In the event that current sources of MR recording heads, which include the joint venture's MR heads operations, do not meet disk drive production requirements, there can be no assurance that the Company will be able to locate and obtain adequate supplies from alternative sources. A shortage of MR recording heads would materially adversely affect the Company.

Dependence on Suppliers of Components and Sub-Assemblies; Component Shortages. Each of the Company and its manufacturing partner, MKE, are dependent on qualified suppliers for components and sub-assemblies, including recording heads, media, and integrated circuits, which are essential to the manufacture of

the Company's disk drive and tape drive products. In connection with certain products, the Company and MKE qualify only a single source for certain components and sub-assemblies, which can magnify the risk of shortages. Component shortages have constrained the Company's sales growth in the past, and the Company believes that the industry will periodically experience component shortages. For example, during the quarter ended June 29, 1997, the Company's ability to meet customer demand for its tape drive products was somewhat constrained by component availibility. If component shortages occur, or if the Company experiences quality problems with component suppliers, shipments of products could be significantly delayed or costs significantly increased, which would have a material adverse effect on the Company.

Future Capital Needs. The information storage industry is capital and research and development intensive and the Company will need to maintain adequate financial resources for capital expenditures, working capital, and research and development, in order to remain competitive in the information storage business. The Company believes that it will be able to fund these capital requirements at least through fiscal 1998. However, if the Company decides to increase its capital expenditures further, or sooner than presently contemplated, or if results of operations do not meet the Company's expectations, the Company could require additional debt or equity financing. There can be no assurance that such additional funds will be available to the Company or will be available on favorable terms. The Company may also require additional capital for other purposes not presently contemplated. If the Company is unable to obtain sufficient capital, it could be required to curtail its capital equipment and research and development expenditures, which could adversely affect the Company.

Warranty. Quantum generally warrants its products against defects for a period of one to five years. A provision for estimated future costs relating to warranty expense is recorded when products are shipped. The actual warranty expenditures could have a material unfavorable impact on the Company if the actual rate of unit failure or the cost to repair a unit is greater than what the Company has used in estimating the warranty expense accrual.

Risks Associated with Foreign Manufacturing. Many of the Company's products are currently manufactured outside the United States. As a result, the Company is subject to certain risks associated with contracting with foreign manufacturers, including obtaining requisite United States and foreign governmental permits and approvals, currency exchange fluctuations, currency restrictions, political instability, labor problems, trade restrictions, and changes in tariff and freight rates.

Foreign Exchange Contracts. The Company manages the impact of foreign currency exchange rate changes on certain foreign currency receivables and payables using foreign currency forward exchange contracts. With this approach the Company expects to minimize the impact of changing foreign exchange rates on the Company's net income. However, there can be no assurance that all foreign currency exposures will be adequately managed, and the Company could incur material charges as a result of changing foreign exchange rates. Refer to Note 2 of the Notes to Consolidated Financial Statements for additional information regarding foreign currency forward exchange contracts.

Volatility of Stock Price. The market price of the Company's common stock has been, and may continue to be, extremely volatile. Factors such as new product announcements by the Company or its competitors; quarterly fluctuations in the operating results of the Company, its competitors, and other technology companies; and general conditions in the computer market may have a significant impact on the market price of the common stock. In particular, if the Company were to report operating results that did not meet the expectations of the analysts, the market price of the common stock could be materially adversely affected.

QUANTUM CORPORATION

PART II - OTHER INFORMATION

Item 1. Legal proceedings

Refer to Note 5 of the Notes to Condensed Consolidated Financial Statements.

Item 2. Changes in securities - Not Applicable.

Item 3. Defaults upon senior securities - Not Applicable

Item 4. Submission of matters to a vote of security holders - Not Applicable

Item 5. Other information - Not Applicable

Item 6. Exhibits and reports on Form 8-K.

(a) Exhibits. The exhibits listed on the accompanying index to exhibits immediately following the signature page are filed as part of this report.

(b) Reports on Form 8-K.

(1) Form 8-K dated May 16, 1997

(2) Form 8-K dated July 28, 1997

(3) Form 8-K dated August 6, 1997

SIGNATURE

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

QUANTUM CORPORATION
(Registrant)

Date: August 13, 1997 By: /s/ Richard L. Clemmer

Richard L. Clemmer
Executive Vice President, Finance
and Chief Financial Officer

QUANTUM CORPORATION

INDEX TO EXHIBITS

Exhibit Number	
4.1(1)	Indenture, dated August 1, 1997, between the Registrant and La Salle National Bank as trustee ("Trustee") related to the Registrants subordinated debt securities
4.2(1)	Supplemental Indenture, dated August 1, 1997, between the Registrant and Trustee, relating to the Notes (including the form of Note)
4.3	Certificate of Amendment of Certificate of Incorporation of Quantum Corporation, dated April 29, 1997
10.1	Lease (dated April 16, 1997) between Registrant and John Arrillaga, Trustee
10.2	Credit Agreement dated June 6, 1997, among Quantum Corporation and the Banks Named Herein and ABN AMRO BANK N.V., San Francisco International Branch and CIBC INC. as Co-Arrangers for the Banks and CANADIAN IMPERIAL BANK OF COMMERCE, as Administrative Agent for the Banks and ABN AMRO BANK N.V., San Francisco International Branch, as Syndication Agent for the Banks and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION as Documentation Agent for the Banks
10.3(2)	Amended and Restated Master Agreement, dated April 30, 1997 between Registrant and MKE
10.4(2)	Amended and Restated Purchase Agreement, dated April 30, 1997 between Registrant and MKE
10.5(2)	License Agreement, effective January 1, 1996, dated April 17, 1997, between International Business Machines Corporation and Quantum Corporation
11.1	Statement of Computation of Net Income Per Share

27 Financial Data Schedule

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(1) Incorporated by reference to the Form 8-K, dated August 6, 1997, filed with the Securities and Exchange Commission.
(2) The Company has requested confidential treatment for certain portions of this agreement. The confidential portions have been separately filed with the Securities and Exhchange Commission.

CERTIFICATE OF AMENDMENT OF

CERTIFICATE OF INCORPORATION OF

QUANTUM CORPORATION

Quantum Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation") does hereby certify that:

The amendment to the Corporation's Certificate of Incorporation set forth in the following resolution was approved by the Corporation's Board of Directors and stockholders and was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware.

RESOLVED: That the first paragraph of Section 4 of the Certificate of Incorporation of this corporation is hereby amended to read in its entirety as follows:

> "The total number of shares of all classes of stock which the corporation has authority to issue is Five Hundred Four Million (504,000,000) shares, consisting of Five Hundred Million (500,000,000) shares of Common Stock, $.01 par value (the "Common Stock"), and Four Million (4,000,000) shares of Preferred Stock, $.01 par value (the "Preferred Stock").

IN WITNESS WHEREOF, QUANTUM CORPORATION has caused this Certificate to be signed and attested by its duly authorized officers this 29th day of April, 1997.

QUANTUM CORPORATION

By: /s/ Michael A. Brown
Michael A. Brown
President and Chief Executive Officer

ATTEST

By: /s/ Andrew Kryder

Andrew Kryder
Vice President, Corporate General Counsel
and Assistant Secretary

BLDG: Quantum 6
OWNER: 500
PROP: 225
UNIT: 1
TENANT: 22501

LEASE AGREEMENT

THIS LEASE, made this 16th day of April, 1997 between JOHN ARRILLAGA, Trustee, or his Successor Trustee, UTA dated 7/20/77 (JOHN ARRILLAGA SURVIVOR'S TRUST) as amended, and RICHARD T. PEERY, Trustee, or his Successor Trustee, UTA dated 7/20/77 (RICHARD T. PEERY SEPARATE PROPERTY TRUST) as amended _____, hereinafter called Landlord, and QUANTUM CORPORATION, a Delaware corporation, hereinafter called Tenant.

WITNESSETH:

Landlord hereby leases to Tenant and Tenant hereby hires and takes from Landlord those certain premises (the "Premises") outlined in red on Exhibit "A", attached hereto and incorporated herein by this reference thereto more particularly described as follows:

All of that land containing approximately 9.56+/- acres and that certain 182,355+/- square foot two-story building ("Building 6") and parking appurtenant thereto, to be constructed and installed by Landlord as shown within the area outlined in Green on Exhibit A to be located on Sumac Drive, Milpitas, California, 95035. Said Premises is more particularly shown within the area outlined in Red in Exhibit A attached hereto and incorporated herein by this reference. The interior of the Leased Premises shall be improved by Landlord in the configuration as shown in Red on Exhibit B to be attached hereto and incorporated herein by this reference. The building shell shall be constructed in accordance with the shell and site improvement specifications set forth on Exhibit A, and the general building elevation set forth on Exhibit A.

The word "Premises" as used throughout this lease is hereby defined to include the Hetch-Hetchy Land as described in Paragraph 49, the nonexclusive use of landscaped areas, sidewalks and driveways in front of or adjacent to the Premises, and the nonexclusive use of the area directly underneath or over such sidewalks and driveways. The gross leasable area of the building shall be measured from outside of exterior walls to outside of exterior walls, and shall include any atriums, covered entrances or egresses and covered loading areas.

Said letting and hiring is upon and subject to the terms, covenants and conditions hereinafter set forth and Tenant covenants as a material part of the consideration for this Lease to perform and observe each and all of said terms, covenants and conditions. This Lease is made upon the conditions of such performance and observance.

1. USE Tenant shall use the Premises only in conformance with applicable governmental laws, regulations, rules and ordinances for the purpose of office, sales and R&D, and related uses necessary for the use of Tenant or any approved assignee or subtenant to conduct its business providing any and all uses of the Premises shall be subject to and in conformance with all governmental laws and ordinances, and for no other purpose without Landlord's prior written consent, Tenant shall not do or permit to be done in or about the Premises nor bring or keep or permit to be brought or kept in or about the Premises anything which is prohibited by or will in any way increase the existing rate of (or otherwise affect) fire or any insurance covering the Premises or any part thereof, or any of its contents without the prior written consent of Landlord, and provided Tenant bears any cost related to such increased rate, or will cause a cancellation of any insurance covering the Premises or any part thereof, or any of its contents. Tenant shall not do or permit to be done anything in, on or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Premises or neighboring premises or injure or annoy them, or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. No sale by auction shall be permitted on the Premises. Tenant shall not place any loads upon the floors, walls, or ceiling which endanger the structure, or place any harmful fluids or other materials in the drainage system of the building, or overload existing electrical or other mechanical systems. No waste materials or refuse shall be dumped upon or permitted to remain upon any part of the Premises or outside of the building in which the Premises are a part, except in trash containers placed inside exterior enclosures designated by Landlord for that purpose or inside of the building proper where designated by Landlord. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature shall be stored upon or permitted to remain outside the Premises. Tenant shall not place anything or allow anything to be placed near the glass of any window, door partition or wall which may appear unsightly from outside the Premises. No loudspeaker or other device, system or apparatus which can be heard outside the Premises shall be used in or at the Premises without the prior written consent of Landlord. Tenant shall not commit or suffer to be committed any waste in or upon the Premises. Tenant shall indemnify, defend and

hold Landlord harmless against any loss, expense, damage, reasonable attorneys' fees, or liability arising out of failure of Tenant to comply with any applicable law that governs Tenant's use of the Premises. Tenant shall comply with any covenant, condition, or restriction ("CC&R's") affecting the Premises. The Provisions of this paragraph are for the benefit of Landlord only and shall not be construed to be for the benefit of any tenant or occupant of the Premises.

2. TERM AND COMMENCEMENT DATE OF LEASE: See Paragraph 40, 41 & 42 of this Lease.

3. POSSESSION If Landlord, for any reason whatsoever other than Landlord's default, cannot deliver possession of said premises to Tenant at the commencement of the said term, as hereinbefore specified, this Lease shall not be void or voidable; no obligation of Tenant shall be affected thereby; nor shall Landlord or Landlord's agents be liable to Tenant for any loss or damage resulting therefrom; but in that event the commencement and termination dates of the Lease, and all other dates affected thereby shall be revised to conform to the date of Landlord's delivery of possession, as specified in Paragraph 2B, above. The above is, however, subject to the provision that the period of delay of delivery of the Premises shall not exceed 180 days from the commencement date herein (except those delays caused by Acts of God, strikes, war, utilities, governmental bodies, weather, unavailable materials, and delays beyond Landlord's control shall be excluded in calculating such period) in which instance Tenant, at its option, may, by written notice to Landlord, terminate this Lease.

4. RENT

A. Basic Rent. Tenant agrees to pay to Landlord at such place as Landlord may designate without deduction, offset, prior notice, or demand, and Landlord agrees to accept as Basic Rent for the leased Premises the total sum of the amount for the original Lease Term to be calculated pursuant to Paragraph 39.

B. Time for Payment. Full monthly rent is due in advance on the first day of each calendar month. In the event that the term of this Lease commences on a date other than the first day of a calendar month, on the date of commencement of the term hereof Tenant shall pay to Landlord as rent for the period from such date of commencement to the first day of the next succeeding calendar month that proportion of the monthly rent hereunder which the number of days between such date of commencement and the first day of the next succeeding calendar month bears to thirty (30). In the event that the term of this Lease for any reason ends on a date other than the last day of a calendar month, on the first day of the last calendar month of the term hereof Tenant shall pay to Landlord as rent for the period from said first day of said last calendar month to and including the last day of the term hereof that proportion of the monthly rent hereunder which the number of days between said first day of said last calendar month and the last day of the term hereof bears to thirty (30).

C. Late Charge. Notwithstanding any other provision of this Lease, if Tenant is in default in the payment of rental as set forth in this Paragraph 4 when due, or any part thereof, Tenant agrees to pay Landlord, in addition to the delinquent rental due, a late charge for each rental payment in default ten (10) days. Said late charge shall equal ten percent (10%) of each rental payment so in default.

D. Additional Rent. Beginning with the commencement date of the term of thisease, Tenant shall pay to Landlord or to Landlord's designated agent in addition to the Basic Rent and as Additional Rent the following:

(a) All Taxes relating to the Premises as set forth in Paragraph 9, and

(b) All insurance premiums relating to the Premises, as set forth in Paragraph 12, and

(c) All charges, costs and expenses, which Tenant is required to pay hereunder, together with all interest and penalties, costs and expenses including reasonable attorneys' fees and legal expenses, that may accrue thereto in the event of Tenant's failure to pay such amounts, and all damages, reasonable costs and expenses which Landlord may incur by reason of default of Tenant or failure on Tenant's part to comply with the terms of this Lease. In the event of nonpayment by Tenant of Additional Rent, Landlord shall have all the rights and remedies with respect thereto as Landlord has for nonpayment of rent.

The Additional Rent due hereunder shall be paid to Landlord or Landlord's agent (i) within five days for taxes and insurance and within thirty (30) days for all other Additional Rent items after presentation of invoice from Landlord or Landlord's agent setting forth such Additional rent and/or (ii) at the option of Landlord, Tenant shall pay to Landlord monthly, in advance, Tenant's prorata share of an amount estimated by Landlord to be Landlord's approximate average monthly expenditure for such Additional Rent items, which estimated amount shall be reconciled within 180 days of the end of each calendar year or more frequently if Landlord elects to do so at Landlord's sole and absolute discretion as compared to Landlord's actual expenditure for said Additional Rent items, with Tenant paying to Landlord, upon demand, any amount of actual expenses expended by Landlord in excess of said estimated amount, or Landlord

crediting to Tenant's account (providing Tenant is not in default in the performance of any of the terms, covenants and conditions of this Lease, in which case such amount shall be held by Landlord as a credit for Tenant's account until such default has been cured) any amount of estimated payments made by Tenant in excess of Landlord's actual expenditures for said Additional Rent items.

E. Fixed Management Fee. Beginning with the Commencement Date of the Term of this Lease, Tenant shall pay to Landlord, in addition to the Basic Rent and Additional Rent, a fixed monthly management fee ("Management Fee") equal to 1% of the Basic Rent due for each month during the Lease Term.

The respective obligations of Landlord and Tenant under this paragraph shall survive the expiration or other termination of the term of this Lease, and if the term hereof shall expire or shall otherwise terminate on a day other than the last day of a calendar year, the actual Additional Rent incurred for the calendar year in which the term hereof expires or otherwise terminates shall be determined and settled on the basis of the statement of actual Additional Rent for such calendar year and shall be prorated in the proportion which the number of days in such calendar year preceding such expiration or termination bears to 365.

F. Place of Payment of Rent and Additional Rent. All Basic Rent hereunder and all payments hereunder for Additional Rent shall be paid to Landlord at the office of Landlord at Peery/Arrillaga, File 1504, Box 60000, San Francisco, CA 94160 or to such other person or to such other place as Landlord may from time to time designate in writing.

G. Security Deposit. Concurrently with Tenant's execution of this Lease, Tenant shall deposit with Landlord the sum of SEVEN HUNDRED ELEVEN THOUSAND ONE HUNDRED EIGHTY FOUR AND 50/100 Dollars ($711,184.50). Said sum shall be held by Landlord as a Security Deposit for the faithful performance by Tenant of all of the terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the term hereof. If Tenant defaults with respect to any provision of this Lease, including, but not limited to, the provisions relating to the payment of rent and any of the monetary sums due herewith, Landlord may (but shall not be required to) use, apply or retain all or any part of this Security Deposit for the payment of any other amount which Landlord may spend by reason of Tenant's default or to compensate Landlord for

any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said Deposit is so used or applied, Tenant shall, within ten (10) days after written demand therefor, deposit cash with Landlord in the amount sufficient to restore the Security Deposit to its original amount. Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep this Security Deposit separate from its general funds, and Tenant shall not be entitled to interest on such Deposit. If Tenant fully and faithfully performs every provision of this Lease to be performed by it, the Security Deposit or any balance thereof shall be returned to Tenant (or at Landlord's option, to the last assignee of Tenant's interest hereunder) at the expiration of the Lease term and after Tenant has vacated the Premises. In the event of termination of Landlord's interest in this Lease, Landlord shall transfer said Deposit to Landlord's successor in interest whereupon Tenant agrees to release Landlord from liability for the return of such Deposit or the accounting therefor. See Paragraph 50

5. ACCEPTANCE AND SURRENDER OF PREMISES By entry hereunder, Tenant accepts the Premises as being in good and sanitary order, condition and repair and accepts the building and improvements included in the Premises in their present condition and without representation or warranty by Landlord as to the condition of such building or as to the use or occupancy which may be made thereof. Any exceptions to the foregoing must be by written agreement executed by Landlord and Tenant. Tenant agrees on the last day of the Lease term, or on the sooner termination of this Lease, to surrender the Premises promptly and peaceably to Landlord in good condition and repair (damage by Acts of God, fire, normal wear and tear excepted), with all interior walls cleaned so that they appear freshly painted, and repaired and replaced, if damaged; all floors cleaned and waxed; all carpets cleaned and shampooed; all broken, marred or nonconforming accoustical ceiling tiles replaced; all windows washed; the airconditioning and heating systems serviced by a reputable and licensed service firm and in good operating condition and repair; the plumbing and electrical systems and lighting in good order and repair, including replacement of any burned out or broken light bulbs or ballasts; the lawn and shrubs in good condition including the replacement of any dead or damaged plantings; the sidewalk, driveways and parking areas in good order, condition and repair; together with all alterations, additions, and improvements which may have been made in, to, or on the Premises (except moveable trade fixtures installed at the expense of Tenant) except that Tenant shall ascertain from Landlord within ninety (90) days before the end of the term of this Lease whether Landlord desires to have the Premises or any part or parts thereof restored to their condition and configuration as when the Premises were delivered to Tenant and if Landlord shall so desire, then Tenant shall restore said Premises or such part or parts thereof before the end of this Lease at Tenant's sole cost and expense. Tenant, on or before the end of

the term or sooner termination of this Lease, shall remove all of Tenant's personal property and trade fixtures from the Premises, and all property not so removed on or before the end of the term or sooner termination of this Lease shall be deemed abandoned by Tenant and title to same shall thereupon pass to Landlord without compensation to Tenant. Landlord may, upon termination of this Lease, remove all moveable furniture and equipment so abandoned by Tenant, at Tenant's sole cost, and repair any damage caused by such removal at Tenant's sole cost. If the Premises be not surrendered at the end of the term or sooner termination of this Lease, Tenant shall indemnify Landlord against loss or liability resulting from the delay by Tenant in so surrendering the Premises including, without limitation, any claims made by any succeeding tenant founded on such delay. Nothing contained herein shall be construed as an extension of the term hereof or as a consent of Landlord to any holding over by Tenant. The voluntary or other surrender of this Lease or the Premises by Tenant or a mutual cancellation of this Lease shall not work as a merger and, at the option of Landlord, shall either terminate all or any existing subleases or subtenancies or operate as an assignment to Landlord of all or any such subleases or subtenancies. See Paragraph 51

6. ALTERATIONS AND ADDITIONS Tenant shall not make, or suffer to be made, any alteration or addition to the Premises, or any part thereof, without the written consent of Landlord first had and obtained by Tenant (such consent not to be unreasonably withheld), but at the cost of Tenant, and any addition to, or alteration of, the Premises, except moveable furniture and trade fixtures, shall at once become a part of the Premises and belong to Landlord. Landlord reserves the right to approve all contractors and mechanics proposed by Tenant to make such alterations and additions. Tenant shall retain title to all moveable furniture and trade fixtures placed in the Premises. All heating, lighting, electrical, airconditioning, floor to ceiling partitioning, drapery, carpeting, and floor installations made by Tenant, together with all property that has become an integral part of the Premises, shall not be deemed trade fixtures. Tenant agrees that it will not proceed to make such alteration or additions, without having obtained consent from Landlord to do so, and until five (5) days from the receipt of such consent, in order that Landlord may post appropriate notices to avoid any liability to contractors or material suppliers for payment for Tenant's improvements. Tenant will at all times permit such notices to be posted and to remain posted until the completion of work. Tenant shall, if required by Landlord, secure at Tenant's own cost and expense, a completion and lien indemnity bond, satisfactory to Landlord, for such work. Tenant further covenants and agrees that any mechanic's lien filed against the Premises for work claimed to have been done for, or materials claimed to have been furnished to Tenant, will be discharged by Tenant, by bond or otherwise, within ten (10) days after Tenant receives notice of the filing thereof, at the cost and expense of Tenant. Any exceptions to the foregoing must be made in writing and executed by both Landlord and Tenant. See Paragraph 51

7. TENANT MAINTENANCE Tenant shall, at its sole cost and expense, keep and

maintain the Premises (including appurtenances) and every part thereof in a high standard of maintenance and repair, or replacement, and in good and sanitary condition. Tenant's maintenance and repair responsibilities herein referred to include, but are not limited to, janitorization, all windows (interior and exterior), window frames, plate glass and glazing (destroyed by accident or act of third parties), truck doors, plumbing systems (such as water and drain lines, sinks, toilets, faucets, drains, showers and water fountains), electrical systems (such as panels, conduits, outlets, lighting fixtures, lamps, bulbs, tubes and ballasts), heating and airconditioning systems (such as compressors, fans, air handlers, ducts, mixing boxes, thermostats, time clocks, boilers, heaters, supply and return grills), structural elements and exterior surfaces of the building, store fronts, roofs, downspouts, all interior improvements within the premises including but not limited to wall coverings, window coverings, carpet, floor coverings, partitioning, ceilings, doors (both interior and exterior), including closing mechanisms, latches, locks, skylights (if any), automatic fire extinguishing systems, and elevators and all other interior improvements of any nature whatsoever, and all exterior improvements including but not limited to landscaping, sidewalks, driveways, parking lots including striping and sealing, sprinkler systems, lighting, ponds, fountains, waterways, and drains. Tenant agrees to provide carpet shields under all rolling chairs or to otherwise be responsible for wear and tear of the carpet caused by such rolling chairs if such wear and tear exceeds that caused by normal foot traffic in surrounding areas. Areas of excessive wear shall be replaced at Tenant's sole expense upon Lease termination. Tenant hereby waives all rights under, and benefits of, Subsection 1 of Section 1932 and Section 1941 and 1942 of the California Civil Code and under any similar law, statute or ordinance now or hereafter in effect. In the event any of the above maintenance responsibilities apply to any other tenant(s) of Landlord where there is common usage with other tenant(s), such maintenance responsibilities and charges shall be allocated to the leased Premises by square footage or other equitable basis as calculated and determined by Landlord. See Paragraph 52

8. UTILITIES Tenant shall pay promptly, as the same become due, all charges for water, gas, electricity, telephone, telex and other electronic communication service, sewer service, waste pick-up and any other utilities, materials or services furnished directly to or used by Tenant on or about the Premises during the term of this Lease, including, without limitation, any temporary or

permanent utility surcharge or other exactions whether or not hereinafter imposed. In the event the above charges apply to any other tenant(s) of Landlord where there is common usage with other tenant(s), such charges shall be allocated to the leased Premises by square footage or other equitable basis as calculated and determined by landlord.

Landlord shall not be liable for and Tenant shall not be entitled to any abatement or reduction of rent by reason of any interruption or failure of utility services to the Premises when such interruption or failure is caused by accident, breakage, repair, strikes, lockouts, or other labor disturbances or labor disputes of any nature, or by any other cause, similar or dissimilar, beyond the reasonable control of Landlord.

9. TAXES

A. Notwithstanding the following, Tenant is responsible for paying all real estate taxes and assessments assessed on the Premises leased hereunder from November 1, 1995. As Additional Rent and in accordance with Paragraph 4D of this Lease, Tenant shall pay to Landlord, or if Landlord so directs, directly to the Tax Collector, all Real Property Taxes relating to the Premises. In the event the Premises leased hereunder consist of only a portion of the entire tax parcel, Tenant shall pay to Landlord Tenant's proportionate share of such real estate taxes allocated to the leased Premises by square footage or other reasonable basis as calculated and determined by Landlord. If the tax billing pertains 100% to the leased Premises, and Landlord chooses to have Tenant pay said real estate taxes directly to the Tax Collector, then in such event it shall be the responsibility of Tenant to obtain the tax and assessment bills and pay, prior to delinquency, the applicable real property taxes and assessments pertaining to the leased Premises, and failure to receive a bill for taxes and/or assessments shall not provide a basis for cancellation of or nonresponsibility for payment of penalties for nonpayment or late payment by Tenant. The term "Real Property Taxes", as used herein, shall mean (i) all taxes, assessments, levies and other charges of any kind or nature whatsoever, general and special, foreseen and unforeseen (including all installments of principal and interest required to pay any general or special assessments for public improvements and any increases resulting from reassessments caused by any change in ownership of the Premises) now or hereafter imposed by any governmental or quasi-governmental authority or special district having the direct or indirect power to tax or levy assessments, which are levied or assessed against, or with respect to the value, occupancy or use of, all or any portion of the Premises (as now constructed or as may at any time hereafter be constructed, altered, or otherwise changed) or Landlord's interest therein; any improvements located within the Premises (regardless of ownership); the fixtures, equipment and other property of Landlord, real or personal, that are an integral part of and located in the Premises; or parking areas, public utilities, or energy within the Premises; (ii) all charges, levies or fees imposed by reason of environmental regulation or other governmental control of the Premises; and (iii) all costs and fees (including

reasonable attorneys' fees) incurred by Landlord in reasonably contesting any Real Property Tax and in negotiating with public authorities as to any Real Property Tax. If at any time during the term of this Lease the taxation or assessment of the Premises prevailing as of the commencement date of this Lease shall be altered so that in lieu of or in addition to any Real property Tax described above there shall be levied, assessed or imposed (whether by reason of a change in the method of taxation or assessment, creation of a new tax or charge, or any other cause) an alternate or additional tax or charge (i) on the value, use or occupancy of the Premises or Landlord's interest therein or (ii) on or measured by the gross receipts, income or rentals from the Premises, on Landlord's business of leasing the Premises, or computed in any manner with respect to the operation of the Premises, then any such tax or charge, however designated, shall be included within the meaning of the term "Real Property Taxes" for purposes of this Lease. If any Real Property Tax is based upon property or rents unrelated to the Premises, then only that part of such Real Property Tax that is fairly allocable to the Premises shall be included within the meaning of the term "Real Property Taxes". Notwithstanding the foregoing, the term "Real Property Taxes" shall not include estate, inheritance, gift or franchise taxes of Landlord or the federal or state net income tax imposed on Landlord's income from all sources. See Paragraph 53

B. Taxes on Tenant's Property. Tenant shall be liable for and shall pay ten days before delinquency, taxes levied against any personal property or trade fixtures placed by Tenant in or about the Premises. If any such taxes on Tenant's personal property or trade fixtures are levied against Landlord or Landlord's property or if the assessed value of the Premises is increased by the inclusion therein of a value placed upon such personal property or trade fixtures of Tenant and if Landlord, after written notice to Tenant, pays the taxes based on such increased assessment, which Landlord shall have the right to do regardless of the validity thereof, but only under proper protest if requested by Tenant, Tenant shall upon demand, as the case may be, repay to Landlord the taxes so levied against Landlord, or the proportion of such taxes resulting from such increase in the assessment; provided that in any such event Tenant shall have the right, in the name of Landlord and with Landlord's full

cooperation, to bring suit in any court of competent jurisdiction to recover the amount of such taxes so paid under protest, and any amount so recovered shall belong to Tenant.

10. LIABILITY INSURANCE Tenant, at Tenant's expense, agrees to keep in force during the term of this Lease a policy of commercial general liability insurance with combined single limit coverage of not less than Two Million Dollars ($2,000,000) per occurrence, for bodily injury and property damage occurring in, on or about the Premises, including parking and landscaped areas. Such insurance shall be primary and noncontributory as respects any insurance carried by Landlord. The policy or policies effecting such insurance shall name Landlord as additional insureds, and shall insure any liability of Landlord, contingent or otherwise, as respects acts or omissions of Tenant, its agents, employees or invitees or otherwise by any conduct or transactions of any of said persons in or about or concerning the Premises, including any failure of Tenant to observe or perform any of its obligations hereunder; shall be issued by an insurance company admitted to transact business in the State of California; and shall provide that the insurance effected thereby shall not be canceled, except upon thirty (30) days' prior written notice to Landlord. A certificate of insurance of said policy shall be delivered to Landlord. If, during the term of this Lease, in the considered opinion of Landlord's Lender, insurance advisor, or counsel, the amount of insurance described in this Paragraph 10 is not adequate, Tenant agrees to increase said coverage to such reasonable amount as Landlord's Lender, insurance advisor, or counsel shall deem adequate.

11. TENANT'S PERSONAL PROPERTY INSURANCE AND WORKMAN'S COMPENSATION INSURANCE Tenant shall maintain a policy or policies of fire and property damage insurance in "all risk" form with a sprinkler leakage endorsement insuring the personal property, inventory, trade fixtures, and leasehold improvements within the leased Premises for the full replacement value thereof. The proceeds from any of such policies shall be used for the repair or replacement of such items so insured.

Tenant shall also maintain a policy or policies of workman's compensation insurance and any other employee benefit insurance sufficient to comply with all laws.

12. PROPERTY INSURANCE Landlord shall purchase and keep in force, and as Additional Rent and in accordance with Paragraph 4D of this Lease, Tenant shall pay to Landlord (or Landlord's agent if so directed by Landlord) Tenant's proportionate share (allocated to the leased Premises by square footage or other equitable basis as calculated and determined by Landlord) of the deductibles on insurance claims and the cost of, policy or policies of insurance covering loss or damage to the Premises (excluding routine maintenance and repairs and incidental damage or destruction caused by accidents or vandalism for which Tenant is responsible under Paragraph 7) in the amount of the full replacement value thereof, providing protection against those perils included within the classification of "all risks" insurance and flood and/or earthquake insurance, if available, plus a policy of rental income insurance in the amount of one hundred (100%) percent of twelve (12) months Basic Rent, plus sums paid as Additional Rent. If such insurance cost is increased due to Tenant's use of the Premises, Tenant agrees to pay to Landlord the full cost of such increase. Tenant shall have no interest in nor any right to the proceeds of any insurance procured by Landlord for the Premises.

Landlord and Tenant do each hereby respectively release the other, to the

extent of insurance coverage of the releasing party, from any liability for loss or damage caused by fire or any of the extended coverage casualties included in the releasing party's insurance policies, irrespective of the cause of such fire or casualty; provided, however, that if the insurance policy of either releasing party prohibits such waiver, then this waiver shall not take effect until consent to such waiver is obtained. If such waiver is so prohibited, the insured party affected shall promptly notify the other party thereof.

13. INDEMNIFICATION Landlord shall not be liable to Tenant and Tenant hereby waives all claims against Landlord for any injury to or death of any person or damage to or destruction of property in or about the Premises by or from any cause whatsoever, including, without limitation, gas, fire, oil, electricity or leakage of any character from the roof, walls, basement or other portion of the Premises but excluding, however, the willful misconduct or negligence of Landlord, its agents, servants, employees, invitees, or contractors of which negligence Landlord has knowledge and reasonable time to correct. Except as to injury to persons or damage to property to the extent arising from the willful misconduct or the negligence of Landlord, its agents, servants, employees, invitees or contractors, and subject to the last two sentences of Paragraph 12, Tenant shall hold Landlord harmless from and defend Landlord against any and all expenses, including reasonable attorneys' fees, in connection therewith, arising out of any injury to or death of any person or damage to or destruction of property occurring in, on or about the Premises, or any part thereof, from any cause whatsoever.

14. COMPLIANCE Tenant, at its sole cost and expense, shall promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now or hereafter in effect; with the requirements of any board of

fire underwriters or other similar body now or hereafter constituted; and with any direction or occupancy certificate issued pursuant to law by any public officer; provided, however, that no such failure shall be deemed a breach of the provisions if Tenant, immediately upon notification, commences to remedy or rectify said failure. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any such law, statute, ordinance or governmental rule, regulation, requirement, direction or provision, shall be conclusive of that fact as between Landlord and Tenant. Tenant shall, at its sole cost and expese, comply with any and all requirements pertaining to said Premises, of any insurance orgainzation or company, necessary for the maintenance of reasonable fire and public liability insurance covering requirements pertaining to said Premises, of any insurance orgainzation or company, necessary for the maintenance of reasonable fire and public liability insurance covering the Premises. See Paragraphs 44 and 52

15. LIENS Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligation incurred by Tenant. In the event that Tenant shall not, within ten (10) days following Tenant's receipt of notice of the imposition of such lien, cause the same to be released of record, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but no obligation, to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All sums paid by Landlord for such purpose, and all expenses incurred by it in connection therewith, shall be payable to Landlord by Tenant on demand with interest at the prime rate of interest as quoted by the Bank of America.

16. ASSIGNMENT AND SUBLETTING Tenant shall not assign, transfer, or hypothecate the leasehold estate under this Lease, or any interest therein, and shall not sublet the Premises, or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person or entity to occupy or use the Premises, or any portion thereof, without, in each case, the prior written consent of Landlord which consent will not be unreasonably withheld. In the event Tenant is allowed to assign, transfer or sublet the whole or any part of the Premises, with the prior written

consent of Landlord, no assignee, transferee or subtenant shall assign or transfer this Lease, either in whole or in part, or sublet the whole or any part of the Premies, without also having obtained the prior written consent of Landlord. A consent of Landlord to one assignment, transfer, hypothecation, subletting, occupation or use by any other person shall not release Tenant from any of Tenant's obligations hereunder or be deemed to be a consent to any subsequent similar or dissimilar assignment, transfer, hypothecation, subletting, occupation or use by any other person. Any such assignment, transfer, hypothecation, subletting, occupation or use without such consent shall be void and shall constitute a breach of this Lease by Tenant and shall, at the option of Landlord exercised by written notice to Tenant, terminate this Lease. The leasehold estate under this Lease shall not, nor shall any interest therein, be assignable for any purpose by operation of law without the written consent of Landlord. As a condition to its consent, Landlord shall require Tenant to pay all reasonable expenses in connection with the assignment, and Landlord shall require Tenant's assignee or transferee (or other assignees or transferees) to assume in writing all of the obligations under this Lease and for Tenant to remain liable to Landlord under the Lease. See Paragraphs 55 and 56

17. SUBORDINATION AND MORTGAGES In the event Landlord's title or leasehold interest is now or hereafter encumbered by a deed of trust, upon the interest of Landlord in the land and buildings in which the demised Premises are located, to secure a loan from a lender (hereinafter referred to as "Lender") to Landlord, Tenant shall, at the request of Landlord or Lender, execute in writing an agreement subordinating its rights under this Lease to the lien of such deed of trust, or, if so requested, agreeing that the lien of Lender's deed of trust shall be or remain subject and subordinate to the rights of Tenant under this Lease. Notwithstanding any such subordination, Tenant's possession under this Lease shall not be disturbed if Tenant is not in default and so long as Tenant shall pay all rent and observe and perform all of the provisions set forth in this Lease. See Paragraph 57

18. ENTRY BY LANDLORD Landlord reserves, and shall at all reasonable times have, the right to enter the Premises to inspect them; to perform any services to be provided by Landlord hereunder; to make repairs or provide any services to a contiguous tenant(s); to submit the Premises to prospective purchasers, mortgagers or tenants; to post notices of nonresponsibility; and to alter, improve or repair the Premises or other parts of the building, all without abatement of rent, and may erect scaffolding and other necessary structures in or through the Premises where reasonably required by the character of the work to be performed; provided, however that the business of Tenant shall be interfered with to the least extent that is reasonably practical. Any entry to the Premises by Landlord for the purposes provided for herein shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into or a detainer of the Premises or an eviction, actual or constructive, of Tenant

from the Premises or any portion thereof. See Paragraph 58

19. BANKRUPTCY AND DEFAULT The commencement of a bankruptcy action or liquidation action or reorganization action or insolvency action or an assignment of or by Tenant for the benefit of creditors, or any similar action undertaken by Tenant, or the insolvency of Tenant, shall, at Landlord's option, constitute a breach of this Lease by Tenant. If the trustee or receiver appointed to serve during a bankruptcy, liquidation, reorganization, insolvency or similar action elects to reject Tenant's unexpired Lease, the trustee or receiver shall notify Landlord in writing of its election within thirty (30) days after an order for relief in a liquidation action or within thirty (30) days after the commencement of any action.

Within thirty (30) days after court approval of the assumption of this Lease, the trustee or receiver shall cure (or provide adequate assurance to the reasonable satisfaction of Landlord that the trustee or receiver shall cure) any and all previous defaults under the unexpired Lease and shall compensate Landlord for all actual pecuniary loss and shall provide adequate assurance of future performance under said Lease to the reasonable satisfaction of Landlord. Adequate assurance of future performance, as used herein, includes, but shall not be limited to: (i) assurance of source and payment of rent, and other consideration due under this Lease; (ii) assurance that the assumption or assignment of this Lease will not breach substantially any provision, such as radius, location, use, or exclusivity provision, in any agreement relating to the above described Premises.

Nothing contained in this section shall affect the existing right of Landlord to refuse to accept an assignment upon commencement of or in connection with a bankruptcy, liquidation, reorganization or insolvency action or an assignment of Tenant for the benefit of creditors or other similar act. Nothing contained in this Lease shall be construed as giving or granting or creating an equity in the demised Premises to Tenant. In no event shall the leasehold estate under this Lease, or any interest therein, be assigned by voluntary or involuntary bankruptcy proceeding without the prior written consent of Landlord. In no event shall this Lease or any rights or privileges hereunder be an asset of Tenant under any bankruptcy, insolvency or reorganization proceedings.

The failure to perform or honor any covenant, condition or representation made under this Lease shall constitute a default hereunder by Tenant upon expiration of the appropriate grace period hereinafter provided. Tenant shall have a period of ten (10) days from the date of written notice from Landlord within which to cure any default in the payment of rental or adjustment thereto. Tenant shall have a period of thirty (30) days from the date of written notice from Landlord within which to cure any other default under this Lease. Upon an

uncured default of this Lease by Tenant, Landlord shall have the following rights and remedies in addition to any other rights or remedies available to Landlord at law or in equity:

(a) The rights and remedies provided for by California Civil Code Section 1951.2, including but not limited to, recovery of the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss for the same period that Tenant proves could be reasonably avoided, as computed pursuant to subsection (b) of said Section 1951.2.

(b) The rights and remedies provided by California Civil Code Section which allows Landlord to continue the Lease in effect and to enforce all of its rights and remedies under this Lease, including the right to recover rent as it becomes due, for so long as Landlord does not terminate Tenant's right to possession; acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver upon Landlord's initiative to protect its interest under this Lease shall not constitute a termination of Tenant's right to possession.

(c) The right to terminate this Lease by giving notice to Tenant in accordance with applicable law.

(d) To the extent permitted by law, the right and power, after compliance with all statutory requirements and in any event on not less than three (3) business days prior written notice, to enter the Premises and remove therefrom all persons and property, to store such property in a public warehouse or elsewhere at the cost of and for the account of Tenant, and to sell such property and apply such proceeds therefrom pursuant to applicable California law. Landlord, may from time to time sublet the Premises or any part thereof for such term or terms (which may extend beyond the term of this Lease) and at such rent and such other terms as Landlord in its reasonable sole discretion may deem advisable, with the right to make alterations and repairs to the Premises. Upon each subletting, (i) Tenant shall be immediately liable to pay Landlord, in addition to indebtedness other than rent due hereunder, the reasonable cost of such subletting, including, but not limited to, reasonable attorneys' fees, and any real estate commissions actually paid, and the cost of such reasonable alterations and repairs incurred by Landlord and the amount, if any, by which the rent hereunder for the period of such subletting (to the extent such period does not exceed the term hereof) exceeds the amount to be paid as rent for the

Premises for such period or (ii) at the option of Landlord, rents received from such subletting shall be applied first to payment of indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of any costs of such subletting and of such alterations and repairs; third to payment of rent due and unpaid hereunder; and the residue, if any, shall be held by Landlord and applied in payment of future rent as the same becomes due hereunder. If Tenant has been credited with any rent to be received by such subletting under option (i) and such rent shall not be promptly paid to Landlord by the subtenant(s), or if such rentals received from such subletting under option (ii) during any month be less than that to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall be calculated and paid monthly. No taking possession of the Premises by Landlord, shall be construed as an election on its part to terminate this Lease unless a written notice of such intention be given to Tenant. Notwithstanding any such subletting without termination, Landlord may at any time hereafter elect to terminate this Lease for such previous breach.

(e) The right to have a receiver appointed for Tenant upon application by Landlord, to take possession of the Premises and to apply any rental collected from the Premises and to exercise all other rights and remedies granted to Landlord pursuant to subparagraph d. above. See Paragraph 59

20. ABANDONMENT Tenant shall not vacate or abandon the Premises at any time during the term of this Lease, and if Tenant shall abandon, vacate or surrender said Premises, or be dispossessed by the process of law, or otherwise, any personal property belonging to Tenant and left on the Premises shall be deemed to be abandoned, at the option of Landlord, except such property as may be mortgaged to Landlord.

21. DESTRUCTION In the event the Premises are destroyed in whole or in part from any cause, except for routine maintenance and repairs and incidental

damage and destruction caused from vandalism and accidents for which Tenant is responsible under Paragraph 7, Landlord may, at its option:

(a) Rebuild or restore the Premises to their condition prior to the damage or destruction, or

(b) Terminate this Lease.

If Landlord does not give Tenant notice in writing within thirty (30) days from the destruction of the Premises of its election to either rebuild and restore them, or to terminate this Lease, Landlord shall be deemed to have elected to rebuild or restrore them, in which event Landlord agrees, at its expense, promptly to rebuild or restore the Premises to their condition prior to the damage or destruction. Tenant shall be entitled to a reduction in rent while such repair is being made in the proportion that the area of the Premises rendered untenantable by such damage bears to the total area of the Premises. If Landlord does not complete the rebuilding or restoration within one hundred eighty (180) days following the date of destruction (such period of time to be extended for delays caused by the fault or neglect of Tenant or because of Acts of God, acts of public agencies, labor disputes, strikes, fires, freight embargos, rainy or stormy weather, inability to obtain materials, supplies or fuels, acts of contractors or subcontractors, or delay of the contractors or subcontractors due to such causes or other contingencies beyond the control of Landlord), then Tenant shall have the right to terminate this Lease by giving fifteen (15) days prior written notice to Landlord. Notwithstanding anything herein to the contrary, Landlord's obligation to rebuild or restore shall be limited to the building and interior improvements constructed by Landlord as they existed as of the commencement date of the Lease and shall not include restoration of Tenant's trade fixtures, equipment, merchandise, or any improvements, alterations or additions made by Tenant to the Premises, which Tenant shall forthwith replace of fully repair at Tenant's sole cost and expense provided this Lease is not cancelled according to the provisions above.

Unless this Lease is terminated pursuant to the foregoing provisions, this Lease shall remain in full force and effect. Tenant hereby expressly waives the provisions of Section 1932, Subdivision 2, in Section 1933, Subdivision 4 of the California Civil Code.

In the event that the building in which the Premises are situated is damaged or destroyed to the extent of not less than 33-1/3% of the replacement cost thereof, Landloard may elect to terminate this Lease, whether the Premises be injured or not. See Paragraph 61

22. EMINENT DOMAIN If all or any part of the Premises shall be taken by any public or quasi-public authority under the power of eminent domain or conveyance in lieu thereof, this Lease shall terminate as to any portion of the Premises so taken or conveyed on the date when title vests in the condemnor, and Landlord shall be entitled to any and all payment, income, rent, award, or any interest therein whatsoever which may be paid or made in connection with such taking or conveyance, and Tenant shall have no claim against Landlord or otherwise for the

value of any unexpired term of this Lease. Notwithstanding the foregoing paragraph, any compensation specifically awarded Tenant for loss of business, Tenant's personal property, moving cost or loss of goodwill, shall be and remain the property of Tenant.

If any action or proceeding is commenced for such taking of the Premises or any part thereof, or if Landlord is advised in writing by any entity or body having the right or power of condemnation of its intention to condemn the premises or any portion thereof, then Landlord shall have the right to terminate this Lease by giving Tenant written notice thereof within sixty (60) days of the date of receipt of said written advice, or commencement of said action or proceeding, or taking conveyance, which termination shall take place as of the first to occur of the last day of the calendar month next following the month in which such notice is given or the date on which title to the Premises shall vest in the condemmor.

In the event of such a partial taking or conveyance of the Premises, if the portion of the Premises taken or conveyed is so substantial that the Tenant can no longer reasonably conduct its business, Tenant shall have the privilege of terminating this Lease within sixty (60) days from the date of such taking or conveyance, upon written notice to Landlord of its intention so to do, and upon giving of such notice this Lease shall terminate on the last day of the calendar month next following the month in which such notice is given, upon payment by Tenant of the rent from the date of such taking or conveyance to the date of termination.

If a portion of the Premises be taken by condemnation or conveyance in lieu thereof and neither Landlord nor Tenant shall terminate this Lease as provided herein, this Lease shall continue in full force and effect as to the part of the Premises not so taken or conveyed, and the rent herein shall be apportioned as of the date of such taking or conveyance so that thereafter the rent be paid by Tenant shall be in the ratio that the area of the portion of the Premises not so taken or conveyed bears to the total area of the Premises prior to such taking. See Paragraph 62

23. SALE OR CONVEYANCE BY LANDLORD In the event of a sale or conveyance of the Premises or any interest therein, by any owner of the reversion then constituting Landlord, the transferor shall thereby be released from any further liability upon any of the terms, covenants or conditions (express or implied) herein contained in favor of Tenant, and in such event, insofar as such transfer

is concerned, Tenant agrees to look soley to the responsibility of the successor in interest of such transferor in and to the Premises and this Lease. This Lease shall not be affected by any such sale or conveyance, and Tenant agrees to attorn to the successor in interest of such transferor. See Paragraph 63

24. ATTORNMENT TO LENDER OR THIRD PARTY In the event the interest of Landlord in the land and buildings in which the leased Premises are located (whether such interest of Landlord is a fee title interest or a leasehold interest) is encumbered by deed of trust, and such interest is acquired by the lender or any third party through judicial foreclosure or by exercise of a power of sale at private trustee's foreclosure sale, Tenant hereby agrees to attorn to the purchaser at any such foreclosure sale and to recognize such purchaser as the Landlord under this Lease. In the event the lien of the deed of trust securing the loan from a Lender to Landlord is prior and paramount to the lease, this Lease shall nonetheless continue in full force and effect for the remainder of the unexpired term hereof, at the same rental herein reserved and upon all the other terms, conditions and covenants herein contained.

25. HOLDING OVER Any holding over by Tenant after expiration or other termination of the term of this Lease with the written consent of Landlord delivered to Tenant shall not constitute a renewal or extension of the Lease or give Tenant any rights in or to the leased Premises except as expressly provided in this Lease. Any holding over after the expiration or other termination of the term of this Lease, with the consent of Landlord, shall be construed to be a tenancy from month to month, on the same terms and conditions herein specified insofar as applicable except that the monthly Basic Rent shall be increased to an amount equal to one hundred twenty five (125%) percent of the monthly Basic Rent required during the last month of the Lease term.

26. CERTIFICATE OF ESTOPPEL Either party shall at any time upon not less than ten (10) days prior written notice from the other party execute, acknowledge and deliver to the requesting party a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to the best of such party's knowledge, any uncured defaults on the part of the other party hereunder, or specifying such defaults, if any, are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises. A party's failure to deliver such statement within such time shall be conclusive upon the party receiving such request that this Lease is in full force and effect, without modification except as may be represented by Landlord; that there are no uncured defaults in the requesting party's performance, and that not more than one month's rent has been paid in advance.

27. CONSTRUCTION CHANGES It is understood that the description of the Premises and the location of ductwork, plumbing and other facilities therein are subject to such minor changes as Landlord or Landlord's architect determines to be desirable in the course of construction of the Premises, and no such changes shall affect this Lease or entitle Tenant to any reduction of rent hereunder or result in any liability of Landlord to Tenant. Landlord does not guarantee the accuracy of any drawings supplied to Tenant and verification of the accuracy of such drawings rests with the Tenant.

28. RIGHT OF LANDLORD TO PERFORM All terms, covenants and conditions of this Lease to be performed or observed by Tenant shall be performed or observed by Tenant at Tenant's sole cost and expense and without any reduction of rent. If Tenant shall fail to pay any sum of money, or other rent, required to be paid by it hereunder and such failure shall continue for five (5) days after written notice thereof by Landlord, or shall fail to perform any other term or covenant hereunder on its part to be performed, and such failure shall continue for thirty (30) days after written notice thereof by Landlord, Landlord, without waiving or releasing Tenant from any obligation of Tenant hereunder, may, but shall not be obliged to, make any such payment or perform any such other term or covenant on Tenant's part to be performed. All sums so paid by Landlord and all necessary costs of such performance by Landlord together with interest thereon at the rate of the prime rate or interest per annum as quoted by the Bank of America from the date of such payment on performance by Landlord, shall be paid (and Tenant covenants to make such payment) to Landlord on demand by Landlord, and Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of nonpayment by Tenant as in the case of failure by Tenant in the payment of rent hereunder.

29. ATTORNEYS' FEES

A. In the event that either Landlord or Tenant should bring suit for the possession of the Premises, for the recovery of any sum due under this Lease, or because of the breach of any provision of this Lease, or for any other relief against the other party hereunder, then all costs and expenses, including reasonable attorneys' fees,

incurred by the prevailing party therein shall be paid by the other party, which obligation on the part of the other party shall be deemed to have accrued on the date of the commencement of such action and shall be enforceable whether or not the action is prosecuted to judgment.

B. Should Landlord be named as a defendant in any suit brought against Tenant in connection with or arising out of Tenant's occupancy hereunder, Tenant shall pay to Landlord its costs and expenses incurred in such suit, including a reasonable attorney's fee.

30. WAIVER The waiver by either party of the other party's failure to perform or observe any term, covenant or condition herein contained to be performed or observed by such waiving party shall not be deemed to be a waiver of such term, covenant or condition or of any subsequent failure of the party failing to perform or observe the same or any other such term, covenant or condition therein contained, and no custom or practice which may develop between the parties hereto during the term hereof shall be deemed a waiver of, or in any way affect, the right of either party to insist upon performance and observance by the other party in strict accordance with the terms hereof.

31. NOTICES All notices, demands, requests, advices or designations which may be or are required to be given by either party to the other hereunder shall be in writing. All notices, demands, requests, advices or designations by Landlord to Tenant shall be sufficiently given, made or delivered if personally served on Tenant by leaving the same at the Premises of if sent by United States certified or registered mail, postage prepaid, addressed to Tenant at the Premises. All notices, demands, requests, advices or designations by Tenant to Landlord shall be sent by United States certified or registered mail, postage prepaid, addressed to Landlord at its offices at Peery/Arrillaga, 2560 Mission College Blvd., Suite 101, Santa Clara, CA 95054. Each notice, request, demand, advice or designation referred to in this paragraph shall be deemed received on the date of the personal service or mailing thereof in the manner herein provided, as the case may be.

32. EXAMINATION OF LEASE Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for a lease, and this instrument is not effective as a lease or otherwise until its execution and delivery by both Landlord and Tenant.

33. DEFAULT BY LANDLORD Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event earlier than (30) days after written notice by Tenant to Landlord and to the holder of any first mortgage or deed of trust covering the Premises whose name and address shall have heretofore been furnished to Tenant in writing, specifying wherein Landlord has failed to perform such obligations; provided,

however, that if the nature of Landlord's obligations is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

34. CORPORATE AUTHORITY If Tenant is a corporation (or a partnership), each individual executing this Lease on behalf of said corporation (or partnership) represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation (or partnership) in accordance with the by-laws of said corporation (or partnership in accordance with the partnership agreement) and that this Lease is binding upon said corporation (or partnership) in accordance with its terms. If Tenant is a corporation, Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord a certified copy of the resolution of the Board of Directors of said corporation authorizing or ratifying the execution of this Lease.

35. [DELETED]

36. LIMITATION OF LIABILITY In consideration of the benefits accruing hereunder. Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

(a) the sole and exclusive remedy shall be against Landlord's interest in the Premises leased herein;

(b) no partner of Landlord shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction of the partnership);

(c) no service of process shall be made against any partner of Landlord (except as may be necessary to secure jurisdiction of the partnership);

(d) no partner of Landlord shall be required to answer or otherwise plead to any service of process;

(e) no judgment will be taken against any partner of Landlord;

(f) any judgment taken against any partner of Landlord may be vacated and set aside at any time without hearing;

(g) no writ of execution will ever by levied against the assets of any partner of Landlord;

(h) these covenants and agreements are enforceable both by Landlord and also by any partner of Landlord.

Tenant agrees that each of the foregoing covenants and agreements shall be applicable to any covenant or agreement either expressly contained in this Lease or imposed by statute or at common law.

37. SIGNS No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed or printed or affixed on or to any part of the outside of the Premises or any exterior windows of the Premises without the written consent of Landlord first had and obtained and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant. If Tenant is allowed to print or affix or in any way place a sign in, on, or about the Premises, upon expiration or other sooner termination of this Lease, Tenant at Tenant's sole cost and expense shall both remove such sign and repair all damage in such a manner as to restore all aspects of the appearance of the Premises to the condition prior to the placement of said sign.

All approved signs or lettering on outside doors shall be printed, painted, affixed or inscribed at the expense of Tenant by a person reasonably approved of by Landlord.

Tenant shall not place anything or allow anything to be placed near the glass of any window, door partition or wall which may appear unsightly from outside the Premises.

38. MISCELLANEOUS AND GENERAL PROVISIONS

A. Use of Building Name. Tenant shall not, without the written consent of Landlord, use the name of the building for any purpose other than as the address of the business conducted by Tenant in the Premises.

B. Choice of Law; Severability. This Lease shall in all respects be governed by and construed in accordance with the laws of the State of California. If any provision of this Lease shall be invalid, unenforceable or ineffective for any reason whatsoever, all other provisions hereof shall be and remain in full force and effect.

C. Definition of Terms. The term "Premises" includes the space leased hereby and any improvements now or hereafter installed therein or attached thereto. The term "Landlord" or any pronoun used in place thereof includes the plural as well as the singular and the successors and assigns of Landlord. The term "Tenant" or any pronoun used in place thereof includes the plural as well as the singular and individuals, firms, associations, partnerships and corporations, and their and each of their respective heirs, executors, administrators, successors and permitted assigns, according to the context hereof, and the provisions of this Lease shall inure to the benefit of and bind such heirs, executors, administrators, successors and permitted assigns.

The term "person" includes the plural as well as the singular and individuals, firms, associations, partnerships and corporations. Words used in any gender include other genders. If there be more than on Tenant the obligations of Tenant hereunder are joint and several. The paragraph headings of this Lease are for convenience of reference only and shall have no effect upon the construction or interpretation of any provision hereof.

D. Time of Essence. Time is of the essence of this Lease and of each and all of its provisions.

E. Quitclaim. At the expiration or earlier termination of this Lease, Tenant shall execute, acknowledge and deliver to Landlord, within ten (10) days after written demand from Landlord to Tenant, any quitclaim deed or other document required by any reputable title company, licensed to operate in the Sate of California, to remove the cloud or encumbrance created by this Lease from the real property of which Tenant's Premises are a part.

F. Incorporation of Prior Agreements; Amendments. This instrument along with any exhibits and attachments hereto constitutes the entire agreement between Landlord and Tenant relative to the Premises and this agreement and the exhibits and attachments may be altered, amended or revoked only by an instrument in writing signed by both Landlord and Tenant. Landlord and Tenant agree hereby that all prior or contemporaneous oral agreements between and among themselves and their agents or representatives relative to the leasing of the Premises are merged in or revoked by this agreement.

G. Recording. Landlord and Tenant shall record a short form memorandum hereof in the form attached hereto as Exhibit C.

H. Amendments for Financing. Tenant further agrees to execute any reasonable amendments required by a lender to enable Landlord to obtain financing, so long as Tenant's rights hereunder are not materially affected and there is no change in the Basic Rent, Options to Renew, Lease Term or Construction obligations of Landlord.

I. Additional Paragraphs. Paragraphs 39 through 65 are added hereto and are included as a part of this lease.

J. Clauses, Plats and Riders. Clauses, plats and riders, if any, signed by Landlord and Tenant and endorsed on or affixed to this Lease are a part hereof.

K. Diminution of Light, Air or View. Tenant covenants and agrees that no diminution or shutting off of light, air or view by any structure which may be hereafter erected (whether or not by Landlord) shall in any way affect his Lease, entitle Tenant to any reduction of rent hereunder or result in any liability of Landlord to Tenant.

IN WITNESS WHEREOF, Landlord and Tenant have executed and delivered this Lease as of the day and year last written below.

LANDLORD:

JOHN ARRILLAGA SURVIVOR'S TRUST

By /s/ John Arrillaga

John Arrillaga, Trustee

Date: 6/30/97

RICHARD T. PEERY SEPARATE PROPERTY TRUST

By /s/ Richard T. Peery

Richard T. Peery, Trustee

Date: 6/26/97

TENANT:

QUANTUM CORPORATION
a Delaware corporation

By /s/ Andrew Kryder

Andrew Kryder,
Vice President Finance and
Corporate General Counsel

Date: June 25, 1997

By /s/ Norm Claus

Norm Claus,
Vice President Real Estate and
Corporate Services

Date: June 25, 1997

Paragraphs 39 through 65 to Lease Agreement dated April 16, 1997, By and Between THE JOHN ARRILLAGA SURVIVOR'S TRUST AND THE RICHARD T. PEERY SEPARATE PROPERTY, as Landlord, and QUANTUM CORPORATION, a Delaware corporation, as Tenant for 182,355+/- Square Feet of Space Located on Sumac Drive, Milpitas, California.

39. BASIC RENT: In accordance with Paragraph 4A, and subject to the provisions of Paragraphs 40 and 41, Basic Rent shall be payable as follows during the indicated months of the term of the Lease based upon the gross leasable area within the building that is part of the Premises:

Period	Monthly Basic Rent
Months 1-12 (plus the partial calendar month, if any, following the Commencement Date *)	$1.60/sf
Months 13-24	$1.65/sf
Months 25-36	$1.70/sf
Months 37-48	$1.75/sf
Months 49-60	$1.80/sf
Months 61-72	$1.85/sf
Months 73-84	$1.90/sf
Months 85-96	$1.95/sf
Months 97-108	$2.00/sf
Months 109-120	$2.05/sf
Months 121-132	$2.10/sf
Months 133-144	$2.15/sf
Months 145-156	$2.20/sf
Months 157-168	$2.25/sf
Months 169-180	$2.30/sf

Example of calculation of Basic Rent per month for the period commencing with the first through the twelfth months of said Lease:

Square footage of Building		182,355
Per square foot Basic Monthly Rent	x	$1.60
Basic Rent per Month		$291.768.00

* It is agreed in the event said Lease commences on a date other than the first day of the month the Term of the Lease will be extended to account for the number of days in the partial month. The Basic Rent during the resulting

partial month will be pro-rated (for the number of days in the partial month) at the Basis Rent rate scheduled for the projected Commencement Date as shown above.

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40. LEASE TERM AND COMMENCEMENT DATE: The following provisions relate to the commencement and duration of the term of this Lease:

A. Lease Term: The term of this Lease shall commence on the "Commencement Date" (as defined herein) which is projected to be May 1, 1998, and shall continue for a period of fifteen (15) years plus the partial calendar month, if any, in which the Commencement Date occurs, subject to the terms of this Lease and subject to (i) earlier termination rights of Landlord in accordance with the provisions of this Lease, and (ii) extension pursuant to the options to renew granted by Paragraphs 41 and 42 and the provisions of this Paragraph 40.C.

B. Commencement Date Defined: As used herein, the term "Commencement Date" shall mean the later to occur of the following: (i) the date upon which the "Improvements" are "Substantially Completed" or (ii) May 1, 1998, subject to (a) delays caused by Tenant and/or Tenant's agents and (b) provided, however, that if prior to the later of such dates Tenant's operating personnel enter into occupancy of the Premises and commence the operation of Tenant's business within the Premises, the Commencement Date shall be the date such personnel of Tenant so enter into occupancy of the Premises. The term "Substantially Completed" and/or "Substantial Completion" shall mean the date when all of the following have occurred with respect to the Improvements in question: (i) the construction of the Improvements in question has been substantially completed in accordance with the approved plans therefor except for punch list items which do not prevent Tenant from reasonably using the Premises to conduct Tenant's business; (ii) Landlord has executed a certificate or statement representing that the Improvements in question, for which Landlord is responsible, have been substantially completed in accordance with the plans and specifications therefor except for the punch list items which do not prevent Tenant from reasonably using the Premises to conduct Tenant's business; and (iii) the Building Department of the City of Milpitas has completed its final inspection of such Improvements and has "signed off" the building inspection card approving such work as complete except for punch list items which do not prevent Tenant from reasonably using the Premises to conduct Tenant's business. Notwithstanding the foregoing, Substantial Completion of the Interior Improvements shall not be deemed to have occurred until Landlord has obtained final or conditional approval from the Fire Department of the City of Milpitas that the Improvements have been completed in accordance with such department's requirements (subject only to conditions that do not prevent Tenant from occupying the Improvements).

C. Lease Terms Co-extensive: It is acknowledged that (i) Landlord has granted Tenant, pursuant to a separate Option Agreement of even date herewith, an Option to Lease an additional building on the parcel adjacent to the Premises (the "Building 7 Lease"), and (ii) it is the intention of the parties that the Term of this Lease be co-extensive with the term of the Building 7 Lease, such that the terms of both leases ("the Leases") expire on the same date. In the event Tenant exercises its Option to Lease Building 7 (pursuant to the terms and conditions of the Option Agreement), it is hereby agreed that following the date upon which the Commencement Date of the Building 7 Lease becomes established as a date certain following completion of improvements and satisfaction of any other conditions related to determining such date, the Term of this Lease shall be extended such that the scheduled Termination Date of this Lease coincides with the scheduled termination date of the Building 7 Lease. As soon as the parties are able to implement the provisions of this Paragraph because the Commencement Date of the Building 7 Lease has been determined following completion of improvements and satisfaction of other appropriate conditions, the parties shall execute an amendment to this Lease (i) extending the initial Term of this Lease (if necessary) to be co-terminous with the initial termination date of the Building 7 Lease and (ii) adjusting the Options to Extend accordingly. The monthly Basic Rent on this Lease during the Extension Period shall be increased by $.05 per square foot on the commencement date of said Extension Period. For example, if the Building 7 Lease commences on May 1, 2004, and this Lease commences the scheduled Commencement Date of May 1, 1998, the initial Term of this Lease shall be extended by one year and the per square foot monthly Basic Rent during the Extension Period shall be $2.35 per square foot. The provisions of this Paragraph 40C also requires the terms of both of the Leases to be extended accordingly if Tenant exercises its Option to Extend under either of the Leases. The monthly Basic Rent during the extended term under each of the Leases shall be increased by $.05 per square foot on the commencement date of the extended term and thereafter on each and every anniversary of the respective lease Commencement Date.

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41. FIRST FIVE-YEAR OPTION TO EXTEND: Landlord hereby grants to Tenant an option to extend the term of this Lease for an additional five (5) year period upon the following terms and conditions:

A. If Tenant elects to exercise the option to extend, Tenant shall give Landlord written notice of Tenant's exercise of this option to extend at least one hundred eighty (180) days prior to the expiration of the Basic Term hereof, in which event the Lease shall be considered extended for an additional five (5) year period upon the same terms and conditions as this Lease, absent this Paragraph 41 and subject to the rental as set forth below. In the event that Tenant fails to timely exercise Tenant's option as set forth herein in writing, Tenant shall have no further option to extend this Lease or the Building 7 Lease, and this Lease shall continue in full force and effect for the full remaining term hereof, absent this Paragraph 41.

B. The monthly Basic Rent for the option period shall be as follows in the event the option is exercised:

Period	Monthly Basic Rent
Months 1-12	$2.35/sf
Months 13-24	$2.40/sf
Months 25-36	$2.45/sf
Months 37-48	$2.50/sf
Months 49-60	$2.55/sf

C. Notwithstanding anything contained herein, Tenant may not exercise the option to renew granted by this Paragraph 41 at any time that Tenant is in default (default for monetary and material default for non-monetary) of its obligations under this Lease, if Tenant has received written notice from Landlord that Tenant is in default, and such default has not been timely cured within the time period provided for in this Lease; provided, however, that if such default of Tenant is not for money due under this Lease and cannot be cured, and if Landlord does not elect to terminate this Lease as a result of such non-curable default by Tenant, Tenant may exercise the option to extend granted by this Paragraph 41 notwithstanding such non-curable default.

42. SECOND FIVE-YEAR OPTION TO EXTEND: Provided Tenant has extended the Lease for an additional five (5) year period as set forth in Paragraph 41, Landlord hereby grants to Tenant an option to extend the Term of this Lease for an additional five (5) year period upon the following terms and conditions:

A. Tenant shall give Landlord written notice of Tenant's exercise of this option to extend at least one hundred eighty (180) days prior to the expiration of the Lease term as extended pursuant to Paragraph 41, in which event the Lease shall be considered extended for an additional five (5) year period upon the same terms and conditions as this Lease, absent this Paragraph 42.A and subject to the Rental as set forth below. In the event that Tenant fails to timely exercise Tenant's option as set forth herein in writing, Tenant shall have no further option to extend this Lease or the Building 7 Lease, and this Lease shall continue in full force and effect for the full remaining term hereof, absent this Paragraph 42.

B. The monthly Basic Rent for the option period shall be as follows in the event the option is exercised:

Period	Monthly Basic Rent
Months 1-12	$2.60/sf
Months 13-24	$2.65/sf
Months 25-36	$2.70/sf
Months 37-48	$2.75/sf
Months 49-60	$2.80/sf

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C. Notwithstanding anything contained herein, Tenant may not exercise the option to extend granted by this Paragraph 42 at any time that Tenant is in default (default for monetary and material default for non-monetary) of its obligations under this Lease, if Tenant has received written notice from Landlord that Tenant is in default, and such default has not been timely cured within the time period provided for in this Lease; provided, however, that if such default of Tenant is not for money due under this Lease and cannot be cured, and if Landlord does not elect to terminate this Lease as a result of such non-curable default by Tenant, Tenant may exercise the option to extend granted by this Paragraph 42 notwithstanding such non-curable default.

43. ASSESSMENT CREDITS: The demised property herein is subject to a special assessment levied by the City of Milpitas in Improvement District No. 12. As a part of said special assessment proceedings, additional bonds were sold and assessments levied to provide for construction contingencies and reserve funds. Interest will be earned on such funds created for contingencies and on reserve funds which will be credited for the benefit of said assessment district. To the extent surpluses are created in said district through unused contingency funds, interest earnings or reserve funds, such surpluses shall be deemed the property of Landlord. Notwithstanding that such surpluses may be credited on assessments otherwise due against the demised premises, Tenant shall pay to Landlord, as additional rent if, and at the time of any such credit of surpluses, an amount equal to all such surpluses so credited.

44. HAZARDOUS MATERIALS: Landlord and Tenant agree as follows with respect to the existence or use of "Hazardous Materials" (as defined herein) on, in, under or about the Premises and real property located beneath said Premises, which includes the entire parcel of land on which the Premises are located as shown in Green on Exhibit A attached hereto (hereinafter collectively referred to as the "Property"):

A. As used herein, the term "Hazardous Materials" shall mean any material, waste, chemical, mixture or byproduct which is or hereafter is defined, listed or designated under Environmental Laws (defined below) as a pollutant, or as a contaminant, or as a toxic or hazardous substance, waste or material, or any other unwholesome, hazardous, toxic, biohazardous, or radioactive material, waste, chemical, mixture or byproduct, or which is listed, regulated or restricted by any Environmental Law (including, without limitation, petroleum hydrocarbons or any distillates or derivatives or fractions thereof, polychlorinated biphenyls, or asbestos). As used herein, the term "Environmental Laws" shall mean any applicable Federal, State of California or local government law (including common law), statute, regulation, rule, ordinance, permit, license, order, requirement, agreement, or approval, or any determination, judgment, directive, or order of any executive or judicial authority at any level of Federal, State of California or local government (whether now existing or subsequently adopted or promulgated) relating to pollution or the protection of the environment, ecology, natural resources, or public health and safety.

B. Tenant shall notify Landlord prior to the occurrence of any Tenant's Hazardous Materials Activities (defined below). Landlord acknowledges that Tenant shall use, in compliance with applicable Environmental Laws, customary household and office supplies (Tenant shall first provide Landlord with a list of said materials use), such as mild cleaners, lubricants and copier toner. Any and all of Tenant's Hazardous Materials Activities shall be conducted in conformity with this Paragraph 44, Paragraph 14 of this Lease, and in compliance with all Environmental Laws and regulations. As used herein, the term "Tenant's Hazardous Materials Activities" shall mean any and all use, handling, generation, storage, disposal, treatment, transportation, release, discharge, or emission of any Hazardous Materials on, in, beneath, to, from, at or about the Property, in connection with Tenant's use of the Property, or by Tenant or by any of Tenant's agents, employees, contractors, vendors, invitees, visitors or its future subtenants or assignees or other third parties (including "dumping" by others) (or which Hazardous Materials originate on the surface of the Premises any time after November 1, 1995, the date of the Option Agreement related to said Lease, and before the Commencement Date of this Lease, but excluding Hazardous Materials on the Premises prior to the Lease Commencement Date because of the storage, use, disposal, or transportation of such materials or waste by any of Landlord's contractors or otherwise arising out of construction work performed by or under the direction of Landlord on the Premises and Landlord shall be responsible for all required actions with respect to such materials or wastes). Tenant agrees to provide Landlord with prompt

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written notice of any spill or release of Hazardous Materials at the Property during the term of the Lease of which Tenant becomes aware, and further agrees to provide Landlord with prompt written notice of any violation of Environmental Laws in connection with Tenant's Hazardous Materials Activities of which Tenant becomes aware. If Tenant's Hazardous Materials Activities involve Hazardous Materials other than normal use of customary household and office supplies, Tenant also agrees at Tenant's expense: (i) to install such Hazardous Materials monitoring, storage and containment devices as may be required by Environmental Laws, regulations and/or governing agencies; (ii) to provide Landlord with a written inventory of such Hazardous Materials, including an update of same each year upon the anniversary date of the Commencement Date of the Lease ("Anniversary Date"); and (iii) on each Anniversary Date to provide to Landlord copies of all documentation and records, required by applicable Environmental Laws to be prepared and submitted to governmental authorities, relating to use at the Property of Hazardous Materials or to Tenant's Hazardous Materials Activities, if any. If upon completion of Landlord's review of said

documentation and records, Landlord reasonably questions if Tenant is in compliance with all applicable Environmental Laws with respect to Tenant's Hazardous Materials Activities, Tenant agrees within thirty (30) days following receipt of written notice from Landlord, to retain a qualified environmental consultant, acceptable to Landlord, to evaluate whether Tenant is in compliance with all applicable Environmental Laws with respect to Tenant's Hazardous Materials Activities. Tenant, at its expense, shall submit to Landlord a report from such environmental consultant which discusses the environmental consultant's findings within two (2) months of each Anniversary Date. Tenant, at its expense, shall promptly undertake and complete any and all steps necessary, and in full compliance with applicable Environmental Laws, to fully correct any and all problems or deficiencies identified by the environmental consultant, and promptly provide Landlord with documentation of all such corrections.

C. Prior to termination or expiration of the Lease, Tenant, at its expense, shall (i) properly remove from the Property all Hazardous Materials which come to be located at the Property in connection with Tenant's Hazardous Materials Activities, and (ii) fully comply with and complete all facility closure requirements of applicable Environmental Laws regarding Tenant's Hazardous Materials Activities, including but not limited to (x) properly restoring and repairing the Property to the extent damaged by such closure activities, and (y) obtaining from the local Fire Department or other appropriate governmental authority with any legal or regulatory jurisdiction a written concurrence that closure has been completed in compliance with applicable Environmental Laws. Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any such closure activities.

D. If Landlord, upon consultation with Tenant, reasonably concludes that the Property has become contaminated as a result of Tenant's Hazardous Materials Activities, Landlord in addition to any other rights it may have under this Lease or under Environmental Laws or other laws, may enter upon the Property and conduct inspection, sampling and analysis, including but not limited to obtaining and analyzing samples of soil and groundwater, for the purpose of determining the nature and extent of such contamination except to the extent that such activities may be inconsistent with Tenant's compliance with Environmental Laws. Tenant shall promptly reimburse Landlord for the costs of such an investigation, including but not limited to reasonable attorneys' fees Landlord incurs with respect to such investigation to the extent, and only to the extent, that it that discloses Hazardous Materials contamination for which Tenant is liable under this Lease. Except as may be required of Tenant by applicable Environmental Laws, Tenant shall not perform any sampling, testing, or drilling to identify the presence of any Hazardous Materials at the Property, without Landlord's prior written consent which shall not be unreasonably withheld. Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any sampling, testing or drilling performed pursuant to the preceding sentence.

E. Tenant shall indemnify, defend (with legal counsel acceptable to Landlord, whose consent shall not unreasonably be withheld) and hold harmless Landlord, its employees, assigns, successors, successors-in-interest, agents and representatives from and against any and all claims (including but not limited to third party claims from a private party or a government authority), liabilities, obligations, losses, causes of action, demands, governmental proceedings or directives, fines, penalties, expenses, costs (including but not limited to reasonable attorneys', consultants' and other experts' fees and costs), and damages, which arise from or relate to: (i) Tenant's Hazardous Materials Activities; (ii) any Hazardous Materials contamination caused by Tenant prior to the

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Commencement Date of the Lease; or (iii) the breach of any obligation of Tenant under this Paragraph 44 (collectively, "Tenant's Environmental Indemnification"). Tenant's Environmental Indemnification shall include but is not limited to the obligation to promptly and fully reimburse Landlord for losses in or reductions to rental income, and diminution in fair market value of the Property. Tenant's Environmental Indemnification shall further include but is not limited to the obligation to diligently and properly implement to completion, at Tenant's expense, any and all environmental investigation, removal, remediation, monitoring, reporting, closure activities, or other environmental response action as may be required by applicable Environmental Laws, regulations or governing agencies (collectively, "Response Actions"). Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any Response Actions.

F. Landlord hereby makes the following representations to Tenant, each of which is made only to the best of Landlord's knowledge as of the date Landlord executes this Lease, without any inquiry or investigation having been

made or required by Landlord regarding this subject, nor does Landlord have any obligation to investigate or make inquiry regarding the subject:

(1) The soil and ground water on or under the Premises does not contain Hazardous Materials in amounts which violate any laws to the extent that any governmental entity could require either Landlord or Tenant to take any remedial action with respect to such Hazardous Materials.

(2) During the time that Landlord has owned the Premises, Landlord has received no notice of (i) any violation, or alleged violation, of any law that has not been corrected to the satisfaction of the appropriate authority, (ii) any pending claims relating to the presence of Hazardous Material on the Premises, or (iii) any pending investigation by any governmental agency concerning the Premises relating to Hazardous Materials.

G. Landlord and Tenant shall each give written notice to the other as soon as reasonably practicable of (i) any communication received from any governmental authority concerning Hazardous Materials which relates to the Premises, and (ii) any contamination of the Premises by Hazardous Materials which constitutes a violation of any law. Attached as Exhibit "D" hereto is a list of Hazardous Materials that Tenant intends to use at the Premises. If during the Lease Term Tenant proposes to use other Hazardous Materials at the Premises, Tenant shall inform Landlord of such use, identifying the Hazardous Materials and the manner of their use, storage and disposal, and shall agree (i) to use, store and dispose of such Hazardous Materials strictly in compliance with all laws, regulations and governing agencies and (ii) that the indemnity set forth in Paragraph 44 shall be applicable to Tenant's use of such Hazardous Material.

H. Landlord or Tenant may, at any time, cause testing wells to be installed on the Premises, and may cause the ground water to be tested to detect the presence of Hazardous Material by the use of such tests as are then customarily used for such purposes. Testing wells installed by Tenant shall be paid for by Tenant. If tests conducted by Landlord disclose that Tenant has violated any Hazardous Materials laws, or Tenant or parties on the Premises during the Term of this Lease have contaminated the Premises as determined by regulatory agencies pursuant to Hazardous Materials laws, or that Tenant has liability to Landlord pursuant to Paragraph 44A, then Tenant shall pay for 100 percent of the cost of the test and all related expense. Prior to the expiration of the Lease Term, Tenant shall remove any testing wells it has installed at the Premises, and return the Premises to the condition existing prior to the installation of such wells, unless Landlord requests in writing that Tenant leave all or some of the testing wells in which instance the wells requested to be left shall not be removed.

I. If any tests performed by Tenant or Landlord prior to the Commencement Date disclose Hazardous Materials at the Premises, Landlord at its expense will promptly take all reasonable action required by law with respect to the existence of such Hazardous Materials at the Premises. The Commencement Date shall not be delayed because of such action by Landlord unless occupation of the Premises is prohibited by law.

J. The obligations of Landlord and Tenant under this Paragraph 44 shall survive the expiration or earlier termination of the Term of this Lease. The rights and obligations of Landlord and Tenant with respect to issues relating to Hazardous Materials are exclusively established by this

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Paragraph 44.

45. APPROVALS: Whenever this Lease requires the approval or consent of either Landlord or Tenant before an action may be taken, such approval or consent shall not be unreasonably withheld or delayed.

46. LANDLORD'S RIGHT TO TERMINATE: It is understood that the Premises to be leased by Tenant are to be constructed by Landlord, and that Landlord is required to obtain the necessary building permits for the building shell before construction of said Premises can commence. Therefore, it is agreed that in the event Landlord cannot obtain all the necessary building permits for the building shell by December 31, 1997, then either Landlord or Tenant can terminate this Lease by written notice to the other party given within thirty (30) days thereafter, without any liability to the other party of any type whatsoever, and that this Lease Agreement shall be null and void as of the date of receipt of such notice. Landlord agrees to use its best efforts to obtain the required permits by December 31, 1997.

47. CROSS DEFAULT: As set forth in Paragraph 40C, Landlord and Tenant have entered an Option Agreement related to Building 7. In the event Tenant exercises its option to lease Building 7, and as a material part of the consideration for the execution of this Lease by Landlord, it is agreed between Landlord and Tenant that a default under this Lease, or a default under the Building 7 Lease

may, at the option of Landlord, be considered a default under both leases, in which event Landlord shall be entitled (but in no event required) to apply all rights and remedies of Landlord under the terms of one lease to both of the Leases including, but not limited to, the right to terminate the Building 7 Lease or this Lease by reason of a default under the Building 7 Lease or hereunder.

48. ADDRESS FOR LEASED PREMISES: It is understood that the address for the Premises will be assigned by the City of Milpitas (the "City") upon issuance of a building permit for the Interior Improvements. Once the address has been assigned to the Premises by the City, this Lease shall thereafter be amended to reflect the assigned address for the Premises leased hereunder.

49. HETCH-HETCHY LAND: Landlord hereby assigns to Tenant during the Term of this Lease, all of Landlord's right, title, and interest, in and to the property owned by the City and County of San Francisco shown in Orange on Exhibit A attached hereto, and Tenant hereby assumes all responsibilities and liabilities (including, but not limited to a fee and/or tax for the right to use said property including any use provided for in the Deed attached hereto as Exhibit E) that may be imposed by the City and County of San Francisco pertaining to their property and Tenant's use and occupancy thereof. Tenant's right to use the area outlined in Orange will continue until this right to use said property is revoked or terminated by the City and County of San Francisco, at which time said property outlined in Orange belonging to the City and County of San Francisco will no longer be available for Tenant's use, and this lease will continue in full force and effect excluding Tenant's right to use the property outlined in Orange on Exhibit A attached hereto.

Tenant's use of the property owned by the City and County of San Francisco shall be governed by the terms and conditions of the Deed dated February 5, 1951 between Chizu Oyama Takeda and George Shoji Takeda, as Grantors, and the City and County of San Francisco, as Grantee (the "Deed"). Said Deed is attached hereto as Exhibit E. Among the provisions of said Deed is the restriction that the property shall not be used for parking, and Tenant understands that at no time during the Term of the Lease shall Tenant be allowed to use said property for parking.

Notwithstanding the foregoing, Tenant may use the Hetch-Hetchy Land for such additional uses as may not be permitted in the Deed provided Tenant (i) obtains the written permission from the City and County of San Francisco to do so in form reasonably acceptable to landlord, (ii) removes the "bridge" which is contemplated to go over said Hetch-Hetchy Land if requested by the City and County of San Francisco and/or if Landlord requires said "bridge" to be removed by the Lease Termination Date, (iii) pays all costs and expenses imposed by the City and County of San Francisco in connection with such permission and use, and (iv) Tenant indemnifies and holds harmless Landlord from any loss.

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expense, cost, claim, or liability arising in connection with such permission or any use pursuant to such permission of the Hetch-Hetchy Land undertaken by Tenant, its agents, employees, contractors, invitees, visitors, subtenants and/or assignees. Landlord and Tenant agree that if the City of Milpitas will not issue a building permit for Building 6 in the configuration and location for which it is designed as of the date of this Lease because of the proximity to the Hetch-Hetchy Land or for any other reason, then Tenant shall have the option to cause Building 6 to be relocated on the land and redesigned in a new configuration acceptable to the City, Landlord and Tenant, provided the square footage of the relocated and redesigned building is no less than approximately 182,355 square feet and the parking allocation is not reduced due to said redesign and/or relocation.

50. SECURITY DEPOSIT: The following provisions shall modify Paragraph 4G:

A. Within thirty (30) days after the expiration or earlier termination of the Lease term and after Tenant has vacated the Premises, Landlord shall return to Tenant the entire Security Deposit except for amounts that Landlord has deducted therefrom that are needed by Landlord to cure defaults of Tenant under the Lease or compensate Landlord for damages for which Tenant is liable pursuant to this Lease. The use or disposition of the Security Deposit shall be subject to the provisions of California Civil Code Section 1950.7.

B. During the first thirty (30) days following execution of this Lease Agreement, and only during said thirty day period, Tenant shall have the one-time option of satisfying its obligation with respect to an amount equal to one-half (1/2) ($355,592.25) of the $711,184.50 Security Deposit required under Paragraph 4.G. by providing to Landlord, at Tenant's sole cost, a letter of credit which: (i) is drawn upon an institutional lender reasonably acceptable and accessible to Landlord in form and content reasonably satisfactory to Landlord; (ii) is in the amount of one-half (1/2) of the Security Deposit; (iii) is for a term of at lease twelve (12) months; (iv) with respect to any letter of

credit in effect within the six month period immediately prior to the expiration of the Lease term, shall provide that the term of such letter of credit shall extend at least forty five (45) days past the Lease expiration date (including any extensions thereof); and (v) may be drawn upon by Landlord upon submission of a declaration of Landlord that Tenant is in default (as defined in Paragraph 19 and as modified by Paragraph 59). Landlord shall not be obligated to furnish proof of default to such institutional lender, and Landlord shall only be required to give the institutional lender written notification that Tenant is in default and upon receiving such written notification from Landlord the institutional lender shall be obligated to immediately deliver cash to Landlord equal to the amount Landlord may spend or become obligated to spend by reason of Tenant's default or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default up to 1/2 of the total Security Deposit required under Paragraph 4.G. Said letter of credit shall provide that if the letter of credit is not renewed, replaced or extended within twenty (20) days prior to its expiration date the issuer of the credit shall automatically issue a cashiers check payable to Landlord in the amount of the letter of credit after the date which is twenty (20) days before the expiration date, and no later than the expiration date, without Landlord being required to make demand upon the letter of credit. If Tenant provides Landlord with a letter of credit, within thirty (30) days of the execution of this Lease, meeting the foregoing requirements, one-half (1/2) of the cash Security Deposit (i.e., $355.592.25 of the $711.184.50 Security Deposit) shall be returned to Tenant by Landlord inasmuch as the cash deposit remaining and the Letter of Credit equal the total Security Deposit required in Paragraph 4G. If Tenant defaults with respect to any provisions of this Lease, including but not limited to provisions relating to the payment of Rent, Landlord may (but shall not be required to) draw down on the letter of credit for payment of any sum which Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default. Landlord and Tenant acknowledge that such letter of credit will be treated as if it were a cash security deposit, and such letter of credit may be drawn down upon by Landlord upon demand and presentation of evidence of the identity of Landlord to the issuer, in the event that Tenant defaults with respect to any provision of this Lease and such default is not cured within any applicable cure period. Notwithstanding anything to the contrary in this Lease, Landlord shall not be obligated to furnish proof of default to such institutional lender and Landlord is only required to give the institutional lender written notification that Tenant is in default and upon receiving such written notification from Landlord the institutional lender shall be obligated to immediately deliver cash to Landlord equal to the amount Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any loss or damage which Landlord may suffer by reason of

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Tenant's default up to 1/2 of the total Security Deposit. Landlord acknowledges that it is not entitled to draw down such letter of credit unless Landlord would have been entitled to draw upon the cash security deposit pursuant to the terms of Paragraph 4G of the Lease. Concurrently with the delivery of the required information to the issuer, Landlord shall deliver to Tenant written evidence of the default upon which the draw down was based, together with evidence that Landlord has provided to Tenant the written notice of such default which was required under the applicable provision of the Lease, and evidence of the failure of Tenant to cure such default within the applicable grace period following receipt of such notice of default. Any proceeds received by Landlord by drawing upon the letter of credit shall be applied in accordance with the provisions governing the Security Deposit imposed by Paragraph 4G and this Paragraph 50. If Landlord draws upon the letter of credit, thereafter Tenant shall once again have the right to post a letter of credit in place of one-half (1/2) of a cash Security Deposit so long as Tenant is not then in default. In any event Tenant will be obligated to replenish the amount drawn to restore the Security Deposit to its original amount as provided for in Paragraph 4G. If any portion of the letter of credit is used or applied pursuant hereto, Tenant shall, within ten (10) days after receipt of a written demand therefor from Landlord, restore and replace the value of such security by either (i) depositing cash with Landlord in the amount equal to the sum drawn down under the letter of credit, or (ii) increasing the letter of credit to its value immediately prior to such application. Tenant's failure to replace the value of the security as provided in the preceding sentence shall be a material breach of its obligation under this Lease.

51. ALTERATIONS MADE BY TENANT: The provisions of this Paragraph 51 shall modify Paragraphs 5 and 6:

A. As used herein, the term "Alteration" shall mean any alteration, addition or improvement made by Tenant to the Premises during the term of the Lease, but shall not include Tenant's trade fixtures so long as such trade fixtures are not installed in such a manner that they have become an integral part of the building.

B. Tenant shall not construct any Alterations or otherwise alter the Premises without Landlord's prior written approval: (i) if Tenant is in default under this Lease or any of the Existing Leases, or (ii) if Tenant is not in default under this Lease or the Building 7 Lease (if Tenant has exercised its Option to lease Building 7) and if the total cost of such Alterations exceeds $20,000 per the scope of any single remodeling job to the Premises, or if such Alteration is structural in nature and provided Tenant gives Landlord notice of the planned alterations and a 1/8" scale sepia reflecting said alterations ten (10) business days prior to the commencement of construction of said alterations. Any other non-structural Alteration of less than $20,000 for the total cost of the remodeling job may be undertaken by Tenant without Landlord's prior written approval, except as noted herein, but with the understanding that Tenant shall be obligated to restore the Premises as set forth in Paragraph 5 at the termination of this Lease, except as otherwise provided in Paragraph 51.D. Notwithstanding the foregoing, Tenant shall have the right to reconfigure modular freestanding walls and partitions without Landlord's prior consent, which are not part of the original Interior Improvements shown on Exhibit B and which have been installed by Tenant and paid for by Tenant. Notwithstanding the above, Tenant shall not have the right, without Landlord's prior written consent, to remove any floor-to-ceiling partitions within the Premises.

C. At all times during the Lease Term (i) Tenant shall maintain and keep up dated "as-built" plans for all Alterations constructed by Tenant, and (ii) Tenant shall provide to Landlord copies of such "as-built" plans as such Alterations are made.

D. Provided Tenant is not in default under this Lease or under any of the Existing Leases, Tenant shall have the right to remove at any time during the Lease term or prior to the expiration thereof any process equipment such as clean hoods, thermal cycling chambers, freon piping, high temperature furnaces, air handlers, which equipment the parties agree for the purposes of this Lease shall be deemed to be trade fixtures, so long as Tenant repairs all damage caused by the installation and/or removal thereof, returns the Premises prior to the termination of the Lease to the condition existing prior to the installation of such item, and repairs and restores any so-called "doughnuts" or gaps in the roof and/or floor tiles and/or ceiling and lighting resulting from such installation and/or removal. At the time Tenant requests the consent of Landlord to approve the installation of an Alteration requiring the consent of Landlord, Tenant shall seek from Landlord a written statement of

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whether or not Landlord will require Tenant to remove such Alteration and restore all or part of the Premises as required by Landlord in accordance with this paragraph and Paragraph 5 at the expiration or earlier termination of the term of the Lease. If Tenant does not obtain from Landlord a statement in writing that Landlord will not require such Alteration to be removed, then at the expiration or sooner termination of the term of the Lease, it is agreed that Tenant may be required by Landlord to remove all or part of such Alterations, and return the Premises to the condition existing prior to the installation of such Alterations as provided for in Paragraph 5 above. In addition, if Tenant has installed Alterations without Landlord's consent, if Landlord so requires, Tenant shall also remove all or part of such Alterations so installed without Landlord's consent as Landlord may designate and return the Premises to the condition existing prior to the installation of such Alteration. Alterations for which Landlord has given its written consent to Tenant that such Alteration need not be removed, shall not be removed by Tenant at the expiration or earlier termination of the term of the Lease.

E. At all times during the term of the Lease, Tenant shall have the right to install and remove trade fixtures as defined in the Lease and installed and paid for by Tenant, so long as Tenant repairs all damage caused by the installation and removal thereof and returns the Premises to the condition existing prior to the installation of such fixtures and repairs and restores any so called "doughnuts" or gaps in the roof and/or floor (including floor structure, sub-floor and appropriate floor covering for said area) and/or floor tiles, and/or ceiling tiles, wall damage and lighting resulting from such removal.

F. Notwithstanding anything to the contrary herein, Tenant shall be one hundred percent (100%) responsible and liable for obtaining any and all permits (and the cost related thereto) required by the governing agencies for any and all alterations and/or modifications Tenant makes to the Leased Premises.

52. STRUCTURAL CAPITAL COSTS REGULATED BY GOVERNMENTAL AGENCIES AFTER THE COMMENCEMENT OF THIS LEASE NOT CAUSED BY TENANT OR TENANT'S USES OR REMODELING OF THE PREMISES: The provisions of this Paragraph 53 shall modify Paragraphs 7 and 14:

A. If during the last five (5) years of the term of the Lease if Tenant has not extended the Lease as provided for in Paragraphs 41 and 42, or during

either of the five (5) year extension periods permitted by Paragraphs 41 and 42 or Paragraph 40.C., it becomes necessary (due to any governmental requirement for continued occupancy of the Premises) to make structural improvements required by laws enacted or legal requirements imposed by governmental agency(s) after the Commencement Date, and the cost for each required work or improvements exceeds $100,000, then if such legal requirement is not imposed because of Tenant's specific use of the Premises and is not "triggered" by Tenant's Alterations or Tenant's application for a building permit or any other governmental approval (collectively "Tenant's Actions") in which instance Tenant shall be responsible for 100% of the cost of such improvements, Landlord shall be responsible for paying the cost of such improvement and constructing such improvement, subject to a cash contribution from Tenant of a portion of the cost thereof as provided for and calculated in Paragraph 52B.

B. When Landlord makes an improvement pursuant to Paragraph 52A, and as a condition to Landlord's obligation to construct such improvement, Tenant shall make the following contribution in cash to Landlord for the cost thereof prior to the commencement of the work by Landlord. It is agreed that Tenant shall pay to Landlord 100% of the cost of the first $100,000.00 worth of each improvement. After the first $100,000.00, all costs above $100,000.00 shall be divided by 15 and multiplied by the time period remaining in the last five years of the Lease term from the date work on such improvement commences.

For example, if the improvement is not required as a result of Tenant's Actions and if the cost of such improvement was $400,000 and there was one year and six months remaining in the Lease term when the work commenced, then Tenant would be responsible for reimbursing Landlord in cash

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$130,000.00 computed as follows:

Total Cost of Work	$4O0,000.00
Tenant Responsible for 1st $100,000	-100,000.00
Total Amount To Be Amortized	$300,000.00
$300,000.00/15 = $20,000.00/yr. x 1.5 yrs =	$ 30,000.00
Tenant responsible for $100,000 + $30,000.00 =	$130,000.00

C. If Landlord has made improvements, for which Tenant has reimbursed Landlord for the cost thereof pursuant to Paragraph 52B, and the term of this Lease is subsequently extended pursuant to the exercise by Tenant of an option to renew pursuant to Paragraph 41, or 42, upon the exercise of any such option by Tenant, Tenant shall pay to Landlord an additional sum equal to the total amount of said improvement less the amount previously paid for by Tenant. Using the example in Paragraph 52B above, Tenant would owe Landlord the additional amount of $270,000.00 ($400,000.00 - $130,000.00 = $270,000.00).

53. REAL PROPERTY TAXES: Paragraph 9 is modified by the following:

A. The term "Real Property Taxes" shall not include charges, levies or fees directly related to the use, storage, disposal or release of Hazardous Materials on the Premises unless directly related to Tenant's Activities at this site or on other sites leased and/or owned by Tenant; however, Tenant shall be responsible for general or special tax and/or assessments (related to Hazardous Materials and/or toxic waste) imposed on the Property provided said special tax and/or assessment is not imposed due to on-site originated contamination on the Property (by third parties not related to Tenant) prior to the Lease Commencement Date. Subject to the terms and conditions stated herein, Tenant shall be responsible for paying one hundred percent (100%) of said taxes and/or assessments allocated to the Property.

B. If any assessments for public improvements are levied against the Premises, Landlord may elect either to pay the assessment in full or to allow the assessment to go to bond. If Landlord pays the assessment in full, Tenant shall pay to Landlord or any assignee or purchaser of the Premises each time payment of Real Property Taxes is made a sum equal to that which would have been payable (as both principal and interest) had Landlord allowed the assessment to go to bond.

C. Tenant at its cost shall have the right, at any time, to seek a reduction in the assessed valuation of the Premises or to contest any Real Property Taxes that are to be paid by Tenant. If Tenant seeks a reduction or contests such Real Property Taxes, the failure on Tenant's part to pay such Real Property Taxes being so contested shall not constitute a default so long as Tenant complies with the provisions of this Paragraph. Landlord shall not be required to join in any proceeding or contest brought by Tenant unless the

provisions of any law require that the proceeding or contest be brought by or in the name of Landlord. In that case Landlord shall join in the proceedings or contest or permit it to be brought in Landlord's name as long as Landlord is not required to bear any cost. Tenant, on final determination of the proceeding or contest, shall immediately pay or discharge its share of any Real Property Taxes determined by any decision or judgment rendered, together with all costs, charges, interest, and penalties incidental to the decision or judgment. If Tenant does not pay the Real Property Taxes when due pursuant to the Lease and Tenant seeks a reduction or contests them as provided in this paragraph, before the commencement of the proceeding or contest Tenant shall furnish to Landlord a surety bond in form reasonably satisfactory to Landlord issued by an insurance company qualified to do business in California. The amount of the bond shall equal 125% of the total amount of Real Property Taxes in dispute and any such bond shall be assignable to any lender or purchaser of the Premises. The bond shall hold Landlord and the Premises harmless from any damage arising out of the proceeding or contest and shall insure the payment of any judgment that may be rendered.

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54. PROPERTY INSURANCE: Paragraph 12 is modified by the following:

A. If Tenant so elects, Tenant may obtain from a third party insurance company the insurance required to be carried by Landlord pursuant to Paragraph 12 so long as each of the following conditions is satisfied: (i) the Landlord is not the John Arrillaga Survivor's Trust and/or the Richard T. Peery Separate Property Trust or an affiliated entity or entities as the case may be; (ii) the insurance to be carried by Tenant to satisfy this requirement strictly complies with all of the provisions of Paragraph 12; (iii) such insurance shall name Landlord as the insured and provide that it is to be payable to Landlord in the same manner as if such insurance had been carried by Landlord pursuant to Paragraph 12 (subject to the rights of any lender holding a mortgage or deed of trust encumbering the Premises); (iv) each lender holding a mortgage or deed of trust encumbering the Premises shall have given its written consent to Tenant carrying such insurance and such insurance shall comply with the requirements of any such lender; (v) Tenant must notify Landlord, by certified mail, no later than one hundred eighty (180) days prior to the expiration date of Landlord's insurance policy (which expiration date is currently 3/13/xx of a given year and is subject to change; Landlord shall notify Tenant in the event Landlord's insurance year changes) that Tenant will directly obtain the required insurance coverage for the insurance year commencing 3/14/XX through 3/13/XX and each insurance year through the termination date of this Lease, including any extensions thereof, or until Tenant is no longer able to comply with all of the provisions of this paragraph 55; (vi) the annual premium must be paid in full at the commencement of the policy; (vii) the insurance policy must be issued for a one-year period following the expiration date of Landlord's insurance policy (i.e., from 3/14/XX to 3/13/XX; (viii) any and all deductibles required under the policy will be paid entirely by Tenant; (ix) the terms of the coverage must be broad form and cover all items to be covered as set forth in Paragraph 12 of this Lease; (x) the Building and Premises must be insured for their full replacement cost; (xi) the insurance policy containing the required coverage in accordance with the provisions of this paragraph must be sent to Landlord for retention within thirty (30) days prior to the expiration date of Landlord's insurance policy, and may not be terminated or altered without thirty (30) days written notice to Landlord by the company providing such insurance (it is agreed that if the insurance policy is canceled or altered, Landlord will have the right to obtain the property insurance coverage on said building, and Landlord will bill the Tenant for the related insurance premium); and (xii) at all times while Tenant is so carrying such insurance, Tenant is Quantum Corporation or a successor entity and the then net worth of such corporation is equal to or greater than the net worth of Quantum corporation as of the date of this Lease is executed by Landlord and Tenant. Tenant shall provide such evidence as is required by Landlord and any lender to establish that the insurance that Tenant carries pursuant to this Paragraph 54 has been obtained and meets the requirement of this Paragraph 54. Such insurance carried by Tenant shall be in form and provided by an insurance company that is reasonably acceptable to Landlord, which must be rated "A plus" or better by Best's Insurance Service (or an equivalent rating from another rating agency should Best's no longer provide such service). A copy of any such policy shall be delivered to Landlord. If Tenant elects to insure and such insurance provided by Tenant does not satisfy the requirements of Paragraph 12, in the event of a subsequent casualty, Tenant shall be responsible for and shall pay for that portion of the restoration cost, in excess of the insurance proceeds actually available, that would have been covered by insurance satisfying the requirements of Paragraph 12.

55. ASSIGNMENT AND SUBLETTING: The following modifications are made to Paragraph 16:

A. In the event that Tenant seeks to make any assignment or sublease, then Landlord, by giving Tenant written notice of its election within fifteen (15) days after Tenant's notice of intent to assign or sublease has been given

to Landlord, shall have the right to elect (i) to withhold its consent to such assignment or sublease, as permitted pursuant to Paragraph 1, or (ii) to permit Tenant to so assign the Lease or sublease such part of the Premises, in which event Tenant may do so, but without being released of its liability for the performance of all of its obligations under the Lease, and the following shall apply (except the following shall not apply to a "Permitted Transfer" described in Paragraph 56):

(1) If Tenant assigns its interest in this Lease, then in addition to the rental provided for in this Lease, Tenant shall pay to Landlord fifty percent (50%) of all Rent and other consideration received by Tenant over and above (i) the assignee's agreement to assume the obligations of Tenant under this Lease and (ii) all "Permitted Transfer Costs" (as defined herein) related to such assignment. As used herein, the term "Permitted Transfer Costs" shall mean all reasonable leasing commissions

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paid to third parties not affiliated with Tenant in order to obtain the assignment or Sublease in question.

(2) If Tenant sublets all or part of the Premises, then Tenant shall pay to Landlord in addition to the Rent provided for in this Lease fifty percent (50%) of the positive difference, if any, between (i) all rent and other consideration paid or provided to Tenant by the subtenant, less (ii) all Rent paid by Tenant to Landlord pursuant to this Lease which is allocable to the area so sublet and all Permitted Transfer Costs related to such sublease. After Tenant has recovered all Permitted Transfer Costs Tenant shall pay to Landlord the amount specified in the preceding sentence on the same basis, whether periodic or in lump sum, that such rent and other consideration is paid to Tenant by its subtenant, within seven (7) days after it is received by Tenant.

(3) Tenant's obligations under this subparagraph shall survive any assignment or sublease. At the time Tenant makes any payment to Landlord required by this subparagraph, Tenant shall deliver an itemized statement of the method by which the amount to which Landlord is entitled was calculated, certified by Tenant as true and correct. Landlord shall have the right to inspect Tenant's books and records relating to the payments due pursuant to this subparagraph. Upon request therefor, Tenant shall deliver to Landlord copies of all bills, invoices or other documents upon which its calculations are based.

(4) As used herein, the term "consideration" shall mean any consideration of any kind received, or to be received (including, but not limited to, services rendered and/or value received) by Tenant as a result of the assignment or sublease, if such sums are paid or provided to Tenant for Tenant's interest in this Lease or in the Premises.

(5) This Paragraph 55.A does not apply to a "Permitted Transfer", as provided in Paragraph 56 hereof. The parties agree that if any of the following transactions occur and do not qualify as "Permitted Transfers", Tenant must obtain Landlord's consent to such transaction and if Landlord consents to any of the following transactions which do not otherwise qualify as "Permitted Transfers", then the provisions of this Paragraph 55.A shall not apply to the following transactions: (i) a merger, consolidation or other reorganization in which Tenant is not the surviving corporation so long as 95% of all assets and liabilities of Tenant are permanently transferred to such assignee; and (ii) an assignment of this Lease to a corporation which purchases or otherwise acquires 95% or more of the assets of Tenant so long as 95% of all assets and liabilities of Tenant are permanently transferred to such assignee and Tenant remains liable and responsible under the Lease to the extent Tenant continues in existence following such transaction.

56. PERMITTED ASSIGNMENTS AND SUBLEASES: Notwithstanding anything contained in Paragraph 16, so long as Tenant otherwise complies with the provisions of Paragraph 16 and the Permitted Transfer does not release Tenant from its obligations hereunder, Tenant may enter into any of the following transfers (a "Permitted Transfer") without Landlord's prior written consent, and the provisions of Paragraph 55A shall not apply to any such Permitted Transfer:

A. Tenant may sublease all or part of the Premises or assign its interest in this Lease to any corporation which controls, is controlled by, or is under common control with Tenant by means of an ownership interest of more than fifty percent (50%) providing Tenant remains liable for the payment of Rent and full performance of the Lease;

B. Tenant may assign its interest in the Lease to a corporation which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation so long as (i) 95% of all assets and liabilities of Tenant are permanently transferred to such assignee, and (ii) immediately prior to the merger, consolidation or other reorganization, the corporation into which Tenant is to be merged has a net worth equal to or greater than the net

worth of Tenant at the time of Lease execution or at the time of such assignment, merger, consolidation or reorganization (whichever is greater), or if it does not, Landlord is provided a guaranty of the Lease (in a form reasonably acceptable to Landlord) from a corporation (a) that is the parent of, or is otherwise affiliated with, the corporation into which Tenant is to be merged, and (b) which has a current net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, merger, consolidation or reorganization (whichever is greater). In the event there is not a permanent

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transfer of 95% or more of the assets and liabilities from Tenant to a third party, and Tenant continues to exist as a separate entity, both companies shall be jointly and severally liable for the full terms and conditions of the Lease;

C. Tenant may assign this Lease to a corporation which purchases or otherwise acquires 95% or more of the assets of Tenant so long as 95% of all assets and liabilities of Tenant are permanently transferred to such assignee (in the event there is not a permanent transfer of 95% or more of the assets and liabilities from Tenant to a third party and Tenant continues to exist as a separate entity, both companies shall be jointly and severally liable for the full terms and conditions of the Lease), and provided that immediately prior to such assignment said corporation, has a net worth equal to or greater than the net worth of Tenant (a) at the time of Lease execution or (b) at the time of such assignment (whichever is greater), or if it does not, Landlord is provided a guaranty of the Lease (in a form reasonably acceptable to Landlord) from a corporation (a) that is the parent of, or is otherwise affiliated with, said corporation and (b) which has a current net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, (whichever is greater).

57. SUBORDINATION AND MORTGAGES: Paragraph 17 is modified to provide that this Lease shall not be subordinate to a mortgage or deed of trust unless the Lender holding such mortgage or deed of trust enters into a written subordination, non-disturbance and attornment agreement in which the Lender agrees that notwithstanding any subordination of this Lease to such Lender's mortgage or deed of trust, (i) such Lender shall recognize all of Tenant's rights under this Lease, and (ii) in the event of a foreclosure this Lease shall not be terminated so long as Tenant is not in material default of its obligations under this Lease, but shall continue in effect and Tenant and such Lender (or any party acquiring the Premises through such foreclosure) shall each be bound to perform the respective obligations of Tenant and Landlord with respect to the Premises arising after such foreclosure.

58. LANDLORD'S RIGHT TO ENTER: Notwithstanding the provisions of Paragraph 18, (i) except in the event of an emergency, Landlord shall give Tenant twenty-four (24) hours notice prior to entering the Premises, agrees to comply with any reasonably safety and/or security regulations imposed by Tenant with respect to such entry, and shall only enter the Premises when accompanied by Tenant or its agent (so long as Tenant makes itself reasonably available for this purpose), and (ii) Landlord may install "for lease" signs relating to the Premises only during the last 150 days of the Lease term. Landlord agrees to use its reasonable, good faith efforts such that any entry by Landlord, and Landlord's agents, employees, contractors and invitees shall be performed in a manner with as minimal interference as possible with Tenant's business at the Premises. Subject to the foregoing, Tenant agrees to cooperate with Landlord and Landlord's agents, employees and contractors so that responsibilities of Landlord under the Lease can be fulfilled in a reasonable manner during normal business hours so that no extraordinary costs are incurred by Landlord.

59. BANKRUPTCY AND DEFAULT: Paragraph 19 is modified to provide that with respect to nonmonetary defaults not involving Tenant's failure to pay Basic Rent or Additional Rent, Tenant shall not be in default of any non-monetary obligation if (i) more than thirty (30) days is required to cure such non-monetary default, and (ii) Tenant commences cure of such default as soon as reasonably practicable after receiving written notice of such default from Landlord and thereafter continuously and with due diligence prosecutes such cure to completion.

60. ABANDONMENT: Paragraph 20 is modified to provide that Tenant shall not be in default under the Lease if it leaves all or any part of Premises vacant so long as (i) Tenant is performing all of its other obligations under the Lease including the obligation to pay Basic Rent and Additional Rent (ii) Tenant provides on-site security during normal business hours for those parts of the Premises left vacant, (iii) such vacancy does not materially and adversely affect the validity or coverage of any policy of insurance carried by Landlord with respect to the Premises, and (iv) the utilities and heating and ventilation system are operated to the extent necessary to prevent damage to the Premises or its systems.

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61. DESTRUCTION: Paragraph 21 is modified by the following:

A. Notwithstanding anything to the contrary within Paragraph 21, Landlord may terminate this Lease in the event of an uninsured event or if insurance proceeds, net of the deductible, are insufficient to cover one hundred percent of the rebuilding costs; provided, however, Tenant shall have the right to elect, in its discretion, to contribute such excess funds to permit Landlord to repair the Premises.

B. Except as provided in Paragraph 61C, Landlord may not terminate the Lease if the Premises are damaged by a peril whereby the cost to replace and/or repair is one hundred percent (100%) covered by the insurance carried by Landlord pursuant to Paragraph 12, but instead shall restore the Premises in the manner described by Paragraph 21.

C. If the Premises are damaged by a peril covered by the insurance carried by Landlord pursuant to Paragraph 12, Landlord shall have the option to terminate the Lease if each of the following conditions is satisfied: (i) the cost to repair or the damage exceeds thirty-three percent (33%) of the then replacement cost of the Premises; and (ii) the damage occurs at a time when there is less than five (5) years remaining in the term of the Lease. Notwithstanding the foregoing, if such damage occurs at a time when there is less than five (5) years remaining in the term of the Lease and Landlord notifies Tenant of Landlord's election to terminate the Lease pursuant to the provisions of this Paragraph 61B, if Tenant has the right to extend the term of this Lease pursuant to either Paragraph 41 or 42 such that the remaining term of the Lease (including the option period) will be more than five (5) years following the date of such damage, this Lease shall not terminate if Tenant notifies Landlord in writing of Tenant's exercise of an option to extend granted to Tenant by either Paragraph 41 or 42. In such event, this Lease shall not terminate, the term shall be so extended, and Landlord shall restore the Premises in the manner provided in Paragraph 21.

D. If Landlord fails to obtain insurance as required pursuant to Paragraph 12, and said insurance would have been available to cover any damage or destruction to the Premises, Landlord shall be required to rebuild, at its cost, net of the deductible which would have been required under said insurance policy (which deductible Tenant is required to pay).

E. If the Premises are damaged by any peril, then as soon as reasonably practicable, Landlord shall furnish Tenant with the written opinion of Landlord's architect or construction consultant as to when the restoration work required of Landlord may be completed. Tenant shall have the option to terminate this Lease in the event any of the following occurs, which option may be exercised only by delivery to Landlord of a written notice of election to terminate within seven (7) days after Tenant receives from Landlord the estimate of the time needed to complete such restoration:

(1) The Premises are damaged by any peril (not caused by or resulting from an action of Tenant or Tenant's agents, employees, contractors or invitees) and, in the reasonable opinion of Landlord's architect or construction consultant, the restoration of the Leased Premises cannot be substantially completed within 180 days after the date of such damage (subject to force majeure conditions); or

(2) The Premises are damaged by any peril (not caused by or resulting from an action of Tenant or Tenant's agents, employees, contractors or invitees) within twelve (12) months of the last day of the Lease term and provided Tenant has not exercised an option to renew pursuant to the provisions of Paragraph 41 or 42, and, in the reasonable opinion of Landlord's architect or construction consultant, the restoration of the Leased Premises cannot be substantially completed within sixty (60) days after the date of such damage and Tenant has not exercised its Option to Extend said Term (or Extended Term as the case may be).

62. EMINENT DOMAIN: Paragraph 22 is modified by the following:

Landlord may not terminate the Lease if less than one third (1/3) of the building is taken by condemnation or if a taking by condemnation is only threatened.

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63. TRANSFER BY LANDLORD: The provisions of Paragraph 23 of the Lease to the contrary notwithstanding, Landlord shall not be relieved of its obligations

under the Lease which may accrue after the date of a sale or other transfer unless and until (i) the transferee agrees to assume and be bound by the terms of this Lease and to perform all obligations of the Landlord under the Lease which may accrue after the date of such transfer, and (ii) Landlord transfers the cash balance of the Security Deposit (net of any offsets used to cure defaults under the Lease) to its successor in interest (transferee) in accordance with the provisions of California Civil Code Section 1950.7, as amended or recodified.

64. LANDLORD'S LIEN WAIVER: Landlord, within thirty (30) days after demand from Tenant, shall execute and deliver such lien waiver documents that are reasonably required by any supplier, lessor, or lender in connection with the installation in the Premises of the Tenant's personal property or trade fixtures providing Landlord approves the form of any such waiver and Landlord's rights under this Lease are not materially and adversely affected.

65. AUTHORITY TO EXECUTE. The parties executing this Lease Agreement hereby warrant and represent that they are properly authorized to execute this Lease Agreement and bind the parties on behalf of whom they execute this Lease Agreement and to all of the terms, covenants and conditions of this Lease Agreement as they relate to the respective parties hereto.

QUANTUM CORPORATION,
a Delaware corporation

By /s/ Andrew Kryder
Andrew Kryder, Vice President Finance
and Corporate General Counsel

Date: June 25, 1997

By /s/ Norm Claus
Norm Claus, Vice President Real Estate
and Corporate Services

Date: June 25, 1997

JOHN ARRILLAGA SURVIVOR'S
TRUST

By John Arrillaga
John Arrillaga, Trustee

Date: 6/30/97

RICHARD T. PEERY SEPARATE
PROPERTY TRUST

By /s/ Richard T. Peery
Richard T. Peery, Trustee

Date: 6/26/97

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OPTION AGREEMENT

THIS AGREEMENT dated April 16, 1997 by and between JOHN ARRILLAGA, Trustee, or his Successor Trustee, UTA dated 7/20/77 (JOHN ARRILLAGA SURVIVOR'S TRUST) as amended and RICHARD T. PEERY, Trustee, or his Successor Trustee, UTA dated 7/20/77 (RICHARD T. PEERY SEPARATE PROPERTY TRUST) as amended, hereinafter called "Optionor", and QUANTUM CORPORATION, a Delaware corporation, hereinafter called "Optionee".

WHEREAS, Optionor, as Lessor, and Optionee, as Lessee, have entered into a Lease Agreement described as Lease 6, Building 6 for 182,355+/- square

feet of space, dated April 16, 1997, hereinafter referred to as the "Building 6 Lease". Said property covered by the Lease is located on Sumac Drive, Milpitas, California, as shown within the area outlined in Orange on Exhibit "A" attached hereto and by reference made a part hereof. The details of said Building 6 Lease are more particularly described and set forth in the Building 6 Lease; and

WHEREAS, Optionor is willing to grant to Optionee the exclusive right to lease from Optionor one (1) additional building on a parcel contiguous to the parcel on which Building 6 is located for the use and occupancy by Optionee, if Optionee elects to exercise said option, upon the terms and conditions set forth herein;

NOW, THEREFORE, for the option consideration to be paid, receipt of which is hereby acknowledged, and for the other consideration referred to herein, the parties agree as follows:

ARTICLE I

GRANT OF OPTION TO LEASE

Provided that Optionee is not in material default of its obligations (i) under the Building 6 Lease or if in material default has received written notice of default from Optionor and such default has not been cured within the period provided for in the Building 6 Lease (provided, however, if a non-monetary default by Optionee under the Building 6 Lease cannot be cured, and if Optionor does not elect to terminate the Building 6 Lease as a result of such nonmonetary and non-curable default, Optionee may exercise the option provided for herein), or (ii) under any provision of this Agreement or if in material default has received written notice from Optionor of its intent to terminate this Agreement because of such default and Optionee has failed to cure a default in the payment of money within three (3) days after such notice or any other default within ten (10) days after such notice, and subject to the provisions of Article II, Optionor hereby grants to Optionee the exclusive right to lease that certain real property consisting of approximately 12.297 acres of land, more or less, located in the City of Milpitas, County of Santa Clara, State of California, and contained within the area outlined in Green on "Exhibit A" attached hereto, and by reference made a part hereof (hereinafter referred to as "Option Property"), on which Optionee shall have the option to lease additional facilities from Optionor on the following terms and conditions:

A. OPTION PROPERTY: Said Option Property, consisting of approximately 12.297 acres, more or less, shall consist of one (1) separate (but not legally subdivided) parcel of property, (APN 086-02-038) as shown on Exhibit "A", on which a building (Building 7) of approximately 208,096+/- square feet shall be constructed.

B. TERM OF OPTION: Optionee's option, as granted hereunder with respect to the Option Property described above shall commence on the date of this Option Agreement and shall terminate December 31, 1999 ("Option Period"), unless sooner terminated, as provided for herein, and regardless of the commencement date of the Building 6 Lease.

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C. PUBLIC AGENCY REQUIREMENTS: The parties understand that the proposed construction of the building on the Option Property is subject to any and all requirements, now or in the future, of the City of Milpitas and/or County of Santa Clara, and/or City of San Jose, hereinafter individually and collectively referred to as "Public Agency." It is agreed that in the event that the Public Agency reduces the size of the option building (Building 7) and imposes land rules and regulations affecting the Option Property to meet Public Agency regulations and requirements, that the building to be constructed on the Option Property shall be built as required to accommodate the requirements of the Public Agency and the land use and/or entitlements pertaining thereto and that this option shall be subject to all Public Agency requirements.

D. CONSIDERATION: As consideration for Optionor agreeing to the terms hereof, Optionee agrees to pay, promptly, and prior to delinquency, all real estate taxes and assessments assessed against the Option Property, from the beginning of the Option Period through the termination date of this Agreement, as they appear on the tax bills, provided, however, that if Optionee exercises its option to lease, it is agreed that notwithstanding the foregoing, Optionee shall continue to pay all real estate taxes and assessments attributable to the Option Property through the commencement date of the lease of the Option Property and will thereafter be responsible for paying all real estate taxes and assessments as required under the new lease for the Option Property. For the purpose of this Agreement, "real estate taxes and assessments" shall be defined as set forth in Paragraph 9 of the Building 6 Lease. In addition, Optionee also agrees to pay, on January 1, 1997, and on each anniversary date thereafter during the Option Period, an amount equal to Ten Thousand and No/100 Dollars ($10,000) per acre per annum multiplied by the acreage contained within the Option Property as additional consideration for this option. Optionee shall be liable for the payment of the option consideration set forth above through the termination of this option. Any payments to be made hereunder shall be prorated

accordingly to reflect the commencement and termination dates of this option.

For Example:

If the Option Property is 12.297 acres, then the additional option consideration to be paid would be calculated as follows:

Option Property = 12.297 acres x $10,000.00/acre = $122,970.00, plus real estate taxes and assessments

E. EXERCISE OF OPTION: Optionee shall exercise Optionee's right to lease the Option Property by giving written notice to Optionor of Optionee's exercise of this option at any time after execution of this Agreement by the parties and prior to the expiration of the term of this option on December 31, 1999, unless the option is terminated earlier as provided for herein. Should Optionee fail to timely exercise Optionee's option to lease the Option Property, this Agreement shall be null and void, and Optionee shall have no further rights under this Agreement, and Optionor shall be free to deal with third parties with respect to the Option Property, without any obligation to Optionee whatsoever, with Optionee remaining liable for payment of the option consideration as set forth in Article I Section D above, through the termination date of this Agreement.

F. LEASE TERMS IF OPTION TO LEASE IS TIMELY EXERCISED:

1. CONSTRUCTION OF NEW BUILDING AND INTERIOR IMPROVEMENTS: In the event Optionee exercises its option, subject to Article I Section E on the Option Property prior to the termination of the Option Period, Optionee will be required to lease the entire building of approximately 208,096+/- square feet on the Option Property, subject to any reduction as set forth in Article I Section C above. The shell of the building to be erected by Optionor on the Option Property in the event this option is exercised by Optionee shall be architecturally compatible with, and of a quality of construction and type of material used substantially the same as, the building provided for Optionee pursuant to the Building 6 Lease.

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The interior improvements (i.e., heating, lighting, electrical, plumbing, vinyl tile and/or carpeted floors, acoustical suspended ceiling, interior partitioning and doors, and the like) of the new building on the Option Property shall be proportionately equal to the interior improvements under the Building 6 Lease and Optionor will provide Optionee with a $25.00 per square foot Tenant Improvement Allowance under the same basic terms and conditions as contained within the Construction Letter attached hereto as Exhibit "B-2".

Notwithstanding any provisions to the contrary contained in the Construction Letter attached as Exhibit "B-2" (subject to amendment related to the size of the building and dates where appropriate), Optionor agrees to furnish to Optionee, within sixty (60) days after Optionee's exercise of its option to lease the Option Property, definitive shell plans for the building to be constructed on the Option Property. As used herein, the term "definitive shell plans" does not mean working drawings, but means and refers to shell design plans showing such details as columns, windows, shear structure, "K" bases and core area. Optionee agrees, within sixty (60) days after its receipt of such definitive shell plans, to deliver to Optionor complete plans and specifications for the interior improvements that Optionee wishes constructed in the new building. If Optionee wishes to later change said plans or specifications, any such changes shall be permitted subject to the terms and conditions of Paragraph 8 of the Construction Letter set forth in Exhibit "B-2", provided that in the event the completion date of the building is delayed by such changes requested by Optionee, the lease commencement date of the new building and rent commencement shall be the date the new building would have been completed in the absence of such changes requested by Optionee. Optionor shall have a reasonable time period after the completion of the building and commencement date of the lease to complete the landscaping and "punch list" items pertaining to the new building without the commencement date of the lease and rent being affected. The building shall be completed by Optionor and ready for occupancy by Optionee within one (1) year after the date of exercise of the option by Optionee and the lease agreement is executed by the parties regarding the Option Property, subject to delays caused by strikes, acts of God, governmental restrictions, or other causes beyond Optionor's control, in which instance the time period for Optionor's completion of the building shall be extended accordingly; provided, however, in no event shall the building be completed later than eighteen (18) months after the exercise of the option by Optionee.

2. LEASE AGREEMENT: Optionee and Optionor shall execute a separate lease agreement and construction letter (as set forth respectively in Exhibit "B-1" and Exhibit "B-2") for the Option Property within thirty (30) days from Optionee's exercise of such option. The terms and conditions of the lease agreement pertaining to the Option Property shall be identical to the terms and provisions of the Building 6 Lease, including without limitation the options to

extend the term, except as modified by this Agreement and except that the provisions of Section F.1 above relating to shell and interior improvement plans shall be incorporated therein and the provisions of Paragraph 40 ("Lease Term and Commencement Date") of the Lease will be deleted and the provisions coveting the Lease Term, Rental and Hazardous Waste and Toxic Materials, shall be determined as follows:

(a) Lease Term and Commencement of Lease: The lease term for the Option Property shall be for a minimum period of ten (10) years, or for a term expiring conterminously with the lease term of the Building 6 Lease (including the option to extend that term, if exercised by Optionee), whichever time period is the longer, but in no event shall the lease term on the Option Property be less than ten (10) years. The term of the lease shall commence as soon as the building and leasehold improvements have been completed by Optionor, unless Optionee delays completion of the building, in which event the lease will commence on the date it would have been completed in the absence of the delays caused by Optionee.

(b) Rental:

(1) Basic Monthly Rental: The initial monthly Basic Rental (which amount does not include the Management Fee and/or Additional Rent charges which Optionee will be responsible for, including but not limited to taxes, insurance, utilities,

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maintenance, etc., as described in Paragraph 4B of the Building 6 Lease) from the commencement of the lease on the Option Property through the full term of the lease (subject to the rental increases provided for in Section F.2.(b)(2) below) shall be a sum equal to $1.60 absolute triple net per square foot per month times the number of square feet contained within the new building to be constructed; provided, however, that such Basic Rent shall be increased by 8% (non-compounding) for each twelve (12) month period that commences on or after August 1, 1998 or on or before the Commencement Date of the Lease of Building 7. By way of example only, (i) if the Commencement Date occurred during the period commencing on August 1, 1998 and ending on July 31, 1999, the Basic Rent of $1.60 per square foot per month would be increased by 8%; (ii) if the Commencement Date occurred during the period commencing on August 1, 1999 and ending on July 31, 2000, the Basic Rent of $1.60 per square foot per month would be increased by 16%; and (iii) if the Commencement Date occurred during the period commencing on August 1, 2000 and ending on July 31, 2001, the Basic Rent of $1.60 per square foot per month would be increased by 24%. By way of further example, if the Commencement Date for the Building 7 Lease is October 1, 1999, and the new building is 208,096 square feet, the adjusted Basic Rent would be $386,226.18, calculated as follows:

Lease on Option Property to Commence:		October 1, 1999
Size of Building was:		208,096 sq. ft.
Monthly Basic Rent Calculation:		
$1.60 per sq. ft. x 208,096 sq. ft.	=	$332,953.60
Plus 8% annual increase per Twelve Month Period*:		
(8/1/98-10/1/99) = 16% increase	=	$53,272.58
Adjusted Basic Rent as of Lease Commencement Date of 10/01/99:		$386,226.18

Number of Twelve Month Periods		% Incr.	Adjusted Base Rent	Basic Rent
* (1)	8/1/98-7/31/99	x 8%	1st period	
* (2)	8/1/99-7/31/00	x 8%	2nd period	
		16% Total Increase	x $333,953.60	= $386,226.18

Notwithstanding the foregoing, within thirty (30) days after Optionee exercises its option to lease and Optionee has delivered the complete plans and specifications for the Interior Improvements Optionee desires Optionor to construct, as provided for in Section F.1 above, Optionor shall deliver to Optionee Optionor's estimated, projected completion date for the building and all interior improvements to be constructed by Optionor, it being agreed, however, that such date is only an estimate and that the date the Lease shall commence shall be as set forth in Section F.2(a) above. In the event the completion of the building and interior improvements is delayed beyond the date set forth in Optionor's schedule for any reason other than the acts of Optionee, or acts of God, strikes, governmental restrictions, or other causes beyond Optionor's control, then even if the commencement date occurs on August 1 or later in that particular calendar year, the 8% annual increase in Basic Rent for

that particular year provided for in this Section shall be inapplicable.

(2) Annual Basic Rent Increase: It is understood and agreed that on each and every anniversary of the lease commencement date the Basic Rent will be increased by $.05 per square foot, including extensions of the Building 7 Lease if Optionee timely exercises either of the two five (5) year options to extend the Lease. It is understood by the parties hereto, if Optionee exercises its Option to Extend on either the Building 6 Lease or the Building 7 Lease, the other Lease shall be automatically be extended, subject to the terms stated herein and in each respective Lease.

(c) Security Deposit: The initial Security Deposit required under the Building 7 Lease (which amount is subject to increase pursuant to Tenant's exercise of any Option to Extend) shall be equal to the sum of the Basic Rent for the first month in the initial

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Lease Term plus the Basic Rent for the last month in the initial Lease Term. For Example: if the Building 7 Lease commences on October 1, 1999 as shown in the example in Paragraph 2(b)(1) above, and the length of the initial Lease Term is ten years, the Security Deposit required under the Building 7 Lease would be calculated as follows:

Basic Rent due 10/1/99:	$386,226.18	=	$1.856 per square foot
Rent increase over ten year term = $1.856 + (9 x $0.05)		=	$0.45 per square foot
Basic Rent due 9/1/09	$479,869.38	=	$2.306 per square foot
Security Deposit:	$866,095.56		

(d) Hazardous Materials and Toxic Wastes: The parties agree that the provisions of Paragraph 44 of the Building 6 Lease pertaining to hazardous materials and toxic wastes shall be incorporated into the above referenced lease to be executed, if the option to lease is exercised by Optionee, with the exception that notwithstanding any provisions to the contrary in said Paragraph 44 of the Building 6 Lease, Optionee shall have those obligations thereunder with respect to site generated contamination on the Option Property commencing on the date this Agreement is executed by all parties, except as more particularly set forth in Article III Section F(3) of this Agreement, Optionee shall have no responsibility whatsoever, including any obligation to clean up or indemnify with respect to any hazardous materials or toxic wastes present on the Option Property because of the storage, use, disposal or transportation of such materials by any of Optionor's contractors or otherwise arising out of construction work performed by or under the direction of Optionor on the Option Property.

(e) Hetch-Hetchy Land: The following language will be included within the Building 7 Lease related to the Hetch-Hetchy Land adjacent to the Property: "Landlord hereby assigns to Tenant during the Term of this Lease, all of Landlord's right, title, and interest, in and to the property owned by the City and County of San Francisco shown in Orange on Exhibit A attached hereto, and Tenant hereby assumes all responsibilities and liabilities (including, but not limited to a fee and/or tax for the right to use said property including any use provided for in the Deed attached hereto as Exhibit E) that may be imposed by the City and County of San Francisco pertaining to their property and Tenant's use and occupancy thereof. Tenant's right to use the area outlined in Orange will continue until this right to use said property is revoked or terminated by the City and County of San Francisco, at which time said property outlined in Orange belonging to the City and County of San Francisco will no longer be available for Tenant's use, and this lease will continue in full force and effect excluding Tenant's right to use the property outlined in Orange on Exhibit A attached hereto.

Tenant's use of the property owned by the City and County of San Francisco shall be governed by the terms and conditions of the Deed dated February 5, 1951 between Chizu Oyama Takeda and George Shoji Takeda, as Grantors, and the City and County of San Francisco, as Grantee (the "Deed"). Said Deed is attached hereto as Exhibit E. Among the provisions of said Deed is the restriction that the property shall not be used for parking, and Tenant understands that at no time during the Term of the Lease shall Tenant be allowed to use said property for parking.

Notwithstanding the foregoing, Tenant may use the Hetch-Hetchy Land for such additional uses as may not be permitted in the Deed provided Tenant (i) obtains the written permission from the City and County of San Francisco to do so in form reasonably acceptable to landlord, (ii) removes the "bridge" which is contemplated to go over said Hetch-Hetchy Land if requested by the City and County of San Francisco and/or if Landlord requires said "bridge" to be removed

by the Lease Termination Date, (iii) pays all costs and expenses imposed by the City and County of San Francisco in connection with such permission and use, and (iv) Tenant indemnifies and holds harmless Landlord from any loss, expense, cost, claim, or liability arising in connection with such permission or any use pursuant to such permission of the Hetch-Hetchy Land undertaken by Tenant, its agents, employees, contractors, invitees, visitors, subtenants

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and/or assignees. Landlord and Tenant agree that if the City of Milpitas will not issue a building permit for Building 7 in the configuration and location for which it is designed as of the date of this Lease because of the proximity to the Hetch-Hetchy Land or for any other reason, then Tenant shall have the option to cause Building 7 to be relocated on the land and redesigned in a new configuration acceptable to the City, Landlord and Tenant, provided the square footage of the relocated and redesigned building is no less than approximately 208,096 square feet and the parking allocation is not reduced due to said redesign and/or relocation."

G. OPTIONEE'S RIGHT TO TERMINATE OPTION: In the event Optionee wishes Optionor to discontinue holding the Option Property for Optionee's expansion prior to the termination date of this Option Agreement, unless this option is sooner terminated as provided for in this Agreement, Optionee may terminate this Option Agreement by giving Optionor written notice of Optionee's termination of this Option Agreement and paying to Optionor at the time of such notice of termination the option consideration set forth in Article I Section D through the date of Optionee's written notice of such option termination, after which time Optionor shall be free to deal with third parties with respect to the Option Property. In the case of early termination of this Agreement, any prepaid consideration (including but not limited to taxes and assessments) related to this Agreement will be prorated to the date of such early termination, and Optionee will remain liable for payment of the option consideration, as set forth in Article I Section D above, through the termination date of this Agreement and for any accrued but unpaid consideration, and shall be refunded that portion of the prepaid consideration which relates to the period after termination.

H. TERMINATION OF OPTIONEE'S RIGHTS' In the event (i) Optionee does not submit the complete plans and specifications for the interior improvements of the building within the time period set forth in Article I Section F.1, and such failure to submit plans is not remedied within thirty (30) days thereafter, or (ii) Optionee does not execute a lease agreement with Optionor within thirty (30) days after Optionee's exercise of Optionee's option to lease and such delay is not unreasonably caused by Optionor, or (iii) Optionee is in default in any of the terms, covenants or conditions of the Lease, such default has not been cured within the period provided for in the Building 6 Lease, and Optionor has given written notice to Optionee of its intent to terminate this Agreement because of such default, or (iv) Optionee is in default of any other provisions of this Agreement including, but not limited to, the consideration requirements set forth in Article I Section D above, and (A) fails to cure such default within three (3) days after written notice thereof, in the case of a failure to pay any sums owing from Optionee pursuant to the terms hereof, or (B) fails to cure a default in its performance of any other term or covenant to be kept by Optionee hereunder, within ten (10) days after written notice of such default from Optionor, or (v) Optionee is in material default of the Construction Letter Agreement related to the Building 6 Lease and (A) fails to cure such default within three (3) days after written notice of a monetary default, or (B) within ten (10) days after written notice of any other default (provided if the default cannot reasonably be cured within such ten (10) day period Optionee shall not be in default if it promptly commences the cure and thereafter diligently prosecutes the cure to completion), or (vi) if Optionee does not perform as required under the provisions of Article II below, and (A) such failure continues more than three (3) days after written notice from Optionor of an intent to terminate this Option Agreement due to Optionee's default in the payment of any sums owing thereunder, or (B) Optionee does not cure such default within ten (10) days after written notice from Optionor that it intends to terminate this Agreement due to Optionee's failure to perform any other term or covenant to be kept by Optionee thereunder, then it is agreed that Optionee's rights with respect to this Option Agreement and the Option Property shall terminate if Optionor so elects, at Optionor's sole discretion, by giving written notice of such termination to Optionee, with Optionor being free to deal with third parties with respect to the Option Property and with the Building 6 Lease remaining in full force and effect in the event of such termination; in which event, any prepaid consideration (including but not limited to taxes and assessments) related to this Agreement will be prorated to the date of such termination, and Optionee will remain liable for payment of the option consideration as set forth in Article I Section D above, through the termination date of this Agreement and shall be refunded that portion of the consideration attributable to a period of time after termination. Optionee upon said termination will immediately execute and record at

agreement relinquishing all of Optionee's rights to the Option Property as contained in this Agreement.

ARTICLE II

OPTIONOR'S OPTION TO NOT CONSTRUCT BUILDING
ON OPTION PROPERTY - OPTIONEE'S OPTION TO BUY

Notwithstanding anything to the contrary in Article I above, entitled "Grant of Option to Lease," it is agreed between the parties hereto that if Optionor does not, in Optionor's sole and absolute discretion, choose or desire for any reason whatsoever to construct such building on the Option Property, as provided for in Article I above, then Optionor shall have the right to be relieved from all responsibility to build and/or lease under said Article I, with respect to the Option Property, providing Optionor gives written notice to Optionee within sixty (60) days after Optionee exercises Optionee's option to lease the new facility (Building 7) as provided for in Article I above, that Optionor elects, at Optionor's sole and absolute discretion, not to construct the new building on the Option Property in which event, and in no other event, Optionor agrees to sell Optionee the Option Property upon the following terms and conditions:

A. NOTICE TO EXERCISE OPTION TO BUY - DATE FOR CLOSE OF ESCROW: Optionee must give notice to Optionor of Optionee's desire to purchase the aforesaid Option Property within thirty (30) days after receipt of Optionor's written notice to Optionee of Optionor's election not to construct as set forth above. It is agreed if Optionee timely exercises this option, that Optionee shall be committed and obligated to close escrow on or before sixty (60) days after Optionor has given Optionee the written notice of Optionor's election not to build as provided for above, subject to delays related to defects in title under Article II Section G below, upon the terms and conditions hereinafter set forth in this Article II and as otherwise provided for in this Agreement.

B. PURCHASE PRICE: The purchase price of the Option Property shall be an amount equivalent to TWENTY FIVE DOLLARS ($25.00) per square foot of land, plus an eight percent (8%) annual compound interest increase in the purchase price (which increase shall begin accruing as of August 1, 1998), lawful cash consideration, times the number of square feet contained within the Option Property, and shall include easements but shall be exclusive of any area that may be acquired in fee by eminent domain or condemnation by a Public Agency prior to the close of escrow, plus Optionee shall assume any and all assessments on the property existing as of the date of sale as reflected on the City and County tax bills and any supplemental taxes that may be issued at a later date for said property or proposed to be assessed against the property without reduction in the purchase price.

C. SITE AND PARCEL MAP SURVEY: A survey will be made by a licensed surveyor, elected by Optionor and paid for by Optionee, to determine the exact square footage, and an appropriate parcel map recorded of the property to be conveyed.

D. TITLE INSURANCE: Optionee will obtain, at Optionee's expense, from Chicago Title Company a standard California Land Title Association (CLTA) Title commitment in an amount equal to the purchase price of the Option Property, in favor of Optionee to insure the Option Property, subject to the permitted exceptions of title set forth in Article II Section E below.

E. TITLE: The Option Property shall be conveyed strictly on an "as is" basis as set forth in Article II Section F below, and Optionee agrees to take title to the Option Property on an "as is" basis and subject to the following "permitted exceptions":

(1) All non-delinquent real property taxes and assessments, and bonds outstanding as of the close of escrow, and all exceptions as shown in said Chicago Title Insurance Company's preliminary title report number 771722 dated April 14, 1997, and attached hereto as Exhibit "C" and by reference made a part of this Agreement, except for any of Optionor's current and/or future loans against said Option Property which loans, if any, shall be discharged by Optionor at close of escrow.

(2) Any easements, right-of-way, utility or street easement dedications required to be made or common driveway easements, covenants, conditions, and restrictions now of record or of record at the time Optionee exercises its option to buy the Option Property.

(3) Any other exceptions to title that do not unreasonably

affect the marketability, financeability, or Optionee's reasonable use thereof, and any normal exclusions and provisions of the title company's standard Title Insurance Policy and all matters that a current and accurate survey of the property would disclose.

(4) The Waiver and Release Agreement set forth as Exhibit "D" attached, which Optionee agrees to execute and record at the close of escrow.

F. "AS-IS": Optionee agrees that Optionee is purchasing the Option Property subject to the following understanding and agreement: This is a non-contingent and unconditional offer to purchase the property on an "as is" basis. Optionee has inspected the Option Property including acreage, improvements (if any) thereon, environmental and economic characteristics and conditions as of the execution of this Agreement, and acknowledges that Optionee has observed their physical characteristics (including acreage) and conditions, and hereby waives any and all objections to the physical characteristics (including acreage) and condition of the Option Property which would be disclosed by such inspection or otherwise. Optionee acknowledges that Optionor and its employees, agents, or representatives have not made, and do not make, any representations, warranties, or agreements by or on behalf of Optionor as to any matters concerning the Option Property and the present or future use therof, or the suitability of the Option Property for Optionee's intended use. Optionee is purchasing the Option Property hereunder strictly on an "as is" basis and regardless of the condition and repair of the improvements (if any), or the Option Property's topography, climate, air, water rights, utilities, water, possible toxic waste or hazardous materials, present and future zoning, soil, subsoil, purpose to which the Option Property is suited, drainage, access to public roads, and proposed routes or enlargement of road or extensions thereof. Optionee further acknowledges and agrees that the Option Property is, or may be, subject to zoning, P.U.D., or other municipal ordinance restrictions, and is to be purchased, conveyed and accepted by Optionee in its present condition "as is", and that no patent or latent physical condition of the building or Option Property, whether or not known or unknown or discovered at a later date, shall affect this transaction and the purchase price paid for the Option Property hereunder, and Optionee shall be obligated to close escrow notwithstanding the condition of the Option Property or any improvements thereon. Optionee acknowledges that in the event of a purchase of the Option Property by Optionee, Optionor shall not have any obligation to Optionee to remove, clean up or remediate any Hazardous Materials on the Option Property now, or discovered at a later date. As used in this Agreement, the term "Hazardous Materials" shall mean any substance or material which has been determined or is hereafter determined by any state, federal or local governmental authority or regulatory body to be capable of posing a risk of injury to health, safety and/or property, including, but not limited to, all of those materials and substances designated as hazardous or toxic by the Environmental Protection Agency, the California Water Quality Board, the U.S. Department of Labor, the California Department of Industrial Relations, the U.S. Department of Transportation, the California Department of Food & Agriculture, the Consumer Product Safety Commission, the U.S. Department of Health and Human Services, the U.S. Food and Drug Administration, or any other local, state, or federal governmental agency or authority or regulatory body now or hereafter authorized to regulate materials and substances in the environment. Without limiting the generality of the foregoing the term 'Hazardous Materials shall include all of those materials and substances (i) defined as

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"toxic materials" in Sections 66680 through 66685 of Title 22 of the California Administrative Code, Division 4, Chapter 30, as the same may be amended from time to time, or (ii) any other hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, any agency of the State of California or any agency or the United States Government, as the above may be amended from time to time. All work in connection with preparing the Option Property for the use intended by Optionee, all costs incident thereto, and all other costs, fees, studies, reports, approvals, plans, surveys, permits and expenses whatsoever necessary or desirable in connection with Optionee's acquiring, developing, using and/or operating the Option Property, shall be obtained and paid for by, and shall be the sole responsibility of, Optionee. Optionee has investigated and has knowledge of operative or proposed governmental laws and regulations including, but not limited to, Zoning, environmental (including specifically the regulations of the Environmental Protection Agency and the Bay Area Pollution Control District) and land use laws and regulations to which the Option Property may be subject, and shall acquire the Option Property subject to the foregoing and to such other laws and regulations that pertain to the Option Property. Optionee has neither received nor relied upon any representations concerning such laws and regulations made by Optionor, Optionor's employees, agents or any other person acting on or in behalf of Optionor. Optionee hereby waives, releases, acquits and forever discharges Optionor, Optionor's employees, agents or any other persons acting on or in behalf of Optionor, of and from any and all claims, actions, causes of action, demands, rights, damages, costs, expenses or compensation whatsoever, direct or indirect, known or unknown, foreseen or unforeseen, that it now has,

or which may arise in the future, on account of or in any way growing out of, or connected with, the existence or condition of any improvements or buildings on the Option Property; any toxic wastes or hazardous materials located thereon; any settlement or subsidence of any fill or filled ground on the Option Property or settlement or subsidence of construction thereon, if any; or with any operative or proposed governmental laws and regulations, including, but not limited to, zoning, flood, earthquake, toxic and hazardous materials, environmental and land use laws and regulations to which the Option Property may be subject; or with Optionee's contemplated use and development of the Option Property, or with any other condition of the Option Property or plans.

Any agreements, warranties or representations not expressly contained herein shall in no way bind Optionor. Optionee expressly waives any right of rescission and all claims for damages by reason of any statement, representation, warranty, promise or covenant, if any, not contained in this Agreement. The provisions of this Section shall survive the close of escrow.

G. TITLE DEFECTS: If title to the Option Property shall prove to be defective or unmerchantable, Optionor shall have a reasonable time to perfect same providing said period of time shall not exceed one hundred twenty (120) days from Optionee's exercise of the option to purchase the Option Property as provided for in Article II Section A above. If Optionor, after using due diligence and all reasonable efforts, is unable to remove any such defect in the title, either party may terminate this Option Agreement with Optionor having no liability or obligations to Optionee or any other third party, it being agreed, however, that Optionee may take title subject to such defect or imperfection then existing. All matters concerning title to the Option Property shall merge in the Grant Deed. In the event of any defect in or other matter affecting title to the Option Property, Optionee hereby agrees to look only to the aforesaid title insurance policy to secure any damages incurred by Optionee as a result of said defect or matter.

H. DEED RESTRICTIONS: COVENANTS, CONDITIONS AND RESTRICTIONS TO BE INCORPORATED WITH THE GRANT DEED TO THE OPTION PROPERTY SOLD: It is agreed that the following language shall be incorporated into the Grant Deed to the Option Property sold to Optionee hereunder:

1. Grantee, prior to building any buildings or making any material improvements on the subject property shall submit the building plans and specifications, building colors and landscaping plans, and obtain Grantor's written approval of the same. Said approval shall not be unreasonably withheld and shall be promptly given, providing that: (a) the architecture of any building(s) to be constructed on the property deeded by Grantor to Grantee

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under this deed shall be similar and generally compatible with the architecture of the building previously developed by Grantor for Grantee under the Building 6 Lease; (b) a landscape area is developed along the frontage of the street(s) and will be located between the street and parking area closest to the street; and (c) a perimeter driveway is developed in front of the building(s) which generally runs near and parallel with the street(s).

2. Grantee shall maintain at all times and keep in first class condition all landscaping, driveways, and the exterior of the building(s) and/or improvements approved by Grantor in subsection (1) above, and shall not make material changes in the landscaping, driveways and exterior of the building without the Grantor's written consent, which shall be promptly given and not unreasonably withheld.

3. No outside storage, change of building color, additions to the building or signs shall be permitted without the Grantor's written approval, which shall be promptly given and not unreasonably withheld.

4. "Grantor" as used herein shall mean and refer to the owner of Building 6 (APN 086-02-039).

5. The restrictions contained in (1), (2), (3) and (4) above shall be binding upon and inure to the benefit of the heirs, administrators, successors, and assigns of the parties hereto for a period of twenty-five (25) years from the recording of this deed.

I. COSTS: Taxes and assessments shall be paid by Optionee pursuant to Article I Section C, and Optionee shall pay one hundred percent (100%) of the title and title insurance costs, escrow fees, CLTA title policy, recording fees, documentary stamps, transfer taxes, and all other normal closing costs.

J. TERMINATION OF OPTIONEE'S RIGHTS: In the event (i) Optionee does not elect to timely purchase the Option Property as provided for above, or (ii) Optionee does not close escrow within the prescribed period of time after electing to purchase the Option Property, or (iii) Optionee is in default under any of the terms, covenants or conditions of the Building 6 Lease, and such

default has not been cured within the period provided for in the Building 6 Lease, and Optionor has given written notice to Optionee of its intent to terminate this Agreement because of such default, or (iv) Optionee is in material default under any provisions of the Construction Letter Agreement related to the Building 6 Lease and fails to cure such default within three (3) days after written notice of a monetary default or within ten (10) days after written notice of any other default (provided if the default cannot reasonably be cured within such ten (10) day period Optionee shall not be in default, if it promptly commences the cure and thereafter diligently prosecutes the cure to completion), or (v) Optionee is in default of any of the terms and conditions of this Agreement, and (A) fails to cure such default within three (3) days after written notice thereof in the case of a failure to pay any sums owing from Optionee hereunder, or (B) fails to cure a default in its performance of any other term or covenant to be kept by Optionee hereunder, within ten (10) days after written notice of such default from Optionor, then it is agreed that all of the Optionee's rights with respect to this Option Agreement and the Option Property shall terminate if Optionor so elects, at Optionor's sole discretion, by giving written notice of such termination to Optionee, at which time this option shall terminate, in which event any prepaid option consideration related to this Agreement will be prorated to the date of such termination by Optionor, and Optionee will remain liable for payment of the option consideration as set forth in Article I Section C above through the termination date of this Agreement by Optionor and shall be refunded that portion of the consideration attributable to a period of time after termination.

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ARTICLE III

GENERAL

A. NOTICES: Notices given hereunder shall be given either personally or by registered or certified mail, postage prepaid, addressed to the parties as hereinbelow set forth:

Optionor: JOHN ARRILLAGA and RICHARD T. PEERY
2560 Mission College Boulevard, Suite 101
Santa Clara, CA 95054

Copy to: RICHARD T. PEERY
2200 Cowper Street
Palo Alto, CA 94301

Optionee: QUANTUM CORPORATION
500 McCarthy Boulevard
Milpitas, CA 95035
Attention: Joe Rogers, CFO

or at such other address as either party may hereafter designate in writing to the other.

B. ATTORNEYS FEES: In any action which may be brought to enforce the provisions of this Agreement, the prevailing party in such action shall be entitled to recover from the other party a reasonable attorney's fee in addition to costs and necessary disbursements.

C. ASSIGNMENT: Optionee may not, under any circumstances, assign its rights under this Agreement to a third party, it being understood that this right is granted strictly to Optionee, and to no other party. Notwithstanding the foregoing, Optionee may assign its interest in this Agreement to a corporation which results from a merger, consolidation or other reorganization in which Optionee is not the surviving corporation, or to a corporation which permanently purchases or otherwise permanently acquires 95% or more of the assets of Optionee; provided however, in the event, if in any such assignment there is not a complete transfer of all of the assets from Optionee to such permitted assignee, and Optionee continues to exist as a separate entity, the permitted assignee and Optionee shall be jointly and severally liable for the full terms and conditions of this Agreement.

D. BINDING EFFECT: This Agreement shall inure to the benefit of and shall be binding upon the heirs, personal representatives, successors, and assigns of the parties hereto.

E. OPTIONOR'S REPRESENTATION TO OPTIONEE AND TESTING: Regarding Hazardous Materials or toxic wastes on the Option Property subject to this Agreement:

(1) Optionor hereby makes the following representations to Optionee regarding Hazardous Materials and toxic wastes on the Option Property, each of which is made only to the best of Optionor's knowledge as of the date Optionor executes this Agreement, without any inquiry or investigation having

been made by Optionor regarding this subject, nor does Optionor have any obligation to investigate or make inquiry regarding the subject inasmuch as Optionee is conducting its own soil and water investigation of the Option Property prior to, and within thirty (30) days following its execution of this Agreement:

(a) The soil and ground water on or under the Option Property does not contain Hazardous Materials in amounts which violate any laws to the extent that any governmental entity could require Optionor to take any remedial action with respect to such Hazardous Materials.

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(b) During the time that Optionor has owned the Option Property Optionor has received no notice of (i) any violation, or alleged violation, of any law that has not been corrected to the satisfaction of the appropriate authority, (ii) any pending claims relating to the presence of Hazardous Material on the Option Property, or (iii) any pending investigation by any governmental agency concerning the Option Property relating to Hazardous Materials.

(2) Optionor or Optionee may, at any time, conduct soil sampling of, and/or cause testing wells to be installed on the Option Property, and may cause the soil and the ground water to be tested to detect the presence of Hazardous Material by the use of such tests as are then customarily used for such purposes. Testing wells installed by Optionee shall be paid for by Optionee. Prior to the expiration or termination of the Option Period, Optionee shall attempt to ascertain in writing from Optionor if Optionor wants Optionee to remove any and/or all testing wells it has installed at the Option Property, and return the Option Property to the condition existing prior to the installation of such wells.

(3) If any tests performed by Optionor or Optionee during the Option Period disclose Hazardous Materials (at or above then current action levels as required by the governing agency) at the Option Property which are not the responsibility of Optionee pursuant to the Building 6 Lease, prior to Optionor and Optionee entering into a lease for the Option Property, Optionor at its expense will promptly take all action required by law with respect to the existence of such materials at the Option Property, except for dumping of hazardous waste or toxic materials originating on the surface of the Option Property after the date this Agreement is executed by all parties, which shall be Optionee's obligation to promptly clean up and remove, and to pay for the cost of such clean up and removal; provided, however, Optionee shall have no responsibility whatsoever, including any obligation to clean up and remove any Hazardous Materials or toxic wastes originating on the surface of the Option Property because of the storage, use, disposal or transportation of such materials or wastes by any of Optionor's contractors or otherwise arising out of construction work performed by or under the direction of Optionor on the Option Property, and Optionor shall be responsible for all required actions with respect to such materials and wastes as provided above in this subsection (3). Optionee's obligations with respect to Hazardous Materials or toxic wastes thereafter originating on the surface of the Option Property shall terminate if Optionee terminates its option, unless such wastes or materials originated on the surface of the Option Property prior to such termination or originated from the premises leased by Optionee under the Building 6 Lease or the Building leased from Optionor by Optionee located at 1140 Technology Drive, 500 McCarthy Blvd., 900 Sumac Drive, 1000 Sumac Drive, and 1101 Sumac Drive, in Milpitas California. Notwithstanding the foregoing, if Optionee purchases the Option Property, Optionor shall not be responsible for the clean up or removal of any such toxic wastes and/or Hazardous Materials, as Optionee is buying the Option Property "as is" and shall assume any and all responsibility for same.

(4) The obligations of Optionor and Optionee under this Section F shall survive the expiration or earlier termination of this Agreement.

(5) If within thirty (30) days after this Agreement is signed by Optionor and Optionee, any tests performed by Optionee disclose Hazardous Materials or toxic wastes in material amounts which violate any laws to the extent any governmental entity could require an owner or occupier of the Option Property to take any remedial action with respect to such materials or wastes, then Optionee shall have the right by written notice to Optionor, to simultaneously terminate this Agreement and all other agreements between the parties relative to the Option Property. Optionor may elect, at Optionor's sole and absolute discretion, to remediate or haul away the Hazardous Materials or toxic waste. In the event Optionor elects to remediate or haul away the Hazardous Materials or toxic waste, Optionee will not have the option to terminate any of the Agreements as outlined above.

F: RIGHTS AND OBLIGATIONS WITH RESPECT TO OPTION PROPERTY: Optionee shall have the right to fence the Option Property, but except as provided in this Section, Optionee shall not have the right to use the Option Property prior to an exercise of the

option. Optionee shall, for any portion of the Option Property for which the option has not been terminated, either arrange to have such portion of the Option Property farmed, or periodically disked to control the growth of weeds and keep the Option Property neat and clean and free from debris of any kind and all at Optionee's cost and expense. Optionor agrees not to grant any other person or entity the right to use the Option Property without the prior written consent of Optionee, which shall not be unreasonably withheld or delayed.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date last written below.

OPTIONOR:
RICHARD T. PEERY SEPARATE PROPERTY TRUST

By /s/ Richard T. Peery

Richard T. Peery, Trustee

Date: 6/26/97

JOHN ARRILLAGA SURVIVOR'S TRUST

By /s/ John Arrillaga, Trustee

John Arrillaga, Trustee

Dated: 6/30/97

OPTIONEE:

QUANTUM CORPORATION,
a Delaware corporation

By /s/ Andrew Kryder

Andrew Kryder, Vice President Finance and Corporate General Counsel

Dated: June 25, 1997

By /s/ Norm Claus

Norm Claus, Vice President Real Estate and Corporate Services

Date: June 25, 1997

AMENDMENT NO. 1
TO LEASE

THIS AMENDMENT NO. I is made and entered into this 16th day of April, 1997, by and between JOHN ARRILLAGA, Trustee, or his Successor Trustee UTA dated 7/20/77 (JOHN ARRILLAGA SURVIVOR'S TRUST) (previously known as the "John Arrillaga Separate Property Trust") as amended, and RICHARD T. PEERY, Trustee, or his Successor Trustee UTA dated 7/20/77 (RICHARD T. PEERY SEPARATE PROPERTY TRUST) as amended, collectively as LANDLORD, and QUANTUM CORPORATION, a Delaware corporation, as TENANT.

RECITALS

A. WHEREAS, by Lease Agreement dated March 23, 1994 Landlord leased to Tenant all of that certain 94,484+ square foot building located at 1101 Sumac Drive, Milpitas, California, the details of which are more particularly set forth in said March 23, 1994 Lease Agreement, and

B. WHEREAS, said Lease was amended by the Commencement Letter dated December 15, 1994 which established the January 1, 1995 Commencement Date of the Lease, and the Termination Date of September 30, 2006, and,

C. WHEREAS, it is now the desire of the parties hereto to amend the Lease by (i) extending the Term for five (5) years pursuant to Lease Paragraph 41 ("First Five-Year Option to Extend"), (ii) amending the Basic Rent schedule and Aggregate Rent, (iii) adding a Third Option to Extend, (vi) amending Paragraphs 47 ("Cross Default") and 12 ("Property Insurance"), (v) replacing Lease Paragraph 52 ("Structural Capital Costs Regulated by Governmental Agencies After the Commencement of this Lease not Caused by Tenant or Tenant's Uses or Remodeling of the Premises"), and (vi) amending and/or replacing certain provisions of the Lease commencing as of the commencement of the Third Extended Term of said Lease Agreement as hereinafter set forth.

AGREEMENT

NOW THEREFORE, for valuable consideration, receipt of which is hereby acknowledged, and in consideration of the hereinafter mutual promises, the parties hereto do agree as follows:

1. TERM OF LEASE: It is agreed between the parties that Tenant has exercised its First Five-Year Option to Extend said Lease as detailed in Lease Paragraph 41. Pursuant to the terms of said Paragraph 41, the Term of said Lease Agreement shall be extended for an additional five (5) year period from the schedule Lease Termination Date of September 30, 2006; therefore the Lease Termination Date shall be changed from September 30, 2006 to September 30, 2011.

2. CONCURRENT EXERCISE OF OPTION TO EXTEND: Pursuant to Lease Paragraph 40C ("Lease Terms Co-Extensive"), it is understood between the parties that if Tenant exercises its Option to Extend this Lease, the terms of the Building 1, Building 2, Building 3 and Building 4 Leases (the "Existing Leases") are to be extended accordingly. The monthly Basic Rent during the extended term under each of the Leases shall be increased by $.05 per square foot on the commencement date of the extended term and thereafter on each and every anniversary of the respective lease commencement date; therefore, concurrently with the execution of this Amendment No. 1, Landlord and Tenant shall execute amendments to the Existing Leases, extending the terms of each of the Existing Leases for five years pursuant to said lease's respective First Five-Year Option to Extend. It is also understood that in the event Tenant (i) exercises any of its Options to Extend this Lease, or if Tenant exercises any of its Options to Extend any of the Existing Leases, each of the five Leases shall be extended accordingly.

3. BASIC RENTAL FOR EXTENDED TERM OF LEASE: The monthly Basic Rental for the Extended Term of Lease shall be as follows:

On October 1, 2006, the sum of ONE HUNDRED EIGHTY ONE THOUSAND FOUR HUNDRED NINE AND 28/100 DOLLARS ($181,409.28) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2007.

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On October 1, 2007, the sum of ONE HUNDRED EIGHTY SIX THOUSAND ONE HUNDRED THIRTY THREE AND 48/100 DOLLARS ($186,133.48) shall be due, and a like sum due on the first day of each month thereafter through and including September I, 2008.

On October 1, 2008, the sum of ONE HUNDRED NINETY THOUSAND EIGHT HUNDRED FIFTY SEVEN AND 68/100 DOLLARS ($190,857,68) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2009.

On October 1, 2009, the sum of ONE HUNDRED NINETY FIVE THOUSAND FIVE HUNDRED EIGHTY ONE AND 88/100 DOLLARS ($195,581.88) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2010.

On October 1, 2010, the sum of TWO HUNDRED THOUSAND THREE HUNDRED SIX AND 08/100 DOLLARS ($200,306.08) shall be due, and a like sum due on the first day of each month thereafter through and including September 1,2011.

The Aggregate Basic Rent for the Lease shall be increased by $11,451,460.80 or from $21,171,029.88 to $32,622,490.68.

4. THIRD FIVE-YEAR OPTION TO EXTEND: Provided Tenant has extended the Lease for an additional five (5) year period pursuant to Lease Paragraph 42 ("Second Five Year Option To Extend"), Landlord hereby grants to Tenant a third option to extend the Term of this Lease for an additional five (5) year period upon the following terms and conditions:

A. Tenant shall give Landlord written notice of Tenant's exercise of this option to extend at least one hundred eighty (180) days prior to the expiration of the Lease Term as extended pursuant to Lease Paragraph 42 ("Second

Five Year Option To Extend"), in which event the Lease shall be considered extended for an additional five (5) year period upon the same terms and conditions as this Lease, absent this Paragraph 4 and subject to the Rental as set forth below. In the event that Tenant fails to timely exercise Tenant's option as set forth herein in writing, Tenant shall have no further option to extend this Lease or the Other Leases, and this Lease shall continue in full force and effect for the full remaining term hereof, absent this Paragraph 4.

B. The monthly Basic Rent for the option period shall be as follows in the event the option is exercised:

Period	Monthly Basic Rent
Months 1-12	$2.42/sf
Months 13-24	$2.47/sf
Months 25-36	$2.52/sf
Months 37-48	$2.57/sf
Months 49-60	$2.62/sf

C. Notwithstanding anything contained herein, Tenant may not exercise the option to extend granted by this Paragraph 4 at any time that Tenant is in default (default for monetary and material default for non-monetary) of its obligations under this Lease, if Tenant has received written notice from Landlord that Tenant is in default, and such default has not been timely cured within the time period provided for in this Lease; provided, however, that if such default of Tenant is not for money due under this Lease and cannot be cured, and if Landlord does not elect to terminate this Lease as a result of such non-curable default by Tenant, Tenant may exercise the option to extend granted by this Paragraph 4 notwithstanding such non-curable default.

5. CROSS DEFAULT: Notwithstanding anything to the contrary in Paragraph 47 of this Lease, said Paragraph 47 is hereby amended to include the following: "Landlord shall have the option of considering a default under this Lease or a default under any of the Existing Leases (i.e. the leases for Building 1, Building 2, Building 3 and Building 4)to be a default under all such leases, only with respect to such leases under which Landlord is also the 'Landlord' at the time such default occurs. By way of example, if at the time a default of Tenant occurs under this Lease, Landlord has sold the premises described in any of the Existing Leases and is no longer the 'Landlord' thereunder, then a

default under this Lease shall not constitute a default under any of such Existing Leases so sold by Landlord (unless the premises leased under this Lease and the Existing Leases are sold to the same entity), and a default by Tenant under any of such Existing Leases so sold by Landlord shall not constitute a default under this Lease or any other of the Existing Leases then remaining between Landlord and Tenant. However, if the Landlord under this Lease and the Existing Leases is one in the same at the time of said default, said cross default provisions shall apply."

6. PROPERTY INSURANCE: Lease Paragraph 12 ("Property Insurance") is hereby amended to include the following: "Tenant acknowledges that as part of the cost of insurance policies for the Premises, Tenant is responsible for the payment of insurance deductibles on insurance claims as they relate to the Premises subject to the limitations provided in Lease Paragraph 54 ("Property Insurance") which limitations are applicable only during the initial Lease Term and the First Lease Extension Period and the Second Lease Extension Period. Said limitation provided for in Lease Paragraph 54 are null and void at the commencement of the Third Lease Extended Term".

7. STRUCTURAL CAPITAL COSTS REGULATED BY GOVERNMENTAL AGENCIES AFTER THE COMMENCEMENT OF THIS LEASE NOT CAUSED BY TENANT OR TENANT'S USES OR REMODELING OF THE PREMISES: Lease Paragraph 52 ("Structural Capital Costs Regulated by Governmental Agencies after the Commencement of this Lease Not Caused by Tenant or Tenant's Uses or Remodeling of the Premises") is hereby deleted and replaced with the following:

"52. STRUCTURAL CAPITAL COSTS REGULATED BY GOVERNMENTAL AGENCIES AFTER THE COMMENCEMENT OF THIS LEASE NOT CAUSED BY TENANT OR TENANT'S USES OR REMODELING OF THE PREMISES: The provisions of this Paragraph 52 shall modify Paragraphs 7 and 14:

A. If (i) during the last five (5) years of the First Extended Term of the Lease if said Lease has not been extended as provided for in Lease Paragraph 42 ("Second Five Year Option To Extend") or in Paragraph 4 ("Third Five Year Option to Extend") above or Lease Paragraph 40C ("Lease Terms Co-Extensive"), or (ii) during either of the five (5) year extension periods permitted by Lease Paragraph 42 or

Paragraph 4 above, or Lease Paragraph 40C above, it becomes necessary (due to any governmental requirement for continued occupancy of the Premises) to make structural improvements required by laws enacted or legal requirements imposed by governmental agency(s) after the Commencement Date, and the cost for each required work or improvements exceeds $100,000, then if such legal requirement is not imposed because of Tenant's specific use of the Premises and is not "triggered" by Tenant's Alterations or Tenant's application for a building permit or any other governmental approval (collectively "Tenant's Actions") in which instance Tenant shall be responsible for 100% of the cost of such improvements, Landlord shall be responsible for paying the cost of such improvement and constructing such improvement, subject to a cash contribution from Tenant of a portion of the cost thereof as provided for and calculated in Paragraph 52B.

B. When Landlord makes an improvement pursuant to Paragraph 52A, and as a condition to Landlord's obligation to construct such improvement, Tenant shall make the following contribution in cash to Landlord for the cost thereof prior to the commencement of the work by Landlord. It is agreed that Tenant shall pay to Landlord 100% of the cost of the first $100,000.00 worth of each improvement. After the first $100,000.00, all costs above $100,000.00 shall be divided by 15 and multiplied by the time period remaining in the last five years of the Lease Term from the date work on such improvement commences.

For example, if the improvement is not required as a result of Tenant's Actions and if the cost of such improvement was $400,000 and there was one year and six months remaining in the Lease term when the work commenced, then Tenant would be responsible for reimbursing Landlord in cash $130,000.00 computed as follows:

Total Cost of Work	$400,000.00
Tenant Responsible for 1st $100,000	- 100,000.00
Total Amount To Be Amortized	$300,000.00
$300,00,0.00/15 = $20,000.00/yr. x 1.5 yrs =	$ 30,000.00

Tenant responsible for $100,000 + $30,000.00 = $130,000.00

C. If Landlord has made improvements, for which Tenant has reimbursed Landlord for the cost thereof pursuant to Paragraph 52B, and the term of this Lease is subsequently extended pursuant to the exercise by Tenant of an option to renew pursuant to Lease Paragraph 42 or Paragraph 4 above, upon the exercise of any such option by Tenant, Tenant shall pay to Landlord an additional sum equal to the total amount of said improvement less the amount previously paid for by Tenant. Using the example in Paragraph 52B above, Tenant would owe Landlord the additional amount of $270,000.00 ($400,000.00 - $130,000.00 = $270,000.00)."

8. THIRD OPTION PERIOD - LEASE PROVISION CHANGES: In the event Tenant exercises its Third Option to Extend as provided for in Paragraph 4 above, the following amendments (contained within Paragraphs 9 through 18) are herein made to the Lease to be effective upon the commencement of the third option period ("Third Option Period"), or during any period following the expiration of the Lease Term or expiration of the Lease when Tenant is in possession of the Premises.

9. LATE CHARGE: Effective as of the first day of the Third Option Period, the Late Charge referenced in Lease Paragraph 4.D ("Late Charge") shall be changed from five percent (5 %) to ten percent (10%), and Lease Paragraph 49 ("Limitation on Late Charge") shall be deleted in its entirety and of no further force or effect.

10. MANAGEMENT FEE: Notwithstanding anything to the contrary in the Lease, effective as of the first day of the Third Option Period, and on the first day of each month thereafter, Tenant shall pay to Landlord, in addition to the Basic Rent and Additional Rent, a fixed monthly management fee ("Management Fee") equal to one percent (1%) of the Basic Rent due for each month during the Lease Term.

11. HAZARDOUS MATERIALS: Effective as of the first day of the Third Option Period, Lease Paragraph 44 ("Hazardous Materials") shall be deleted in its entirety and replaced with the following:

"44. HAZARDOUS MATERIALS: Landlord and Tenant agree as follows with respect to the existence or use of "Hazardous Materials" (as

defined herein) on, in, under or about the Premises and real property located beneath said Premises, which includes the entire parcel of land on which the Premises are located as shown in Green on Exhibit A to the Lease (hereinafter collectively referred to as the "Property"):

A. As used herein, the term "Hazardous Materials" shall mean any material, waste, chemical, mixture or byproduct which is or hereafter is defined, listed or designated under Environmental Laws (defined below) as a pollutant, or as a contaminant, or as a toxic or hazardous substance, waste or material, or any other unwholesome, hazardous, toxic, biohazardous, or radioactive material, waste, chemical, mixture or byproduct, or which is listed, regulated or restricted by any Environmental Law (including, without limitation, petroleum hydrocarbons or any distillates or derivatives or fractions thereof, polychlorinated biphenyls, or asbestos). As used herein, the term "Environmental Laws" shall mean any applicable Federal, State of California or local government law (including common law), statute, regulation, rule, ordinance, permit, license, order, requirement, agreement, or approval, or any determination, judgment, directive, or order of any executive or judicial authority at any level of Federal, State of California or local government

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(whether now existing or subsequently adopted or promulgated) relating to pollution or the protection of the environment, ecology, natural resources, or public health and safety.

B. Tenant shall notify Landlord prior to the occurrence of any Tenant's Hazardous Materials Activities (defined below). Landlord acknowledges that Tenant shall use, in compliance with applicable Environmental Laws, customary household and office supplies (Tenant shall first provide Landlord with a list of said materials use), such as mild cleaners, lubricants and copier toner. Any and all of Tenant's Hazardous Materials Activities shall be conducted in conformity with this Paragraph 44, Paragraph 14 of this Lease, and in compliance with all Environmental Laws and regulations. As used herein, the term "Tenant's Hazardous Materials Activities" shall mean any and all use, handling, generation, storage, disposal, treatment, transportation, release, discharge, or emission of any Hazardous Materials on, in, beneath, to, from, at or about the Property, in connection with Tenant's use of the Property, or by Tenant or by any of Tenant's agents, employees, contractors, vendors, invitees, visitors or its future subtenants or assignees or other third parties (including "dumping" by others) (or which Hazardous Materials originate on the surface of the Premises any time on or after the Commencement Date of this Lease, but excluding Hazardous Materials on the Premises prior to the Lease Commencement Date because of the storage, use, disposal, or transportation of such materials or waste by any of Landlord's contractors or otherwise arising out of construction work performed by or under the direction of Landlord on the Premises and Landlord shall be responsible for all required actions with respect to such materials or wastes). Tenant agrees to provide Landlord with prompt written notice of any spill or release of Hazardous Materials at the Property during the term of the Lease of which Tenant becomes aware, and further agrees to provide Landlord with prompt written notice of any violation of Environmental Laws in connection with Tenant's Hazardous Materials Activities of which Tenant becomes aware. If Tenant's Hazardous Materials Activities involve Hazardous Materials other than normal use of customary household and office supplies, Tenant also agrees at Tenant's expense: (i) to install such Hazardous Materials monitoring, storage and containment devices as may be required by Environmental Laws, regulations and/or governing agencies; (ii) to provide Landlord with a written inventory of such Hazardous Materials, including an update of same each year upon the anniversary date of the Commencement Date of the Lease ("Anniversary Date"); and (iii) on each Anniversary Date to provide to Landlord copies of all documentation and records, required by applicable Environmental Laws to be prepared and submitted to governmental authorities, relating to use at the Property of Hazardous Materials or to Tenant's Hazardous Materials Activities, if any. If upon completion of Landlord's review of said documentation and records, Landlord reasonably questions if Tenant is in compliance with all applicable Environmental Laws with respect to Tenant's Hazardous Materials Activities, Tenant agrees within thirty (30) days following receipt of written notice from Landlord, to retain a qualified environmental consultant, acceptable to Landlord, to evaluate whether Tenant is in compliance with all applicable Environmental Laws with respect to Tenant's Hazardous Materials Activities. Tenant, at its expense, shall submit to Landlord a report from such environmental consultant which discusses the environmental consultant's findings

within two (2) months of each Anniversary Date. Tenant, at its expense, shall promptly undertake and complete any and all steps necessary, and in full compliance with applicable Environmental Laws, to fully correct any and all problems or deficiencies identified by the environmental consultant, and promptly provide Landlord with documentation of all such corrections.

C. Prior to termination or expiration of the Lease, Tenant, at its expense, shall (i) properly remove from the Property all Hazardous Materials which come to be located at the Property in connection with Tenant's Hazardous Materials Activities, and (ii) fully comply with and complete all facility closure requirements of applicable Environmental Laws regarding Tenant's Hazardous Materials Activities, including but not limited to (x) properly restoring and repairing the Property to the extent damaged by such closure activities, and (y) obtaining from the local Fire Department or other appropriate governmental authority with any legal or regulatory jurisdiction a written concurrence that closure has been completed in compliance with applicable

Enviroamental Laws. Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any such closure activities.

D. If Landlord, upon consultation with Tenant, reasonably concludes that the Property has become contaminated as a result of Tenant's Hazardous Materials Activities, Landlord in addition to any other rights it may have under this Lease or under Environmental Laws or other laws, may enter upon the Property and conduct inspection, sampling and analysis, including but not limited to obtaining and analyzing samples of soil and groundwater, for the purpose of determining the nature and extent of such contamination except to the extent that such activities may be inconsistent with Tenant's compliance with Environmental Laws. Tenant shall promptly reimburse Landlord for the costs of such an investigation, including but not limited to reasonable attorneys' fees Landlord incurs with respect to such investigation to the extent, and only to the extent, that it that discloses Hazardous Materials contamination for which Tenant is liable under this Lease. Except as may be required of Tenant by applicable Environmental Laws, Tenant shall not perform any sampling, testing, or drilling to identify the presence of any Hazardous Materials at the Property, without Landlord's prior written consent which shall not be unreasonably withheld. Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any sampling, testing or drilling performed pursuant to the preceding sentence.

E. Tenant shall indemnify, defend (with legal counsel acceptable to Landlord, whose consent shall not unreasonably be withheld) and hold harmless Landlord, its employees, assigns, successors, successors-in-interest, agents and representatives from and against any and all claims (including but not limited to third party claims from a private party or a government authority), liabilities, obligations, losses, causes of action, demands, governmental proceedings or directives, fines, penalties, expenses, costs (including but not limited to reasonable attorneys', consultants' and other experts' fees and costs), and damages, which arise from or relate to: (i) Tenant's Hazardous Materials Activities; (ii) any Hazardous Materials contamination caused by Tenant prior to the Commencement Date of the Lease; or (iii) the breach of any obligation of Tenant under this Paragraph 44 (collectively, "Tenant's Environmental Indemnification"). Tenant's Environmental Indemnification shall include but is not limited to the obligation to promptly and fully reimburse Landlord for losses in or reductions to rental income, and diminution in fair market value of the Property. Tenant's Environmental Indemnification shall further include but is not limited to the obligation to diligently and properly implement to completion, at Tenant's expense, any and all environmental investigation, removal, remediation, monitoring, reporting, closure activities, or other environmental response action as may be required by applicable Environmental Laws, regulations or governing agencies (collectively, "Response Actions"). Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any Response Actions.

F. Landlord hereby makes the following representations to Tenant, each of which is made only to the best of Landlord's knowledge as of the date Landlord executes this Lease, without any inquiry or investigation having been made or required by Landlord regarding this subject, nor does Landlord have any obligation to investigate or make inquiry regarding the subject:

(1) The soil and ground water on or under the Premises does not contain Hazardous Materials in amounts which violate any laws to the extent that any governmental entity could require either Landlord or Tenant to take any remedial action with respect to such Hazardous Materials.

(2) During the time that Landlord has owned the Premises, Landlord has received no notice of (i) any violation, or alleged violation, of any law that has not been corrected to the satisfaction of the appropriate authority, (ii) any pending claims relating to the presence of Hazardous Material on the Premises, or (iii) any pending investigation by any governmental agency concerning the Premises

relating to Hazardous Materials.

G. Landlord and Tenant shall each give written notice to the other as soon as reasonably practicable of (i) any communication received from any governmental authority concerning Hazardous Materials which relates to the Premises, and (ii) any contamination of the Premises by Hazardous Materials which constitutes a violation of any law. Attached as Exhibit "C" to the Lease is a list of Hazardous Materials that Tenant intends to use at the Premises. If during the Lease Term Tenant proposes to use other Hazardous Materials at the Premises, Tenant shall inform Landlord of such use, identifying the Hazardous Materials and the manner of their use, storage and disposal, and shall agree (i) to use, store and dispose of such Hazardous Materials strictly in compliance with all laws, regulations and governing agencies and (ii) that the indemnity set forth in Paragraph 44 shall be applicable to Tenant's use of such Hazardous Material.

H. Landlord or Tenant may, at any time, cause testing wells to be installed on the Premises, and may cause the ground water to be tested to detect the presence of Hazardous Material by the use of such tests as are then customarily used for such purposes. Testing wells installed by Tenant shall be paid for by Tenant. If tests conducted by Landlord disclose that Tenant has violated any Hazardous Materials, laws, or Tenant or parties on the Premises during the Term of this Lease have contaminated the Premises as determined by regulatory agencies pursuant to Hazardous Materials laws, or that Tenant has liability to Landlord pursuant to Paragraph 44A, then Tenant shall pay for 100 percent of the cost of the test and all related expense. Prior to the expiration of the Lease Term, Tenant shall remove any testing wells it has installed at the Premises, and return the Premises to the condition existing prior to the installation of such wells, unless Landlord requests in writing that Tenant leave all or some of the testing wells in which instance the wells requested to be left shall not be removed.

I. If any tests performed by Tenant or Landlord prior to the Commencement Date disclose Hazardous Materials at the Premises, Landlord at its expense will promptly take all reasonable action required by law with respect to the existence of such Hazardous Materials at the Premises. The Commencement Date shall not be delayed because of such action by Landlord unless occupation of the Premises is prohibited by law.

J. The obligations of Landlord and Tenant under this Paragraph 44 shall survive the expiration or earlier termination of the Term of this Lease. The rights and obligations of Landlord and Tenant with respect to issues relating to Hazardous Materials are exclusively established by this Paragraph 44."

12. REAL ESTATE TAXES: Effective as of the first day of the Third Option Period, Lease Paragraph 53 ("Real Estate Taxes") shall be deleted in its entirety and replaced with the following:

"53. REAL PROPERTY TAXES: Paragraph 9 is modified by the following:

A. The term "Real Property Taxes" shall not include charges, levies or fees directly related to the use, storage, disposal or release of Hazardous Materials on the Premises unless directly related to Tenant's Activities at this site or on other sites leased and/or owned by Tenant; however, Tenant shall be responsible for general or special tax and/or assessments (related to Hazardous Materials and/or toxic waste) imposed on the Property provided said special tax and/or assessment is not imposed due to on-site originated contamination on the Property (by third parties not related to Tenant) prior to the

Lease Commencement Date. Subject to the terms and conditions stated herein, Tenant shall be responsible for paying one hundred percent (100 %) of said taxes and/or assessments allocated to the Property.

B. If any assessments for public improvements are levied against the Premises, Landlord may elect either to pay the assessment in full or to allow the asessment to go to bond. If Landlord pays the assessment in full, Tenant shall pay to Landlord or any

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assignee or purchaser of the Premises each time payment of Real Property Taxes is made a sum equal to that which would have been payable (as both principal and interest) had Landlord allowed the assessment to go to bond.

C. Tenant at its cost shall have the right, at any time, to seek a reduction in the assessed valuation of the Premises or to contest any Real Property Taxes that are to be paid by Tenant. If Tenant seeks a reduction or contests such Real Property Taxes, the failure on Tenant's part to pay such Real Property Taxes being so contested shall not constitute a default so long as Tenant complies with the provisions of this Paragraph. Landlord shall not be required to join in any proceeding or contest brought by Tenant unless the provisions of any law require that the proceeding or contest be brought by or in the name of Landlord. In that case Landlord shall join in the proceedlngs or contest or permit it to be brought in Landlord's name as long as Landlord is not required to bear any cost. Tenant, on final determination of the proceeding or contest, shall immediately pay or discharge its share of any Real Property Taxes determined by any decision or judgment rendered, together with all costs, charges, interest, and penalties incidental to the decision or judgment. If Tenant does not pay the Real Property Taxes when due pursuant to the Lease and Tenant seeks a reduction or contests them as provided in this paragraph, before the commencement of the proceeding or contest Tenant shall furnish to Landlord a surety bond in form reasonably satisfactory to Landlord issued by an insurance company qualified to do business in California. The amount of the bond shall equal 125 % of the total amount of Real Property Taxes in dispute and any such bond shall be assignable to any lender or purchaser of the Premises. The bond shall hold Landlord and the Premises harmless from any damage arising out of the proceeding or contest and shall insure the payment of any judgment that may be rendered."

13. PROPERTY INSURANCE: Effective as of the first day of the Third Option Period, section B of Lease Paragraph 54 ("Property Insurance") shall be deleted in its entirety and be of no further force or effect.

14. ASSIGNMENT AND SUBLETTING: Effective as of the first day of the Third Option Period, Lease Paragraph 55 ("Assignment and Subletting") shall be deleted in its entirety and replaced with the following:

"55. ASSIGNMENT AND SUBLETTING: The following modifications are made to Paragraph 16:

A. In the event that Tenant seeks to make any assignment or sublease, then Landlord, by giving Tenant written notice of its election within fifteen (15) days after Tenant's notice of intent to assign or sublease has been given to Landlord, shall have the right to elect (i) to withhold its consent to such assignment or sublease, as permitted pursuant to Paragraph 16, or (ii) to permit Tenant to so assign the Lease or sublease such part of the Premises, in which event Tenant may do so, but without being released of its liability for the performance of all of its obligations under the Lease, and the following shall apply (except the following shall not apply to a "Permitted Transfer" described in Paragraph 56):

(1) If Tenant assigns its interest in this Lease, then in addition to the rental provided for in this Lease, Tenant shall pay to Landlord fifty percent (50%) of all Rent and other consideration received by Tenant over and above (i) the assignee's agreement to assume the obligations of Tenant under this Lease and (ii) all "Permitted Transfer Costs" (as defined herein) related to such assignment. As used herein, the term "Permitted Transfer Costs" shall mean all reasonable leasing commissions paid to third parties not affilliated with Tenant in order to obtain the assignment or sublease in question.

(2) If Tenant sublets all or part of the Premises, then Tenant shall pay to Landlord in addition to the Rent provided for in this

Lease fifty percent (50%) of the positive difference, if any, between (i) all rent and other consideration paid or provided

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to Tenant by the subtenant, less (ii) all Rent paid by Tenant to Landlord pursuant to this Lease which is allotable to the area so sublet and all Permitted Transfer Costs related to such sublease. After Tenant has recovered all Permitted Transfer Cost Tenant shall pay to Landlord the amount specified in the preceding sentence on the same basis, whether periodic or in lump sum, that such rent and other consideration is paid to Tenant by its subtenant, within seven (7) days after it is received by Tenant.

3) Tenant's obligations under this subparagraph shall survive any assignment or sublease. At the time Tenant makes any payment to Landlord required by this subparagraph, Tenant shall deliver an itemized statement of the method by which the amount to which Landlord is entitled was calculated, certified by Tenant as true and correct. Landlord shall have the right to inspect Tenant's books and records relating to the payments due pursuant to this subparagraph. Upon request therefor, Tenant shall deliver to Landlord copies of all bills, invoices or other documents upon which its calculations are based.

(4) As used herein, the term "consideration" shall mean any consideration of any kind received, or to be received (including, but not limited to, services rendered and/or value received) by Tenant as a result of the assignment or sublease, if such sums are paid or provided to Tenant for Tenant's interest in this Lease or in the Premises.

(5) This Paragraph 55.A does not apply to a "Permitted Transfer", as provided in Paragraph 56 hereof. The parties agree that if any of the following transactions occur and do not qualify as "Permitted Transfers", Tenant must obtain Landlord's consent to such transaction and if Landlord consents to any of the following transactions which do not otherwise qualify as "Permitted Transfers", then the provisions of this Paragraph 55.A shall not apply to the following transactions: (i) a merger, consolidation or other reorganization in which Tenant is not the surviving corporation so long as 95 % of all assets and liabilities of Tenant are permanently transferred to such assignee; and (ii) an assignment of this Lease to a corporation which purchases or otherwise acquires 95 % or more of the assets of Tenant so long as 95 % of all assets and liabilities of Tenant are permanently transferred to such assignee and Tenant remains liable and responsible under the Lease to the extent Tenant continues in existence following such transaction."

15. PERMITtED ASSIGNMENTS AND SUBLEASES: Effective as of the first day of the Third Option Period, Lease Paragraph 56 ("Permitted Assignments and Subleases") shall be deleted in its entirety and replaced with the following:

"56. PERMITtED ASSIGNMENTS AND SUBLEASES: Notwithstanding anything contained in Paragraph 16, so long as Tenant otherwise complies with the provisions of Paragraph 16 and the Permitted Transfer does not release Tenant from its obligations hereunder, Tenant may enter into any of the following transfers (a "Permitted Transfer") without Landlord's prior written consent, and the provisions of Paragraph 55A shall not apply to any such Permitted Transfer:

A. Tenant may sublease all or part of the Premises or assign its interest in this Lease to any corporation which controls, is controlled by, or is under common control with Tenant by means of an ownership interest of more than fifty percent (50 %) providing Tenant remains liable for the payment of Rent and full performance of the Lease;

B. Tenant may assign its interest in the Lease to a corporation which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation so long as (i) 95 % of all assets and liabilities of Tenant are permanently transferred to such assignee, and (ii) immediately prior to the merger, consolidation or other reorganization, the corporation into which Tenant is to be merged has a net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, merger, consolidation or reorganization (whichever is greater), or if it does not, Landlord is provided a guaranty

of the Lease (in a form reasonably acceptable to Landlord) from a corporation (a) that is the parent of, or is otherwise affiliated with, the corporation into which Tenant is to be merged, and (b) which has a current net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, merger, consolidation or reorganization (whichever is greater). In the event there is not a permanent transfer of 95 % or more of the assets and liabilities from Tenant to a third party, and Tenant continues to exist as a separate entity, both companies shall be jointly and severally liable for the full terms and conditions of the Lease;

C. Tenant may assign this Lease to a corporation which purchases or otherwise acquires 95 % or more of the assets of Tenant so long as 95 % of all assets and liabilities of Tenant are permanently transferred to such assignee (in the event there is not a permanent transfer of 95 % or more of the assets and liabilities from Tenant to a third party and Tenant continues to exist as a separate entity, both companies shall be jointly and severally liable for the full terms and conditions of the Lease), and provided that immediately prior to such assignment said corporation, has a net worth equal to or greater than the net worth of Tenant (a) at the time of Lease execution or (b) at the time of such assignment (whichever is greater), or if it does not, Landlord is provided a guaranty of the Lease (in a form reasonably acceptable to Landlord) from a corporation (a) that is the parent of, or is otherwise affiliated with, said corporation and (b) which has a current net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, (whichever is greater)."

16. DESTRUCTION: Effective as of the first day of the Third Option Period, Lease Paragraph 61 ("Destruction") shall be deleted in its entirety and replaced with the following:

"61. DESTRUCTION: Paragraph 21 is modified by the following:

A. Notwithstanding anything to the contrary within Paragraph 21, Landlord may terminate this Lease in the event of an uninsured event or if insurance proceeds, net of the deductible, are insufficient to cover one hundred percent of the rebuilding costs; provided, however, Tenant shall have the right to elect, in its discretion, to contribute such excess funds to permit Landlord to repair the Premises.

B. Except as provided in Paragraph 61C, Landlord may not terminate the Lease if the Premises are damaged by a peril whereby the cost to replace and/or repair is one hundred percent (100 %) covered by the insurance carried by Landlord pursuant to Paragraph 12, but instead shall restore the Premises in the manner described by Paragraph 21.

C. If the Premises are damaged by a peril covered by the insurance carried by Landlord pursuant to Paragraph 12, Landlord shall have the option to terminate the Lease if each of the following conditions is satisfied: (i) the cost to repair or the damage exceeds thirty-three percent (33 %) of the then replacement cost of the Premises; and (ii) the damage occurs at a time when there is less than five (5) years remaining in the term of the Lease.

D. If Landlord fails to obtain insurance as required pursuant to Paragraph 12, and said insurance would have been available to cover any damage or destruction to the Premises, Landlord shall be required to rebuild, at its cost, net of the deductible which would have been required under said insurance policy (which deductible Tenant is required to pay).

E. If the Premises are damaged by any peril, then as soon as reasonably practicable, Landlord shall furnish Tenant with the written opinion of Landlord's architect or construction consultant as to when the restoration work required of Landlord may be completed. Tenant shall have the option to terminate this Lease in the event any of the following occurs, which option may be exercised only by delivery to Landlord of a written notice of election to terminate within seven (7) days after Tenant receives from Landlord the estimate of the time needed to complete such

restoration:

(1) The Premises are damaged by any peril (not caused by or resulting from an action of Tenant or Tenant's agents, employees, contractors or invitees) and, in the reasonable opinion of Landlord's architect or construction consultant, the restoration of the Leased Premises cannot be substantially completed within 180 days after the date of such damage (subject to force majeure conditions); or

(2) The Premises are damaged by any peril (not caused by or resulting from an action of Tenant or Tenant's agents, employees, contractors or invitees) within twelve (12) months of the last day of the Lease term, and, in the reasonable opinion of Landlord's architect or construction consultant, the restoration of the Leased Premises cannot be substantially completed within sixty (60) days after the date of such damage and Tenant has not exercised its Option to Extend said Term (or Extended Term as the case may be)."

17. LIABILITY INSURANCE: Effective as of the first day of the Third Option Period, the first sentence of Lease Paragraph 10 ("Liability Insurance") shall be deleted and replaced with the following: "Tenant, at Tenant's expense, agrees to keep in force during the Term of this Lease a policy of commercial general liability insurance with combined single limit coverage of not less than Two Million Dollars ($2,000,000) per occurrence for bodily injury and property damage occurring in, on or about the Premises, including parking and landscaped areas."

18. LIMITATION OF LIABILITY: Effective as of the first day of the Third Option Period, Lease Paragraph 36 ("Limitation of Liability") shall be deleted in its entirety and replaced with the following:

"36. LIMITATION OF LIABILITY In consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

(i) the sole and exclusive remedy shall be against Landlord's interest in the Premises leased herein;
(ii) no partner of Landlord shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction of the partnership);
(iii) no service of process shall be made against any partner of Landlord (except as may be necessary to secure jurisdiction of the partnership);
(iv) no partner of Landlord shall be required to answer or otherwise plead to any service of process;
(v) no judgment will be taken against any partner of Landlord;
(vi) any judgment taken against any partner of Landlord may be vacated and set aside at any time without hearing;
(vii) no writ of execution will ever be levied against the assets of any partner of Landlord;
(viii) these covenants and agreements are enforceable both by Landlord and also by any partner of Landlord.

Tenant agrees that each of the foregoing covenants and agreements shall be applicable to any covenant or agreement either expressly contained in this Lease or imposed by statute or at common law."

EXCEPT AS MODIFIED HEREIN, all other terms, covenants, and conditions of said March 23, 1994 Lease Agreement shall remain in full force and effect.

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IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment No. I to Lease as of the day and year last written below.

LANDLORD:	TENANT:
JOHN ARRILLAGA SURVIVOR'S TRUST	QUANTUM CORPORATION a Delaware corporation
By /s/ John Arrillaga	By /s/ Andrew Kryder
John Arrillaga, Trustee	

Andrew Kryder
Date: 6/30/97 Print or Type Name

RICHARD T. PEERY SEPARATE PROPERTY TRUST Title: VP FINANCE AND CORP GENERAL COUNSEL

Date: 6/25/97

By /s/ Richard T. Peery

Richard T. Peery, Trustee

Date: 6/26/97

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Initial: ALK

Quantum 4

AMENDMENT NO. 1
TO LEASE

THIS AMENDMENT NO. 1 is made and entered into this 16th day of April, 1997, by and between JOHN ARRILLAGA, Trustee, or his Successor Trustee UTA dated 7/20/77 (JOHN ARRILLAGA SURVIVOR'S TRUST) (previously known as the "John Arrillaga Separate Property Trust") as amended, and RICHARD T. PEERY, Trustee, or his Successor Trustee UTA dated 7/20/77 (RICHARD T. PEERY SEPARATE PROPERTY TRUST) as amended, collectively as LANDLORD, and QUANTUM CORPORATION, a Delaware corporation, as TENANT.

RECITALS

A. WHEREAS, by Lease Agreement dated September 17, 1990 Landlord leased to Tenant all of that certain 101,253+/- square foot building located at 1000 Sumac Drive, Milpitas, California, the details of which are more particularly set forth in said September 17, 1990 Lease Agreement, and

B. WHEREAS, said Lease was amended by the Commencement Letter dated December 6, 1991 which established the December 6, 1991 Lease Commencement Date, and established the Termination Date of September 30, 2006, and,

C. WHEREAS, it is now the desire of the parties hereto to amend the Lease by (i) extending the Term for five years, changing the Termination Date from September 30, 2006 to September 30, 2011, (ii) amending the Basic Rent schedule and Aggregate Rent accordingly, (iii) adding a third Five Year Option to Extend, (iv) replacing Paragraphs 40C ("Lease Terms Co-extensive") and 47 ("Cross Default") and 52 ("Structural Capital Costs Regulated by Governmental Agencies After the Commencement of this Lease not Caused by Tenant or Tenant's Uses or Remodeling of the Premises"), (v) amending Lease Paragraph 12 ("Property Insurance") and (vi) amending and/or replacing certain provisions of the Lease commencing as of the commencement of the Third Extended Term of said Lease as hereinafter set forth.

AGREEMENT

NOW THEREFORE, for valuable consideration, receipt of which is hereby acknowledged, and in consideration of the hereinafter mutual promises, the parties hereto do agree as follows:

1. TERM OF LEASE: It is agreed between the parties that Tenant has exercised its First Five-Year Option to Extend the lease term of that certain lease agreement dated March 23, 1994 for premises located at 1101 Sumac Drive, Milpitas, California (the "Building 5 Lease"), as detailed in Paragraph 41 of said Building 5 Lease. Paragraph 40C of said Building 5 Lease provides that in the event the term of said Building 5 Lease is extended for any reason whatsoever, the terms of the Existing Leases (i.e. two of said leases dated October 31, 1989 are for Premises located at 1140 Technology Drive and 500 McCarthy Blvd., Milpitas, California (the "1989 Leases"); one of said leases dated September 17, 1990 is for Premises located at 1000 Sumac Drive, Milpitas, California, and one of said leases dated April 10, 1992 is for Premises located at 900 Sumac Drive, Milpitas, California) shall also be extended so that all five Leases expire on the same date; therefore, it is agreed between the parties that by exercising its Option to Extend the Building 5 Lease, Tenant has in effect exercised its Option to Extend under Lease Paragraph 41 ("First Five-Year Option to Extend"), and that pursuant to said Lease Paragraph 41, the Term of this Lease Agreement shall be extended for an additional five (5) year period, and the Lease Termination Date shall be changed from September 30, 2006 to September 30, 2011.

2. BASIC RENTAL FOR FIRST EXTENDED TERM OF LEASE: The monthly Basic Rental for the First Extended Term of Lease shall be as follows:

On October 1, 2006, the sum of ONE HUNDRED EIGHTY FIVE THOUSAND TWO

HUNDRED NINETY TWO AND 99/100 DOLLARS ($185,292.99) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2007.

On October 1, 2007, the sum of ONE HUNDRED NINETY THOUSAND THREE HUNDRED FIFTY FIVE AND 64/100 DOLLARS ($190,355.64) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2008.

On October 1, 2008, the sum of ONE HUNDRED NINETY FIVE THOUSAND FOUR HUNDRED EIGHTEEN AND 29/100 DOLLARS ($195,418.29) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2009.

On October 1, 2009, the sum of TWO HUNDRED THOUSAND FOUR HUNDRED EIGHTY AND 94/100 DOLLARS ($200,480.94) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2010.

On October 1, 2010, the sum of TWO HUNDRED FIVE THOUSAND FIVE HUNDRED FORTY THREE AND 59/100 DOLLARS ($205,543.59) shall be due, and a like sum due on the first day of each month thereafter through and including September 1,2011.

The Aggregate Basic Rent for the Lease shall be increased by $11,725,097.40 or from $25,686,182.83 to $37,411,280.23.

3. THIRD FIVE-YEAR OPTION TO EXTEND: Provided Tenant has extended the Lease for an additional five (5) year period pursuant to Lease Paragraph 42 ("Second Five Year Option To Extend"), Landlord hereby grants to Tenant a third option to extend the Term of this Lease for an additional five (5) year period upon the following terms and conditions:

A. Tenant shall give Landlord written notice of Tenant's exercise of this option to extend at least one hundred eighty (180) days prior to the expiration of the Lease Term as extended pursuant to Lease Paragraph 42 ("Second Five Year Option To Extend"), in which event the Lease shall be considered extended for an additional five (5) year period upon the same terms and conditions as this Lease, absent this Paragraph 3 and subject to the Rental as set forth below. In the event that Tenant fails to timely exercise Tenant's option as set forth herein in writing, Tenant shall have no further option to extend this Lease or the Other Leases, and this Lease shall continue in full force and effect for the full remaining term hereof, absent this Paragraph 3.

B. The monthly Basic Rent for the option period shall be as follows in the event the option is exercised:

Period	Monthly Basic Rent
Months 1-12	$2.33/sf
Months 13-24	$2.38/sf
Months 25-36	$2.43/sf
Months 37-48	$2.48/sf
Months 49-60	$2.53/sf

C. Notwithstanding anything contained herein, Tenant may not exercise the option to extend granted by this Paragraph 3 at any time that Tenant is in default (default for monetary and material default for non-monetary) of its obligations under this Lease, if Tenant has received written notice from Landlord that Tenant is in default, and such default has not been timely cured within the time period provided for in this Lease; provided, however, that if such default of Tenant is not for money due under this Lease and cannot be cured, and if Landlord does not elect to terminate this Lease as a result of such non-curable default by Tenant, Tenant may exercise the option to extend granted by this Paragraph 3 notwithstanding such non-curable default.

4. LEASE TERMS CO-EXTENSIVE: Lease Paragraph 40C ("Lease Terms Co-extensive") is hereby deleted in its entirety and replaced with the following:

"40C. LEASE TERMS CO-EXTENSIVE: It is acknowledged that (i)

Landlord and Tenant have previously executed four separate leases in addition to this Lease: one of said leases dated October 31, 1989 is for Premises located at 1140 Technology Drive, Milpitas, California (the "Building One Lease"); one of said leases dated October 31, 1989 is for Premises located at 500 McCarthy Blvd., Milpitas, California (the "Building Two Lease"); one of said leases dated April 10, 1992 is for Premises located at 900 Sumac Drive, Milpitas, California (the "Building 3 Lease"); and one of said leases dated March 23, 1994 is for premises located at 1101 Sumac Drive, Milpitas, California (the "Building 5 Lease") (hereinafter collectively referred to as the "Other Leases"); and (ii) it is the intention of the parties that the term of this Lease be co-extensive with the term of the Other Leases, such that the terms of all five leases ("the Leases") expire on the same date. The provisions of this Paragraph 40C also requires the terms of all the Leases to be extended accordingly if Tenant exercises its Option to Extend under any of the Leases. The monthly Basic Rent during the extended term under each of the Leases shall be increased by $.05 per square foot on the commencement date of the extended term and thereafter on each and every anniversary of the respective lease's commencement date of the extended term."

5. CROSS DEFAULT: Lease Paragraph 47 ("Cross Default") is hereby deleted in its entirety and replaced with the following:

"47. CROSS DEFAULT: It is agreed between Landlord and Tenant that a default under this Lease, or a default under any of the Other Leases may, at the option of Landlord, be considered a default under all Leases, in which event Landlord shall be entitled (but in no event required) to apply all rights and remedies of Landlord under the terms of one lease to all the Leases including, but not limited to, the right to terminate any or all of the aforementioned Other Leases or this Lease by reason of a default under the Leases or hereunder.

Notwithstanding the above, Landlord shall have the option of considering a default under this Lease or a default under any of the Other Leases to be a default under all such leases, only with respect to such leases under which Landlord is also the 'Landlord' at the time such default occurs. By way of example, if at the time a default of Tenant occurs under this Lease, Landlord has sold the premises described in any of the Other Leases and is no longer the 'Landlord' thereunder, then a default under this Lease shall not constitute a default under any of such Other Leases so sold by Landlord (unless the premises leased under this Lease and the Other Leases are sold to the same entity), and a default by Tenant under any of such Other Leases so sold by Landlord shall not constitute a default under this Lease or any other of the Other Leases then remaining between Landlord and Tenant. However, if the Landlord under this Lease and the other Leases is one in the same at the time of said default, said cross default provisions shall apply."

6. STRUCTURAL CAPITAL COSTS REGULATED BY GOVERNMENTAL AGENCIES AFTER THE COMMENCEMENT OF THIS LEASE NOT CAUSED BY TENANT OR TENANT'S USES OR REMODELING OF THE PREMISES: Lease Paragraph 52 ("Structural Capital Costs Regulated by Governmental Agencies after the Commencement of this Lease Not Caused by Tenant or Tenant's Uses or Remodeling of the Premises") is hereby deleted and replaced with the following:

"52. STRUCTURAL CAPITAL COSTS REGULATED BY GOVERNMENTAL AGENCIES AFTER THE COMMENCEMENT OF THIS LEASE NOT CAUSED BY TENANT OR TENANT'S USES OR REMODELING OF THE PREMISES: The provisions of this Paragraph 52 shall modify Paragraphs 7 and 14:

A. If (i) during the last five (5) years of the First Extended Term of the Lease if said Lease has not been extended as provided for in Lease Paragraph 42 ("Second Five Year Option To Extend") or in Paragraph 3 ("Third Five Year Option to Extend")

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or Paragraph 4 ("Lease Terms Co-Extensive") above, or (ii) during either of the five (5) year extension periods permitted by Lease Paragraph 42 or Paragraph 3, or Paragraph 4 above, it becomes necessary (due to any governmental requirement for continued occupancy of the Premises) to make structural improvements required by laws enacted or legal requirements imposed by governmental agency(s) after the Commencement Date, and the cost for each required work or improvements exceeds $100,000, then if such legal requirement is not imposed because of Tenant's specific use of the Premises and is not "triggered" by Tenant's Alterations or Tenant's application for a building permit or any other governmental approval (collectively "Tenant's Actions") in

which instance Tenant shall be responsible for 100% of the cost of such improvements, Landlord shall be responsible for paying the cost of such improvement and constructing such improvement, subject to a cash contribution from Tenant of a portion of the cost thereof as provided for and calculated in Paragraph 52B.

B. When Landlord makes an improvement pursuant to Paragraph 52A, and as a condition to Landlord's obligation to construct such improvement, Tenant shall make the following contribution in cash to Landlord for the cost thereof prior to the commencement of the work by Landlord. It is agreed that Tenant shall pay to Landlord 100% of the cost of the first $100,000.00 worth of each improvement. After the first $100,000.00, all costs above $100,000.00 shall be divided by 15 and multiplied by the time period remaining in the last five years of the Lease Term from the date work on such improvement commences.

For example, if the improvement is not required as a result of Tenant's Actions and if the cost of such improvement was $400,000 and there was one year and six months remaining in the Lease term when the work commenced, then Tenant would be responsible for reimbursing Landlord in cash $130,000.00 computed as follows:

Total Cost of Work	$400,000.00
Tenant Responsible for 1st $100,000	-100,000.00
Total Amount To Be Amortized	$300,000.00

$300,000.00/15 = $20,000.00/yr. x 1.5 yrs = $ 30,000.00

Tenant responsible for $100,000 + $30,000.00 = $130,000.00

C. If Landlord has made improvements, for which Tenant has reimbursed Landlord for the cost thereof pursuant to Paragraph 52B, and the term of this Lease is subsequently extended pursuant to the exercise by Tenant of an option to renew pursuant to Lease Paragraph 42 or Paragraph 3 above, upon the exercise of any such option by Tenant, Tenant shall pay to Landlord an additional sum equal to the total amount of said improvement less the amount previously paid for by Tenant. Using the example in Paragraph 52B above, Tenant would owe Landlord the additional amount of $270,000.00 ($400,000.00 - $130,000.00 = $270,000.00)."

7. PROPERTY INSURANCE: Lease Paragraph 12 ("Property Insurance") is hereby amended to include the following: "Tenant acknowledges that as part of the cost of insurance policies for the Premises, Tenant is responsible for the payment of insurance deductibles on insurance claims as they relate to the Premises subject to the limitations provided in Lease Paragraph 54 ("Property Insurance") which limitations are applicable only during the initial Lease Term and the First Lease Extension Period and the Second Lease Extension Period. Said limitation provided for in Lease Paragraph 54 are null and void at the commencement of the Third Lease Extended Term".

8. THIRD OPTION PERIOD - LEASE PROVISION CHANGES: In the event Tenant exercises its Third Option to Extend as provided for in Paragraph 3 above, the following amendments (contained within Paragraphs 9 through 19) are herein made to the Lease to be effective upon the commencement of the third option period ("Third Option Period"), or during any period following the

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expiration of the Lease Term or expiration of the Lease when Tenant is in possession of the Premises.

9. LATE CHARGE: Effective as of the first day of the Third Option Period, the Late Charge referenced in Lease Paragraph 4.D ("Late Charge") shall be changed from five percent (5%) to ten percent (10%), and Lease Paragraph 49 ("Limitation on Late Charge") shall be deleted in its entirety and of no further force or effect.

10. MANAGEMENT FEE: Notwithstanding anything to the contrary in the Lease, effective as of the first day of the Third Option Period, and on the first day of each month thereafter, Tenant shall pay to Landlord, in addition to the Basic Rent and Additional Rent, a fixed monthly management fee ("Management Fee") equal to one percent (1%) of the Basic Rent due for each month during the Lease Term.

11. HAZARDOUS MATERIALS: Effective as of the first day of the Third Option Period, Lease Paragraph 44 ("Hazardous Materials") shall be deleted in its entirety and replaced with the following:

"44. HAZARDOUS MATERIALS: Landlord and Tenant agree as follows with respect to the existence or use of "Hazardous Materials" (as defined herein) on, in, under or about the Premises and real property located beneath said Premises, which includes the entire parcel of land on which the Premises are located as shown in Green on Exhibit A to the Lease (hereinafter collectively referred to as the "Property"):

A. As used herein, the term "Hazardous Materials" shall mean any material, waste, chemical, mixture or byproduct which is or hereafter is defined, listed or designated under Environmental Laws (defined below) as a pollutant, or as a contaminant, or as a toxic or hazardous substance, waste or material, or any other unwholesome, hazardous, toxic, biohazardous, or radioactive material, waste, chemical, mixture or byproduct, or which is listed, regulated or restricted by any Environmental Law (including, without limitation, petroleum hydrocarbons or any distillates or derivatives or fractions thereof, polychlorinated biphenyls, or asbestos). As used herein, the term "Environmental Laws" shall mean any applicable Federal, State of California or local government law (including common law), statute, regulation, rule, ordinance, permit, license, order, requirement, agreement, or approval, or any determination, judgment, directive, or order of any executive or judicial authority at any level of Federal, State of California or local government (whether now existing or subsequently adopted or promulgated) relating to pollution or the protection of the environment, ecology, natural resources, or public health and safety.

B. Tenant shall notify Landlord prior to the occurrence of any Tenant's Hazardous Materials Activities (defined below). Landlord acknowledges that Tenant shall use, in compliance with applicable Environmental Laws, customary household and office supplies (Tenant shall first provide Landlord with a list of said materials use), such as mild cleaners, lubricants and copier toner. Any and all of Tenant's Hazardous Materials Activities shall be conducted in conformity with this Paragraph 44, Paragraph 14 of this Lease, and in compliance with all Environmental Laws and regulations. As used herein, the term "Tenant's Hazardous Materials Activities" shall mean any and all use, handling, generation, storage, disposal, treatment, transportation, release, discharge, or emission of any Hazardous Materials on, in, beneath, to, from, at or about the Property, in connection with Tenant's use of the Property, or by Tenant or by any of Tenant's agents, employees, contractors, vendors, invitees, visitors or its future subtenants or assignees or other third parties (including "dumping" by others) (or which Hazardous Materials originate on the surface of the Premises any time on or after the Commencement Date of this Lease, but excluding Hazardous Materials on the Premises prior to the Lease Commencement Date because of the storage, use, disposal, or transportation of such materials or waste by any of Landlord's contractors or otherwise arising out of construction work performed by or under the direction of Landlord on the Premises and Landlord shall be responsible for

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all required actions with respect to such materials or wastes). Tenant agrees to provide Landlord with prompt written notice of any spill or release of Hazardous Materials at the Property during the term of the Lease of which Tenant becomes aware, and further agrees to provide Landlord with prompt written notice of any violation of Environmental Laws in connection with Tenant's Hazardous Materials Activities of which Tenant becomes aware. If Tenant's Hazardous Materials Activities involve Hazardous Materials other than normal use of customary household and office supplies, Tenant also agrees at Tenant's expense: (i) to install such Hazardous Materials monitoring, storage and containment devices as may be required by Environmental Laws, regulations and/or governing agencies; (ii) to provide Landlord with a written inventory of such Hazardous Materials, including an update of same each year upon the anniversary date of the Commencement Date of the Lease ("Anniversary Date"); and (iii) on each Anniversary Date to provide to Landlord copies of all documentation and records, required by applicable Environmental Laws to be prepared and submitted to governmental authorities, relating to use at the Property of Hazardous Materials or to Tenant's Hazardous Materials Activities, if any. If upon completion of Landlord's review of said documentation and records, Landlord reasonably questions if Tenant is in compliance with all

applicable Environmental Laws with respect to Tenant's Hazardous Materials Activities, Tenant agrees within thirty (30) days following receipt of written notice from Landlord, to retain a qualified environmental consultant, acceptable to Landlord, to evaluate whether Tenant is in compliance with all applicable Environmental Laws with respect to Tenant's Hazardous Materials Activities. Tenant, at its expense, shall submit to Landlord a report from such environmental consultant which discusses the environmental consultant's findings within two (2) months of each Anniversary Date. Tenant, at its expense, shall promptly undertake and complete any and all steps necessary, and in full compliance with applicable Environmental Laws, to fully correct any and all problems or deficiencies identified by the environmental consultant, and promptly provide Landlord with documentation of all such corrections.

C. Prior to termination or expiration of the Lease, Tenant, at its expense, shall (i) properly remove from the Property all Hazardous Materials which come to be located at the Property in connection with Tenant's Hazardous Materials Activities, and (ii) fully comply with and complete all facility closure requirements of applicable Environmental Laws regarding Tenant's Hazardous Materials Activities, including but not limited to (x) properly restoring and repairing the Property to the extent damaged by such closure activities, and (y) obtaining from the local Fire Department or other appropriate governmental authority with any legal or regulatory jurisdiction a written concurrence that closure has been completed in compliance with applicable Environmental Laws. Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any such closure activities.

D. If Landlord, upon consultation with Tenant, reasonably concludes that the Property has become contaminated as a result of Tenant's Hazardous Materials Activities, Landlord in addition to any other rights it may have under this Lease or under Environmental Laws or other laws, may enter upon the Property and conduct inspection, sampling and analysis, including but not limited to obtaining and analyzing samples of soil and groundwater, for the purpose of determining the nature and extent of such contamination except to the extent that such activities may be inconsistent with Tenant's compliance with Environmental Laws. Tenant shall promptly reimburse Landlord for the costs of such an investigation, including but not limited to reasonable attorneys' fees Landlord incurs with respect to such investigation to the extent, and only to the extent, that it that discloses Hazardous Materials contamination for which Tenant is liable under this Lease. Except as may be required of Tenant by applicable Environmental Laws, Tenant shall not perform any sampling, testing, or drilling to identify the presence of any Hazardous Materials at the Property, without Landlord's prior written consent which shall not be unreasonably withheld. Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any sampling, testing or drilling performed pursuant to the preceding sentence.

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E. Tenant shall indemnify, defend (with legal counsel acceptable to Landlord, whose consent shall not unreasonably be withheld) and hold harmless Landlord, its employees, assigns, successors, successors-in-interest, agents and representatives from and against any and all claims (including but not limited to third party claims from a private party or a government authority), liabilities, obligations, losses, causes of action, demands, governmental proceedings or directives, fines, penalties, expenses, costs (including but not limited to reasonable attorneys', consultants' and other experts' fees and costs), and damages, which arise from or relate to: (i) Tenant's Hazardous Materials Activities; (ii) any Hazardous Materials contamination caused by Tenant prior to the Commencement Date of the Lease; or (iii) the breach of any obligation of Tenant under this Paragraph 44 (collectively, "Tenant's Environmental Indemnification"). Tenant's Environmental Indemnification shall include but is not limited to the obligation to promptly and fully reimburse Landlord for losses in or reductions to rental income, and diminution in fair market value of the Property. Tenant's Environmental Indemnification shall further include but is not limited to the obligation to diligently and properly implement to completion, at Tenant's expense, any and all environmental investigation, removal, remediation, monitoring, reporting, closure activities, or other environmental response action as may be required by applicable Environmental Laws, regulations or governing agencies (collectively,

"Response Actions"). Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any Response Actions.

F. Landlord hereby makes the following representations to Tenant, each of which is made only to the best of Landlord's knowledge as of the date Landlord executes this Lease, without any inquiry or investigation having been made or required by Landlord regarding this subject, nor does Landlord have any obligation to investigate or make inquiry regarding the subject:

(1) The soil and ground water on or under the Premises does not contain Hazardous Materials in amounts which violate any laws to the extent that any governmental entity could require either Landlord or Tenant to take any remedial action with respect to such Hazardous Materials.

(2) During the time that Landlord has owned the Premises, Landlord has received no notice of (i) any violation, or alleged violation, of any law that has not been corrected to the satisfaction of the appropriate authority, (ii) any pending claims relating to the presence of Hazardous Material on the Premises, or (iii) any pending investigation by any governmental agency concerning the Premises relating to Hazardous Materials.

G. Landlord and Tenant shall each give written notice to the other as soon as reasonably practicable of (i) any communication received from any governmental authority concerning Hazardous Materials which relates to the Premises, and (ii) any contamination of the Premises by Hazardous Materials which constitutes a violation of any law. Attached as Exhibit "C" to the Lease is a list of Hazardous Materials that Tenant intends to use at the Premises. If during the Lease Term Tenant proposes to use other Hazardous Materials at the Premises, Tenant shall inform Landlord of such use, identifying the Hazardous Materials and the manner of their use, storage and disposal, and shall agree (i) to use, store and dispose of such Hazardous Materials strictly in compliance with all laws, regulations and governing agencies and (ii) that the indemnity set forth in Paragraph 44 shall be applicable to Tenant's use of such Hazardous Material.

H. Landlord or Tenant may, at any time, cause testing wells to be installed on the Premises, and may cause the ground water to be tested to detect the presence of Hazardous Material by the use of such tests as are then customarily used for such purposes. Testing wells installed by Tenant shall be paid for by Tenant. If tests conducted by Landlord disclose that Tenant has violated any Hazardous Materials laws, or Tenant or parties on the Premises during the Term of this Lease have contaminated the Premises as determined by regulatory agencies pursuant to Hazardous Materials laws, or that Tenant has liability to Landlord pursuant to Paragraph 44A,

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then Tenant shall pay for 100 percent of the cost of the test and all related expense. Prior to the expiration of the Lease Term, Tenant shall remove any testing wells it has installed at the Premises, and return the Premises to the condition existing prior to the installation of such wells, unless Landlord requests in writing that Tenant leave all or some of the testing wells in which instance the wells requested to be left shall not be removed.

I. If any tests performed by Tenant or Landlord prior to the Commencement Date disclose Hazardous Materials at the Premises, Landlord at its expense will promptly take all reasonable action required by law with respect to the existence of such Hazardous Materials at the Premises. The Commencement Date shall not be delayed because of such action by Landlord unless occupation of the Premises is prohibited by law.

J. The obligations of Landlord and Tenant under this Paragraph 44 shall survive the expiration or earlier termination of the Term of this Lease. The rights and obligations of Landlord and Tenant with respect to issues relating to Hazardous Materials are exclusively established by this Paragraph 44."

12. SECURITY DEPOSIT: Effective as of the first day of the Third Option Period, Lease Paragraph 50 ("Security Deposit") shall be deleted in its entirety and replaced with the following:

"50. SECURITY DEPOSIT: The following provisions shall modify

Lease Paragraph 4F.

A. Within thirty (30) days after the expiration or earlier termination of the Lease term and after Tenant has vacated the Premises, Landlord shall return to Tenant the entire Security Deposit except for amounts that Landlord has deducted therefrom that are needed by Landlord to cure defaults of Tenant under the Lease or compensate Landlord for damages for which Tenant is liable pursuant to this Lease. The use or disposition of the Security Deposit shall be subject to the provisions of California Civil Code Section 1950.7.

B. During the first thirty (30) days following Tenant's exercise of its Third Option to Extend, and only during said thirty day period, Tenant shall have the one-time option of satisfying its obligation with respect to an amount equal to one-half (1/2) ($136,691.55) of the $273,383.10 Security Deposit required under Lease Paragraph 4F by providing to Landlord, at Tenant's sole cost, a letter of credit which: (i) is drawn upon an institutional lender reasonably acceptable and accessible to Landlord in form and content reasonably satisfactory to Landlord; (ii) is in the amount of one-half (1/2) of the Security Deposit; (iii) is for a term of at least twelve (12) months; (iv) with respect to any letter of credit in effect within the six month period immediately prior to the expiration of the Lease term, shall provide that the term of such letter of credit shall extend at least forty five (45) days past the Lease expiration date (including any extensions thereof); and (v) may be drawn upon by Landlord upon submission of a declaration of Landlord that Tenant is in default (as defined in Paragraph 19 and as modified by Paragraph 59). Landlord shall not be obligated to furnish proof of default to such institutional lender, and Landlord shall only be required to give the institutional lender written notification that Tenant is in default and upon receiving such written notification from Landlord the institutional lender shall be obligated to immediately deliver cash to Landlord equal to the amount Landlord may spend or become obligated to spend by reason of Tenant's default or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default up to 1/2 of the total Security Deposit required under Lease Paragraph 4F. Said letter of credit shall provide that if the letter of credit is not renewed, replaced or extended within twenty (20) days prior to its expiration date the issuer of the credit shall automatically issue a cashiers check payable to Landlord in the amount of the letter of credit after the date which is twenty (20) days before the expiration date, and no later than the expiration date, without Landlord being required to make demand upon the letter of credit. If Tenant provides Landlord with a letter of credit, within thirty (30) days of the execution of this Lease, meeting the foregoing requirements, one-half (1/2) of the

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cash Security Deposit (i.e.: $136.691.55 of the $273.383.10 Security Deposit) shall be returned to Tenant by Landlord inasmuch as the cash deposit remaining and the Letter of Credit equal the total Security Deposit required in Lease Paragraph 4F. If Tenant defaults with respect to any provisions of this Lease, including but not limited to provisions relating to the payment of Rent, Landlord may (but shall not be required to) draw down on the letter of credit for payment of any sum which Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default. Landlord and Tenant acknowledge that such letter of credit will be treated as if it were a cash security deposit, and such letter of credit may be drawn down upon by Landlord upon demand and presentation of evidence of the identity of Landlord to the issuer, in the event that Tenant defaults with respect to any provision of this Lease and such default is not cured within any applicable cure period. Notwithstanding anything to the contrary in this Lease, Landlord shall not be obligated to furnish proof of default to such institutional lender and Landlord is only required to give the institutional lender written notification that Tenant is in default and upon receiving such written notification from Landlord the institutional lender shall be obligated to immediately deliver cash to Landlord equal to the amount Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default up to 1/2 of the total Security Deposit. Landlord acknowledges that it is not entitled to draw down such letter of credit unless Landlord would have been entitled to draw upon the cash security deposit pursuant to the terms of Paragraph 4F of the Lease. Concurrently with the delivery of the required information to the issuer, Landlord shall deliver to Tenant written evidence of the

default upon which the draw down was based, together with evidence that Landlord has provided to Tenant the written notice of such default which was required under the applicable provision of the Lease, and evidence of the failure of Tenant to cure such default within the applicable grace period following receipt of such notice of default. Any proceeds received by Landlord by drawing upon the letter of credit shall be applied in accordance with the provisions governing the Security Deposit imposed by Lease Paragraph 4F and this Paragraph 50. If Landlord draws upon the letter of credit, thereafter Tenant shall once again have the right to post a letter of credit in place of one-half (1/2) of a cash Security Deposit so long as Tenant is not then in default. In any event Tenant will be obligated to replenish the amount drawn to restore the Security Deposit to its original amount as provided for in Paragraph 4F. If any portion of the letter of credit is used or applied pursuant hereto, Tenant shall, within ten (10) days after receipt of a written demand therefor from Landlord, restore and replace the value of such security by either (i) depositing cash with Landlord in the amount equal to the sum drawn down under the letter of credit, or (ii) increasing the letter of credit to its value immediately prior to such application. Tenant's failure to replace the value of the security as provided in the preceding sentence shall be a material breach of its obligation under this Lease."

13. REAL ESTATE TAXES: Effective as of the first day of the Third Option Period, Lease Paragraph 53 ("Real Estate Taxes") shall be deleted in its entirety and replaced with the following:

"53. REAL PROPERTY TAXES: Paragraph 9 is modified by the following:

A. The term "Real Property Taxes" shall not include charges, levies or fees directly related to the use, storage, disposal or release of Hazardous Materials on the Premises unless directly related to Tenant's Activities at this site or on other sites leased and/or owned by Tenant; however, Tenant shall be responsible for general or special tax and/or assessments (related to Hazardous Materials and/or toxic waste) imposed on the Property provided said special tax and/or assessment is not imposed due to on-site originated contamination on the Property (by third parties not related to Tenant) prior to the Lease Commencement Date. Subject to the terms and conditions stated herein, Tenant shall be responsible for paying one hundred percent (100%) of said taxes and/or assessments allocated to the Property.

B. If any assessments for public improvements are levied against the Premises, Landlord may elect either to pay the assessment in full or to allow the assessment to go

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to bond. If Landlord pays the assessment in full, Tenant shall pay to Landlord or any assignee or purchaser of the Premises each time payment of Real Property Taxes is made a sum equal to that which would have been payable (as both principal and interest) had Landlord allowed the assessment to go to bond.

C. Tenant at its cost shall have the right, at any time, to seek a reduction in the assessed valuation of the Premises or to contest any Real Property Taxes that are to be paid by Tenant. If Tenant seeks a reduction or contests such Real Property Taxes, the failure on Tenant's part to pay such Real Property Taxes being so contested shall not constitute a default so long as Tenant complies with the provisions of this Paragraph. Landlord shall not be required to join in any proceeding or contest brought by Tenant unless the provisions of any law require that the proceeding or contest be brought by or in the name of Landlord. In that case Landlord shall join in the proceedings or contest or permit it to be brought in Landlord's name as long as Landlord is not required to bear any cost. Tenant, on final determination of the proceeding or contest, shall immediately pay or discharge its share of any Real Property Taxes determined by any decision or judgment rendered, together with all costs, charges, interest, and penalties incidental to the decision or judgment. If Tenant does not pay the Real Property Taxes when due pursuant to the Lease and Tenant seeks a reduction or contests them as provided in this paragraph, before the commencement of the proceeding or contest Tenant shall furnish to Landlord a surety bond in form reasonably satisfactory to Landlord issued by an insurance company qualified to do business in California. The amount of the bond shall equal 125% of the total amount of Real Property Taxes in dispute and any such bond shall be assignable to any lender or purchaser of the Premises. The bond shall

hold Landlord and the Premises harmless from any damage arising out of the proceeding or contest and shall insure the payment of any judgment that may be rendered."

14. PROPERTY INSURANCE: Effective as of the first day of the Third Option Period, section B of Lease Paragraph 54 ("Property Insurance") shall be deleted in its entirety and be of no further force or effect.

15. ASSIGNMENT AND SUBLETTING: Effective as of the first day of the Third Option Period, Lease Paragraph 55 ("Assignment and Subletting") shall be deleted in its entirety and replaced with the following:

"55. ASSIGNMENT AND SUBLETTING: The following modifications are made to Paragraph 16:

A. In the event that Tenant seeks to make any assignment or sublease, then Landlord, by giving Tenant written notice of its election within fifteen (15) days after Tenant's notice of intent to assign or sublease has been given to Landlord, shall have the right to elect (i) to withhold its consent to such assignment or sublease, as permitted pursuant to Paragraph 16, or (ii) to permit Tenant to so assign the Lease or sublease such part of the Premises, in which event Tenant may do so, but without being released of its liability for the performance of all of its obligations under the Lease, and the following shall apply (except the following shall not apply to a "Permitted Transfer" described in Paragraph 56):

(1) If Tenant assigns its interest in this Lease, then in addition to the rental provided for in this Lease, Tenant shall pay to Landlord fifty percent (50%) of all Rent and other consideration received by Tenant over and above (i) the assignee's agreement to assume the obligations of Tenant under this Lease and (ii) all "Permitted Transfer Costs" (as defined herein) related to such assignment. As used herein, the term "Permitted Transfer Costs" shall mean all reasonable leasing commissions paid to third parties not affiliated with Tenant in order to obtain the assignment or sublease in question.

(2) If Tenant sublets all or part of the Premises, then Tenant shall pay to Landlord in addition to the Rent provided for in this Lease fifty percent (50%) of the

positive difference, if any, between (i) all rent and other consideration paid or provided to Tenant by the subtenant, less (ii) all Rent paid by Tenant to Landlord pursuant to this Lease which is allocable to the area so sublet and all Permitted Transfer Costs related to such sublease. After Tenant has recovered all Permitted Transfer Costs Tenant shall pay to Landlord the amount specified in the preceding sentence on the same basis, whether periodic or in lump sum, that such rent and other consideration is paid to Tenant by its subtenant, within seven (7) days after it is received by Tenant.

3) Tenant's obligations under this subparagraph shall survive any assignment or sublease. At the time Tenant makes any payment to Landlord required by this subparagraph, Tenant shall deliver an itemized statement of the method by which the amount to which Landlord is entitled was calculated, certified by Tenant as true and correct. Landlord shall have the right to inspect Tenant's books and records relating to the payments due pursuant to this subparagraph. Upon request therefor, Tenant shall deliver to Landlord copies of all bills, invoices or other documents upon which its calculations are based.

(4) As used herein, the term "consideration" shall mean any consideration of any kind received, or to be received (including, but not limited to, services rendered and/or value received) by Tenant as a result of the assignment or sublease, if such sums are paid or provided to Tenant for Tenant's interest in this Lease or in the Premises.

(5) This Paragraph 55.A does not apply to a "Permitted Transfer", as provided in Paragraph 56 hereof. The parties agree that if any of the following transactions occur and do not qualify as "Permitted Transfers", Tenant must obtain Landlord's consent to such transaction and if Landlord consents to any of the following transactions which do not otherwise qualify as "Permitted Transfers", then the provisions of this Paragraph 55.A shall not apply to the following transactions: (i) a merger, consolidation or other reorganization in which Tenant is not the surviving corporation so long as 95% of all assets and liabilities of Tenant are permanently

transferred to such assignee; and (ii) an assignment of this Lease to a corporation which purchases or otherwise acquires 95% or more of the assets of Tenant so long as 95% of all assets and liabilities of Tenant are permanently transferred to such assignee and Tenant remains liable and responsible under the Lease to the extent Tenant continues in existence following such transaction."

16. PERMITTED ASSIGNMENTS AND SUBLEASES: Effective as of the first day of the Third Option Period, Lease Paragraph 56 ("Permitted Assignments and Subleases") shall be deleted in its entirety and replaced with the following:

"56. PERMITTED ASSIGNMENTS AND SUBLEASES: Notwithstanding anything contained in Paragraph 16, so long as Tenant otherwise complies with the provisions of Paragraph 16 and the Permitted Transfer does not release Tenant from its obligations hereunder, Tenant may enter into any of the following transfers (a "Permitted Transfer") without Landlord's prior written consent, and the provisions of Paragraph 55A shall not apply to any such Permitted Transfer:

A. Tenant may sublease all or part of the Premises or assign its interest in this Lease to any corporation which controls, is controlled by, or is under common control with Tenant by means of an ownership interest of more than fifty percent (50%) providing Tenant remains liable for the payment of Rent and full performance of the Lease;

B. Tenant may assign its interest in the Lease to a corporation which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation so long as (i) 95% of all assets and liabilities of Tenant are permanently transferred to such assignee, and (ii) immediately prior to the merger, consolidation or other reorganization, the corporation into which Tenant is to be merged has a net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, merger, consolidation or

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reorganization (whichever is greater), or if it does not, Landlord is provided a guaranty of the Lease (in a form reasonably acceptable to Landlord) from a corporation (a) that is the parent of, or is otherwise affiliated with, the corporation into which Tenant is to be merged, and (b) which has a current net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, merger, consolidation or reorganization (whichever is greater). In the event there is not a permanent transfer of 95% or more of the assets and liabilities from Tenant to a third party, and Tenant continues to exist as a separate entity, both companies shall be jointly and severally liable for the full terms and conditions of the Lease;

C. Tenant may assign this Lease to a corporation which purchases or otherwise acquires 95% or more of the assets of Tenant so long as 95% of all assets and liabilities of Tenant are permanently transferred to such assignee (in the event there is not a permanent transfer of 95% or more of the assets and liabilities from Tenant to a third party and Tenant continues to exist as a separate entity, both companies shall be jointly and severally liable for the full terms and conditions of the Lease), and provided that immediately prior to such assignment said corporation, has a net worth equal to or greater than the net worth of Tenant (a) at the time of Lease execution or (b) at the time of such assignment (whichever is greater), or if it does not, Landlord is provided a guaranty of the Lease (in a form reasonably acceptable to Landlord) from a corporation (a) that is the parent of, or is otherwise affiliated with, said corporation and (b) which has a current net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, (whichever is greater)."

17. DESTRUCTION: Effective as of the first day of the Third Option Period, Lease Paragraph 61 ("Destruction") shall be deleted in its entirety and replaced with the following:

"61. DESTRUCTION: Paragraph 21 is modified by the following:

A. Notwithstanding anything to the contrary within Paragraph 21, Landlord may terminate this Lease in the event of an uninsured event or if insurance proceeds, net of the deductible, are insufficient to cover one hundred percent of the rebuilding costs; provided,

however, Tenant shall have the right to elect, in its discretion, to contribute such excess funds to permit Landlord to repair the Premises.

B. Except as provided in Paragraph 61C, Landlord may not terminate the Lease if the Premises are damaged by a peril whereby the cost to replace and/or repair is one hundred percent (100%) covered by the insurance carried by Landlord pursuant to Paragraph 12, but instead shall restore the Premises in the manner described by Paragraph 21.

C. If the Premises are damaged by a peril covered by the insurance carried by Landlord pursuant to Paragraph 12, Landlord shall have the option to terminate the Lease if each of the following conditions is satisfied: (i) the cost to repair or the damage exceeds thirty-three percent (33%) of the then replacement cost of the Premises; and (ii) the damage occurs at a time when there is less than five (5) years remaining in the term of the Lease.

D. If Landlord fails to obtain insurance as required pursuant to Paragraph 12, and said insurance would have been available to cover any damage or destruction to the Premises, Landlord shall be required to rebuild, at its cost, net of the deductible which would have been required under said insurance policy (which deductible Tenant is required to pay).

E. If the Premises are damaged by any peril, then as soon as reasonably practicable, Landlord shall furnish Tenant with the written opinion of Landlord's architect or construction consultant as to when the restoration work required of Landlord may be completed. Tenant shall have the option to terminate this Lease in the event any of the following occurs, which option may be exercised only by delivery to Landlord of a written notice of election to terminate within seven (7) days after

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Tenant receives from Landlord the estimate of the time needed to complete such restoration:

(1) The Premises are damaged by any peril (not caused by or resulting from an action of Tenant or Tenant's agents, employees, contractors or invitees) and, in the reasonable opinion of Landlord's architect or construction consultant, the restoration of the Leased Premises cannot be substantially completed within 180 days after the date of such damage (subject to force majeure conditions); or

(2) The Premises are damaged by any peril (not caused by or resulting from an action of Tenant or Tenant's agents, employees, contractors or invitees) within twelve (12) months of the last day of the Lease term, and, in the reasonable opinion of Landlord's architect or construction consultant, the restoration of the Leased Premises cannot be substantially completed within sixty (60) days after the date of such damage and Tenant has not exercised its Option to Extend said Term (or Extended Term as the case may be)."

18. LIABILITY INSURANCE: Effective as of the first day of the Third Option Period, the first sentence of Lease Paragraph 10 ("Liability Insurance") shall be deleted and replaced with the following: "Tenant, at Tenant's expense, agrees to keep in force during the Term of this Lease a policy of commercial general liability insurance with combined single limit coverage of not less than Two Million Dollars ($2,000,000) per occurrence for bodily injury and property damage occurring in, on or about the Premises, including parking and landscaped areas."

19. LIMITATION OF LIABILITY: Effective as of the first day of the Third Option Period, Lease Paragraph 36 ("Limitation of Liability") shall be deleted in its entirety and replaced with the following:

"36. LIMITATION OF LIABILITY In consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

(i) the sole and exclusive remedy shall be against Landlord's interest in the Premises leased herein;
(ii) no partner of Landlord shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction of the partnership);
(iii) no service of process shall be made against any partner of Landlord (except as may be necessary to secure jurisdiction of the

partnership);
(iv) no partner of Landlord shall be required to answer or otherwise plead to any service of process;
(v) no judgment will be taken against any partner of Landlord;
(vi) any judgment taken against any partner of Landlord may be vacated and set aside at any time without hearing;
(vii) no writ of execution will ever be levied against the assets of any partner of Landlord;
(viii) these covenants and agreements are enforceable both by Landlord and also by any partner of Landlord.

Tenant agrees that each of the foregoing covenants and agreements shall be applicable to any covenant or agreement either expressly contained in this Lease or imposed by statute or at common law."

EXCEPT AS MODIFIED HEREIN, all other terms, covenants, and conditions of said September 17, 1990 Lease Agreement shall remain in full force and effect.

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Quantum 4

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment No. 1 to Lease as of the day and year last written below.

LANDLORD:	TENANT:
JOHN ARRILLAGA SURVIVOR'S TRUST	QUANTUM CORPORATION a Delaware corporation
By /s/ John Arrillaga, --- John Arrillaga, Trustee	By /s/ Andrew Kryder --- Andrew Kryder --- Print or Type Name
Date: 6/30/97 ----	Title: VP FINANCE AND CORP GENERAL COUNSEL
RICHARD T. PEERY SEPARATE PROPERTY TRUST	
By /s/ Richard T. Peery --- Richard T. Peery, Trustee	Date: 6/25/97 ----
Date: 6/26/97 ----	

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Quantum 3

AMENDMENT NO. 1
TO LEASE

THIS AMENDMENT NO. 1 is made and entered into this 16th day of April, 1997, by and between JOHN ARRILLAGA, Trustee, or his Successor Trustee UTA dated 7/20/77 (JOHN ARRILLAGA SURVIVOR'S TRUST) (previously known as the "John Arrillaga Separate Property Trust") as amended, and RICHARD T. PEERY, Trustee, or his Successor Trustee UTA dated 7/20/77 (RICHARD T. PEERY SEPARATE PROPERTY TRUST) as amended, collectively as LANDLORD, and QUANTUM CORPORATION, a Delaware corporation, as TENANT.

RECITALS

A. WHEREAS, by Lease Agreement dated April 10, 1992 Landlord leased to Tenant all of that certain 60,128+/- square foot building located at 900 Sumac Drive, Milpitas, California, the details of which are more particularly set forth in said April 10, 1992 Lease Agreement, and

B. WHEREAS, said Lease was amended by the Commencement Letter dated April 2, 1993 which established the February 26, 1993 Lease Commencement Date, and established the Termination Date of September 30, 2006, and,

C. WHEREAS, it is now the desire of the parties hereto to amend the Lease by (i) extending the Term for five years, changing the Termination Date

from September 30, 2006 to September 30, 2011, (ii) amending the Basic Rent schedule and Aggregate Rent accordingly, (iii) adding a third Five Year Option to Extend, (iv) replacing Paragraphs 41C ("Lease Terms Co-extensive") and 48 ("Cross Default") and 53 ("Structural Capital Costs Regulated by Governmental Agencies After the Commencement of this Lease not Caused by Tenant or Tenant's Uses or Remodeling of the Premises"), (v) amending Lease Paragraph 12 ("Property Insurance") and (vi) amending and/or replacing certain provisions of the Lease commencing as of the commencement of the Third Extended Term of said Lease as hereinafter set forth.

AGREEMENT

NOW THEREFORE, for valuable consideration, receipt of which is hereby acknowledged, and in consideration of the hereinafter mutual promises, the parties hereto do agree as follows:

1. TERM OF LEASE: It is agreed between the parties that Tenant has exercised its First Five-Year Option to Extend the lease term of that certain lease agreement dated March 23, 1994 for premises located at 1101 Sumac Drive, Milpitas, California (the "Building 5 Lease"), as detailed in Paragraph 41 of said Building 5 Lease. Paragraph 40C of said Building 5 Lease provides that in the event the term of said Building 5 Lease is extended for any reason whatsoever, the terms of the Existing Leases (i.e. two of said leases dated October 31, 1989 are for Premises located at 1140 Technology Drive and 500 McCarthy Blvd., Milpitas, California (the "1989 Leases"); one of said leases dated September 17, 1990 is for Premises located at 1000 Sumac Drive, Milpitas, California, and one of said leases dated April 10, 1992 is for Premises located at 900 Sumac Drive, Milpitas, California) shall also be extended so that all five Leases expire on the same date; therefore, it is agreed between the parties that by exercising its Option to Extend the Building 5 Lease, Tenant has in effect exercised its Option to Extend under Lease Paragraph 42 ("First Five-Year Option to Extend"), and that pursuant to said Lease Paragraph 42, the Term of this Lease Agreement shall be extended for an additional five (5) year period, and the Lease Termination Date shall be changed from September 30, 2006 to September 30, 2011.

2. BASIC RENTAL FOR FIRST EXTENDED TERM OF LEASE: The monthly Basic Rental for the First Extended Term of Lease shall be as follows:

On October 1, 2006, the sum of ONE HUNDRED ELEVEN THOUSAND EIGHT

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Quantum 3

HUNDRED THIRTY EIGHT AND 08/100 DOLLARS ($111,838.08) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2007.

On October 1, 2007, the sum of ONE HUNDRED FOURTEEN THOUSAND EIGHT HUNDRED FORTY FOUR AND 48/100 DOLLARS ($114,844.48) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2008.

On October 1, 2008, the sum of ONE HUNDRED SEVENTEEN THOUSAND EIGHT HUNDRED FIFTY AND 88/100 DOLLARS ($117,850.88) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2009.

On October 1, 2009, the sum of ONE HUNDRED TWENTY THOUSAND EIGHT HUNDRED FIFTY SEVEN AND 28/100 DOLLARS ($120,857.28) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2010.

On October 1, 2010, the sum of ONE HUNDRED TWENTY THREE THOUSAND EIGHT HUNDRED SIXTY THREE AND 68/100 DOLLARS ($123,863.68) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2011.

The Aggregate Basic Rent for the Lease shall be increased by $7,071,052.80 or from $14,463,454.34 to $21,534,507.14.

3. THIRD FIVE-YEAR OPTION TO EXTEND: Provided Tenant has extended the Lease for an additional five (5) year period pursuant to Lease Paragraph 43 ("Second Five Year Option To Extend"), Landlord hereby grants to Tenant a third option to extend the Term of this Lease for an additional five (5) year period upon the following terms and conditions:

A. Tenant shall give Landlord written notice of Tenant's exercise of this option to extend at least one hundred eighty (180) days prior to the

expiration of the Lease Term as extended pursuant to Lease Paragraph 43 ("Second Five Year Option To Extend"), in which event the Lease shall be considered extended for an additional five (5) year period upon the same terms and conditions as this Lease, absent this Paragraph 3 and subject to the Rental as set forth below. In the event that Tenant fails to timely exercise Tenant's option as set forth herein in writing, Tenant shall have no further option to extend this Lease or the Other Leases, and this Lease shall continue in full force and effect for the full remaining term hereof, absent this Paragraph 3.

B. The monthly Basic Rent for the option period shall be as follows in the event the option is exercised:

Period	Monthly Basic Rent
Months 1-12	$2.36/sf
Months 13-24	$2.41/sf
Months 25-36	$2.46/sf
Months 37-48	$2.51/sf
Months 49-60	$2.56/sf

C. Notwithstanding anything contained herein, Tenant may not exercise the option to extend granted by this Paragraph 3 at any time that Tenant is in default (default for monetary and material default for non-monetary) of its obligations under this Lease, if Tenant has received written notice from Landlord that Tenant is in default, and such default has not been timely cured within the time period provided for in this Lease; provided, however, that if such default of Tenant is not for money due under this Lease and cannot be cured, and if Landlord does not elect to terminate this Lease as a result of such non-curable default by Tenant, Tenant may exercise the option to extend granted by this Paragraph 3 notwithstanding such non-curable default.

4. LEASE TERMS CO-EXTENSIVE: Lease Paragraph 40C ("Lease Terms Co-extensive") is hereby deleted in its entirety and replaced with the following:

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"40C. LEASE TERMS CO-EXTENSIVE: It is acknowledged that (i) Landlord and Tenant have previously executed four separate leases in addition to this Lease: one of said leases dated October 31, 1989 is for Premises located at 1140 Technology Drive, Milpitas, California (the "Building One Lease"); one of said leases dated October 31, 1989 is for Premises located at 500 McCarthy Blvd., Milpitas, California (the "Building Two Lease"); one of said leases dated September 17, 1990 is for Premises located at 1000 Sumac Drive, Milpitas, California (the "Building Four Lease"); and one of said leases dated March 23, 1994 is for premises located at 1101 Sumac Drive, Milpitas, California (the "Building 5 Lease") (hereinafter collectively referred to as the "Other Leases"); and (ii) it is the intention of the parties that the term of this Lease be co-extensive with the term of the Other Leases, such that the terms of all five leases ("the Leases") expire on the same date. The provisions of this Paragraph 40C also requires the terms of all the Leases to be extended accordingly if Tenant exercises its Option to Extend under any of the Leases. The monthly Basic Rent during the extended term under each of the Leases shall be increased by $.05 per square foot on the commencement date of the extended term and thereafter on each and every anniversary of the respective lease's commencement date of the extended term."

5. CROSS DEFAULT: Lease Paragraph 48 ("Cross Default") is hereby deleted in its entirety and replaced with the following:

"48. CROSS DEFAULT: It is agreed between Landlord and Tenant that a default under this Lease, or a default under any of the Other Leases may, at the option of Landlord, be considered a default under all Leases, in which event Landlord shall be entitled (but in no event required) to apply all rights and remedies of Landlord under the terms of one lease to all the Leases including, but not limited to, the right to terminate any or all of the aforementioned Other Leases or this Lease by reason of a default under the Leases or hereunder.

Notwithstanding the above, Landlord shall have the option of considering a default under this Lease or a default under any of the Other Leases to be a default under all such leases, only with respect to such leases under which Landlord is also the 'Landlord' at the time such default occurs. By way of example, if at the time a default of Tenant occurs under this Lease, Landlord has sold the premises described in any of the Other Leases and is no longer the 'Landlord' thereunder, then a default under this Lease shall not constitute a default under any of such Other Leases so sold by Landlord (unless the

premises leased under this Lease and the Other Leases are sold to the same entity), and a default by Tenant under any of such Other Leases so sold by Landlord shall not constitute a default under this Lease or any other of the Other Leases then remaining between Landlord and Tenant. However, if the Landlord under this Lease and the Other Leases is one in the same at the time of said default, said cross default provisions shall apply."

6. STRUCTURAL CAPITAL COSTS REGULATED BY GOVERNMENTAL AGENCIES AFTER THE COMMENCEMENT OF THIS LEASE NOT CAUSED BY TENANT OR TENANT'S USES OR REMODELING OF THE PREMISES: Lease Paragraph 53 ("Structural Capital Costs Regulated by Governmental Agencies after the Commencement of this Lease Not Caused by Tenant or Tenant's Uses or Remodeling of the Premises") is hereby deleted and replaced with the following:

"53. STRUCTURAL CAPITAL COSTS REGULATED BY GOVERNMENTAL AGENCIES AFTER THE COMMENCEMENT OF THIS LEASE NOT CAUSED BY TENANT OR TENANT'S USES OR REMODELING OF THE PREMISES: The provisions of this Paragraph 53 shall modify Paragraphs 7 and 14:

A. If (i) during the last five (5) years of the First Extended Term of the Lease if said Lease has not been extended as provided for in Lease Paragraph 43 ("Second Five Year Option To Extend") or in Paragraph 3 ("Third Five Year Option to Extend".)

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or Paragraph 4 ("Lease Terms Co-Extensive") above, or (ii) during either of the five (5) year extension periods permitted by Lease Paragraph 43 or Paragraph 3, or Paragraph 4 above, it becomes necessary (due to any governmental requirement for continued occupancy of the Premises) to make structural improvements required by laws enacted or legal requirements imposed by governmental agency(s) after the Commencement Date, and the cost for each required work or improvements exceeds $100,000, then if such legal requirement is not imposed because of Tenant's specific use of the Premises and is not "triggered" by Tenant's Alterations or Tenant's application for a building permit or any other governmental approval (collectively "Tenant's Actions") in which instance Tenant shall be responsible for 100% of the cost of such improvements, Landlord shall be responsible for paying the cost of such improvement and constructing such improvement, subject to a cash contribution from Tenant of a portion of the cost thereof as provided for and calculated in Paragraph 53B.

B. When Landlord makes an improvement pursuant to Paragraph 53A, and as a condition to Landlord's obligation to construct such improvement, Tenant shall make the following contribution in cash to Landlord for the cost thereof prior to the commencement of the work by Landlord. It is agreed that Tenant shall pay to Landlord 100% of the cost of the first $100,000.00 worth of each improvement. After the first $100,000.00, all costs above $100,000.00 shall be divided by 15 and multiplied by the time period remaining in the last five years of the Lease Term from the date work on such improvement commences.

For example, if the improvement is not required as a result of Tenant's Actions and if the cost of such improvement was $400,000 and there was one year and six months remaining in the Lease term when the work commenced, then Tenant would be responsible for reimbursing Landlord in cash $130,000.00 computed as follows:

Total Cost of Work	$400,O00.OO
Tenant Responsible for 1st $100,000	-100,000.00
Total Amount To Be Amortized	$300,000.00
$300,000.00/15 = $20,000.00/yr. x 1.5 yrs =	$ 30,000.00
Tenant responsible for $100,000 + $30,000.00 =	$130,000.00

C. If Landlord has made improvements, for which Tenant has reimbursed Landlord for the cost thereof pursuant to Paragraph 53B, and the term of this Lease is subsequently extended pursuant to the exercise by Tenant of an option to renew pursuant to Lease Paragraph 43 or Paragraph 3 above, upon the exercise of any such option by Tenant, Tenant shall pay to Landlord an additional sum equal to the total amount of said improvement less the amount previously paid for by Tenant. Using the example in Paragraph 53B above, Tenant would owe Landlord the additional amount of $270,000.00 ($400,000.00 - $130,000.00 = $270,000.00)."

7. PROPERTY INSURANCE: Lease Paragraph 12 ("Property Insurance") is hereby amended to include the following: "Tenant acknowledges that as part of the cost of insurance policies for the Premises, Tenant is responsible for the payment of insurance deductibles on insurance claims as they relate to the Premises subject to the limitations provided in Lease Paragraph 55 ("Property Insurance") which limitations are applicable only during the initial Lease Term and the First Lease Extension Period and the Second Lease Extension Period. Said limitation provided for in Lease Paragraph 55 are null and void at the commencement of the Third Lease Extended Term".

8. THIRD OPTION PERIOD - LEASE PROVISION CHANGES: In the event Tenant exercises its Third Option to Extend as provided for in Paragraph 3 above, the following amendments (contained within Paragraphs 9 through 19) are herein made to the Lease to be effective upon the commencement of the third option period ("Third Option Period"), or during any period following the expiration of the Lease Term or expiration of the Lease when Tenant is in possession of the Premises.

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9. LATE CHARGE: Effective as of the first day of the Third Option Period, the Late Charge referenced in Lease Paragraph 4.D ("Late Charge") shall be changed from five percent (5%) to ten percent (10%), and Lease Paragraph 50 ("Limitation on Late Charge") shall be deleted in its entirety and of no further force or effect.

10. MANAGEMENT FEE: Notwithstanding anything to the contrary in the Lease, effective as of the first day of the Third Option Period, and on the first day of each month thereafter, Tenant shall pay to Landlord, in addition to the Basic Rent and Additional Rent, a fixed monthly management fee ("Management Fee") equal to one percent (1%) of the Basic Rent due for each month during the Lease Term.

11. HAZARDOUS MATERIALS: Effective as of the first day of the Third Option Period, Lease Paragraph 45 ("Hazardous Materials") shall be deleted in its entirety and replaced with the following:

"45. HAZARDOUS MATERIALS: Landlord and Tenant agree as follows with respect to the existence or use of "Hazardous Materials" (as defined herein) on, in, under or about the Premises and real property located beneath said Premises, which includes the entire parcel of land on which the Premises are located as shown in Green on Exhibit A to the Lease (hereinafter collectively referred to as the "Property"):

A. As used herein, the term "Hazardous Materials" shall mean any material, waste, chemical, mixture or byproduct which is or hereafter is defined, listed or designated under Environmental Laws (defined below) as a pollutant, or as a contaminant, or as a toxic or hazardous substance, waste or material, or any other unwholesome, hazardous, toxic, biohazardous, or radioactive material, waste, chemical, mixture or byproduct, or which is listed, regulated or restricted by any Environmental Law (including, without limitation, petroleum hydrocarbons or any distillates or derivatives or fractions thereof, polychlorinated biphenyls, or asbestos). As used herein, the term "Environmental Laws" shall mean any applicable Federal, State of California or local government law (including common law), statute, regulation, rule, ordinance, permit, license, order, requirement, agreement, or approval, or any determination, judgment, directive, or order of any executive or judicial authority at any level of Federal, State of California or local government (whether now existing or subsequently adopted or promulgated) relating to pollution or the protection of the environment, ecology, natural resources, or public health and safety.

B. Tenant shall notify Landlord prior to the occurrence of any Tenant's Hazardous Materials Activities (defined below). Landlord acknowledges that Tenant shall use, in compliance with applicable Environmental Laws, customary household and office supplies (Tenant shall first provide Landlord with a list of said materials use), such as mild cleaners, lubricants and copier toner. Any and all of Tenant's Hazardous Materials Activities shall be conducted in conformity with this Paragraph 45, Paragraph 14 of this Lease, and in compliance with all Environmental Laws and regulations. As used herein, the term "Tenant's Hazardous Materials Activities" shall mean any and all use, handling, generation, storage, disposal, treatment, transportation, release, discharge, or emission of any Hazardous Materials on, in, beneath, to, from, at or about the Property, in connection with Tenant's use of the Property, or by Tenant or by any of Tenant's agents, employees, contractors, vendors, invitees, visitors or its future subtenants or assignees or other third parties (including

"dumping" by others) (or which Hazardous Materials originate on the surface of the Premises any time on or after the Commencement Date of this Lease, but excluding Hazardous Materials on the Premises prior to the Lease Commencement Date because of the storage, use, disposal, or transportation of such materials or waste by any of Landlord's contractors or otherwise arising out of construction work performed by or under the direction of Landlord on the Premises and Landlord shall be responsible for all required actions with respect to such materials or wastes). Tenant agrees to provide Landlord with prompt written notice of any spill or release of Hazardous Materials at

the Property during the term of the Lease of which Tenant becomes aware, and further agrees to provide Landlord with prompt written notice of any violation of Environmental Laws in connection with Tenant's Hazardous Materials Activities of which Tenant becomes aware. If Tenant's Hazardous Materials Activities involve Hazardous Materials other than normal use of customary household and office supplies, Tenant also agrees at Tenant's expense: (i) to install such Hazardous Materials monitoring, storage and containment devices as may be required by Environmental Laws, regulations and/or governing agencies; (ii) to provide Landlord with a written inventory of such Hazardous Materials, including an update of same each year upon the anniversary date of the Commencement Date of the Lease ("Anniversary Date"); and (iii) on each Anniversary Date to provide to Landlord copies of all documentation and records, required by applicable Environmental Laws to be prepared and submitted to governmental authorities, relating to use at the Property of Hazardous Materials or to Tenant's Hazardous Materials Activities, if any. If upon completion of Landlord's review of said documentation and records, Landlord reasonably questions if Tenant is in compliance with all applicable Environmental Laws with respect to Tenant's Hazardous Materials Activities, Tenant agrees within thirty (30) days following receipt of written notice from Landlord, to retain a qualified environmental consultant, acceptable to Landlord, to evaluate whether Tenant is in compliance with all applicable Environmental Laws with respect to Tenant's Hazardous Materials Activities. Tenant, at its expense, shall submit to Landlord a report from such environmental consultant which discusses the environmental consultant's findings within two (2) months of each Anniversary Date. Tenant, at its expense, shall promptly undertake and complete any and all steps necessary, and in full compliance with applicable Environmental Laws, to fully correct any and all problems or deficiencies identified by the environmental consultant, and promptly provide Landlord with documentation of all such corrections.

C. Prior to termination or expiration of the Lease, Tenant, at its expense, shall (i) properly remove from the Property all Hazardous Materials which come to be located at the Property in connection with Tenant's Hazardous Materials Activities, and (ii) fully comply with and complete all facility closure requirements of applicable Environmental Laws regarding Tenant's Hazardous Materials Activities, including but not limited to (x) properly restoring and repairing the Property to the extent damaged by such closure activities, and (y) obtaining from the local Fire Department or other appropriate governmental authority with any legal or regulatory jurisdiction a written concurrence that closure has been completed in compliance with applicable Environmental Laws. Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any such closure activities.

D. If Landlord, upon consultation with Tenant, reasonably concludes that the Property has become contaminated as a result of Tenant's Hazardous Materials Activities, Landlord in addition to any other rights it may have under this Lease or under Environmental Laws or other laws, may enter upon the Property and conduct inspection, sampling and analysis, including but not limited to obtaining and analyzing samples of soil and groundwater, for the purpose of determining the nature and extent of such contamination except to the extent that such activities may be inconsistent with Tenant's compliance with Environmental Laws. Tenant shall promptly reimburse Landlord for the costs of such an investigation, including but not limited to reasonable attorneys' fees Landlord incurs with respect to such investigation to the extent, and only to the extent, that it that discloses Hazardous Materials contamination for which Tenant is liable under this Lease. Except as may be required of Tenant by applicable Environmental Laws, Tenant shall not perform any sampling, testing, or drilling to identify the presence of any Hazardous Materials at the Property, without Landlord's prior written consent which shall not be unreasonably withheld. Tenant shall promptly provide Landlord with

copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any sampling, testing or drilling performed pursuant to the preceding sentence.

E. Tenant shall indemnify, defend (with legal counsel acceptance to Landlord, whose consent shall not unreasonably be withheld) and hold harmless Landlord, its

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employees, assigns, successors, successors-in-interest, agents and representatives from and against any and all claims (including but not limited to third party claims from a private party or a government authority), liabilities, obligations, losses, causes of action, demands, governmental proceedings or directives, fines, penalties, expenses, costs (including but not limited to reasonable attorneys', consultants' and other experts' fees and costs), and damages, which arise from or relate to: (i) Tenant's Hazardous Materials Activities; (ii) any Hazardous Materials contamination caused by Tenant prior to the Commencement Date of the Lease; or (iii) the breach of any obligation of Tenant under this Paragraph 45 (collectively, "Tenant's Environmental Indemnification"). Tenant's Environmental Indemnification shall include but is not limited to the obligation to promptly and fully reimburse Landlord for losses in or reductions to rental income, and diminution in fair market value of the Property. Tenant's Environmental Indemnification shall further include but is not limited to the obligation to diligently and properly implement to completion, at Tenant's expense, any and all environmental investigation, removal, remediation, monitoring, reporting, closure activities, or other environmental response action as may be required by applicable Environmental Laws, regulations or governing agencies (collectively, "Response Actions"). Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any Response Actions.

F. Landlord hereby makes the following representations to Tenant, each of which is made only to the best of Landlord's knowledge as of the date Landlord executes this Lease, without any inquiry or investigation having been made or required by Landlord regarding this subject, nor does Landlord have any obligation to investigate or make inquiry regarding the subject:

(1) The soil and ground water on or under the Premises does not contain Hazardous Materials in amounts which violate any laws to the extent that any governmental entity could require either Landlord or Tenant to take any remedial action with respect to such Hazardous Materials.

(2) During the time that Landlord has owned the Premises, Landlord has received no notice of (i) any violation, or alleged violation, of any law that has not been corrected to the satisfaction of the appropriate authority, (ii) any pending claims relating to the presence of Hazardous Material on the Premises, or (iii) any pending investigation by any governmental agency concerning the Premises relating to Hazardous Materials.

G. Landlord and Tenant shall each give written notice to the other as soon as reasonably practicable of (i) any communication received from any governmental authority concerning Hazardous Materials which relates to the Premises, and (ii) any contamination of the Premises by Hazardous Materials which constitutes a violation of any law. Attached as Exhibit "C" to the Lease is a list of Hazardous Materials that Tenant intends to use at the Premises. If during the Lease Term Tenant proposes to use other Hazardous Materials at the Premises, Tenant shall inform Landlord of such use, identifying the Hazardous Materials and the manner of their use, storage and disposal, and shall agree (i) to use, store and dispose of such Hazardous Materials strictly in compliance with all laws, regulations and governing agencies and (ii) that the indemnity set forth in Paragraph 45 shall be applicable to Tenant's use of such Hazardous Material.

H. Landlord or Tenant may, at any time, cause testing wells to be installed on the Premises, and may cause the ground water to be tested to detect the presence of Hazardous Material by the use of such tests as are then customarily used for such purposes. Testing wells installed by Tenant shall be paid for by Tenant. If tests conducted by Landlord disclose that Tenant has violated any Hazardous Materials laws, or Tenant or parties on the Premises during the Term of this Lease have contaminated the Premises as determined by regulatory agencies pursuant to Hazardous Materials laws, or that Tenant has

liability to Landlord pursuant to Paragraph 45A, then Tenant shall pay for 100 percent of the cost of the test and all related expense. Prior to the expiration of the Lease Term, Tenant shall remove any testing wells it has

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installed at the Premises, and return the Premises to the condition existing prior to the installation of such wells, unless Landlord requests in writing that Tenant leave all or some of the testing wells in which instance the wells requested to be left shall not be removed.

I. If any tests performed by Tenant or Landlord prior to the Commencement Date disclose Hazardous Materials at the Premises, Landlord at its expense will promptly take all reasonable action required by law with respect to the existence of such Hazardous Materials at the Premises. The Commencement Date shall not be delayed because of such action by Landlord unless occupation of the Premises is prohibited by law.

J. The obligations of Landlord and Tenant under this Paragraph 45 shall survive the expiration or earlier termination of the Term of this Lease. The rights and obligations of Landlord and Tenant with respect to issues relating to Hazardous Materials are exclusively established by this Paragraph 45."

12. SECURITY DEPOSIT: Effective as of the first day of the Third Option Period, Lease Paragraph 51 ("Security Deposit") shall be deleted in its entirety and replaced with the following:

"51. SECURITY DEPOSIT: The following provisions shall modify Lease Paragraph 4F:

A. Within thirty (30) days after the expiration or earlier termination of the Lease term and after Tenant has vacated the Premises, Landlord shall return to Tenant the entire Security Deposit except for amounts that Landlord has deducted therefrom that are needed by Landlord to cure defaults of Tenant under the Lease or compensate Landlord for damages for which Tenant is liable pursuant to this Lease. The use or disposition of the Security Deposit shall be subject to the provisions of California Civil Code Section 1950.7.

B. During the first thirty (30) days following Tenant's exercise of its Third Option to Extend, and only during said thirty day period, Tenant shall have the one-time option of satisfying its obligation with respect to an amount equal to one-half (1/2) ($83,277.28) of the $166,554.56 Security Deposit required under Lease Paragraph 4F by providing to Landlord, at Tenant's sole cost, a letter of credit which: (i) is drawn upon an institutional lender reasonably acceptable and accessible to Landlord in form and content reasonably satisfactory to Landlord; (ii) is in the amount of one-half (1/2) of the Security Deposit; (iii) is for a term of at lease twelve (12) months; (iv) with respect to any letter of credit in effect within the six month period immediately prior to the expiration of the Lease term, shall provide that the term of such letter of credit shall extend at least forty five (45) days past the Lease expiration date (including any extensions thereof); and (v) may be drawn upon by Landlord upon submission of a declaration of Landlord that Tenant is in default (as defined in Paragraph 19 and as modified by Paragraph 60). Landlord shall not be obligated to furnish proof of default to such institutional lender, and Landlord shall only be required to give the institutional lender written notification that Tenant is in default and upon receiving such written notification from Landlord the institutional lender shall be obligated to immediately deliver cash to Landlord equal to the amount Landlord may spend or become obligated to spend by reason of Tenant's default or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default up to 1/2 of the total Security Deposit required under Lease Paragraph 4F. Said letter of credit shall provide that if the letter of credit is not renewed, replaced or extended within twenty (20) days prior to its expiration date the issuer of the credit shall automatically issue a cashiers check payable to Landlord in the amount of the letter of credit after the date which is twenty (20) days before the expiration date, and no later than the expiration date, without Landlord being required to make demand upon the letter of credit. If Tenant provides Landlord with a letter of credit, within thirty (30) days the execution of this Lease, meeting the foregoing requirements one-half (1/2) of the cash Security Deposit (i.e., $83,277.28 of the $166,554.56 Security Deposit) shall be returned to Tenant by Landlord inasmuch deposit remaining and the Letter

of Credit equal the total Security Deposit required in Lease Paragraph 4F. If Tenant defaults with respect to any provisions of this Lease, including but not limited to provisions relating to the payment of Rent, Landlord may (but shall not be required to) draw down on the letter of credit for payment of any sum which Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default. Landlord and Tenant acknowledge that such letter of credit will be treated as if it were a cash security deposit, and such letter of credit may be drawn down upon by Landlord upon demand and presentation of evidence of the identity of Landlord to the issuer, in the event that Tenant defaults with respect to any provision of this Lease and such default is not cured within any applicable cure period. Notwithstanding anything to the contrary in this Lease, Landlord shall not be obligated to furnish proof of default to such institutional lender and Landlord is only required to give the institutional lender written notification that Tenant is in default and upon receiving such written notification from Landlord the institutional lender shall be obligated to immediately deliver cash to Landlord equal to the amount Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default up to 1/2 of the total Security Deposit. Landlord acknowledges that it is not entitled to draw down such letter of credit unless Landlord would have been entitled to draw upon the cash security deposit pursuant to the terms of Paragraph 4F of the Lease. Concurrently with the delivery of the required information to the issuer, Landlord shall deliver to Tenant written evidence of the default upon which the draw down was based, together with evidence that Landlord has provided to Tenant the written notice of such default which was required under the applicable provision of the Lease, and evidence of the failure of Tenant to cure such default within the applicable grace period following receipt of such notice of default. Any proceeds received by Landlord by drawing upon the letter of credit shall be applied in accordance with the provisions governing the Security Deposit imposed by Lease Paragraph 4F and this Paragraph 51. If Landlord draws upon the letter of credit, thereafter Tenant shall once again have the right to post a letter of credit in place of one-half (1/2) of a cash Security Deposit so long as Tenant is not then in default. In any event Tenant will be obligated to replenish the amount drawn to restore the Security Deposit to its original amount as provided for in Paragraph 4F. If any portion of the letter of credit is used or applied pursuant hereto, Tenant shall, within ten (10) days after receipt of a written demand therefor from Landlord, restore and replace the value of such security by either (i) depositing cash with Landlord in the amount equal to the sum drawn down under the letter of credit, or (ii) increasing the letter of credit to its value immediately prior to such application. Tenant's failure to replace the value of the security as provided in the preceding sentence shall be a material breach of its obligation under this Lease."

13. REAL ESTATE TAXES: Effective as of the first day of the Third Option Period, Lease Paragraph 54 ("Real Estate Taxes") shall be deleted in its entirety and replaced with the following:

"54. REAL PROPERTY TAXES: Paragraph 9 is modified by the following:

A. The term "Real Property Taxes" shall not include charges, levies or fees directly related to the use, storage, disposal or release of Hazardous Materials on the Premises unless directly related to Tenant's Activities at this site or on other sites leased and/or owned by Tenant; however, Tenant shall be responsible for general or special tax and/or assessments (related to Hazardous Materials and/or toxic waste) imposed on the Property provided said special tax and/or assessment is not imposed due to on-site originated contamination on the Property (by third parties not related to Tenant) prior to the Lease Commencement Date. Subject to the terms and conditions stated herein, Tenant shall be responsible for paying one hundred percent (100%) of said taxes and/or assessments allocated to the Property.

B. If any assessments for public improvements are levied against the Premises, Landlord may elect either to pay the assessment in full or to allow the assessment to go to bond. If Landlord pays the assessment in full, Tenant shall pay to Landlord or any assignee or purchaser of the Premises each time payment of Real Property Taxes is

made a sum equal to that which would have been payable (as both principal and interest) had Landlord allowed the assessment to go to bond.

C. Tenant at its cost shall have the right, at any time, to seek a reduction in the assessed valuation of the Premises or to contest any Real Property Taxes that are to be paid by Tenant. If Tenant seeks a reduction or contests such Real Property Taxes, the failure on Tenant's part to pay such Real Property Taxes being so contested shall not constitute a default so long as Tenant complies with the provisions of this Paragraph. Landlord shall not be required to join in any proceeding or contest brought by Tenant unless the provisions of any law require that the proceeding or contest be brought by or in the name of Landlord. In that case Landlord shall join in the proceedings or contest or permit it to be brought in Landlord's name as long as Landlord is not required to bear any cost. Tenant, on final determination of the proceeding or contest, shall immediately pay or discharge its share of any Real Property Taxes determined by any decision or judgment rendered, together with all costs, charges, interest, and penalties incidental to the decision or judgment. If Tenant does not pay the Real Property Taxes when due pursuant to the Lease and Tenant seeks a reduction or contests them as provided in this paragraph, before the commencement of the proceeding or contest Tenant shall furnish to Landlord a surety bond in form reasonably satisfactory to Landlord issued by an insurance company qualified to do business in California. The amount of the bond shall equal 125% of the total amount of Real Property Taxes in dispute and any such bond shall be assignable to any lender or purchaser of the Premises. The bond shall hold Landlord and the Premises harmless from any damage arising out of the proceeding or contest and shall insure the payment of any judgment that may be rendered."

14. PROPERTY INSURANCE: Effective as of the first day of the Third Option Period, section B of Lease Paragraph 55 ("Property Insurance") shall be deleted in its entirety and be of no further force or effect.

15. ASSIGNMENT AND SUBLETTING: Effective as of the first day of the Third Option Period, Lease Paragraph 56 ("Assignment and Subletting") shall be deleted in its entirety and replaced with the following:

"56. ASSIGNMENT AND SUBLETTING: The following modifications are made to Paragraph 16:

A. In the event that Tenant seeks to make any assignment or sublease, then Landlord, by giving Tenant written notice of its election within fifteen (15) days after Tenant's notice of intent to assign or sublease has been given to Landlord, shall have the right to elect (i) to withhold its consent to such assignment or sublease, as permitted pursuant to Paragraph 16, or (ii) to permit Tenant to so assign the Lease or sublease such part of the Premises, in which event Tenant may do so, but without being released of its liability for the performance of all of its obligations under the Lease, and the following shall apply (except the following shall not apply to a "Permitted Transfer" described in Paragraph 57):

(1) If Tenant assigns its interest in this Lease, then in addition to the rental provided for in this Lease, Tenant shall pay to Landlord fifty percent (50%) of all Rent and other consideration received by Tenant over and above (i) the assignee's agreement to assume the obligations of Tenant under this Lease and (ii) all "Permitted Transfer Costs" (as defined herein) related to such assignment. As used herein, the term "Permitted Transfer Costs" shall mean all reasonable leasing commissions paid to third parties not affiliated with Tenant in order to obtain the assignment or sublease in question.

(2) If Tenant sublets all or part of the Premises, then Tenant shall pay to Landlord in addition to the Rent provided for in this Lease fifty percent (50%) of the positive difference, if any, between (i) all rent and other consideration paid or provided to Tenant by the subtenant, less (ii) all Rent paid by Tenant to Landlord pursuant to

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this Lease which is allocable to the area so sublet and all Permitted Transfer Costs related to such sublease. After Tenant has recovered all

Permitted Transfer Costs Tenant shall pay to Landlord the amount specified in the preceding sentence on the same basis, whether periodic or in lump sum, that such rent and other consideration is paid to Tenant by its subtenant, within seven (7) days after it is received by Tenant.

3) Tenant's obligations under this subparagraph shall survive any assignment or sublease. At the time Tenant makes any payment to Landlord required by this subparagraph, Tenant shall deliver an itemized statement of the method by which the amount to which Landlord is entitled was calculated, certified by Tenant as true and correct. Landlord shall have the right to inspect Tenant's books and records relating to the payments due pursuant to this subparagraph. Upon request therefor, Tenant shall deliver to Landlord copies of all bills, invoices or other documents upon which its calculations are based.

(4) As used herein, the term "consideration" shall mean any consideration of any kind received, or to be received (including, but not limited to, services rendered and/or value received) by Tenant as a result of the assignment or sublease, if such sums are paid or provided to Tenant for Tenant's interest in this Lease or in the Premises.

(5) This Paragraph 56.A does not apply to a "Permitted Transfer", as provided in Paragraph 57 hereof. The parties agree that if any of the following transactions occur and do not qualify as "Permitted Transfers", Tenant must obtain Landlord's consent to such transaction and if Landlord consents to any of the following transactions which do not otherwise qualify as "Permitted Transfers", then the provisions of this Paragraph 56.A shall not apply to the following transactions: (i) a merger, consolidation or other reorganization in which Tenant is not the surviving corporation so long as 95% of all assets and liabilities of Tenant are permanently transferred to such assignee; and (ii) an assignment of this Lease to a corporation which purchases or otherwise acquires 95% or more of the assets of Tenant so long as 95% of all assets and liabilities of Tenant are permanently transferred to such assignee and Tenant remains liable and responsible under the Lease to the extent Tenant continues in existence following such transaction."

16. PERMITTED ASSIGNMENTS AND SUBLEASES: Effective as of the first day of the Third Option Period, Lease Paragraph 57 ("Permitted Assignments and Subleases") shall be deleted in its entirety and replaced with the following:

"57. PERMITTED ASSIGNMENTS AND SUBLEASES: Notwithstanding anything contained in Paragraph 16, so long as Tenant otherwise complies with the provisions of Paragraph 16 and the Permitted Transfer does not release Tenant from its obligations hereunder, Tenant may enter into any of the following transfers (a "Permitted Transfer") without Landlord's prior written consent, and the provisions of Paragraph 56A shall not apply to any such Permitted Transfer:

A. Tenant may sublease all or part of the Premises or assign its interest in this Lease to any corporation which controls, is controlled by, or is under common control with Tenant by means of an ownership interest of more than fifty percent (50%) providing Tenant remains liable for the payment of Rent and full performance of the Lease;

B. Tenant may assign its interest in the Lease to a corporation which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation so long as (i) 95% of all assets and liabilities of Tenant are permanently transferred to such assignee, and (ii) immediately prior to the merger, consolidation or other reorganization, the corporation into which Tenant is to be merged has a net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, merger, consolidation or reorganization (whichever is greater), or if it does not, Landlord is provided a guaranty of the Lease (in a form reasonably acceptable to Landlord) from a corporation (a) that

is the parent of, or is otherwise affiliated with, the corporation into which Tenant is to be merged, and (b) which has a current net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, merger, consolidation or reorganization (whichever is greater). In the event there is not a permanent transfer of 95% or more of the assets and liabilities from

Tenant to a third party, and Tenant continues to exist as a separate entity, both companies shall be jointly and severally liable for the full terms and conditions of the Lease;

C. Tenant may assign this Lease to a corporation which purchases or otherwise acquires 95% or more of the assets of Tenant so long as 95% of all assets and liabilities of Tenant are permanently transferred to such assignee (in the event there is not a permanent transfer of 95% or more of the assets and liabilities from Tenant to a third party and Tenant continues to exist as a separate entity, both companies shall be jointly and severally liable for the full terms and conditions of the Lease), and provided that immediately prior to such assignment said corporation, has a net worth equal to or greater than the net worth of Tenant (a) at the time of Lease execution or (b) at the time of such assignment (whichever is greater), or if it does not, Landlord is provided a guaranty of the Lease (in a form reasonably acceptable to Landlord) from a corporation (a) that is the parent of, or is otherwise affiliated with, said corporation and (b) which has a current net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, (whichever is greater)."

17. DESTRUCTION: Effective as of the first day of the Third Option Period, Lease Paragraph 62 ("Destruction") shall be deleted in its entirety and replaced with the following:

"62. DESTRUCTION: Paragraph 21 is modified by the following:

A. Notwithstanding anything to the contrary within Paragraph 21, Landlord may terminate this Lease in the event of an uninsured event or if insurance proceeds, net of the deductible, are insufficient to cover one hundred percent of the rebuilding costs; provided, however, Tenant shall have the right to elect, in its discretion, to contribute such excess funds to permit Landlord to repair the Premises.

B. Except as provided in Paragraph 62C, Landlord may not terminate the Lease if the Premises are damaged by a peril whereby the cost to replace and/or repair is one hundred percent (100%) covered by the insurance carried by Landlord pursuant to Paragraph 12, but instead shall restore the Premises in the manner described by Paragraph 21.

C. If the Premises are damaged by a peril covered by the insurance carried by Landlord pursuant to Paragraph 12, Landlord shall have the option to terminate the Lease if each of the following conditions is satisfied: (i) the cost to repair or the damage exceeds thirty-three percent (33%) of the then replacement cost of the Premises; and (ii) the damage occurs at a time when there is less than five (5) years remaining in the term of the Lease.

D. If Landlord fails to obtain insurance as required pursuant to Paragraph 12, and said insurance would have been available to cover any damage or destruction to the Premises, Landlord shall be required to rebuild, at its cost, net of the deductible which would have been required under said insurance policy (which deductible Tenant is required to pay).

E. If the Premises are damaged by any peril, then as soon as reasonably practicable, Landlord shall furnish Tenant with the written opinion of Landlord's architect or construction consultant as to when the restoration work required of Landlord may be completed. Tenant shall have the option to terminate this Lease in the event any of the following occurs, which option may be exercised only by delivery to Landlord of a written notice of election to terminate within seven (7) days after Tenant receives from Landlord the estimate of the time needed to complete such restoration:

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(1) The Premises are damaged by any peril (not caused by or resulting from an action of Tenant or Tenant's agents, employees, contractors or invitees) and, in the reasonable opinion of Landlord's architect or construction consultant, the restoration of the Leased Premises cannot be substantially completed within 180 days after the date of such damage (subject to force majeure conditions); or

(2) The Premises are damaged by any peril (not caused by or resulting from an action of Tenant or Tenant's agents, employees, contractors or invitees) within twelve (12) months of the last day of the Lease term, and, in the reasonable opinion of Landlord's architect or construction consultant, the restoration of the Leased Premises cannot be substantially completed within sixty (60) days after the date

of such damage and Tenant has not exercised its Option to Extend said Term (or Extended Term as the case may be)."

18. LIABILITY INSURANCE: Effective as of the first day of the Third Option Period, the first sentence of Lease Paragraph 10 ("Liability Insurance") shall be deleted and replaced with the following: "Tenant, at Tenant's expense, agrees to keep in force during the Term of this Lease a policy of commercial general liability insurance with combined single limit coverage of not less than Two Million Dollars ($2,000,000) per occurrence for bodily injury and property damage occurring in, on or about the Premises, including parking and landscaped areas."

19. LIMITATION OF LIABILITY: Effective as of the first day of the Third Option Period, Lease Paragraph 36 ("Limitation of Liability") shall be deleted in its entirety and replaced with the following:

"36. LIMITATION OF LIABILITY In consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

(i) the sole and exclusive remedy shall be against Landlord's interest in the Premises leased herein;
(ii) no partner of Landlord shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction of the partnership);
(iii) no service of process shall be made against any partner of Landlord (except as may be necessary to secure jurisdiction of the partnership);
(iv) no partner of Landlord shall be required to answer or otherwise plead to any service of process;
(v) no judgment will be taken against any partner of Landlord;
(vi) any judgment taken against any partner of Landlord may be vacated and set aside at any time without hearing;
(vii) no writ of execution will ever be levied against the assets of any partner of Landlord;
(viii) these covenants and agreements are enforceable both by Landlord and also by any partner of Landlord.

Tenant agrees that each of the foregoing covenants and agreements shall be applicable to any covenant or agreement either expressly contained in this Lease or imposed by statute or at common law."

EXCEPT AS MODIFIED HEREIN, all other terms, covenants, and conditions of said April 10, 1992 Lease Agreement shall remain in full force and effect.

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IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment No. 1 to Lease as of the day and year last written below.

LANDLORD:	TENANT:
JOHN ARRILLAGA SURVIVOR'S TRUST	QUANTUM CORPORATION a Delaware corporation
By /s/ John Arrillaga John Arrillaga, Trustee	By /s/ Andrew Kryder
Date: 6/30/97	Andrew Kryder Print or Type Name
RICHARD T. PEERY SEPARATE PROPERTY TRUST	Title: FINANCE AND CORP GENERAL COUNSEL
By /s/ Richard T. Peery Richard T. Peery, Trustee	Date: June 25, 1997
Date: 6/26/97	

AMENDMENT NO. 3
TO LEASE

THIS AMENDMENT NO. 3 is made and entered into this 16th day of April, 1997, by and between JOHN ARRILLAGA, Trustee, or his Successor Trustee UTA dated 7/20/77 (JOHN ARRILLAGA SURVIVOR'S TRUST) (previously known as the "John Arrillaga Separate Property Trust") as amended, and RICHARD T. PEERY, Trustee, or his Successor Trustee UTA dated 7/20/77 (RICHARD T. PEERY SEPARATE PROPERTY TRUST) as amended, collectively as LANDLORD, and QUANTUM CORPORATION, a Delaware corporation, as TENANT.

RECITALS

A. WHEREAS, by Lease Agreement dated October 31, 1989 Landlord leased to Tenant all of that certain 176,516+/- square foot building located at 500 McCarthy Blvd., Milpitas, California, the details of which are more particularly set forth in said October 31, 1989 Lease Agreement, and

B. WHEREAS, said Lease was amended by Letter Agreement dated October 31, 1989 which provided for a Basic Rent Credit for the period commencing with the Lease Commencement Date and ending on May 31, 1991, and

C. WHEREAS, said Lease was amended by Letter Agreement dated April 24, 1990 which canceled the reduction in Basic Rent Credit Letter dated October 31, 1989, and

D. WHEREAS, said Lease was amended by Amendment No. 1 dated April 24, 1990 which which delayed the Lease Commencement Date from December 15, 1990 to April 1, 1991, and,

E. WHEREAS, said Lease was amended by the Commencement Letter dated March 7, 1991 which changed the Commencement Date of the Lease from April 1, 1991 to April 7, 1991, and established the Termination Date of September 30, 2006, and,

E. WHEREAS, said Lease was amended by Amendment No. 2 dated June 8, 1992 which replaced Lease Exhibit A and amended the description of the Premises, and

F. WHEREAS, it is now the desire of the parties hereto to amend the Lease by (i) extending the Term for five years, changing the Termination Date from September 30, 2006 to September 30, 2011, (ii) amending the Basic Rent schedule and Aggregate Rent accordingly, (iii) adding a third Five Year Option to Extend, (iv) replacing Paragraphs 41C ("Lease Terms Co-extensive") and 48 ("Cross Default") and 53 ("Structural Capital Costs Regulated by Governmental Agencies After the Commencement of this Lease not Caused by Tenant or Tenant's Uses or Remodeling of the Premises"), (v) amending Lease Paragraph 12 ("Property Insurance") and (vi) amending and/or replacing certain provisions of the Lease commencing as of the commencement of the Third Extended Term of said Lease as hereinafter set forth.

AGREEMENT

NOW THEREFORE, for valuable consideration, receipt of which is hereby acknowledged, and in consideration of the hereinafter mutual promises, the parties hereto do agree as follows:

1. TERM OF LEASE: It is agreed between the parties that Tenant has exercised its First Five-Year Option to Extend the lease term of that certain lease agreement dated March 23, 1994 for premises located at 1101 Sumac Drive, Milpitas, California (the "Building 5 Lease"), as detailed in Paragraph 41 of said Building 5 Lease. Paragraph 40C of said Building 5 Lease provides that in the event the term of said Building 5 Lease is extended for any reason whatsoever, the terms of the Existing Leases (i.e. two of said leases dated October 31, 1989 are for Premises located at 1140 Technology Drive and 500 McCarthy Blvd., Milpitas, California (the "1989 Leases"); one of said leases dated September 17, 1990 is for Premises located at 1000 Sumac Drive, Milpitas, California

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and one of said leases dated April 10, 1992 is for Premises located at 900 Sumac Drive, Milpitas, California) shall also be extended so that all five Leases expire on the same date; therefore, it is agreed between the parties that by exercising its Option to Extend the Building 5 Lease, Tenant has in effect exercised its Option to Extend under Lease Paragraph 42 ("First Five-Year Option to Extend"), and that pursuant to said Lease Paragraph 42, the Term of this Lease Agreement shall be extended for an additional five (5) year period, and the Lease Termination Date shall be changed from September 30, 2006 to September 30, 2011.

2. BASIC RENTAL FOR FIRST EXTENDED TERM OF LEASE: The monthly Basic Rental for the First Extended Term of Lease shall be as follows:

On October 1, 2006, the sum of THREE HUNDRED EIGHT THOUSAND NINE HUNDRED THREE AND NO/100 DOLLARS ($308,903.00) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2007.

On October 1, 2007, the sum of THREE HUNDRED SEVENTEEN THOUSAND SEVEN HUNDRED TWENTY EIGHT AND 80/100 DOLLARS ($317,728.80) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2008.

On October 1, 2008, the sum of THREE HUNDRED TWENTY SIX THOUSAND FIVE HUNDRED FIFTY FOUR AND 60/100 DOLLARS ($326,554.60) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2009.

On October 1, 2009, the sum of THREE HUNDRED THIRTY FIVE THOUSAND THREE HUNDRED EIGHTY AND 40/100 DOLLARS ($335,380.40) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2010.

On October 1, 2010, the sum of THREE HUNDRED FORTY FOUR THOUSAND TWO HUNDRED SIX AND 20/100 DOLLARS ($344,206.20) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2011.

The Aggregate Basic Rent for the Lease shall be increased by $19,593,276.00 or from $44,409,491.18 to $64,002,767.18.

3. THIRD FIVE-YEAR OPTION TO EXTEND: Provided Tenant has extended the Lease for an additional five (5) year period pursuant to Lease Paragraph 43 ("Second Five Year Option To Extend"), Landlord hereby grants to Tenant a third option to extend the Term of this Lease for an additional five (5) year period upon the following terms and conditions:

A. Tenant shall give Landlord written notice of Tenant's exercise of this option to extend at least one hundred eighty (180) days prior to the expiration of the Lease Term as extended pursuant to Lease Paragraph 43 ("Second Five Year Option To Extend"), in which event the Lease shall be considered extended for an additional five (5) year period upon the same terms and conditions as this Lease, absent this Paragraph 3 and subject to the Rental as set forth below. In the event that Tenant fails to timely exercise Tenant's option as set forth herein in writing, Tenant shall have no further option to extend this Lease or the Other Leases, and this Lease shall continue in full force and effect for the full remaining term hereof, absent this Paragraph 3.

B. The monthly Basic Rent for the option period shall be as follows in the event the option is exercised:

Period	Monthly Basic Rent
Months 1-12	$2.25/sf
Months 13-24	$2.30/sf
Months 25-36	$2.35/sf
Months 37-48	$2.40/sf
Months 49-60	$2.45/sf

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C. Notwithstanding anything contained herein, Tenant may not exercise the option to extend granted by this Paragraph 3 at any time that Tenant is in default (default for monetary and material default for non-monetary) of its obligations under this Lease, if Tenant has received written notice from Landlord that Tenant is in default, and such default has not been timely cured within the time period provided for in this Lease; provided, however, that if such default of Tenant is not for money due under this Lease and cannot be cured, and if Landlord does not elect to terminate this Lease as a result of such non-curable default by Tenant, Tenant may exercise the option to extend granted by this Paragraph 3 notwithstanding such non-curable default.

4. LEASE TERMS CO-EXTENSIVE: Lease Paragraph 40C ("Lease Terms Co-extensive") is hereby deleted in its entirety and replaced with the following:

"40C. LEASE TERMS CO-EXTENSIVE: It is acknowledged that (i) Landlord and Tenant have previously executed four separate leases in addition to this Lease: one of said leases dated October 31, 1989 is for Premises located at 1140 Technology Drive, Milpitas, California (the "Building One Lease"); one of said leases dated September 17, 1990 is for Premises located at 1000 Sumac Drive, Milpitas, California (the "Building Four Lease"); one of said leases dated April 10, 1992 is for Premises located at 900 Sumac Drive, Milpitas, California (the "Building 3 Lease"); and one of said leases dated March 23, 1994 is for premises located at 1101 Sumac Drive, Milpitas, California (the "Building 5 Lease") (hereinafter collectively referred to as the "Other Leases"); and (ii) it is the intention of the parties that the term of this Lease be co-extensive with the term of the Other Leases, such that the terms of all five leases ("the Leases") expire on the same date. The provisions of this Paragraph 40C also requires the terms of all the Leases to be extended accordingly if Tenant exercises its Option to Extend under any of the Leases. The monthly Basic Rent during the extended term under each of the Leases shall be increased by $.05 per square foot on the commencement date of the extended term and thereafter on each and every anniversary of the respective lease's commencement date of the extended term."

5. CROSS DEFAULT: Lease Paragraph 48 ("Cross Default") is hereby deleted in its entirety and replaced with the following:

"48. CROSS DEFAULT: It is agreed between Landlord and Tenant that a default under this Lease, or a default under any of the Other Leases may, at the option of Landlord, be considered a default under all Leases, in which event Landlord shall be entitled (but in no event required) to apply all rights and remedies of Landlord under the terms of one lease to all the Leases including, but not limited to, the right to terminate any or all of the aforementioned Other Leases or this Lease by reason of a default under the Leases or hereunder.

Notwithstanding the above, Landlord shall have the option of considering a default under this Lease or a default under any of the Other Leases to be a default under all such leases, only with respect to such leases under which 'Landlord' is also the 'Landlord' at the time such default occurs. By way of example, if at the time a default of Tenant occurs under this Lease, Landlord has sold the premises described in any of the Other Leases and is no longer the 'Landlord' thereunder, then a default under this Lease shall not constitute a default under any of such Other Leases so sold by Landlord (unless the premises leased under this Lease and the Other Leases are sold to the same entity), and a default by Tenant under any of such Other Leases so sold by Landlord shall not constitute a default under this Lease or any other of the Other Leases then remaining between Landlord and Tenant. However, if the Landlord under this Lease and the Other Leases is one in the same at the time of said default, said cross default provisions shall apply."

6. STRUCTURAL CAPITAL COSTS REGULATED BY GOVERNMENTAL AGENCIES AFTER THE COMMENCEMENT OF THIS LEASE NOT CAUSED BY TENANT OR TENANT'S USES OR REMODELING OF THE PREMISES: Lease Paragraph 53 ("Structural Capital Costs Regulated by Governmental Agencies after the Commencement of this Lease Not Caused by Tenant or

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Tenant's Uses or Remodeling of the Premises") is hereby deleted and replaced with the following:

"53. STRUCTURAL CAPITAL COSTS REGULATED BY GOVERNMENTAL AGENCIES AFTER THE COMMENCEMENT OF THIS LEASE NOT CAUSED BY TENANT OR TENANT'S USES OR REMODELING OF THE PREMISES: The provisions of this Paragraph 53 shall modify Paragraphs 7 and 14:

A. If (i) during the last five (5) years of the First Extended Term of the Lease if said Lease has not been extended as provided for in Lease Paragraph 43 ("Second Five Year Option To Extend") or in Paragraph 3 ("Third Five Year Option to Extend") or Paragraph 4 ("Lease Terms Co-Extensive") above, or (ii) during either of the five (5) year extension periods permitted by Lease Paragraph 43 or Paragraph 3, or Paragraph 4 above, it becomes necessary (due to any governmental

requirement for continued occupancy of the Premises) to make structural improvements required by laws enacted or legal requirements imposed by governmental agency(s) after the Commencement Date, and the cost for each required work or improvements exceeds $100,000, then if such legal requirement is not imposed because of Tenant's specific use of the Premises and is not "triggered" by Tenant's Alterations or Tenant's application for a building permit or any other governmental approval (collectively "Tenant's Actions") in which instance Tenant shall be responsible for 100% of the cost of such improvements, Landlord shall be responsible for paying the cost of such improvement and constructing such improvement, subject to a cash contribution from Tenant of a portion of the cost thereof as provided for and calculated in Paragraph 53B.

B. When Landlord makes an improvement pursuant to Paragraph 53A, and as a condition to Landlord's obligation to construct such improvement, Tenant shall make the following contribution in cash to Landlord for the cost thereof prior to the commencement of the work by Landlord. It is agreed that Tenant shall pay to Landlord 100% of the cost of the first $100,000.00 worth of each improvement. After the first $100,000.00, all costs above $100,000.00 shall be divided by 15 and multiplied by the time period remaining in the last five years of the Lease Term from the date work on such improvement commences.

For example, if the improvement is not required as a result of Tenant's Actions and if the cost of such improvement was $400,000 and there was one year and six months remaining in the Lease term when the work commenced, then Tenant would be responsible for reimbursing Landlord in cash $130,000.00 computed as follows:

Total Cost of Work	$400,000.00
Tenant Responsible for 1st $100,000	-100.000.00
Total Amount To Be Amortized	$300,000.00
$300,000.00/15 = $20,000.00/yr. x 1.5 yrs =	$ 30,000.00

Tenant responsible for $100,000 + $30,000.00 = $130,000.00

C. If Landlord has made improvements, for which Tenant has reimbursed Landlord for the cost thereof pursuant to Paragraph 53B, and the term of this Lease is subsequently extended pursuant to the exercise by Tenant of an option to renew pursuant to Lease Paragraph 43 or Paragraph 3 above, upon the exercise of any such option by Tenant, Tenant shall pay to Landlord an additional sum equal to the total amount of said improvement less the amount previously paid for by Tenant. Using the example in Paragraph 53B above, Tenant would owe Landlord the additional amount of $270,000.00 ($400,000.00 - $130,000.00 = $270,000.00)."

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7. PROPERTY INSURANCE: Lease Paragraph 12 ("Property Insurance") is hereby amended to include the following: "Tenant acknowledges that as part of the cost of insurance policies for the Premises, Tenant is responsible for the payment of insurance deductibles on insurance claims as they relate to the Premises subject to the limitations provided in Lease Paragraph 55 ("Property Insurance") which limitations are applicable only during the initial Lease Term and the First Lease Extension Period and the Second Lease Extension Period. Said limitation provided for in Lease Paragraph 55 are null and void at the commencement of the Third Lease Extended Term".

8. THIRD OPTION PERIOD - LEASE PROVISION CHANGES: In the event Tenant exercises its Third Option to Extend as provided for in Paragraph 3 above, the following amendments (contained within Paragraphs 9 through 19) are herein made to the Lease to be effective upon the commencement of the third option period ("Third Option Period"), or during any period following the expiration of the Lease Term or expiration of the Lease when Tenant is in possession of the Premises.

9. LATE CHARGE: Effective as of the first day of the Third Option Period, the Late Charge referenced in Lease Paragraph 4.D ("Late Charge") shall be changed from five percent (5%) to ten percent (10%), and Lease Paragraph 50 ("Limitation on Late Charge") shall be deleted in its entirety and of no further force or effect.

10. MANAGEMENT FEE: Notwithstanding anything to the contrary in the Lease, effective as of the first day of the Third Option Period, and on the first day of each month thereafter, Tenant shall pay to Landlord, in addition to the Basic Rent and Additional Rent, a fixed monthly management fee ("Management

Fee") equal to one percent (1%) of the Basic Rent due for each month during the Lease Term.

11. HAZARDOUS MATERIALS: Effective as of the first day of the Third Option Period, Lease Paragraph 45 ("Hazardous Materials") shall be deleted in its entirety and replaced with the following:

"45. HAZARDOUS MATERIALS: Landlord and Tenant agree as follows with respect to the existence or use of "Hazardous Materials" (as defined herein) on, in, under or about the Premises and real property located beneath said Premises, which includes the entire parcel of land on which the Premises are located as shown in Green on Exhibit A to the Lease (hereinafter collectively referred to as the "Property"): ,

A. As used herein, the term "Hazardous Materials" shall mean any material, waste, chemical, mixture or byproduct which is or hereafter is defined, listed or designated under Environmental Laws (defined below) as a pollutant, or as a contaminant, or as a toxic or hazardous substance, waste or material, or any other unwholesome, hazardous, toxic, biohazardous, or radioactive material, waste, chemical, mixture or byproduct, or which is listed, regulated or restricted by any Environmental Law (including, without limitation, petroleum hydrocarbons or any distillates or derivatives or fractions thereof, polychlorinated biphenyls, or asbestos). As used herein, the term "Environmental Laws" shall mean any applicable Federal, State of California or local government law (including common law), statute, regulation, rule, ordinance, permit, license, order, requirement, agreement, or approval, or any determination, judgment, directive, or order of any executive or judicial authority at any level of Federal, State of California or local government (whether now existing or subsequently adopted or promulgated) relating to pollution or the protection of the environment, ecology, natural resources, or public health and safety.

B. Tenant shall notify Landlord prior to the occurrence of any Tenant's Hazardous Materials Activities (defined below). Landlord acknowledges that Tenant shall use, in compliance with applicable Environmental Laws, customary household and office supplies (Tenant shall first provide Landlord with a list of said materials use), such as mild cleaners, lubricants and copier toner. Any and all of Tenant's Hazardous Materials Activities shall be conducted in conformity with this Paragraph

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45, Paragraph 14 of this Lease, and in compliance with all Environmental Laws and regulations. As used herein, the term "Tenant's Hazardous Materials Activities" shall mean any and all use, handling, generation, storage, disposal, treatment, transportation, release, discharge, or emission of any Hazardous Materials on, in, beneath, to, from, at or about the Property, in connection with Tenant's use of the Property, or by Tenant or by any of Tenant's agents, employees, contractors, vendors, invitees, visitors or its future subtenants or assignees or other third parties (including "dumping" by others) (or which Hazardous Materials originate on the surface of the Premises any time on or after the Commencement Date of this Lease, but excluding Hazardous Materials on the Premises prior to the Lease Commencement Date because of the storage, use, disposal, or transportation of such materials or waste by any of Landlord's contractors or otherwise arising out of construction work performed by or under the direction of Landlord on the Premises and Landlord shall be responsible for all required actions with respect to such materials or wastes). Tenant agrees to provide Landlord with prompt written notice of any spill or release of Hazardous Materials at the Property during the term of the Lease of which Tenant becomes aware, and further agrees to provide Landlord with prompt written notice of any violation of Environmental Laws in connection with Tenant's Hazardous Materials Activities of which Tenant becomes aware. If Tenant's Hazardous Materials Activities involve Hazardous Materials other than normal use of customary household and office supplies, Tenant also agrees at Tenant's expense: (i) to install such Hazardous Materials monitoring, storage and containment devices as may be required by Environmental Laws, regulations and/or governing agencies; (ii) to provide Landlord with a written inventory of such Hazardous Materials, including an update of same each year upon the anniversary date of the Commencement Date of the Lease ("Anniversary Date"); and (iii) on each Anniversary Date to provide to Landlord copies of all documentation and records, required by applicable Environmental Laws to be prepared and submitted to governmental authorities, relating to use at the Property of Hazardous Materials or to Tenant's Hazardous Materials Activities, if any. If

upon completion of Landlord's review of said documentation and records, Landlord reasonably questions if Tenant is in compliance with all applicable Environmental Laws with respect to Tenant's Hazardous Materials Activities, Tenant agrees within thirty (30) days following receipt of written notice from Landlord, to retain a qualified environmental consultant, acceptable to Landlord, to evaluate whether Tenant is in compliance with all applicable Environmental Laws with respect to Tenant's Hazardous Materials Activities. Tenant, at its expense, shall submit to Landlord a report from such environmental consultant which discusses the environmental consultant's findings within two (2) months of each Anniversary Date. Tenant, at its expense, shall promptly undertake and complete any and all steps necessary, and in full compliance with applicable Environmental Laws, to fully correct any and all problems or deficiencies identified by the environmental consultant, and promptly provide Landlord with documentation of all such corrections.

C. Prior to termination or expiration of the Lease, Tenant, at its expense, shall (i) properly remove from the Property all Hazardous Materials which come to be located at the Property in connection with Tenant's Hazardous Materials Activities, and (ii) fully comply with and complete all facility closure requirements of applicable Environmental Laws regarding Tenant's Hazardous Materials Activities, including but not limited to (x) properly restoring and repairing the Property to the extent damaged by such closure activities, and (y) obtaining from the local Fire Department or other appropriate governmental authority with any legal or regulatory jurisdiction a written concurrence that closure has been completed in compliance with applicable Environmental Laws. Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any such closure activities.

D. If Landlord, upon consultation with Tenant, reasonably concludes that the Property has become contaminated as a result of Tenant's Hazardous Materials Activities, Landlord in addition to any other rights it may have under this Lease or under Environmental Laws or other laws, may enter upon the Property and conduct inspection, sampling and analysis, including but not limited to obtaining and analyzing samples of soil and groundwater, for the purpose of determining the nature and extent

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of such contamination except to the extent that such activities may be inconsistent with Tenant's compliance with Environmental Laws. Tenant shall promptly reimburse Landlord for the costs of such an investigation, including but not limited to reasonable attorneys' fees Landlord incurs with respect to such investigation to the extent, and only to the extent, that it that discloses Hazardous Materials contamination for which Tenant is liable under this Lease. Except as may be required of Tenant by applicable Environmental Laws, Tenant shall not perform any sampling, testing, or drilling to identify the presence of any Hazardous Materials at the Property, without Landlord's prior written consent which shall not be unreasonably withheld. Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any sampling, testing or drilling performed pursuant to the preceding sentence.

E. Tenant shall indemnify, defend (with legal counsel acceptable to Landlord, whose consent shall not unreasonably be withheld) and hold harmless Landlord, its employees, assigns, successors, successors-in-interest, agents and representatives from and against any and all claims (including but not limited to third party claims from a private party or a government authority), liabilities, obligations, losses, causes of action, demands, governmental proceedings or directives, fines, penalties, expenses, costs (including but not limited to reasonable attorneys', consultants' and other experts' fees and costs), and damages, which arise from or relate to: (i) Tenant's Hazardous Materials Activities; (ii) any Hazardous Materials contamination caused by Tenant prior to the Commencement Date of the Lease; or (iii) the breach of any obligation of Tenant under this Paragraph 45 (collectively, "Tenant's Environmental Indemnification"). Tenant's Environmental Indemnification shall include but is not limited to the obligation to promptly and fully reimburse Landlord for losses in or reductions to rental income, and diminution in fair market value of the Property. Tenant's Environmental Indemnification shall further include but is not limited to the obligation to diligently and properly implement to completion, at Tenant's expense, any and all environmental investigation, removal, remediation, monitoring, reporting, closure activities, or other

environmental response action as may be required by applicable Environmental Laws, regulations or governing agencies (collectively, "Response Actions"). Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any Response Actions.

F. Landlord hereby makes the following representations to Tenant, each of which is made only to the best of Landlord's knowledge as of the date Landlord executes this Lease, without any inquiry or investigation having been made or required by Landlord regarding this subject, nor does Landlord have any obligation to investigate or make inquiry regarding the subject:

(1) The soil and ground water on or under the Premises does not contain Hazardous Materials in amounts which violate any laws to the extent that any governmental entity could require either Landlord or Tenant to take any remedial action with respect to such Hazardous Materials.

(2) During the time that Landlord has owned the Premises, Landlord has received no notice of (i) any violation, or alleged violation, of any law that has not been corrected to the satisfaction of the appropriate authority, (ii) any pending claims relating to the presence of Hazardous Material on the Premises, or (iii) any pending investigation by any governmental agency concerning the Premises relating to Hazardous Materials.

G. Landlord and Tenant shall each give written notice to the other as soon as reasonably practicable of (i) any communication received from any governmental authority concerning Hazardous Materials which relates to the Premises, and (ii) any contamination of the Premises by Hazardous Materials which constitutes a violation of any law. Attached as Exhibit "C" to the Lease is a list of Hazardous Materials that Tenant intends to use at the Premises. If during the Lease Term Tenant proposes to use other Hazardous Materials at the Premises, Tenant shall inform Landlord of such use, identifying the Hazardous Materials and the manner of their use, storage and

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disposal, and shall agree (i) to use, store and dispose of such Hazardous Materials strictly in compliance with all laws, regulations and governing agencies and (ii) that the indemnity set forth in Paragraph 45 shall be applicable to Tenant's use of such Hazardous Material.

H. Landlord or Tenant may, at any time, cause testing wells to be installed on the Premises, and may cause the ground water to be tested to detect the presence of Hazardous Material by the use of such tests as are then customarily used for such purposes. Testing wells installed by Tenant shall be paid for by Tenant. If tests conducted by Landlord disclose that Tenant has violated any Hazardous Materials laws, or Tenant or parties on the Premises during the Term of this Lease have contaminated the Premises as determined by regulatory agencies pursuant to Hazardous Materials laws, or that Tenant has liability to Landlord pursuant to Paragraph 45A, then Tenant shall pay for 100 percent of the cost of the test and all related expense. Prior to the expiration of the Lease Term, Tenant shall remove any testing wells it has installed at the Premises, and return the Premises to the condition existing prior to the installation of such wells, unless Landlord requests in writing that Tenant leave all or some of the testing wells in which instance the wells requested to be left shall not be removed.

I. If any tests performed by Tenant or Landlord prior to the Commencement Date disclose Hazardous Materials at the Premises, Landlord at its expense will promptly take all reasonable action required by law with respect to the existence of such Hazardous Materials at the Premises. The Commencement Date shall not be delayed because of such action by Landlord unless occupation of the Premises is prohibited by law.

J. The obligations of Landlord and Tenant under this Paragraph 45 shall survive the expiration or earlier termination of the Term of this Lease. The rights and obligations of Landlord and Tenant with respect to issues relating to Hazardous Materials are exclusively established by this Paragraph 45."

12. SECURITY DEPOSIT: Effective as of the first day of the Third Option Period, Lease Paragraph 51 ("Security Deposit") shall be deleted in its entirety and replaced with the following:

"51. SECURITY DEPOSIT: The following provisions shall modify Lease Paragraph 4F:

A. Within thirty (30) days after the expiration or earlier termination of the Lease term and after Tenant has vacated the Premises, Landlord shall return to Tenant the entire Security Deposit except for amounts that Landlord has deducted therefrom that are needed by Landlord to cure defaults of Tenant under the Lease or compensate Landlord for damages for which Tenant is liable pursuant to this Lease. The use or disposition of the Security Deposit shall be subject to the provisions of California Civil Code Section 1950.7.

B. During the first thirty (30) days following Tenant's exercise of its Third Option to Extend, and only during said thirty day period, Tenant shall have the one-time option of satisfying its obligation with respect to an amount equal to one-half (1/2) ($238,296.60) of the $476,593.20 Security Deposit required under Lease Paragraph 4F by providing to Landlord, at Tenant's sole cost, a letter of credit which: (i) is drawn upon an institutional lender reasonably acceptable and accessible to Landlord in form and content reasonably satisfactory to Landlord; (ii) is in the amount of one-half (1/2) of the Security Deposit; (iii) is for a term of at lease twelve (12) months; (iv) with respect to any letter of credit in effect within the six month period immediately prior to the expiration of the Lease term, shall provide that the term of such letter of credit shall extend at least forty five (45) days past the Lease expiration date (including any extensions thereof); and (v) may be drawn upon by Landlord upon submission of a declaration of Landlord that Tenant is in default (as defined in Paragraph 19 and as modified by Paragraph 60). Landlord shall not be obligated to furnish proof of default to such institutional lender, and Landlord shall only be required to give the

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institutional lender written notification that Tenant is in default and upon receiving such written notification from Landlord the institutional lender shall be obligated to immediately deliver cash to Landlord equal to the amount Landlord may spend or become obligated to spend by reason of Tenant's default or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default up to 1/2 of the total Security Deposit required under Lease Paragraph 4F. Said letter of credit shall provide that if the letter of credit is not renewed, replaced or extended within twenty (20) days prior to its expiration date the issuer of the credit shall automatically issue a cashiers check payable to Landlord in the amount of the letter of credit after the date which is twenty (20) days before the expiration date, and no later than the expiration date, without Landlord being required to make demand upon the letter of credit. If Tenant provides Landlord with a letter of credit, within thirty (30) days of the execution of this Lease, meeting the foregoing requirements, one-half (1/2) of the cash Security Deposit (i.e., $238.296.60 of the $476.593.20 Security Deposit) shall be returned to Tenant by Landlord inasmuch as the cash deposit remaining and the Letter of Credit equal the total Security Deposit required in Lease Paragraph 4F. If Tenant defaults with respect to any provisions of this Lease, including but not limited to provisions relating to the payment of Rent, Landlord may (but shall not be required to) draw down on the letter of credit for payment of any sum which Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default. Landlord and Tenant acknowledge that such letter of credit will be treated as if it were a cash security deposit, and such letter of credit may be drawn down upon by Landlord upon demand and presentation of evidence of the identity of Landlord to the issuer, in the event that Tenant defaults with respect to any provision of this Lease and such default is not cured within any applicable cure period. Notwithstanding anything to the contrary in this Lease, Landlord shall not be obligated to furnish proof of default to such institutional lender and Landlord is only required to give the institutional lender written notification that Tenant is in default and upon receiving such written notification from Landlord the institutional lender shall be obligated to immediately deliver cash to Landlord equal to the amount Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default up to 1/2 of the total Security Deposit. Landlord acknowledges that it is not entitled to draw down such letter of credit unless Landlord would have been entitled to draw upon the cash security deposit pursuant to the terms of Paragraph 4F of the Lease. Concurrently with the delivery of the

required information to the issuer, Landlord shall deliver to Tenant written evidence of the default upon which the draw down was based, together with evidence that Landlord has provided to Tenant the written notice of such default which was required under the applicable provision of the Lease, and evidence of the failure of Tenant to cure such default within the applicable grace period following receipt of such notice of default. Any proceeds received by Landlord by drawing upon the letter of credit shall be applied in accordance with the provisions governing the Security Deposit imposed by Lease Paragraph 4F and this Paragraph 51. If Landlord draws upon the letter of credit, thereafter Tenant shall once again have the right to post a letter of credit in place of one-half (1/2) of a cash Security Deposit so long as Tenant is not then in default. In any event Tenant will be obligated to replenish the amount drawn to restore the Security Deposit to its original amount as provided for in Paragraph 4F. If any portion of the letter of credit is used or applied pursuant hereto, Tenant shall, within ten (10) days after receipt of a written demand therefor from Landlord, restore and replace the value of such security by either (i) depositing cash with Landlord in the amount equal to the sum drawn down under the letter of credit, or (ii) increasing the letter of credit to its value immediately prior to such application. Tenant's failure to replace the value of the security as provided in the preceding sentence shall be a material breach of its obligation under this Lease."

13. REAL ESTATE TAXES: Effective as of the first day of the Third Option Period, Lease Paragraph 54 ("Real Estate Taxes") shall be deleted in its entirety and replaced with the following:

"54. REAL PROPERTY TAXES: Paragraph 9 is modified by the following:

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A. The term "Real Property Taxes" shall not include charges, levies or fees directly related to the use, storage, disposal or release of Hazardous Materials on the Premises unless directly related to Tenant's Activities at this site or on other sites leased and/or owned by Tenant; however, Tenant shall be responsible for general or special tax and/or assessments (related to Hazardous Materials and/or toxic waste) imposed on the Property provided said special tax and/or assessment is not imposed due to on-site originated contamination on the Property (by third parties not related to Tenant) prior to the Lease Commencement Date. Subject to the terms and conditions stated herein, Tenant shall be responsible for paying one hundred percent (100%) of said taxes and/or assessments allocated to the Property.

B. If any assessments for public improvements are levied against the Premises, Landlord may elect either to pay the assessment in full or to allow the assessment to go to bond. If Landlord pays the assessment in full, Tenant shall pay to Landlord or any assignee or purchaser of the Premises each time payment of Real Property Taxes is made a sum equal to that which would have been payable (as both principal and interest) had Landlord allowed the assessment to go to bond.

C. Tenant at its cost shall have the right, at any time, to seek a reduction in the assessed valuation of the Premises or to contest any Real Property Taxes that are to be paid by Tenant. If Tenant seeks a reduction or contests such Real Property Taxes, the failure on Tenant's part to pay such Real Property Taxes being so contested shall not constitute a default so long as Tenant complies with the provisions of this Paragraph. Landlord shall not be required to join in any proceeding or contest brought by Tenant unless the provisions of any law require that the proceeding or contest be brought by or in the name of Landlord. In that case Landlord shall join in the proceedings or contest or permit it to be brought in Landlord's name as long as Landlord is not required to bear any cost. Tenant, on final determination of the proceeding or contest, shall immediately pay or discharge its share of any Real Property Taxes determined by any decision or judgment rendered, together with all costs, charges, interest, and penalties incidental to the decision or judgment. If Tenant does not pay the Real Property Taxes when due pursuant to the Lease and Tenant seeks a reduction or contests them as provided in this paragraph, before the commencement of the proceeding or contest Tenant shall furnish to Landlord a surety bond in form reasonably satisfactory to Landlord issued by an insurance company qualified to do business in California. The amount of the bond shall equal 125% of the total amount of Real Property Taxes in dispute and any such bond shall be assignable to any lender or purchaser of the Premises. The bond shall hold Landlord and the Premises harmless from any damage arising out of the

proceeding or contest and shall insure the payment of any judgment that may be rendered."

14. PROPERTY INSURANCE: Effective as of the first day of the Third Option Period, section B of Lease Paragraph 55 ("Property Insurance") shall be deleted in its entirety and be of no further force or effect.

15. ASSIGNMENT AND SUBLETTING: Effective as of the first day of the Third Option Period, Lease Paragraph 56 ("Assignment and Subletting") shall be deleted in its entirety and replaced with the following:

"56. ASSIGNMENT AND SUBLETTING: The following modifications are made to Paragraph 16:

A. In the event that Tenant seeks to make any assignment or sublease, then Landlord, by giving Tenant written notice of its election within fifteen (15) days after Tenant's notice of intent to assign or sublease has been given to Landlord, shall have the right to elect (i) to withhold its consent to such assignment or sublease, as permitted pursuant to Paragraph 16, or (ii) to permit Tenant to so assign the Lease or sublease such part of the Premises, in which event Tenant may do so, but without being released of its liability for the performance of all of its obligations under the Lease, and the following shall apply (except the following shall not apply to a

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"Permitted Transfer" described in Paragraph 57):

(1) If Tenant assigns its interest in this Lease, then in addition to the rental provided for in this Lease, Tenant shall pay to Landlord fifty percent (50%) of all Rent and other consideration received by Tenant over and above (i) the assignee's agreement to assume the obligations of Tenant under this Lease and (ii) all "Permitted Transfer Costs" (as defined herein) related to such assignment. As used herein, the term "Permitted Transfer Costs" shall mean all reasonable leasing commissions paid to third parties not affiliated with Tenant in order to obtain the assignment or sublease in question.

(2) If Tenant sublets all or part of the Premises, then Tenant shall pay to Landlord in addition to the Rent provided for in this Lease fifty percent (50%) of the positive difference, if any, between (i) all rent and other consideration paid or provided to Tenant by the subtenant, less (ii) all Rent paid by Tenant to Landlord pursuant to this Lease which is allocable to the area so sublet and all Permitted Transfer Costs related to such sublease. After Tenant has recovered all Permitted Transfer Costs Tenant shall pay to Landlord the amount specified in the preceding sentence on the same basis, whether periodic or in lump sum, that such rent and other consideration is paid to Tenant by its subtenant, within seven (7) days after it is received by Tenant.

(3) Tenant's obligations under this subparagraph shall survive any assignment or sublease. At the time Tenant makes any payment to Landlord required by this subparagraph, Tenant shall deliver an itemized statement of the method by which the amount to which Landlord is entitled was calculated, certified by Tenant as true and correct. Landlord shall have the right to inspect Tenant's books and records relating to the payments due pursuant to this subparagraph. Upon request therefor, Tenant shall deliver to Landlord copies of all bills, invoices or other documents upon which its calculations are based.

(4) As used herein, the term "consideration" shall mean any consideration of any kind received, or to be received (including, but not limited to, services rendered and/or value received) by Tenant as a result of the assignment or sublease, if such sums are paid or provided to Tenant for Tenant's interest in this Lease or in the Premises.

(5) This Paragraph 56.A does not apply to a "Permitted Transfer", as provided in Paragraph 57 hereof. The parties agree that if any of the following transactions occur and do not qualify as "Permitted Transfers", Tenant must obtain Landlord's consent to such transaction and if Landlord consents to any of the following transactions which do not otherwise qualify as "Permitted Transfers", then the provisions of this Paragraph 56.A shall not apply to the following transactions: (i) a merger, consolidation or other reorganization in which Tenant is not the surviving corporation so long

as 95% of all assets and liabilities of Tenant are permanently transferred to such assignee; and (ii) an assignment of this Lease to a corporation which purchases or otherwise acquires 95% or more of the assets of Tenant so long as 95% of all assets and liabilities of Tenant are permanently transferred to such assignee and Tenant remains liable and responsible under the Lease to the extent Tenant continues in existence following such transaction."

16. PERMITtED ASSIGNMENTS AND SUBLEASES: Effective as of the first day of the Third Option Period, Lease Paragraph 57 ("Permitted Assignments and Subleases") shall be deleted in its entirety and replaced with the following:

"57. PERMITTED ASSIGNMENTS AND SUBLEASES: Notwithstanding anything contained in Paragraph 16, so long as Tenant otherwise complies with the provisions of Paragraph 16 and the Permitted Transfer does not release Tenant from its obligations hereunder, Tenant may enter into any of the following transfers (a "Permitted Transfer") without Landlord's prior written consent, and the provisions of Paragraph 56A shall not apply to any such Permitted Transfer:

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A. Tenant may sublease all or part of the Premises or assign its interest in this Lease to any corporation which controls, is controlled by, or is under common control with Tenant by means of an ownership interest of more than fifty percent (50%) providing Tenant remains liable for the payment of Rent and full performance of the Lease;

B. Tenant may assign its interest in the Lease to a corporation which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation so long as (i) 95% of all assets and liabilities of Tenant are permanently transferred to such assignee, and (ii) immediately prior to the merger, consolidation or other reorganization, the corporation into which Tenant is to be merged has a net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, merger, consolidation or reorganization (whichever is greater), or if it does not, Landlord is provided a guaranty of the Lease (in a form reasonably acceptable to Landlord) from a corporation (a) that is the parent of, or is otherwise affiliated with, the corporation into which Tenant is to be merged, and (b) which has a current net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, merger, consolidation or reorganization (whichever is greater). In the event there is not a permanent transfer of 95% or more of the assets and liabilities from Tenant to a third party, and Tenant continues to exist as a separate entity, both companies shall be jointly and severally liable for the full terms and conditions of the Lease;

C. Tenant may assign this Lease to a corporation which purchases or otherwise acquires 95% or more of the assets of Tenant so long as 95% of all assets and liabilities of Tenant are permanently transferred to such assignee (in the event there is not a permanent transfer of 95% or more of the assets and liabilities from Tenant to a third party and Tenant continues to exist as a separate entity, both companies shall be jointly and severally liable for the full terms and conditions of the Lease), and provided that immediately prior to such assignment said corporation, has a net worth equal to or greater than the net worth of Tenant (a) at the time of Lease execution or (b) at the time of such assignment (whichever is greater), or if it does not, Landlord is provided a guaranty of the Lease (in a form reasonably acceptable to Landlord) from a corporation (a) that is the parent of, or is otherwise affiliated with, said corporation and (b) which has a current net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, (whichever is greater)."

17. DESTRUCTION: Effective as of the first day of the Third Option Period, Lease Paragraph 62 ("Destruction") shall be deleted in its entirety and replaced with the following:

"62. DESTRUCTION: Paragraph 21 is modified by the following:

A. Notwithstanding anything to the contrary within Paragraph 21, Landlord may terminate this Lease in the event of an uninsured event or if insurance proceeds, net of the deductible, are insufficient to cover one hundred percent of the rebuilding costs; provided, however, Tenant shall have the right to elect, in its discretion, to contribute such excess funds to permit Landlord to repair the Premises.

B. Except as provided in Paragraph 62C, Landlord may not terminate the Lease if the Premises are damaged by a peril whereby the cost to replace and/or repair is one hundred percent (100%) covered by the insurance carried by Landlord pursuant to Paragraph 12, but instead shall restore the Premises in the manner described by Paragraph 21.

C. If the Premises are damaged by a peril covered by the insurance carried by Landlord pursuant to Paragraph 12, Landlord shall have the option to terminate the Lease if each of the following conditions is satisfied: (i) the cost to repair or the damage exceeds thirty-three percent (33%) of the then replacement cost of the Premises; and (ii) the damage occurs at a time when there is less than five (5) years remaining in the term of the Lease.

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D. If Landlord fails to obtain insurance as required pursuant to Paragraph 12, and said insurance would have been available to cover any damage or destruction to the Premises, Landlord shall be required to rebuild, at its cost, net of the deductible which would have been required under said insurance policy (which deductible Tenant is required to pay).

E. If the Premises are damaged by any peril, then as soon as reasonably practicable, Landlord shall furnish Tenant with the written opinion of Landlord's architect or construction consultant as to when the restoration work required of Landlord may be completed. Tenant shall have the option to terminate this Lease in the event any of the following occurs, which option may be exercised only by delivery to Landlord of a written notice of election to terminate within seven (7) days after Tenant receives from Landlord the estimate of the time needed to complete such restoration:

(1) The Premises are damaged by any peril (not caused by or resulting from an action of Tenant or Tenant's agents, employees, contractors or invitees) and, in the reasonable opinion of Landlord's architect or construction consultant, the restoration of the Leased Premises cannot be substantially completed within 180 days after the date of such damage (subject to force majeure conditions); or

(2) The Premises are damaged by any peril (not caused by or resulting from an action of Tenant or Tenant's agents, employees, contractors or invitees) within twelve (12) months of the last day of the Lease term, and, in the reasonable opinion of Landlord's architect or construction consultant, the restoration of the Leased Premises cannot be substantially completed within sixty (60) days after the date of such damage and Tenant has not exercised its Option to Extend said Term (or Extended Term as the case may be)."

18. LIABILITY INSURANCE: Effective as of the first day of the Third Option Period, the first sentence of Lease Paragraph 10 ("Liability Insurance") shall be deleted and replaced with the following' "Tenant, at Tenant's expense, agrees to keep in force during the Term of this Lease a policy of commercial general liability insurance with combined single limit coverage of not less than Two Million Dollars ($2,000,000) per occurrence for bodily injury and property damage occurring in, on or about the Premises, including parking and landscaped areas."

19. LIMITATION OF LIABILITY: Effective as of the first day of the Third Option Period, Lease Paragraph 36 ("Limitation of Liability") shall be deleted in its entirety and replaced with the following:

"36. LIMITATION OF LIABILITY In consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

(i) the sole and exclusive remedy shall be against Landlord's interest in the Premises leased herein;
(ii) no partner of Landlord shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction of the partnership);
(iii) no service of process shall be made against any partner of Landlord (except as may be necessary to secure jurisdiction of the partnership);
(iv) no partner of Landlord shall be required to answer or otherwise plead to any service of process;
(v) no judgment will be taken against any partner of Landlord;
(vi) any judgment taken against any partner of Landlord may be vacated and set aside at any time without hearing;

(vii) no writ of execution will ever be levied against the assets of any partner of Landlord;
(viii) these covenants and agreements are enforceable both by Landlord and also by any partner of Landlord.

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Quantum 2

Tenant agrees that each of the foregoing covenants and agreements shall be applicable to any covenant or agreement either expressly contained in this Lease or imposed by statute or at common law."

EXCEPT AS MODIFIED HEREIN, all other terms, covenants, and conditions of said October 31, 1989 Lease Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment No. 3 to Lease as of the day and year last written below.

LANDLORD:

JOHN ARRILLAGA SURVIVOR'S TRUST

By /s/ John Arrillaga, Trustee

John Arrillaga, Trustee

Date: 6/30/97

RICHARD T. PEERY SEPARATE PROPERTY TRUST

By /s/ Richard T. Peery

Richard T. Peery, Trustee

Date: 6/26/97

TENANT:

QUANTUM CORPORATION
a Delaware corporation

By /s/ Andrew Kryder

Andrew Kryder

Print or Type Name

Title: FINANCE AND CORPORATE GENERAL COUNSEL

Date: June 25, 1997

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Quantum 1

AMENDMENT NO. 3
TO LEASE

THIS AMENDMENT NO. 3 is made and entered into this 16th day of April, 1997, by and between JOHN ARRILLAGA, Trustee, or his Successor Trustee UTA dated 7/20/77 (JOHN ARRILLAGA SURVIVOR'S TRUST) (previously known as the "John Arrillaga Separate Property Trust") as amended, and RICHARD T. PEERY, Trustee, or his Successor Trustee UTA dated 7/20/77 (RICHARD T. PEERY SEPARATE PROPERTY TRUST) as amended, collectively as LANDLORD, and QUANTUM CORPORATION, a Delaware corporation, as TENANT.

RECITALS

A. WHEREAS, by Lease Agreement dated October 31, 1989 Landlord leased to Tenant all of that certain 155,734+/- square foot building located at 1140 Technology Drive, Milpitas, California, the details of which are more particularly set forth in said October 31, 1989 Lease Agreement, and

B. WHEREAS, said Lease was amended by Letter Agreement dated October 31, 1989 which provided for a Basic Rent Credit for the period commencing with the Lease Commencement Date and ending on May 31, 1991, and

C. WHEREAS, said Lease was amended by Amendment No. 1 dated April 24, 1990 which canceled the reduction in Basic Rent Credit Letter dated October 31, 1989, and which delayed the Lease Commencement Date from December 15, 1990 to April 1, 1991, and,

D. WHEREAS, said Lease was amended by the Commencement Letter dated

March 4, 1991 which changed the Commencement Date of the Lease from April 1, 1991 to March 1, 1991, and established the Termination Date of July 31, 2006, and,

E. WHEREAS, said Lease was amended by Amendment No. 2 dated June 26, 1991 which extended the Term of the Lease for an additional two month period, amended the Basic Rent schedule and Aggregate Rent accordingly, and amended the deadlines in which Tenant could exercise its Option to Extend pursuant to Lease Paragraphs 42 and 43, and

F. WHEREAS, it is now the desire of the parties hereto to amend the Lease by (i) extending the Term for five years, changing the Termination Date from September 30, 2006 to September 30, 2011, (ii) amending the Basic Rent schedule and Aggregate Rent accordingly, (iii) adding a third Five Year Option to Extend, (iv) replacing Paragraphs 41C ("Lease Terms Co-extensive") and 48 ("Cross Default") and 53 ("Structural Capital Costs Regulated by Governmental Agencies After thee Commencement of this Lease not Caused by Tenant or Tenant's Uses or Remodeling of the Premises"), (v) amending Lease Paragraph 12 ("Property Insurance") and (vi) amending and/or replacing certain provisions of the Lease commencing as of the commencement of the Third Extended Term of said Lease as hereinafter set forth.

AGREEMENT

NOW THEREFORE, for valuable consideration, receipt of which is hereby acknowledged, and in consideration of the hereinafter mutual promises, the parties hereto do agree as follows:

1. TERM OF LEASE: It is agreed between the parties that Tenant has exercised its First Five-Year Option to Extend the lease term of that certain lease agreement dated March 23, 1994 for premises located at 1101 Sumac Drive, Milpitas, California (the "Building 5 Lease"), as detailed in Paragraph 41 of said Building 5 Lease. Paragraph 40C of said Building 5 Lease provides that in the event the term of said Building 5 Lease is extended for any reason whatsoever, the terms of the Existing Leases (i.e. two of said leases dated October 31, 1989 are for Premises located at 1140 Technology Drive and 500 McCarthy Blvd., Milpitas, California (the "1989 Leases"); one of said leases dated September 17, 1990 is for Premises located at 1000 Sumac Drive, Milpitas, California,

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and one of said leases dated April 10, 1992 is for Premises located at 900 Sumac Drive, Milpitas, California) shall also be extended so that all five Leases expire on the same date; therefore, it is agreed between the parties that by exercising its Option to Extend the Building 5 Lease, Tenant has in effect exercised its Option to Extend under Lease Paragraph 42 ("First Five-Year Option to Extend"), and that pursuant to said Lease Paragraph 42, the Term of this Lease Agreement shall be extended for an additional five (5) year period, and the Lease Termination Date shall be changed from September 30, 2006 to September 30, 2011.

2. BASIC RENTAL FOR FIRST EXTENDED TERM OF LEASE: The monthly Basic Rental for the First Extended Term of Lease shall be as follows:

On October 1, 2006, the sum of TWO HUNDRED SEVENTY TWO THOUSAND FIVE HUNDRED THIRTY FOUR AND 50/100 DOLLARS ($272,534.50) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2007.

On October 1, 2007, the sum of TWO HUNDRED EIGHTY THOUSAND THREE HUNDRED TWENTY ONE AND 20/100 DOLLARS ($280,321.20) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2008.

On October 1, 2008, the sum of TWO HUNDRED EIGHTY EIGHT THOUSAND ONE HUNDRED SEVEN AND 90/100 DOLLARS ($288,107.90) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2009.

On October 1, 2009, the sum of TWO HUNDRED NINETY FIVE THOUSAND EIGHT HUNDRED NINETY FOUR AND 60/100 DOLLARS ($295,894.60) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2010.

On October 1, 2010, the sum of THREE HUNDRED THREE THOUSAND SIX HUNDRED EIGHTY ONE AND 30/100 DOLLARS ($303,681.30) shall be due, and a like sum due on the first day of each month thereafter through and including September 1, 2011.

The Aggregate Basic Rent for the Lease shall be increased by

$17,286,474.00 or from $39,587,582.80 to $56,874,056.80.

3. THIRD FIVE-YEAR OPTION TO EXTEND: Provided Tenant has extended the Lease for an additional five (5) year period pursuant to Lease Paragraph 43 ("Second Five Year Option To Extend"), Landlord hereby grants to Tenant a third option to extend the Term of this Lease for an additional five (5) year period upon the following terms and conditions:

A. Tenant shall give Landlord written notice of Tenant's exercise of this option to extend at least one hundred eighty (180) days prior to the expiration of the Lease Term as extended pursuant to Lease Paragraph 43 ("Second Five Year Option To Extend"), in which event the Lease shall be considered extended for an additional five (5) year period upon the same terms and conditions as this Lease, absent this Paragraph 3 and subject to the Rental as set forth below. In the event that Tenant fails to timely exercise Tenant's option as set forth herein in writing, Tenant shall have no further option to extend this Lease or the Other Leases, and this Lease shall continue in full force and effect for the full remaining term hereof, absent this Paragraph 3.

B. The monthly Basic Rent for the option period shall be as follows in the event the option is

Period	Monthly Basic Rent
Months 1-12	$2.25/sf
Months 13-24	$2.30/sf
Months 25-36	$2.35/sf
Months 37-48	$2.40/sf
Months 49-60	$2.45/sf

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C. Notwithstanding anything contained herein, Tenant may not exercise the option to extend granted by this Paragraph 3 at any time that Tenant is in default (default for monetary and material default for non-monetary) of its obligations under this Lease, if Tenant has received written notice from Landlord that Tenant is in default, and such default has not been timely cured within the time period provided for in this Lease; provided, however, that if such default of Tenant is not for money due under this Lease and cannot be cured, and if Landlord does not elect to terminate this Lease as a result of such non-curable default by Tenant, Tenant may exercise the option to extend granted by this Paragraph 3 notwithstanding such non-curable default.

4. LEASE TERMS CO-EXTENSIVE: Lease Paragraph 40C ("Lease Terms Co-extensive") is hereby deleted in its entirety and replaced with the following:

> "40C. LEASE TERMS CO-EXTENSIVE: It is acknowledged that (i) Landlord and Tenant have previously executed four separate leases in addition to this Lease: one of said leases dated October 31, 1989 is for Premises located at 500 McCarthy Blvd., Milpitas, California (the "Building Two Lease"); one of said leases dated September 17, 1990 is for Premises located at 1000 Sumac Drive, Milpitas, California (the "Building Four Lease"); one of said leases dated April 10, 1992 is for Premises located at 900 Sumac Drive, Milpitas, California (the "Building 3 Lease"); and one of said leases dated March 23, 1994 is for premises located at 1101 Sumac Drive, Milpitas, California (the "Building 5 Lease") (hereinafter collectively referred to as the "Other Leases"); and (ii) it is the intention of the parties that the term of this Lease be co-extensive with the term of the Other Leases, such that the terms of all five leases ("the Leases") expire on the same date. The provisions of this Paragraph 40C also requires the terms of all the Leases to be extended accordingly if Tenant exercises its Option to Extend under any of the Leases. The monthly Basic Rent during the extended term under each of the Leases shall be increased by $.05 per square foot on the commencement date of the extended term and thereafter on each and every anniversary of the respective lease's commencement date of the extended term."

5. CROSS DEFAULT: Lease Paragraph 48 ("Cross Default") is hereby deleted in its entirety and replaced with the following:

> "48. CROSS DEFAULT: It is agreed between Landlord and Tenant that a default under this Lease, or a default under any of the Other Leases may, at the option of Landlord, be considered a default under all Leases, in which event Landlord shall be entitled (but in no event required) to apply all rights and remedies of Landlord under the terms of one lease to all the Leases including, but not limited to, the right to terminate any or all of the aforementioned Other Leases or this

Lease by reason of a default under the Leases or hereunder.

Notwithstanding the above, Landlord shall have the option of considering a default under this Lease or a default under any of the Other Leases to be a default under all such leases, only with respect to such leases under which Landlord is also the 'Landlord' at the time such default occurs. By way of example, if at the time a default of Tenant occurs under this Lease, Landlord has sold the premises described in any of the Other Leases and is no longer the 'Landlord' thereunder, then a default under this Lease shall not constitute a default under any of such Other Leases so sold by Landlord (unless the premises leased under this Lease and the Other Leases are sold to the same entity), and a default by Tenant under any of such Other Leases so sold by Landlord shall not constitute a default under this Lease or any other of the Other Leases then remaining between Landlord and Tenant. However, if the Landlord under this Lease and the Other Leases is one in the same at the time of said default, said cross default provisions shall apply."

6. STRUCTURAL CAPITAL COSTS REGULATED BY GOVERNMENTAL AGENCIES AFTER THE COMMENCEMENT OF THIS LEASE NOT CAUSED BY TENANT OR TENANT'S USES OR REMODELING OF THE PREMISES: Lease Paragraph 53 ("Structural Capital Costs Regulated by Governmental Agencies after the Commencement of this Lease Not Caused by Tenant or

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Tenant's Uses or Remodeling of the Premises") is hereby deleted and replaced with the following:

"53. STRUCTURAL CAPITAL COSTS REGULATED BY GOVERNMENTAL AGENCIES AFTER THE COMMENCEMENT OF THIS LEASE NOT CAUSED BY TENANT OR TENANT'S USES OR REMODELING OF THE PREMISES: The provisions of this Paragraph 53 shall modify Paragraphs 7 and 14:

A. If (i) during the last five (5) years of the First Extended Term of the Lease if said Lease has not been extended as provided for in Lease Paragraph 43 ("Second Five Year Option To Extend") or in Paragraph 3 ("Third Five Year Option to Extend") or Paragraph 4 ("Lease Terms Co-Extensive") above, or (ii) during either of the five (5) year extension periods permitted by Lease Paragraph 43 or Paragraph 3, or Paragraph 4 above, it becomes necessary (due to any governmental requirement for continued occupancy of the Premises) to make structural improvements required by laws enacted or legal requirements imposed by governmental agency(s) after the Commencement Date, and the cost for each required work or improvements exceeds $100,000, then if such legal requirement is not imposed because of Tenant's specific use of the Premises and is not "triggered" by Tenant's Alterations or Tenant's application for a building permit or any other governmental approval (collectively "Tenant's Actions") in which instance Tenant shall be responsible for 100% of the cost of such improvements, Landlord shall be responsible for paying the cost of such improvement and constructing such improvement, subject to a cash contribution from Tenant of a portion of the cost thereof as provided for and calculated in Paragraph 53B.

B. When Landlord makes an improvement pursuant to Paragraph 53A, and as a condition to Landlord's obligation to construct such improvement, Tenant shall make the following contribution in cash to Landlord for the cost thereof prior to the commencement of the work by Landlord. It is agreed that Tenant shall pay to Landlord 100% of the cost of the first $100,000.00 worth of each improvement. After the first $100,000.00, all costs above $100,000.00 shall be divided by 15 and multiplied by the time period remaining in the last five years of the Lease Term from the date work on such improvement commences.

For example, if the improvement is not required as a result of Tenant's Actions and if the cost of such improvement was $400,000 and there was one year and six months remaining in the Lease term when the work commenced, then Tenant would be responsible for reimbursing Landlord in cash $130,000.00 computed as follows:

Total Cost of Work	$400,000.00
Tenant Responsible for 1st $100,000	-100,000.00
Total Amount To Be Amortized	$300,000.00
$300,000.00/15 = $20,000.00/yr. x 1.5 yrs =	$ 30,000.00

Tenant responsible for $100,000 + $30,000.00 = $130,000.00

C. If Landlord has made improvements, for which Tenant has reimbursed Landlord for the cost thereof pursuant to Paragraph 53B, and the term of this Lease is subsequently extended pursuant to the exercise by Tenant of an option to renew pursuant to Lease Paragraph 43 or Paragraph 3 above, upon the exercise of any such option by Tenant, Tenant shall pay to Landlord an additional sum equal to the total amount of said improvement less the amount previously paid for by Tenant. Using the example in Paragraph 53B above, Tenant would owe Landlord the additional amount of $270,000.00 ($400,000.00 - $130,000.00 = $270,000.00)."

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7. PROPERTY INSURANCE: Lease Paragraph 12 ("Property Insurance") is hereby amended to include the following: "Tenant acknowledges that as part of the cost of insurance policies for the Premises, Tenant is responsible for the payment of insurance deductibles on insurance claims as they relate to the Premises subject to the limitations provided in Lease Paragraph 55 ("Property Insurance") which limitations are applicable only during the initial Lease Term and the First Lease Extension Period and the Second Lease Extension Period. Said limitation provided for in Lease Paragraph 55 are null and void at the commencement of the "Third Lease Extended Term".

8. THIRD OPTION PERIOD - LEASE PROVISION CHANGES: In the event Tenant exercises its Third Option to Extend as provided for in Paragraph 3 above, the following amendments (contained within Paragraphs 9 through 19) are herein made to the Lease to be effective upon the commencement of the third option period ("Third Option Period"), or during any period following the expiration of the Lease Term or expiration of the Lease when Tenant is in possession of the Premises.

9. LATE CHARGE: Effective as of the first day of the Third Option Period, the Late Charge referenced in Lease Paragraph 4.D ("Late Charge") shall be changed from five percent (5%) to ten percent (10%), and Lease Paragraph 50 ("Limitation on Late Charge") shall be deleted in its entirety and of no further force or effect.

10. MANAGEMENT FEE: Notwithstanding anything to the contrary in the Lease, effective as of the first day of the Third Option Period, and on the first day of each month thereafter, Tenant shall pay to Landlord, in addition to the Basic Rent and Additional Rent, a fixed monthly management fee ("Management Fee") equal to one percent (1%) of the Basic Rent due for each month during the Lease Term.

11. HAZARDOUS MATERIALS: Effective as of the first day of the Third Option Period, Lease Paragraph 45 ("Hazardous Materials") shall be deleted in its entirety and replaced with the following:

"45. HAZARDOUS MATERIALS: Landlord and Tenant agree as follows with respect to the existence or use of "Hazardous Materials" (as defined herein) on, in, under or about the Premises and real property located beneath said Premises, which includes the entire parcel of land on which the Premises are located as shown in Green on Exhibit A to the Lease (hereinafter collectively referred to as the "Property"):

A. As used herein, the term "Hazardous Materials" shall mean any material, waste, chemical, mixture or byproduct which is or hereafter is defined, listed or designated under Environmental Laws (defined below) as a pollutant, or as a contaminant, or as a toxic or hazardous substance, waste or material, or any other unwholesome, hazardous, toxic, biohazardous, or radioactive material, waste, chemical, mixture or byproduct, or which is listed, regulated or restricted by any Environmental Law (including, without limitation, petroleum hydrocarbons or any distillates or derivatives or fractions thereof, polychlorinated biphenyls, or asbestos). As used herein, the term "Environmental Laws" shall mean any applicable Federal, State of California or local government law (including common law), statute, regulation, rule, ordinance, permit, license, order, requirement, agreement, or approval, or any determination, judgment, directive, or order of any executive or judicial authority at any level of Federal, State of California or local government (whether now existing or subsequently adopted or promulgated) relating to pollution or the protection of the environment, ecology, natural resources, or public health and safety.

B. Tenant shall notify Landlord prior to the occurrence of any Tenant's Hazardous Materials Activities (defined below). Landlord

acknowledges that Tenant shall use, in compliance with applicable Environmental Laws, customary household and office supplies (Tenant shall first provide Landlord with a list of said materials use), such as mild cleaners, lubricants and copier toner. Any and all of Tenant's Hazardous Materials Activities shall be conducted in conformity with this Paragraph

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45, Paragraph 14 of this Lease, and in compliance with all Environmental Laws and regulations. As used herein, the term "Tenant's Hazardous Materials Activities" shall mean any and all use, handling, generation, storage, disposal, treatment, transportation, release, discharge, or emission of any Hazardous Materials on, in, beneath, to, from, at or about the Property, in connection with Tenant's use of the Property, or by Tenant or by any of Tenant's agents, employees, contractors, vendors, invitees, visitors or its future subtenants or assignees or other third parties (including "dumping" by others) (or which Hazardous Materials originate on the surface of the Premises any time on or after the Commencement Date of this Lease, but excluding Hazardous Materials on the Premises prior to the Lease Commencement Date because of the storage, use, disposal, or transportation of such materials or waste by any of Landlord's contractors or otherwise arising out of construction work performed by or under the direction of Landlord on the Premises and Landlord shall be responsible for all required actions with respect to such materials or wastes). Tenant agrees to provide Landlord with prompt written notice of any spill or release of Hazardous Materials at the Property during the term of the Lease of which Tenant becomes aware, and further agrees to provide Landlord with prompt written notice of any violation of Environmental Laws in connection with Tenant's Hazardous Materials Activities of which Tenant becomes aware. If Tenant's Hazardous Materials Activities involve Hazardous Materials other than normal use of customary household and office supplies, Tenant also agrees at Tenant's expense: (i) to install such Hazardous Materials monitoring, storage and containment devices as may be required by Environmental Laws, regulations and/or governing agencies; (ii) to provide Landlord with a written inventory of such Hazardous Materials, including an update of same each year upon the anniversary date of the Commencement Date of the Lease ("Anniversary Date"); and (iii) on each Anniversary Date to provide to Landlord copies of all documentation and records, required by applicable Environmental Laws to be prepared and submitted to governmental authorities, relating to use at the Property of Hazardous Materials or to Tenant's Hazardous Materials Activities, if any. If upon completion of Landlord's review of said documentation and records, Landlord reasonably questions if Tenant is in compliance with all applicable Environmental Laws with respect to Tenant's Hazardous Materials Activities, Tenant agrees within thirty (30) days following receipt of written notice from Landlord, to retain a qualified environmental consultant, acceptable to Landlord, to evaluate whether Tenant is in compliance with all applicable Environmental Laws with respect to Tenant's Hazardous Materials Activities. Tenant, at its expense, shall submit to Landlord a report from such environmental consultant which discusses the environmental consultant's findings within two (2) months of each Anniversary Date. Tenant, at its expense, shall promptly undertake and complete any and all steps necessary, and in full compliance with applicable Environmental Laws, to fully correct any and all problems or deficiencies identified by the environmental consultant, and promptly provide Landlord with documentation of all such corrections.

C. Prior to termination or expiration of the Lease, Tenant, at its expense, shall (i) properly remove from the Property all Hazardous Materials which come to be located at the Property in connection with Tenant's Hazardous Materials Activities, and (ii) fully comply with and complete all facility closure requirements of applicable Environmental Laws regarding Tenant's Hazardous Materials Activities, including but not limited to (x) properly restoring and repairing the Property to the extent damaged by such closure activities, and (y) obtaining from the local Fire Department or other appropriate governmental authority with any legal or regulatory jurisdiction a written concurrence that closure has been completed in compliance with applicable Environmental Laws. Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any such closure activities.

D. If Landlord, upon consultation with Tenant, reasonably concludes that the Property has become contaminated as a result of Tenant's Hazardous Materials Activities, Landlord in addition to any other rights it may have under this Lease or under Environmental Laws or other laws, may enter upon the Property and conduct inspection, sampling and analysis, including but not limited to obtaining and analyzing samples of soil and groundwater, for the purpose of determining the nature and extent

of such contamination except to the extent that such activities may be inconsistent with Tenant's compliance with Environmental Laws. Tenant shall promptly reimburse Landlord for the costs of such an investigation, including but not limited to reasonable attorneys' fees Landlord incurs with respect to such investigation to the extent, and only to the extent, that it that discloses Hazardous Materials contamination for which Tenant is liable under this Lease. Except as may be required of Tenant by applicable Environmental Laws, Tenant shall not perform any sampling, testing, or drilling to identify the presence of any Hazardous Materials at the Property, without Landlord's prior written consent which shall not be unreasonably withheld. Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any sampling, testing or drilling performed pursuant to the preceding sentence.

E. Tenant shall indemnify, defend (with legal counsel acceptable to Landlord, whose consent shall not unreasonably be withheld) and hold harmless Landlord, its employees, assigns, successors, successors-in-interest, agents and representatives from and against any and all claims (including but not limited to third party claims from a private party or a government authority), liabilities, obligations, losses, causes of action, demands, governmental proceedings or directives, fines, penalties, expenses, costs (including but not limited to reasonable attorneys', consultants' and other experts' fees and costs), and damages, which arise from or relate to: (i) Tenant's Hazardous Materials Activities; (ii) any Hazardous Materials contamination caused by Tenant prior to the Commencement Date of the Lease; or (iii) the breach of any obligation of Tenant under this Paragraph 45 (collectively, "Tenant's Environmental Indemnification"). Tenant's Environmental Indemnification shall include but is not limited to the obligation to promptly and fully reimburse Landlord for losses in or reductions to rental income, and diminution in fair market value of the Property. Tenant's Environmental Indemnification shall further include but is not limited to the obligation to diligently and properly implement to completion, at Tenant's expense, any and all environmental investigation, removal, remediation, monitoring, reporting, closure activities, or other environmental response action as may be required by applicable Environmental Laws, regulations or governing agencies (collectively, "Response Actions"). Tenant shall promptly provide Landlord with copies of any claims, notices, work plans, data and reports prepared, received or submitted in connection with any Response Actions.

F. Landlord hereby makes the following representations to Tenant, each of which is made only to the best of Landlord's knowledge as of the date Landlord executes this Lease, without any inquiry or investigation having been made or required by Landlord regarding this subject, nor does Landlord have any obligation to investigate or make inquiry regarding the subject:

(1) The soil and ground water on or under the Premises does not contain Hazardous Materials in amounts which violate any laws to the extent that any governmental entity could require either Landlord or Tenant to take any remedial action with respect to such Hazardous Materials.

(2) During the time that Landlord has owned the Premises, Landlord has received no notice of (i) any violation, or alleged violation, of any law that has not been corrected to the satisfaction of the appropriate authority, (ii) any pending claims relating to the presence of Hazardous Material on the Premises, or (iii) any pending investigation by any governmental agency concerning the Premises relating to Hazardous Materials.

G. Landlord and Tenant shall each give written notice to the other as soon as reasonably practicable of (i) any communication received from any governmental authority concerning Hazardous Materials which relates to the Premises, and (ii) any contamination of the Premises by Hazardous Materials which constitutes a violation of any law. Attached as Exhibit "C' to the Lease is a list of Hazardous Materials that Tenant intends to use at the Premises. If during the Lease Term Tenant proposes to use other Hazardous Materials at the Premises, Tenant shall inform Landlord of such use, identifying the Hazardous Materials and the manner of their use, storage and

disposal, and shall agree (i) to use, store and dispose of such Hazardous Materials strictly in compliance with all laws, regulations and governing agencies and (ii) that the indemnity set forth in Paragraph 45 shall be applicable to Tenant's use of such Hazardous Material.

H. Landlord or Tenant may, at any time, cause testing wells to be installed on the Premises, and may cause the ground water to be tested to detect the presence of Hazardous Material by the use of such tests as are then customarily used for such purposes. Testing wells installed by Tenant shall be paid for by Tenant. If tests conducted by Landlord disclose that Tenant has violated any Hazardous Materials laws, or Tenant or parties on the Premises during the Term of this Lease have contaminated the Premises as determined by regulatory agencies pursuant to Hazardous Materials laws, or that Tenant has liability to Landlord pursuant to Paragraph 45A, then Tenant shall pay for 100 percent of the cost of the test and all related expense. Prior to the expiration of the Lease Term, Tenant shall remove any testing wells it has installed at the Premises, and return the Premises to the condition existing prior to the installation of such wells, unless Landlord requests in writing that Tenant leave all or some of the testing wells in which instance the wells requested to be left shall not be removed.

I. If any tests performed by Tenant or Landlord prior to the Commencement Date disclose Hazardous Materials at the Premises, Landlord at its expense will promptly take all reasonable action required by law with respect to the existence of such Hazardous Materials at the Premises. The Commencement Date shall not be delayed because of such action by Landlord unless occupation of the Premises is prohibited by law.

J. The obligations of Landlord and Tenant under this Paragraph 45 shall survive the expiration or earlier termination of the Term of this Lease. The rights and obligations of Landlord and Tenant with respect to issues relating to Hazardous Materials are exclusively established by this Paragraph 45."

12. SECURITY DEPOSIT: Effective as of the first day of the Third Option Period, Lease Paragraph 51 ("Security Deposit") shall be deleted in its entirety and replaced with the following:

"51. SECURITY DEPOSIT: The following provisions shall modify Lease Paragraph 4F:

A. Within thirty (30) days after the expiration or earlier termination of the Lease term and after Tenant has vacated the Premises, Landlord shall return to Tenant the entire Security Deposit except for amounts that Landlord has deducted therefrom that are needed by Landlord to cure defaults of Tenant under the Lease or compensate Landlord for damages for which Tenant is liable pursuant to this Lease. The use or disposition of the Security Deposit shall be subject to the provisions of California Civil Code Section 1950.7.

B. During the first thirty (30) days following Tenant's exercise of its Third Option to Extend, and only during said thirty day period, Tenant shall have the one-time option of satisfying its obligation with respect to an amount equal to one-half (1/2) ($210,240.90) of the $420,481.80 Security Deposit required under Lease Paragraph 4F by providing to Landlord, at Tenant's sole cost, a letter of credit which: (i) is drawn upon an institutional lender reasonably acceptable and accessible to Landlord in form and content reasonably satisfactory to Landlord; (ii) is in the amount of one-half (1/2) of the Security Deposit; (iii) is for a term of at least twelve (12) months; (iv) with respect to any letter of credit in effect within the six month period immediately prior to the expiration of the Lease term, shall provide that the term of such letter of credit shall extend at least forty five (45) days past the Lease expiration date (including any extensions thereof); and (v) may be drawn upon by Landlord upon submission of a declaration of Landlord that Tenant is in default (as defined in Paragraph 19 and as modified by Paragraph 60). Landlord shall not be obligated to furnish proof of default to such institutional lender, and Landlord shall only be required to give the

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institutional lender written notification that Tenant is in default and

upon receiving such written notification from Landlord the institutional lender shall be obligated to immediately deliver cash to Landlord equal to the amount Landlord may spend or become obligated to spend by reason of Tenant's default or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default up to 1/2 of the total Security Deposit required under Lease Paragraph 4F. Said letter of credit shall provide that if the letter of credit is not renewed, replaced or extended within twenty (20) days prior to its expiration date the issuer of the credit shall automatically issue a cashiers check payable to Landlord in the amount of the letter of credit after the date which is twenty (20) days before the expiration date, and no later than the expiration date, without Landlord being required to make demand upon the letter of credit. If Tenant provides Landlord with a letter of credit, within thirty (30) days of the execution of this Lease, meeting the foregoing requirements, one-half (1/2) of the cash Security Deposit (i.e., $210,240.90 of the $420,481.80 Security Deposit) shall be returned to Tenant by Landlord inasmuch as the cash deposit remaining and the Letter of Credit equal the total Security Deposit required in Lease Paragraph 4F. If Tenant defaults with respect to any provisions of this Lease, including but not limited to provisions relating to the payment of Rent, Landlord may (but shall not be required to) draw down on the letter of credit for payment of any sum which Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default. Landlord and Tenant acknowledge that such letter of credit will be treated as if it were a cash security deposit, and such letter of credit may be drawn down upon by Landlord upon demand and presentation of evidence of the identity of Landlord to the issuer, in the event that Tenant defaults with respect to any provision of this Lease and such default is not cured within any applicable cure period. Notwithstanding anything to the contrary in this Lease, Landlord shall not be obligated to furnish proof of default to such institutional lender and Landlord is only required to give the institutional lender written notification that Tenant is in default and upon receiving such written notification from Landlord the institutional lender shall be obligated to immediately deliver cash to Landlord equal to the amount Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default up to 1/2 of the total Security Deposit. Landlord acknowledges that it is not entitled to draw down such letter of credit unless Landlord would have been entitled to draw upon the cash security deposit pursuant to the terms of Paragraph 4F of the Lease. Concurrently with the delivery of the required information to the issuer, Landlord shall deliver to Tenant written evidence of the default upon which the draw down was based, together with evidence that Landlord has provided to Tenant the written notice of such default which was required under the applicable provision of the Lease, and evidence of the failure of Tenant to cure such default within the applicable grace period following receipt of such notice of default. Any proceeds received by Landlord by drawing upon the letter of credit shall be applied in accordance with the provisions governing the Security Deposit imposed by Lease Paragraph 4F and this Paragraph 51. If Landlord draws upon the letter of credit, thereafter Tenant shall once again have the right to post a letter of credit in place of one-half (1/2) of a cash Security Deposit so long as Tenant is not then in default. In any event Tenant will be obligated to replenish the amount drawn to restore the Security Deposit to its original amount as provided for in Paragraph 4F. If any portion of the letter of credit is used or applied pursuant hereto, Tenant shall, within ten (10) days after receipt of a written demand therefor from Landlord, restore and replace the value of such security by either (i) depositing cash with Landlord in the amount equal to the sum drawn down under the letter of credit, or (ii) increasing the letter of credit to its value immediately prior to such application. Tenant's failure to replace the value of the security as provided in the preceding sentence shall be a material breach of its obligation under this Lease."

13. REAL ESTATE TAXES: Effective as of the first day of the Third Option Period, Lease Paragraph 54 ("Real Estate Taxes") shall be deleted in its entirety and replaced with the following:

"54. REAL PROPERTY TAXES: Paragraph 9 is modified by the following:

A. The term "Real Property Taxes" shall not include charges, levies or fees

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directly related to the use, storage, disposal or release of Hazardous Materials on the Premises unless directly related to Tenant's Activities at this site or on other sites leased and/or owned by Tenant; however, Tenant shall be responsible for general or special tax and/or assessments (related to Hazardous Materials and/or toxic waste) imposed on the Property provided said special tax and/or assessment is not imposed due to on-site originated contamination on the Property (by third parties not related to Tenant) prior to the Lease Commencement Date. Subject to the terms and conditions stated herein, Tenant shall be responsible for paying one hundred percent (100%) of said taxes and/or assessments allocated to the Property.

B. If any assessments for public improvements are levied against the Premises, Landlord may elect either to pay the assessment in full or to allow the assessment to go to bond. If Landlord pays the assessment in full, Tenant shall pay to Landlord or any assignee or purchaser of the Premises each time payment of Real Property Taxes is made a sum equal to that which would have been payable (as both principal and interest) had Landlord allowed the assessment to go to bond.

C. Tenant at its cost shall have the right, at any time, to seek a reduction in the assessed valuation of the Premises or to contest any Real Property Taxes that are to be paid by Tenant. If Tenant seeks a reduction or contests such Real Property Taxes, the failure on Tenant's part to pay such Real Property Taxes being so contested shall not constitute a default so long as Tenant complies with the provisions of this Paragraph. Landlord shall not be required to join in any proceeding or contest brought by Tenant unless the provisions of any law require that the proceeding or contest be brought by or in the name of Landlord. In that case Landlord shall join in the proceedings or contest or permit it to be brought in Landlord's name as long as Landlord is not required to bear any cost. Tenant, on final determination of the proceeding or contest, shall immediately pay or discharge its share of any Real Property Taxes determined by any decision or judgment rendered, together with all costs, charges, interest, and penalties incidental to the decision or judgment. If Tenant does not pay the Real Property Taxes when due pursuant to the Lease and Tenant seeks a reduction or contests them as provided in this paragraph, before the commencement of the proceeding or contest Tenant shall furnish to Landlord a surety bond in form reasonably satisfactory to Landlord issued by an insurance company qualified to do business in California. The amount of the bond shall equal 125% of the total amount of Real Property Taxes in dispute and any such bond shall be assignable to any lender or purchaser of the Premises. The bond shall hold Landlord and the Premises harmless from any damage arising out of the proceeding or contest and shall insure the payment of any judgment that may be rendered."

14. PROPERTY INSURANCE: Effective as of the first day of the Third Option Period, section B of Lease Paragraph 55 ("Property Insurance") shall be deleted in its entirety and be of no further force or effect.

15. ASSIGNMENT AND SUBLETTING: Effective as of the first day of the Third Option Period, Lease Paragraph 56 ("Assignment and Subletting") shall be deleted in its entirety and replaced with the following:

"56. ASSIGNMENT AND SUBLETTING' The following modifications are made to Paragraph 16:

A. In the event that Tenant seeks to make any assignment or sublease, then Landlord, by giving Tenant written notice of its election within fifteen (15) days after Tenant's notice of intent to assign or sublease has been given to Landlord, shall have the right to elect (i) to withhold its consent to such assignment or sublease, as permitted pursuant to Paragraph 16, or (ii) to permit Tenant to so assign the Lease or sublease such part of the Premises, in which event Tenant may do so, but without being released of its liability for the performance of all of its obligations under the Lease, and the following shall apply (except the following shall not apply to a "Permitted Transfer" described in Paragraph 57):

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(1) If Tenant assigns its interest in this Lease, then in addition to the rental provided for in this Lease, Tenant shall pay to Landlord fifty percent (50%) of all Rent and other consideration received by Tenant over and above (i) the assignee's agreement to assume the obligations of Tenant under this Lease and (ii) all "Permitted Transfer Costs" (as defined herein) related to such

assignment. As used herein, the term "Permitted Transfer Costs" shall mean all reasonable leasing commissions paid to third parties not affiliated with Tenant in order to obtain the assignment or sublease in question.

(2) If Tenant sublets all or part of the Premises, then Tenant shall pay to Landlord in addition to the Rent provided for in this Lease fifty percent (50%) of the positive difference, if any, between (i) all rent and other consideration paid or provided to Tenant by the subtenant, less (ii) all Rent paid by Tenant to Landlord pursuant to this Lease which is allocable to the area so sublet and all Permitted Transfer Costs related to such sublease. After Tenant has recovered all Permitted Transfer Costs Tenant shall pay to Landlord the amount specified in the preceding sentence on the same basis, whether periodic or in lump sum, that such rent and other consideration is paid to Tenant by its subtenant, within seven (7) days after it is received by Tenant.

(3) Tenant's obligations under this subparagraph shall survive any assignment or sublease. At the time Tenant makes any payment to Landlord required by this subparagraph, Tenant shall deliver an itemized statement of the method by which the amount to which Landlord is entitled was calculated, certified by Tenant as true and correct. Landlord shall have the right to inspect Tenant's books and records relating to the payments due pursuant to this subparagraph. Upon request therefor, Tenant shall deliver to Landlord copies of all bills, invoices or other documents upon which its calculations are based.

(4) As used herein, the term "consideration" shall mean any consideration of any kind received, or to be received (including, but not limited to, services rendered and/or value received) by Tenant as a result of the assignment or sublease, if such sums are paid or provided to Tenant for Tenant's interest in this Lease or in the Premises.

(5) This Paragraph 56.A does not apply to a "Permitted Transfer", as provided in Paragraph 57 hereof. The parties agree that if any of the following transactions occur and do not qualify as "Permitted Transfers", Tenant must obtain Landlord's consent to such transaction and if Landlord consents to any of the following transactions which do not otherwise qualify as "Permitted Transfers", then the provisions of this Paragraph 56.A shall not apply to the following transactions: (i) a merger, consolidation or other reorganization in which Tenant is not the surviving corporation so long as 95% of all assets and liabilities of Tenant are permanently transferred to such assignee; and (ii) an assignment of this Lease to a corporation which purchases or otherwise acquires 95% or more of the assets of Tenant so long as 95% of all assets and liabilities of Tenant are permanently transferred to such assignee and Tenant remains liable and responsible under the Lease to the extent Tenant continues in existence following such transaction."

16. PERMITTED ASSIGNMENTS AND SUBLEASES: Effective as of the first day of the Third Option Period, Lease Paragraph 57 ("Permitted Assignments and Subleases") shall be deleted in its entirety and replaced with the following:

"57. PERMITTED ASSIGNMENTS AND SUBLEASES: Notwithstanding anything contained in Paragraph 16, so long as Tenant otherwise complies with the provisions of Paragraph 16 and the Permitted Transfer does not release Tenant from its obligations hereunder, Tenant may enter into any of the following transfers (a "Permitted Transfer") without Landlord's prior written consent, and the provisions of Paragraph 56A shall not apply to any such Permitted Transfer:

A. Tenant may sublease all or part of the Premises or assign its interest in this Lease to any corporation which controls, is controlled by, or is under common control

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with Tenant by means of an ownership interest of more than fifty percent (50%) providing Tenant remains liable for the payment of Rent and full performance of the Lease;

B. Tenant may assign its interest in the Lease to a corporation which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation so long as (i) 95% of all assets and liabilities of Tenant are permanently transferred to such assignee, and (ii) immediately prior to the merger,

consolidation or other reorganization, the corporation into which Tenant is to be merged has a net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, merger, consolidation or reorganization (whichever is greater), or if it does not, Landlord is provided a guaranty of the Lease (in a form reasonably acceptable to Landlord) from a corporation (a) that is the parent of, or is otherwise affiliated with, the corporation into which Tenant is to be merged, and (b) which has a current net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, merger, consolidation or reorganization (whichever is greater). In the event there is not a permanent transfer of 95% or more of the assets and liabilities from Tenant to a third party, and Tenant continues to exist as a separate entity, both companies shall be jointly and severally liable for the full terms and conditions of the Lease;

C. Tenant may assign this Lease to a corporation which purchases or otherwise acquires 95% or more of the assets of Tenant so long as 95% of all assets and liabilities of Tenant are permanently transferred to such assignee (in the event there is not a permanent transfer of 95% or more of the assets and liabilities from Tenant to a third party and Tenant continues to exist as a separate entity, both companies shall be jointly and severally liable for the full terms and conditions of the Lease), and provided that immediately prior to such assignment said corporation, has a net worth equal to or greater than the net worth of Tenant (a) at the time of Lease execution or (b) at the time of such assignment (whichever is greater), or if it does not, Landlord is provided a guaranty of the Lease (in a form reasonably acceptable to Landlord) from a corporation (a) that is the parent of, or is otherwise affiliated with, said corporation and (b) which has a current net worth equal to or greater than the net worth of Tenant at the time of Lease execution or at the time of such assignment, (whichever is greater)."

17. DESTRUCTION: Effective as of the first day of the Third Option Period, Lease Paragraph 62 ("Destruction") shall be deleted in its entirety and replaced with the following:

"62. DESTRUCTION: Paragraph 21 is modified by the following:

A. Notwithstanding anything to the contrary within Paragraph 21, Landlord may terminate this Lease in the event of an uninsured event or if insurance proceeds, net of the deductible, are insufficient to cover one hundred percent of the rebuilding costs; provided, however, Tenant shall have the right to elect, in its discretion, to contribute such excess funds to permit Landlord to repair the Premises.

B. Except as provided in Paragraph 62C, Landlord may not terminate the Lease if the Premises are damaged by a peril whereby the cost to replace and/or repair is one hundred percent (100%) covered by the insurance carried by Landlord pursuant to Paragraph 12, but instead shall restore the Premises in the manner described by Paragraph 21.

C. If the Premises are damaged by a peril covered by the insurance carried by Landlord pursuant to Paragraph 12, Landlord shall have the option to terminate the Lease if each of the following conditions is satisfied: (i) the cost to repair or the damage exceeds thirty-three percent (33%) of the then replacement cost of the Premises; and (ii) the damage occurs at a time when there is less than five (5) years remaining in the term of the Lease.

D. If Landlord fails to obtain insurance as required pursuant to Paragraph 12,

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and said insurance would have been available to cover any damage or destruction to the Premises, Landlord shall be required to rebuild, at its cost, net of the deductible which would have been required under said insurance policy (which deductible Tenant is required to pay).

E. If the Premises are damaged by any peril, then as soon as reasonably practicable, Landlord shall furnish Tenant with the written opinion of Landlord's architect or construction consultant as to when the restoration work required of Landlord may be completed. Tenant shall have the option to terminate this Lease in the event any of the following occurs, which option may be exercised only by delivery to Landlord of a written notice of election to terminate within seven (7) days after Tenant receives from Landlord the estimate of the time needed to complete such restoration:

(1) The Premises are damaged by any peril (not caused by or resulting from an action of Tenant or Tenant's agents, employees, contractors or invitees) and, in the reasonable opinion of Landlord's architect or construction consultant, the restoration of the Leased Premises cannot be substantially completed within 180 days after the date of such damage (subject to force majeure conditions); or

(2) The Premises are damaged by any peril (not caused by or resulting from an action of Tenant or Tenant's agents, employees, contractors or invitees) within twelve (12) months of the last day of the Lease term, and, in the reasonable opinion of Landlord's architect or construction consultant, the restoration of the Leased Premises cannot be substantially completed within sixty (60) days after the date of such damage and Tenant has not exercised its Option to Extend said Term (or Extended Term as the case may be)."

18. LIABILITY INSURANCE: Effective as of the first day of the Third Option Period, the first sentence of Lease Paragraph 10 ("Liability Insurance") shall be deleted and replaced with the following: "Tenant, at Tenant's expense, agrees to keep in force during the Term of this Lease a policy of commercial general liability insurance with combined single limit coverage of not less than Two Million Dollars ($2,000,000) per occurrence for bodily injury and property damage occurring in, on or about the Premises, including parking and landscaped areas."

19. LIMITATION OF LIABILITY: Effective as of the first day of the Third Option Period, Lease Paragraph 36 ("Limitation of Liability") shall be deleted in its entirety and replaced with the following:

"36. LIMITATION OF LIABILITY: In consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

(i) the sole and exclusive remedy shall be against Landlord's interest in the Premises leased herein;
(ii) no partner of Landlord shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction of the partnership);
(iii) no service of process shall be made against any partner of Landlord (except as may be necessary to secure jurisdiction of the partnership);
(iv) no partner of Landlord shall be required to answer or otherwise plead to any service of process;
(v) no judgment will be taken against any partner of Landlord;
(vi) any judgment taken against any partner of Landlord may be vacated and set aside at any time without hearing;
(vii) no writ of execution will ever be levied against the assets of any partner of Landlord;
(viii) these covenants and agreements are enforceable both by Landlord and also by any partner of Landlord.

Tenant agrees that each of the foregoing covenants and agreements shall be

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applicable to any covenant or agreement either expressly contained in this Lease or imposed by statute or at common law."

EXCEPT AS MODIFIED HEREIN, all other terms, covenants, and conditions of said October 31, 1989 Lease Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment No. 3 to Lease as of the day and year last written below.

LANDLORD:	TENANT:
JOHN ARRILLAGA SURVIVOR'S TRUST	QUANTUM CORPORATION a Delaware corporation
By /s/ John Arrillaga, --- John Arrillaga, Trustee	By /s/ Andrew Kryder --- Andrew Kryder ---

Date: 6/30/97

Print or Type Name

RICHARD T. PEERY SEPARATE PROPERTY TRUST

Title: FINANCE AND CORP GENERAL COUNSEL

Date: 6/25/97

By /s/ Richard T. Peery
Richard T. Peery, Trustee

Date: 6/26/97

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Lease 6
Building 6

QUANTUM CORPORATION
500 McCarthy Blvd.
Milpitas, CA 95035

Attention: Norm Claus

RE: CONSTRUCTION AGREEMENT RELATED TO LEASE AGREEMENT DATED APRIL 16, 1997, BY AND BETWEEN THE JOHN ARRILLAGA SURVIVOR'S TRUST AND THE RICHARD T. PEERY SEPARATE PROPERTY TRUST, AS LANDLORD, AND QUANTUM CORPORATION, A DELAWARE CORPORATION, AS TENANT, FOR ALL OF THAT CERTAIN 182,355+/- SQUARE FOOT BUILDING TO BE CONSTRUCTED BY LANDLORD FOR TENANT, LOCATED ON SUMAC DRIVE, IN MILPITAS, CALIFORNIA.

Gentlemen:

This letter will confirm our agreement relative to the shell of the building and interior improvements related thereto to be constructed by Landlord on the property leased under the lease referenced above, hereinafter referred to as the "Lease", and shall be considered a part of the Lease.

1. DEFINITIONS: As used in this construction letter, the following terms shall have the following meanings, and terms which are not defined below, but which are defined in the Lease which are used in this construction letter, shall have the meanings ascribed to them by the Lease:

A. Design Criteria: The term "Design Criteria" shall mean those plans and specifications for the Improvements to be constructed by Landlord and/or Tenant (as the case may be) as hereinafter set forth and (i) the building elevations to be depicted on Exhibit "A" to the Lease and (ii) the building shell design criteria described on Exhibit "A" to the Lease, and shall include the other plans for the Improvements when completed by the parties as provided for in this Agreement.

B. Shell Improvements: The term "Shell Improvements" shall mean the following which are to be constructed by Landlord in accordance with the Design Criteria: (i) the shell of a two story industrial building containing approximately +/- 182,355 square feet, consisting of foundation, first and second story floor slab and second story floor deck, load bearing walls, roof system, roof membrane, standard width interior stairways, exterior doors and exterior door hardware; and (ii) all paving and parking areas, striping, sidewalks, parking curbs, gutters, irrigation system, landscaping, storm sewer, and main utility service conduits (excluding electrical panel which is part of Interior Improvements) from the street to the building perimeter, transformer pad, the main plumbing line into the building, water and sewer connection fees including cost to hook up to Milpitas sewer system, but excluding roof screens, building connectors, parking lot lighting, and utility pads including exterior walls and all other construction elements of any such utility pads and electrical panels.

C. Interior Improvements: The term "Interior Improvements" shall mean all improvements to be constructed by Landlord and paid for by the parties as hereinafter set forth, within the building shell and/or not included in the Shell Improvements set forth in Paragraph 1B above e.g., by way of example interior improvements shall include and not be limited to the fire sprinkler system, elevators (if any), loading docks (if any), roof screens, building connectors,

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drop ceilings, interior plumbing, heating and air conditioning system, electrical system, parking lot lighting, carpeting, vinyl floor covering, painting, interior walls and movable floor to ceiling partitioning, utility pads (including all construction elements of subject utility pads, including but not limited to, the exterior walls), normal contractor's fees, architect's fees,

engineer's fees and any City or governmental fees for connection to utilities.

D. Improvements: The term "Improvements" shall mean the Shell Improvements and the Interior Improvements.

E. Performance Schedule: The term "Performance Schedule" shall mean the estimated times for commencement and performance of construction obligations contained in Paragraph 2 of this Agreement.

F. Architect: The term "Architect" shall mean (i) Hoover Associates and/or Peery/Arrillaga or such other licensed architect as is approved by Landlord with respect to the Shell Improvements, and (ii) such licensed architect as is approved by Landlord and Tenant with respect to the Interior Improvements.

G. Prime Contractor(s): The term "Prime Contractor" shall mean (i) Vance M. Brown & Sons, Inc., or such other contractor selected by Landlord for the construction of the Shell Improvements and (ii) such licensed general contractor as is approved by Landlord and Tenant with respect to the Interior Improvements.

H. Substantial Completion: The term "Substantial Completion" (and "Substantially Completed") shall mean the date when all of the following have occurred with respect to the Improvements in question: (i) the construction of the Improvements in question has been substantially completed in accordance with the approved plans therefor except for punch list items which do not prevent Tenant from reasonably using the Premises to conduct Tenant's business; (ii) Landlord has executed a certificate or statement representing that such Improvements that Landlord is responsible for completing have been substantially completed in accordance with the plans and specifications therefor except for punch list items which do not prevent Tenant from reasonably using the Premises to conduct Tenant's business and incomplete items related to delays caused directly and/or indirectly by Tenant; and (iii) if applicable, the Building Department of the City of Milpitas has completed its final inspection of such Improvements and has "signed off" the building inspection card approving such work as complete except for punch list items which do not prevent Tenant from reasonably using the Premises to conduct Tenant's business.

I. Target Commencement Date: The term "Target Commencement Date" shall mean May 1, 1998, subject to delays caused by (i) by the governing agency(ies) approval and/or (ii) strikes, acts of God, governmental restrictions, or other causes beyond Landlord's control, in which instance the time period for Landlord's completion of the building shall be extended accordingly.

2. Performance Schedule: Landlord and Tenant desire to cause the Improvements to be Substantially Completed by the Target Commencement Date. The Target Commencement Date is based upon information gathered and estimates made by Landlord, which are reflected in the Construction Schedule. Achieving Substantial Completion of the Improvements by the Target Commencement Date requires that certain objectives be met within certain time periods. Set forth in this paragraph is a schedule of certain critical dates relating to Landlord's and Tenant's respective obligations regarding the construction of the Shell Improvements and the Interior Improvements (the "Performance Schedule") that must be adhered to in order to achieve Substantial Completion of all Improvements by the Target Commencement Date. Landlord and Tenant shall each be obligated to use reasonable efforts to perform their respective obligations within the time periods set forth in the Performance Schedule and elsewhere in this Improvement Agreement. Subject to the provisions of Paragraph 8 hereof, the parties acknowledge that the Performance Schedule is only an estimate of the time needed to complete certain stages of the

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construction process, and the failure of either party to accomplish any step in the process set forth in the Performance Schedule within the applicable time period shall not constitute a default by either party unless such failure constitutes a breach of the obligation of a party to use reasonable efforts to perform its obligations within the time periods set forth in the Performance Schedule and elsewhere in this construction letter and appropriate notice has been given and any applicable cure period has expired. The Performance Schedule is as follows:

Action Items	Due Date	Responsible Party,
A. Delivery of Definitive Shell Plans to Tenant	Provided to Tenant by Landlord on January 30, 1997 (Shell Plans showing columns, windows, shear structure, "K" bases and core area(s)).	Landlord

B.	Approval of Definitive Shell Plans by Tenant and Delivery of Tenant's Shell Requirements	Provided to Landlord by Tenant on March 3, 1997	Tenant
C.	Delivery of Final Shell Plans to Tenant	April 30, 1997	Landlord
D.	Approval of Final Shell Plans by Tenant	Within 5 days after Tenant receives final shell working drawings	Tenant
E.	Obtain Building Permit for Shell Improvements	July 7, 1997	Landlord
F.	Delivery to Landlord of Preliminary Interior Improvement Plans	May 23, 1997	Tenant
G.	Approval of Preliminary Interior Improvement Plans by Landlord	Within 5 days after Landlord receives Preliminary Interior Improvement Plans	Landlord
H.	Delivery of Final Interior Improvement Plans to Landlord	August 5, 1997	Tenant
I.	Approval by Landlord of Final Interior Plans	Within 5 days after Landlord receives Final Interior Plans	Landlord

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J.	Commencement of Construction of Improvements	As soon as reasonably possible after receipt of building permit	Landlord
K.	Substantial Completion of Improvements	May 1, 1998	Landlord

3. DEVELOPMENT OF PLANS FOR IMPROVEMENTS' Plans for the Shell Improvements shall be developed in accordance with the following:

A. Development of Definitive Shell Plans: Tenant and Landlord have agreed to the basic architectural design and areas to contain landscaping and parking relating to the Premises as shown on Exhibit "A" to the Lease. On or before the due date specified in the Performance Schedule, Landlord shall cause Architect to prepare and deliver to Tenant for its review and approval definitive plans for the Shell Improvements which are the logical and reasonable development of the Design Criteria and Exhibit "A" and show such details as columns, windows, shear structure, "K" bases and core area(s) (the "Definitive Shell Plans"). On or before the due date specified in the Performance Schedule, Tenant shall either approve such plans or notify Landlord in writing or its specific objections to the Definitive Shell Plans. With regard to such approval the parties agree as follows: (i) the Basic Rent and the amount of Landlord's Interior Improvement allowance pursuant to paragraph 6B hereof are based upon the gross leasable area of the building; (ii) the gross leasable area of the building shall be measured from the outside of exterior walls and shall include any atriums, covered entrances or egresses, and covered loading areas; (iii) that part of the gross leasable area of the building occupied by indentations, building overhangs, covered entrances, and covered loading areas shall not consist of more than five percent (5%) of the total gross leasable area; and (iv) the Definitive Shell Plans shall be modified to conform with the intent and restfictions set forth in phrases (i), (ii) and (iii) above and in this sentence; and (v) Tenant's Shell Requirements (as hereinafter defined) shall not affect the exterior appearance or structural integrity or cost of the Premises, and it is agreed that any increased cost in the Shell Improvements as a result of any of Tenant's Shell or Interior Requirements shall be a cost to be paid for by Tenant. If Tenant reasonably objects to the Definitive Shell Plans, Landlord shall cause Architect to revise the Definitive Shell Plans to address such objections in a manner consistent with the parameters for the Shell Improvements set forth in this construction letter and the Design Criteria and shall resubmit such revised Definitive Shell Plans as soon as reasonably practicable to Tenant

for its approval. When such revised Definitive Shell Plans are resubmitted to Tenant, it shall either approve such plans or notify Landlord of any further objections in writing within five (5) business days after receipt thereof. If Tenant has further objections to the revised Definitive Shell Plans, Landlord and Tenant shall immediately cause Architect to meet and confer with Tenant's construction consultant and the Prime Contractor, who together and (by majority vote of Landlord, Tenant, Architect, Tenant's construction consultant, and Prime Contractor) shall apply the standards set forth in this construction letter and the Design Criteria to resolve Tenant's objections and incorporate such resolution into the Definitive Shell Plans, which process Landlord and Tenant shall cause to be completed within five (5) business days after the conclusion of the five (5) business day referred to the immediately preceding sentence, and the decision of the majority of the parties set forth above shall be binding on Tenant and Landlord. Tenant furnished to Landlord on April 18, 1997 schematic plans and specifications for plumbing, electrical, heating and air conditioning that affect the construction of the Shell Improvements as well as other items that were required to be constructed as part of the Shell Improvements without modification being required at a later time ("Tenant's Shell Requirements").

B. Development of Final Shell Plans: Landlord shall cause Architect to complete and submit to Tenant for its approval final working drawings for the Shell Improvements by the due date specified in the Performance Schedule which are the logical and

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reasonable development of the Design Criteria and the Definitive Shell Plans and which incorporate and are consistent with Tenant's reasonable Shell Requirements. Tenant shall approve the final plans for the Shell Improvements or notify Landlord in writing of its specific objections by the due date specified in the Performance Schedule. If Tenant so objects, the parties shall confer and reach agreement upon final working drawings for the Shell Improvements within five (5) business days after Tenant has notified Landlord of its objections. In the event Tenant and Landlord do not resolve all of Tenant's objections within such five (5) business day time period, Landlord and Tenant shall immediately cause Architect to meet and confer with Tenant's construction consultant and the Prime Contractor, who together and (by majority vote of Landlord, Tenant, Architect, Tenant's construction consultant, and Prime Contractor) shall apply the standards set forth in this construction letter to resolve Tenant's objections and incorporate such resolution into the final working drawings for the Shell Improvements, which process Landlord and Tenant shall cause to be completed within five (5) business days after the conclusion of the five (5) business day period referred to in the immediately preceding sentence and the decision of the majority of the parties set forth above shall be binding on Tenant and Landlord. The final working drawings so approved by Landlord and Tenant or by majority vote as set forth above (including all changes made to resolve Tenant's objections approved by the majority of the parties pursuant to the immediately preceding sentence) are referred to herein as the "Final Shell Plans".

C. Governmental Approvals: As soon as the Final Shell Plans have been approved by Landlord and Tenant, Landlord shall apply for site development approval and a building permit for the Shell Improvements, and shall diligently prosecute to completion such approval process.

D. Commencement of Shell Improvements: As soon as reasonably possible after receipt of a building permit for the Shell Improvements (acts of God and delays beyond Landlord's control excepted), Landlord shall commence construction of the Shell Improvements and shall diligently prosecute such construction to completion, using all reasonable efforts to achieve Substantial Completion of the Shell Improvements by the due date specified in the Performance Schedule.

4. DEVELOPMENT OF PLANS FOR INTERIOR IMPROVEMENTS: Plans for the Interior Improvements shall be developed in accordance with the following:

A. Development of Preliminary Interior Plans: On or before the due date specified in the Performance Schedule, Tenant shall prepare and deliver to Landlord for its review and approval preliminary plans for the Interior Improvements (the "Preliminary Interior Plans"). On or before the due date specified in the Performance Schedule, Landlord shall either approve such plans in writing or notify Tenant in writing of its specific objections to the Preliminary Interior Plans. If Landlord so objects, Tenant shall revise the Preliminary Interior Plans to address such objections in a manner consistent with the parameters for the Interior Improvements set forth in this construction letter and shall resubmit such revised Preliminary Interior Plans as soon as reasonably practicable (but in no event later than 10 days) to Landlord for its approval. It is agreed that Tenant's Preliminary Interior Improvement plans shall not affect the exterior appearance or structural integrity or cost of the Shell Improvements, and it is further agreed that Landlord will not object to reasonable structural changes (subject to the provisions of Paragraph 8) as long as Tenant agrees to pay for any additional cost for same and the exterior

appearance of the Shell Improvements is not altered. When the revised Preliminary Interior Plans are resubmitted to Landlord, it shall either approve such plans in writing or notify Tenant of any further objections in writing within three (3) business days after receipt thereof. If Landlord has further objections to the revised Preliminary Interior Plans, Landlord and Tenant shall immediately meet and confer and together shall apply the standards set forth in this construction letter to resolve Landlord's objections and incorporate such resolution into the Preliminary Interior Plans, which process Landlord and Tenant shall cause to be completed within three (3) business days after the conclusion of the three (3) business day period referred to

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in the immediately preceding sentence. In resolving Landlord's objections, the parties agree to act reasonably so as to promptly finalize the Preliminary Interior Plans. Paragraph 8 hereof shall apply to any failure of Tenant to promptly and reasonably work with Landlord in this regard.

B. Development of Final Interior Plans: Within 90 days after Tenant's receipt of the Definitive Shell Plans (which date shall be extended by one day for each day in excess of 10 days that Landlord fails to approve the Preliminary Interior Plans), Tenant shall cause Architect to complete and submit to Landlord for its approval final working drawings for the Interior Improvements which are the logical and reasonable development of the Preliminary Interior Plans. Landlord shall approve in writing the final plans for the Interior Improvements or notify Tenant in writing of its specific objections by the due date specified in the Performance Schedule. It is agreed that Tenant's final interior plans shall not affect the exterior appearance or structural integrity or cost of the Shell Improvements, and it is further agreed that Landlord will not object to reasonable structural changes (subject to the provisions of Paragraph 8) as long as Tenant agrees to pay for any additional cost for same and the exterior appearance of the Shell Improvements is not altered. If Landlord so objects, the parties shall confer and use, their best efforts to reach agreement upon final working drawings for the Interior Improvements and together shall apply the standards set forth in this construction letter to resolve Landlord's objections and incorporate such resolution into the final working drawings for the Shell Improvements, which process Landlord and Tenant shall cause to be completed within six (6) business days after Landlord has notified Tenant of its objections. In resolving Landlord's objections, the parties agree to act reasonably so as to promptly finalize the final interior plans, it being agreed that the provisions of paragraph 8 of this Agreement shall apply to any failure of Tenant to promptly and reasonably finalize the interior plans. The final working drawings so approved by Landlord and Tenant (including all changes made to resolve Landlord's objections approved by Landlord and Tenant pursuant to the above) are referred to herein as the "Final Interior Plans' and shall be considered a part of Exhibit "B" to the Lease.

C. Building Permit: As soon as the Final Interior Plans have been approved by Landlord and Tenant, Landlord shall apply for a building permit for the Interior Improvements, and shall diligently prosecute to completion such approval process.

D. Commencement of Interior Improvements: On or before the due date specified in the Performance Schedule (acts of God and delays beyond Landlord's control excepted), Landlord shall commence construction of the Interior Improvements and shall diligently prosecute such construction to completion, using all reasonable efforts to achieve Substantial Completion of the Interior Improvements by the date specified in the Performance Schedule.

5. CONSTRUCTION OF IMPROVEMENTS: The Improvements to be constructed as part of the Premises in connection with the Lease shall be paid for by the parties as hereinafter set forth in Paragraph 6 and constructed in the following manner:

A. Construction of Improvements by Landlord: The Shell Improvements and Interior Improvements shall be constructed by Landlord in accordance with the Final Shell Plans and the Final Interior Plans; it being agreed, however, that if the Shell Improvements and/or Interior Improvements, as finally constructed, do not conform exactly to the plans and specifications as set forth in the Final Shell Plans and Final Interior Plans and as provided for in the Lease, and the general appearance, structural integrity, and Tenant's use and occupancy of the Premises and/or the building and the interior improvements relating thereto are not unreasonably affected by such deviation, it is agreed that the Commencement Date of the Lease, and Tenant's obligation to pay rental thereunder, shall not be affected, and Tenant hereby agrees, in such event, to accept the Premises and/or building and interior improvements in their configuration as constructed by Landlord.

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B. Construction Contract for Interior Improvements: The Interior Improvements shall be constructed, in conformance (except as provided above) with the Final Interior Plans approved by Landlord and Tenant. Landlord and Tenant shall participate equally in the negotiations with Prime Contractor to establish the Prime Contractor's fee, or profit, overhead, and the general conditions of a contract with Prime Contractor for the construction of the Interior Improvements. The final Interior Improvements contract with the Prime Contractor shall be subject to the prior approval of both Landlord and Tenant. Tenant agrees not to unreasonably object to and to promptly execute such final contract with the Prime Contractor so long as the Prime Contractor's fees, general conditions, and overhead are reasonable when compared to industry standards for comparable sized jobs. In the event Tenant unreasonably objects to such contract and does not timely execute the same, Tenant agrees to be liable for the delay as set forth in paragraph 8 and the Lease will commence on the scheduled Lease commencement date regardless of whether or not the building is ready for Tenant's occupancy. It is agreed that all subcontractors for the Interior Improvements shall be chosen by a competitive bid process where (i) Tenant shall have the right to approve subcontractors who bid on specific parts of the job, (ii) unless otherwise approved by Tenant, the job shall be awarded to the lowest responsible bidder, (iii) Tenant shall have the right to cause a subcontract to be rebid (one time only without Tenant being liable for delay) if Tenant does not approve the low bid (as provided below). Landlord shall submit the proposed list of sub-contractors who shall be asked to bid for the project to Tenant. Tenant shall have three (3) business days from its receipt of the proposed bid list within which to approve the bid list or to add additional bidders. Failure of Tenant to disapprove any name included on such bid list in writing within such three (3) business day period or to add additional bidders shall be deemed to be approval by Tenant of the bid list as so presented. As soon as the bid of the Prime Contractor (and all subcontractors) is obtained, Landlord shall submit it to Tenant for review and approval. Any Prime Contractor or subcontractor bid not specifically disapproved in writing by Tenant within three (3) business days after Tenant's receipt of the bid shall be deemed to constitute approval thereof by Tenant and any original bid of Prime Contractor or subcontractor disapproved shall be rebid again and Tenant shall not have the right to object to the revised bid as long as the revised bid is not greater than the original bid in which event Tenant shall accept the original bid. Once the bids of the Prime Contractor and subcontractors and the contract terms have been approved as set forth above, Landlord shall enter into a fixed price construction contract for the Interior Improvements. However, if the final bid of the Prime Contractor (including all subcontractors' bids) to construct the Interior Improvements in accordance with the Final Interior Plans would result in Interior Improvement Costs which exceed Landlord's Interior Improvement allowance, then (and only one time) the following shall apply: Tenant shall have ten (10) business days from the day it receives notice of the final bid from Landlord within which to revise the plans for the Interior Improvements and resubmit same to Landlord and Prime Contractor and in the event Tenant fails to revise the plans for the Interior Improvements and submit same to Landlord and Prime Contractor within said ten (10) day period then it is agreed that Tenant has elected to accept the Prime Contractor's and all subcontractors' bids and to pay the entire excess amount pursuant to the provisions of subparagraph 6B, below. (Notwithstanding the foregoing, however, if, after Tenant has revised the plans, the Interior Improvements Costs will still exceed Landlord's Interior Improvement allowance, Tenant shall pay such excess amount as provided in subparagraph 6B below.) Tenant's election to revise the plans for the Interior Improvements (one time only) in the event the bid exceeds the amount of Landlord's Interior Improvement allowance, as set forth above, shall not be deemed to be a delay on Tenant's part which would result in a change of the commencement of Tenant's obligation to pay rent pursuant to paragraph 8 hereof, provided that such revision shall be completed within said ten (10) business day period and the provisions of paragraph 8 hereof shall apply to any subsequent revision. In the event Landlord's Interior Improvement allowance is exceeded for the construction contract for the Interior Improvements, then it is agreed that Landlord and Tenant shall enter into a fixed price contract with Prime Contractor for the Interior Improvements which by its terms provides that each party is obligated to pay only for its respective share of the fixed costs thereof as set forth in Paragraph 6, and as stated in such contract.

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It is expressly acknowledged and agreed by Tenant that the opportunity set forth above, whereby Tenant may revise the plans, is a one time opportunity and, if Tenant so elects to revise the plans, thereafter Tenant shall be subject to the provisions of Paragraph 8 of this Agreement and the bid received by Landlord based on such revised plans shall be considered final, shall be accepted by Tenant and construction shall proceed without any further changes except as permitted by Paragraph 7.

C. Inspection on Following Completion: As soon as the Interior Improvements are Substantially Completed (as that term is defined herein), Landlord and Tenant shall conduct a joint walk-through of the Premises, and

inspect such Interior Improvements, using their best efforts to discover all incomplete or defective construction. After such inspection has been completed, Landlord shall prepare, and both parties shall sign, a list of all "punch list" items which the parties agree are to be corrected by Landlord (but which shall exclude any damage or defects caused by Tenant, its employees, agents or parties Tenant has contracted with to work on the Premises). It is agreed that the Lease will commence on the Commencement Date regardless of whether or not a "punch list" exists. Landlord shall use reasonable efforts to complete and/or repair such "punch list" items within thirty (30) days after executing such list, it being agreed however, that the existence of any "punch list" items will not result in any delay of the Commencement Date and will not result in any right of rent reduction. Tenant shall have the right to occupy the Premises and the Lease and Tenant's obligation to pay rent shall commence as soon as the Improvements are Substantially Completed, subject to performance by Tenant of its obligations under this subparagraph and the Lease. Tenant's taking possession of any part of the Premises shall be deemed to be an acceptance by Tenant of Landlord's work of improvement, in accordance with the terms of the Lease, except for the "punch list" items noted and latent defects that could not reasonably have been discovered by Tenant during its inspection of the Interior Improvements prior to completion of the list of "punch list" items. With regard to any such latent defects or other defects in construction, Tenant shall promptly give written notice to Landlord when any such defect becomes reasonably apparent specifically describing such defect, and Landlord shall repair such defect as soon thereafter as practical; provided, however, the provisions of the immediately preceding sentence regarding such latent defects, and of this sentence, shall be of no force and effect if Tenant shall fail to give any such written notice to Landlord within ninety (90) days after commencement of the term of the Lease after which time Tenant shall be responsible for all latent and construction defects not specified in said ninety (90) day period regardless if additional defects are discovered at a later date and Landlord shall have no obligation for same. Notwithstanding anything contained herein or in the Lease, Tenant's obligation to pay rent under the Lease shall commence on the Commencement Date as specified in the Lease, regardless of whether Tenant completes such walk-through inspection or has executed and/or completed such list of the "punch list" items, unless the Lease term has previously commenced, and Tenant's obligation to pay rent under the Lease has begun, prior to the date of delivery of possession because of a Tenant delay in the course of construction, as provided in paragraph 8 hereof.

6. PAYMENT OF CONSTRUCTION COSTS:

A. Shell Improvements: Landlord agrees to furnish the Shell Improvements at its cost, including the paving and parking areas, striping, curbs, and gutters as shown on Exhibit "A" of the Lease, the main plumbing line into the building and landscaping and irrigation system for the building. Stubbing of the actual plumbing fixtures will be an Interior Improvement Cost, and not considered a part of the Shell Improvements.

B. Landlord's Interior Improvements Allowance: Landlord agrees to furnish Tenant with an Interior Improvement allowance of Twenty-Five Dollars ($25.00) per square foot of gross leasable area within the building to be constructed as part of the Shell Improvements (e.g,, Four Million Five Hundred Fifty Eight Thousand Eight Hundred Seventy Five Dollars ($4,558,875.00) if the gross leasable area of the building is 182,355 square feet). This allowance shall be considered Landlord's total monetary contribution with respect to tthe Interior

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Improvements, which allowance shall be used for the payment of the direct cost of constructing the Interior Improvements including, but not limited to, the fire sprinkler system, loading docks (if any), roof screens, building connectors, elevators (if any), drop ceilings, interior plumbing, heating and air conditioning system, electrical system, parking lot lighting, carpeting, vinyl floor covering, painting, interior walls and movable floor to ceiling partitioning, utility pads (including all construction elements of subject utility pads including, but not limited to, the exterior walls), normal contractor's fees, architect's fees, engineer's fees, and any City or governmental fees for connection to utilities (the "Interior Improvement Costs"). Notwithstanding the foregoing, the term "Interior Improvement Costs" shall not include any of the following: (i) real property taxes and assessments accruing prior to the Commencement Date; (ii) interest on funds borrowed or imputed interest on funds reserved by Landlord to fund the construction; (iii) any administrative or development fee paid to Landlord or any affiliate.

C. Proportionate Allocation of Interior Improvements: Tenant hereby specifically agrees that the Interior Improvements to be constructed in the Premises leased hereunder shall be spread proportionately throughout the building.

D. Liability for Interior Improvement Costs Above Landlord's Allowance: It is further agreed that Tenant shall be responsible for and pay one

hundred percent (100 %) of the Interior Improvement Costs relating to the Interior Improvements in excess of those that are paid for with Landlord's allowance as set forth in subparagraph 6B above. In addition, Tenant shall be responsible for and pay any additional construction costs and expenses related to the Shell Improvements occasioned by changes or modifications in the Preliminary or Final Shell Plans made by Tenant pursuant to paragraph 7 or that are necessary to accommodate Interior Improvements.

E. Manner of Reimbursement by Tenant: If the total Interior Improvement Costs exceeds Landlord's allowance, Tenant shall pay a proportionate share of each progress payment due to the contractor constructing the Interior Improvements, which bears the same relationship to the total amount of the progress payment in question as the amount Tenant is obligated to pay for the Cost of constructing the Interior Improvements. For purposes of illustration only, if the total cost of constructing the Interior Improvements is $5,000,000 then Tenant's share thereof would be $441,125.00 (the excess over Landlord's total allowance of $4,558,875.00 assuming the area of the building is 182,355 square feet), or 8.823% of the total cost. If the first progress payment due the contractor is $500,000 then Tenant's share of such progress payment would be $44,115.00 (or 8.823% of such progress payment). For each succeeding progress payment, Tenant would likewise be obligated for 8.823% thereof, with the exception that Landlord, at its option, may retain a pro rata share of the final ten percent (10%) of the interior contract until 62 days after recordation of a Notice of Completion on the Premises. Tenant shall pay its share of any progress payment to Landlord within ten (10) business days after receipt of a written statement therefor from Landlord, together with reasonable documentation substantiating the amount set forth in such statement. If Tenant fails to pay any such amount when due, then Landlord may (but without the obligation to do so) advance such funds on Tenant's behalf, and Tenant shall be obligated to reimburse Landlord for the amount of the funds so advanced on its behalf and all costs incurred by Landlord in so doing, including interest thereon at a rate equal to the borrowing rate then charged by Landlord's bank, whether or not Landlord has actually borrowed such moneys or merely advanced them from its own funds. Any amounts paid to Landlord by Tenant pursuant to this paragraph shall be held by Landlord only for disbursement to the contractor in payment of any such excess Interior Improvement Costs.

7. CHANGES, MODIFICATIONS, OR ADDITIONS TO THE PLANS, SPECIFICATIONS AND/OR PREMISES: Once the Final Shell Plans and Final Interior Plans have been finally approved by Landlord and Tenant, then thereafter neither party shall have the right to order extra work or change orders (except for de minimis changes which will not materially or substantially impact or affect Tenant's use of the Premises) with respect to the construction of the Improvements without the prior written consent of the other party, which consent shall not be

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unreasonably withheld or delayed, provided there is a reasonable basis for such change. Tenant shall not, however, make any such changes without Landlord's prior written approval. All extra work or change orders requested by either Landlord or Tenant shall be made in writing, shall specify the amount of delay or the time saved resulting therefrom, and shall become effective and a part of the approved plans once approved in writing by both parties. If any such change or extra work will result in the cost of the Interior Improvements being in excess of Landlord's allowance, as set forth in subparagraph 6D, above, Tenant shall pay the entire amount of such excess, as provided in subparagraph 6D, above.

8. TENANT DELAYS: Landlord and Tenant acknowledge that the date on which Tenant's obligation to pay rent under the Lease would otherwise commence may be delayed because of a delay in completion of construction of the Improvements due to (i) Tenant's failure to submit to Landlord plans and specifications for the Improvements by the due date set in the Performance Schedule, (ii) Tenant's failure to give any necessary approval or consent by the dates set forth herein, (iii) any act by Tenant which interferes with or delays construction of the Improvements, including Tenant's entry to install trade fixtures pursuant to paragraph 10 hereof, (iv) any changes, modifications and/or additions in the Improvements requested by Tenant and approved by Landlord, or (v) special materials or equipment ordered or specified by Tenant that cannot be obtained by Landlord at normal cost within a reasonable period of time because of limited availability. It is the intent of the parties hereto that the commencement of Tenant's obligation to pay rent under the Lease not be delayed by any of such causes or by any other act of Tenant (except as expressly provided herein) and, in the event it is so delayed, Tenant's obligation to pay rent under the Lease shall commence as of the date it would otherwise have commenced absent delay caused by Tenant, provided that within a reasonable period of time after learning of the occurrence of the cause of any such delay, Landlord notifies Tenant in writing of the fact that such delay has occurred and the known or anticipated extent of any such delay.

9. ACCOUNTING: When the Interior Improvements are Substantially Completed, Landlord shall submit to Tenant a final and detailed written

accounting of all Interior Improvement Costs paid by Landlord, which shall be true and correct, to the best of Landlord's knowledge. Tenant shall have the right to audit the books, records and supporting documents of the Landlord or if Landlord directs, of the Prime Contractor to the extent reasonably necessary to determine the accuracy of such accounting, related to the Interior Improvements, during normal business hours, after giving Landlord at least five (5) business days prior notice. Tenant shall bear the cost of such audit. Any such audit shall be conducted, if at all, within sixty (60) days after Landlord delivers such accounting to Tenant.

10. TENANT'S RIGHT TO INSTALL TRADE FIXTURES: When the construction of the Interior Improvements has proceeded to the point where Tenant's work of installing its fixtures and equipment (including modular furniture systems, telephone systems, cabling, communications systems, security systems, antennas and signs) in the Premises can be commenced in accordance with good construction practices and will not interfere with the completion of the Improvements by Landlord, Landlord shall notify Tenant to that effect and shall permit Tenant, and its authorized representatives and contractors, to have access to the Premises for the purpose of installing Tenant's trade fixtures and equipment; provided, however, that Landlord shall permit Tenant to enter the Premises for the foregoing purposes at least fifteen (15) days prior to the estimated Commencement Date. Landlord and Prime Contractor shall use reasonable efforts to cooperate fully with Tenant and its representatives and contractors in connection with such installation work by Tenant. Any such installation work by Tenant, or its authorized representatives and contractors, shall be undertaken at their sole risk, free from Rent, and upon the following conditions:

A. If the entry into the Premises by Tenant, or its representatives or contractors, unreasonably interferes with or delays Landlord's construction work notwithstanding Landlord's reasonable efforts to cooperate, after eight (8) hours notice of such fact to Tenant (i) Tenant shall cause the party responsible for such interference or delay to leave the Premises, or

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(ii) Tenant shall cause to be taken such steps as may be necessary in the Prime Contractor's reasonable opinion to alleviate such interference or delay. If either (i) or (ii) have not been completed, then Tenant shall be responsible for delay of the job and subject to the provisions of Paragraph 8;

B. Any contractor used by Tenant in connection with such entry and installation shall be subject to Landlord's approval, but which may be withheld if such contractor is nonunion and its entry on the Premises would unreasonably interfere with Landlord's work;

C. All of the terms of the Lease shall apply to any entry by Tenant pursuant to this paragraph (including provisions of the Lease regarding indemnification and insurance), except that, subject to the provisions of Paragraphs 8 and 10A and B above, Tenant shall not be obligated as a result of such entry to pay any Base Monthly Rent or Additional Rent;

D. It is agreed that Landlord shall not be required to fix any defects caused to the Improvements made by Tenant, Tenant's employees, agents or parties Tenant has contracted with or to work on the Premises;

E. Subject to the provisions of Paragraph 8, Tenant and its agents and contractors shall be permitted to enter the Premises prior to the Commencement Date for the purpose of installing Tenant's trade fixtures and equipment as listed above. Any entry or installation work by Tenant and its agents in the Premises pursuant to Paragraph 10 shall (i) be undertaken at Tenant's sole risk, (ii) not interfere with or delay Landlord's work in the Premises, and (iii) not be deemed occupancy or possession of the Premises for purposes of the Lease. Tenant shall indemnify, defend, and hold Landlord harmless from any and all loss, damage, liability, expense (including reasonable attorneys fees), claim or demand of whatsoever character direct or consequential, including, but without limiting thereby the generality of the foregoing, injury to or death of persons and damage to or loss of property arising out of the exercise by Tenant of any early entry right granted hereunder.

11. DELIVERY OF DOCUMENTS: Landlord shall within thirty (30) days after the same is obtained by Landlord, deliver to Tenant any temporary or permanent certificate of occupancy issued by the City of Milpitas with respect to any of the Improvements.

12. TAX INCREASES DURING CONSTRUCTION PERIOD: In the event prior to the Commencement Date there is an interim or supplemental reassessment of the Premises based upon the added value of the Improvements, then when Tenant accepts occupancy of the Premises Tenant shall pay any interim or supplemental taxes (but no penalties or interest in connection therewith) that have been

levied against the Premises and are attributable to the added value of the Improvements during the period prior to Tenant's occupancy of the Premises.

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Please execute this agreement in the space provided below, indicating your agreement with the above, and return all copies. A fully executed copy will be returned to you for your records after execution by the Landlord.

AGREED:

QUANTUM CORPORATION,
A Delaware corporation

By /s/ Andrew Kryder
Andrew Kryder, Vice President Finance and Corporate General Counsel

Date: June 25, 1997

By /s/ Norm Claus
Norm Claus, Vice President Real Estate and Corporate Services

Date: June 25, 1997

Respectfully yours,

JOHN ARRILLAGA SURVIVOR TRUST

By /s/ John Arrillaga
John Arrillaga, Trustee

Date: 6/30/97

RICHARD T. PEERY SEPARATE PROPERTY TRUST

By /s/ Richard T. Peery
Richard T. Peery, Trustee

Date: 6/29/97

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CREDIT AGREEMENT

among

QUANTUM CORPORATION

and

THE BANKS NAMED HEREIN

and

ABN AMRO BANK N.V., San Francisco International Branch
and
CIBC INC.,
as Co-Arrangers for the Banks

and

CANADIAN IMPERIAL BANK OF COMMERCE,
as Administrative Agent for the Banks

and

ABN AMRO BANK N.V., San Francisco International Branch,
as Syndication Agent for the Banks

and

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION
as Documentation Agent for the Banks

June 6, 1997

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CREDIT AGREEMENT

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SCHEDULES

EXHIBITS

CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of June 6, 1997, is entered into by and among:

(1) QUANTUM CORPORATION, a Delaware corporation ("Borrower");

(2) Each of the financial institutions from time to time listed in Schedule I hereto, as amended from time to time (such financial institutions to be referred to herein collectively as the "Banks");

(3) ABN AMRO BANK N.V., San Francisco International Branch ("ABN") and CIBC INC. ("CIBC"), as co-arrangers for the Banks (collectively in such capacity, the "Co- Arrangers");

(4) CANADIAN IMPERIAL BANK OF COMMERCE, as administrative agent for the Banks (in such capacity, the "Administrative Agent"); BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as documentation agent for the Banks; and ABN, as syndication agent for the Banks; and

(5) BANKBOSTON, N.A., THE BANK OF NOVA SCOTIA, FLEET NATIONAL BANK, and THE INDUSTRIAL BANK OF JAPAN, LIMITED, as co-agents for the Banks.

RECITALS

A. Borrower has requested that the Banks provide certain credit facilities to Borrower on an unsecured basis.

B. The Banks are willing to provide such credit facilities upon the terms and subject to the conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the above Recitals and the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION I. INTERPRETATION.

1.01. Definitions. Unless otherwise indicated in this Agreement or any other Credit Document, each term set forth below, when used in this Agreement or any other Credit Document, shall have the respective meaning given to that term below or in

the provision of this Agreement or other Credit Document referenced below:

"ABN" shall have the meaning given to that term in clause (3) of the introductory paragraph hereof.

"Administrative Agent" shall have the meaning given to that term in clause (4) of the introductory paragraph hereof.

"Administrative Agent's Fee Letter" shall mean the letter agreement dated the date of this Agreement between Borrower and Administrative Agent.

"Affiliate" shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as a trustee, guardian or other fiduciary, ten percent (10%) or more of the Equity Securities of such Person having voting power, (b) each Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person or (c) each of such Person's officers and directors; provided, however, that in no case shall any Agent or any Bank Party be deemed to be an Affiliate of Borrower, any of Borrower's Subsidiaries or MKE-Quantum for purposes of this Agreement. For the purpose of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

"Agents" shall mean Administrative Agent and the Co-Arrangers.

"Agents' Fee Letters" shall mean the Administrative Agent's Fee Letter and the Co-Arrangers' Fee Letter.

"Agreement" shall mean this Credit Agreement.

"Applicable Lending Office" shall mean, with respect to any Bank, (a) initially, its office designated as such in Schedule I (or, in the case of any Bank which becomes a Bank by an assignment pursuant to Subparagraph 8.05(c), its office designated as such in the applicable Assignment Agreement) and (b) subsequently, such other office or offices as such Bank may designate to Administrative Agent as the office at which such Bank's Revolving Loans will thereafter be

maintained and for the account of which all payments of principal of, and interest on, such Bank's Revolving Loans will thereafter be made.

"Applicable Margin" shall mean, with respect to any LIBOR Loan at any time, the per annum margin which is determined pursuant to the Pricing Grid and added to the LIBO Rate for such LIBOR Loan; provided, however, that each Applicable Margin determined pursuant to the Pricing Grid shall be increased by two percent (2.00%) (a) on the date an Event of Default of the type referred to in Subparagraph 6.01(a), 6.01(f) or 6.01(g) occurs and (b) on the date Administrative Agent provides written notice to Borrower of the occurrence of any Event of Default other than of the type referred to in Subparagraph 6.01(a), 6.01(f) or 6.01(g), and in each case shall continue at such increased rate unless and until such Event of Default is waived in accordance with this Agreement. The Applicable Margins shall be determined as provided in the Pricing Grid and may change for each Pricing Period.

"Assignee Bank" shall have the meaning given to that term in Subparagraph 8.05(c).

"Assignment" shall have the meaning given to that term in Subparagraph 8.05(c).

"Assignment Agreement" shall have the meaning given to that term in Subparagraph 8.05(c).

"Assignment Effective Date" shall have, with respect to each Assignment Agreement, the meaning set forth therein.

"Assignor Bank" shall have the meaning given to that term in Subparagraph 8.05(c).

"Attorney Costs" of any Person shall mean and include all reasonable fees and disbursements of any law firm or other external counsel for such Person and, to the extent such services are not redundant to those provided in the matter by external counsel for such Person, the allocated cost of internal legal services and all disbursements of internal counsel.

"Authorized Financial Officer" shall mean, with respect to Borrower, the Chief Financial Officer or Treasurer of Borrower or any Vice President of Finance of Borrower.

"Bank Parties" shall mean, collectively, the Banks and Issuing Bank. Unless otherwise indicated, the term "Bank Parties" shall include any Bank acting as Issuing Bank but not in its capacity as such.

"Banks" shall have the meaning given to that term in clause (2) of the introductory paragraph hereof. Unless

otherwise indicated, the term "Banks" shall include any Bank acting as Issuing Bank but not in its capacity as such.

"Base Rate" shall mean, on any day, the greater of (a) the Prime Rate in effect on such date and (b) the Federal Funds Rate for such day plus one-half percent (0.50%); provided, however, that the Base Rate shall be increased by two percent (2.00%) (a) on the date an Event of Default of the type referred to in Subparagraph 6.01(a), 6.01(f) or 6.01(g) occurs and (b) on the date Administrative Agent provides written notice to Borrower of the occurrence of any Event of Default other than of the type referred to in Subparagraph 6.01(a), 6.01(f) or 6.01(g), and in each case shall continue at such increased rate unless and until such Event of Default is waived in accordance with this Agreement.

"Base Rate Loan" shall mean, at any time, a Revolving Loan which then bears interest as provided in clause (i) of Subparagraph 2.01(c).

"Borrower" shall have the meaning given to that term in clause (1) of the introductory paragraph hereof.

"Borrowing" shall mean a borrowing by Borrower consisting of the Revolving Loans made by each of the Banks on the same date and of the same Type pursuant to a single Notice of Borrowing.

"Business Day" shall mean any day other than Saturday and Sunday on which (a) commercial banks are not authorized or required to close in San Francisco, California or New York, New York and (b) if such Business Day is related to a Revolving Loan which bears or is to bear interest based on a LIBO Rate, dealings in Dollar deposits are

carried out in the London or other applicable interbank eurodollar market.

"Capital Adequacy Requirement" shall have the meaning given to that term in Subparagraph 2.10(d).

"Capital Leases" shall mean any and all lease obligations that, in accordance with GAAP, are required to be capitalized on the books of a lessee.

"Cash Equivalents" shall mean Investments of the type permitted pursuant to clauses (i) through (iv), (vi), (viii) and (xviii) in Subparagraph 5.02(e).

"Change of Control" shall mean with respect to Borrower, the occurrence of any of the following events: (i) any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as

amended) shall (A) acquire beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) of forty percent (40%) or more of the outstanding Equity Securities of Borrower entitled to vote for members of the board of directors, or (B) acquire all or substantially all of the assets of Borrower and its Subsidiaries taken as a whole, or (ii) during any period of fifteen (15) consecutive calendar months, individuals who are directors of Borrower on the first day of such period ("Initial Directors") and any directors of Borrower who are specifically approved by two-thirds of the directors of Borrower who are Initial Directors or previously-approved Approved Directors ("Approved Directors") shall cease to constitute a majority of the Board of Directors of Borrower before the end of such period.

"Change of Law" shall have the meaning given to that term in Subparagraph 2.10(b).

"CIBC" shall have the meaning given to that term in clause (3) of the introductory paragraph hereof.

"Closing Date" shall mean the date when the initial Revolving Loan is made or the initial Letter of Credit is issued.

"Co-Arrangers" shall have the meaning given to that term in clause (3) of the introductory paragraph hereof.

"Co-Arrangers' Fee Letter" shall mean the letter agreement dated the date of this Agreement among Borrower and the Co-Arrangers.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" shall mean, with respect to any Bank at any time, such Lender's Proportionate Share at such time of the Total Commitment at such time.

"Commitment Fee Percentage" shall mean, with respect to the Unused Commitment at any time, a per annum rate which is determined pursuant to the Pricing Grid.

"Commitment Fees" shall have the meaning given to that term in Subparagraph 2.04(c).

"Compliance Certificate" shall have the meaning given to that term in Subparagraph 5.01(a).

"Contingent Obligation" shall mean, with respect to any Person without duplication, (a) any Guaranty Obligation of that Person; and (b) any direct or indirect monetary obligation or liability, contingent or otherwise, of that Person (i) in respect of any letter of credit or similar instrument issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings, (ii) to purchase any materials, supplies or other property from, or to obtain the services of, another Person if the relevant contract or other related document or obligation requires that payment for such materials, supplies or other property, or for such services, shall be made regardless of whether delivery of such materials, supplies or other property is ever made or tendered, or such services are ever performed or tendered if and to the extent such obligations are not designated as accounts payable in accordance with GAAP, or (iii) incurred pursuant to any interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements,

currency future or option contracts or other similar agreements relating to interest rates or currencies. The amount of any Contingent Obligation shall be deemed equal to the liability in respect thereof reasonably anticipated in accordance with GAAP.

"Contractual Obligation" of any Person shall mean, any indenture, note, lease, loan agreement, security, deed of trust, mortgage, security agreement, guaranty, instrument, contract, agreement or other form of contractual obligation or undertaking to which such Person is a party or by which such Person or any of its property is bound.

"Convertible Subordinated Debentures" shall mean the 5% Convertible Subordinated Notes due 2003 in the original principal amount of $241,350,000 issued by Borrower pursuant to the Indenture dated February 15, 1996 between Borrower and LaSalle National Trust Company, N.A., as Trustee.

"Credit Documents" shall mean and include the Loan Documents; all documents, instruments and agreements delivered to any Agent or any Bank Party pursuant to Paragraph 3.01; and all other documents, instruments and agreements delivered by Borrower or any of its Subsidiaries to any Agent or Bank Party in connection with this Agreement on or after the date of this Agreement.

"Credit Event" shall mean the making of any Revolving Loan, the issuance of any Letter of Credit or any amendment of any Letter of Credit which increases its stated amount or extends its expiration date.

"Default" shall have the meaning given to that term in Paragraph 6.01.

"Defaulting Bank" shall mean a Bank which has failed to fund its portion of any Borrowing which it is required to fund under this Agreement and has continued in such failure for three (3) Business Days after written notice from Administrative Agent.

"Disclosure Letter" shall mean the letter from Borrower to Administrative Agent, dated the date of this Agreement, which identifies itself as the "Disclosure Letter" under this Agreement.

"Dollars" and "$" shall mean the lawful currency of the United States of America.

"Domestic Subsidiary" shall mean, with respect to any Person, any Subsidiary of such Person which is created or organized in the United States or under the laws of the United States or any state of the United States.

"Drawing Payment" shall have the meaning given to that term in Subparagraph 2.02(c).

"EBITDA" shall mean, with respect to any Person for any period, the sum of the following, determined on a consolidated basis in accordance with GAAP where applicable:

(a) The net income or net loss of such Person and its Subsidiaries for such period before provision for income taxes;

plus

(b) The sum (to the extent deducted in calculating net income or loss in clause (a) above) of (i) all Interest Expenses of such Person and its Subsidiaries accruing during such period and (ii) all depreciation and amortization of such Person and its Subsidiaries accruing during such period.

"Employee Benefit Plan" shall mean any employee benefit plan within the meaning of section 3(3) of ERISA maintained or contributed to by Borrower or any ERISA Affiliate, other than a Multiemployer Plan.

"Environmental Laws" shall mean all Requirements of Law relating to the protection of human health and the environment, including, without limitation, all Requirements of Law, pertaining to reporting, licensing, permitting, transportation, storage, disposal, investigation, and

remediation of emissions, discharges, releases, or threatened releases of hazardous materials, chemical substances, pollutants, contaminants, or hazardous or toxic substances, materials or wastes, whether solid,

liquid, or gaseous in nature, into the air, surface water, groundwater, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of chemical substances, pollutants, contaminants, or hazardous or toxic substances, materials, or wastes, whether solid, liquid, or gaseous in nature.

"Equity Securities" of any Person shall mean (a) all common stock, preferred stock, participations, shares, partnership interests or other equity interests in such Person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing, other than convertible debt securities which have not been converted into common stock, preferred stock, participations, shares, partnership interests or other equity interests in any such Person.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as the same may from time to time be amended or supplemented, including any rules or regulations issued in connection therewith.

"ERISA Affiliate" shall mean any Person which is treated as a single employer with Borrower under Section 414 of the Code.

"Event of Default" shall have the meaning given to that term in Paragraph 6.01.

"Executive Officer" shall mean, with respect to Borrower, the Chairman, Chief Executive Officer, Chief Operating Officer, President, Chief Financial Officer, Treasurer, General Counsel or Vice President of Corporate Development and Planning of Borrower or any division President or Executive Vice President of Borrower (or, if the titles are changed, the persons having similar responsibilities for Borrower).

"External LC Agreement" shall mean the Credit Agreement dated as of September 22, 1995 among Borrower, The Sumitomo Bank, Limited and other banks from time to time parties thereto (as amended, modified and supplemented from time to time in accordance with this Agreement), or such other agreement between or among Borrower and any other financial institution or financial institutions pursuant to which Borrower may incur Indebtedness under letters of credit of

the type permitted under clause (vi) of Subparagraph 5.01(a).

"Federal Funds Rate" shall mean, for any day, the Federal funds effective rate as set forth in the weekly statistical release designated as H.15(519) published by the Federal Reserve Bank of New York for such day, or in any successor publication (or, if such rate is not so published for any day, the average rate quoted to Administrative Agent on and for such day by three (3) Federal funds brokers of recognized standing selected by Administrative Agent).

"Federal Reserve Board" shall mean the Board of Governors of the Federal Reserve System.

"Financial Statements" shall mean, with respect to any accounting period for any Person, consolidated statements of income, shareholders' equity and cash flows of such Person for such period, and a balance sheet of such Person as of the end of such period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year if such period is less than a full fiscal year or, if such period is a full fiscal year, corresponding figures from the preceding annual audit, all prepared in reasonable detail and in accordance with GAAP.

"Funded Debt" of any Person shall mean, without duplication, Indebtedness of the type set forth in clauses (a) - (f) of the definition of "Indebtedness" less Cash or Cash Equivalents used as collateral to secure any such Indebtedness.

"Funding Losses" shall mean, with respect to any repayment, prepayment or conversion of any LIBOR Loan as set forth in clause (a) of Paragraph 2.12, any failure to borrow any LIBOR Loan as set forth in clause (b) of Paragraph 2.12 or any failure to convert into any LIBOR Loan as set forth in clause (c) of Paragraph 2.12, the amount (which shall not be less than zero) computed in accordance with the following formula:

$$\text{Funding Losses} = \frac{(R-T) \times P \times D}{360}$$

where R = the interest rate that was or would have been applicable to such LIBOR Loan;

T = the LIBO Rate for the date of such repayment, prepayment, conversion, failure to borrow or failure to convert for new LIBOR Loans, of the same principal amount made for an assumed Interest Period (the "Remaining Period")

which begins on the date of such repayment, prepayment, conversion, failure to borrow or failure to convert and ends on the last day of the actual Interest Period that was or would have been applicable to the LIBOR Loan that was repaid, prepaid or converted or that was not borrowed or converted;

P = the principal amount of the LIBOR Loan that was repaid, prepaid or converted or that was not borrowed or converted; and

D = the number of days in the Remaining Period.

"GAAP" shall mean generally accepted accounting principles and practices as in effect in the United States of America from time to time, consistently applied.

"Governmental Authority" shall mean any domestic or foreign national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, the Federal Deposit Insurance Corporation, the Federal Reserve Board, the Comptroller of the Currency, any central bank or any comparable authority.

"Governmental Charges" shall mean, with respect to any Person, all levies, assessments, fees, claims or other charges imposed by any Governmental Authority upon such Person or any of its property or otherwise payable by such Person.

"Governmental Rule" shall mean any law, rule, regulation, ordinance, order, code interpretation, judgment, decree, directive, guidelines, policy or similar form of decision of any Governmental Authority.

"Guaranty Obligation" shall mean, with respect to any Person, any direct or indirect liability of that Person with respect to any indebtedness, lease, dividend, letter of credit or other obligation (the "primary obligations") of another Person (the "primary obligor"), including any obligation of that Person, whether or not contingent, (a) to purchase, repurchase or otherwise acquire such primary obligations or any property constituting direct or indirect security therefor, or (b) to advance or provide funds (i) for the payment or discharge of any such primary obligation, or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of

income or financial condition of the primary obligor, or (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation (except to the extent of the fair market value of such property, securities or services to be purchased), or (d) otherwise to assure or hold harmless the holder of any such primary obligation against loss in respect thereof. The amount of any Guaranty Obligation shall be deemed equal to the liability in respect thereof reasonably anticipated under GAAP.

"Hazardous Materials" shall mean all materials, substances and wastes which are classified or regulated as "hazardous," "toxic" or similar descriptions under any Environmental Law or which are hazardous, toxic, harmful or dangerous to human health.

"Indebtedness" of any Person shall mean, without duplication (in each case, measured in accordance with GAAP):

(a) All monetary obligations of such Person evidenced by notes, bonds, debentures or other similar instruments and all other obligations of such Person for borrowed money;

(b) All monetary obligations of such Person for the deferred purchase price of property or services (including obligations under letters of credit and other credit

facilities which secured or financed such purchase price), other than trade payables incurred by such Person in the ordinary course of its business on ordinary terms;

(c) All monetary obligations of such Person under conditional sale or other title retention agreements with respect to property acquired by such Person other than pursuant to leases classified as operating leases under GAAP (to the extent of the value of such property if the rights and remedies of the seller or lender under such agreement in the event of default are limited solely to repossession or sale of such property);

(d) All monetary obligations of such Person as lessee with respect to the capitalized portion of Capital Leases of such Person (other than capitalized interest) calculated in accordance with GAAP;

(e) all monetary obligations of such Person (other than inchoate indemnity obligations) with

respect to any Synthetic Leases; provided, however, that the amount of monetary obligations for the purpose of this clause (e) shall be equal to the aggregate present value of scheduled rental payments under each such Synthetic Lease (excluding any component thereof in the nature of operating expenses, taxes or similar obligations), together with the purchase price payable by such Person at the end of such Synthetic Lease, discounted by the interest rate implicit in such Synthetic Lease;

(f) all monetary obligations of such Person (other than inchoate indemnity obligations) with respect to any sale, transfer or assignment of accounts receivable and related rights and property by such Person with recourse to such Person;

(g) All monetary obligations of such Person, contingent or otherwise, under or with respect to letters of credit, banker's acceptances or other similar facilities;

(h) All monetary obligations of such Person, contingent or otherwise, under or with respect to interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts or other similar agreements relating to interest rates or currencies;

(i) All Contingent Obligations of such Person with respect to the obligations of such Person or other Persons of the types described in clauses (a) - (h) above; and

(j) All obligations of other Persons of the types described in clauses (a) - (h) above to the extent secured by (or for which any holder of such obligations has an existing right, contingent or otherwise, to be secured by) any Lien in any property (including accounts and contract rights) owned by such Person, even though such person has not assumed or become liable for the payment of such obligations; provided, however, that the amount of such Indebtedness under this clause (j) shall be the lesser of (i) the fair market value of the property subject to such Lien and (ii) the amount of the monetary obligations of such other Person.

"Interest Account" shall have the meaning given to that term in Subparagraph 2.07(b).

"Interest Expenses" shall mean, with respect to any Person for any period, the sum, determined on a consolidated basis in accordance with GAAP, of (a) all interest accruing on the indebtedness of such Person during such period (including interest attributable to Capital Leases and financing charges attributable to Synthetic Leases whether calculated as interest expenses or rental expenses), (b) all letter of credit fees payable by such Person accruing during such period and (c) interest or discount associated with Permitted Receivables Facilities not otherwise included in clause (a) above.

"Interest Period" shall mean, with respect to any LIBOR Loan, the time periods selected by Borrower pursuant to Subparagraph 2.01(b) or Subparagraph 2.01(d) which commences on the first day of such Revolving Loan or the effective date of any conversion and ends on the last day of such time period, and thereafter, each subsequent time period selected by Borrower pursuant to Subparagraph 2.01(e) which

commences on the last day of the immediately preceding time period and ends on the last day of that time period.

"Investment" of any Person shall mean any loan or advance of funds by such Person to any other Person (other than advances to employees of such Person for moving and travel expenses, drawing accounts and similar expenditures in the ordinary course of business or the purchase by such Person in the ordinary course of business of residences for employees in connection with the relocation by such Person of such employees), any purchase or other acquisition of any Equity Securities or Indebtedness of any other Person, any capital contribution by such Person to or any other investment by such Person in any other Person (including any Guaranty Obligations of such Person and any Indebtedness of such Person of the type described in clause (j) of the definition of "Indebtedness" on behalf of any other Person); provided, however, that Investments shall not include (a) accounts receivable or other indebtedness owed by customers of such Person which are current assets and arose from sales of inventory or the performance of services in the ordinary course of such Person's business or (b) prepaid expenses of such Person incurred and prepaid in the ordinary course of business.

"Issuing Bank" shall mean a Bank selected by Borrower and approved by Administrative Agent and the Co-Arrangers in their reasonable discretion that has agreed to act as issuing bank hereunder and issue one or more Letters of Credit pursuant to Paragraph 2.02.

"LC Application" shall have the meaning given to that term in Subparagraph 2.02(b).

"LC Availability Date" shall mean the day on or after the Closing Date that an Issuing Bank has been selected by Borrower and approved by Administrative Agent and the Co- Arrangers in accordance with this Agreement.

"LC Commitment" shall have the meaning given to that term in Subparagraph 2.02(a).

"LC Facility Expiration Date" shall have the meaning given to that term in Subparagraph 2.02(a).

"LC Issuance Fees" shall have the meaning given to that term in Subparagraph 2.04(d).

"LC Usage Fee" shall have the meaning given to that term in Subparagraph 2.04(d).

"LC Usage Fee Rate" shall mean, with respect to Letters of Credit, the per annum rate which is determined pursuant to the Pricing Grid and used to calculate the LC Usage Fee.

"Letter of Credit" shall have the meaning given to that term in Subparagraph 2.02(a).

"LIBO Rate" shall mean, with respect to any Interest Period for the LIBOR Loans in any Borrowing, a rate per annum equal to the quotient of (a) the arithmetic mean (rounded upward if necessary to the nearest 1/16 of one percent) of the rates per annum appearing on the Reuters screen LIBO page (or any successor publication) on the second Business Day prior to the first day of such Interest Period at or about 11:00 A.M. (London time) (for delivery on the first day of such Interest Period) for a term comparable to such Interest Period, divided by (b) one minus the Reserve Requirement for such Revolving Loans in effect from time to time. If for any reason rates are not available as provided in clause (a) of the preceding sentence, the rate to be used in clause (a) shall be, at the Administrative Agent's discretion, (i) the rate per annum at which Dollar deposits are offered to the Administrative Agent in the London interbank eurodollar currency market or (ii) the rate at which Dollar deposits are offered to the Administrative Agent in, or by the Administrative Agent to major banks in, any offshore interbank eurodollar market selected by the Administrative Agent, in each case on the second Business Day prior to the commencement of such Interest Period at or about 10:00 A.M. (New York time) (for delivery on the first day of such Interest Period) for a term comparable to such Interest Period and in an amount approximately equal to the amount of the Revolving Loan to be made or funded by the Administrative Agent as part of such Borrowing.

"LIBOR Loan" shall mean, at any time, a Revolving Loan which then bears interest as provided in clause (ii) of Subparagraph 2.01(c).

"Lien" shall mean, with respect to any property, any security

interest, mortgage, pledge, lien or other encumbrance in, of, or on such property or the income therefrom, including, without limitation, the interest of a vendor or lessor under a conditional sale agreement, Capital Lease or other title retention agreement.

"Loan Documents" shall mean this Agreement, the Notes, the Agents' Fee Letter, the LC Applications, each Notice of Borrowing, each Compliance Certificate and each additional certificate delivered by Borrower or any of its Subsidiaries from time to time pursuant to the terms of this Agreement or any such other Loan Documents.

"Majority Banks" shall mean (a) at any time Revolving Loans are outstanding and the Banks are obligated to make Revolving Loans pursuant to their Commitments, Banks holding more than fifty-one percent (51%) of the aggregate principal amount of all Revolving Loans outstanding, calculated as if Revolving Loans in the full amount of the Banks' Commitments were outstanding, (b) at any time Revolving Loans are outstanding and the Banks are not obligated to make Revolving Loans pursuant to their Commitments, Banks holding more than fifty-one percent (51%) of the aggregate principal amount of all Revolving Loans outstanding and (c) at any time no Revolving Loans are outstanding, Banks whose aggregate Commitments exceed fifty-one percent (51%) of the Total Commitment at such time.

"Margin Stock" shall have the meaning given to that term in Regulation U issued by the Federal Reserve Board, as amended from time to time, and any successor regulation thereto.

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, assets, operations or financial or other condition of Borrower and its Subsidiaries taken as a whole; (b) the ability of Borrower to pay or perform the Obligations in accordance with the terms of this Agreement and the other Credit Documents; or (c) the rights and remedies of the Agents and the Bank Parties under this Agreement or any other Credit Documents taken as a whole.

"Material Subsidiaries" shall mean each Subsidiary of Borrower which has assets with a total book value greater than ten percent (10%) of the consolidated total assets of Borrower and its Subsidiaries, each determined as of the end

of the fiscal quarter immediately preceding the date of determination.

"Maturity" shall mean, with respect to any Revolving Loan, Reimbursement Obligation, interest, fee or other amount payable by Borrower under this Agreement or the other Credit Documents, the date such Revolving Loan, interest, Reimbursement Obligation, fee or other amount becomes due, whether upon the stated maturity or due date, upon acceleration or otherwise.

"Maturity Date" shall have the meaning given to that term in Subparagraph 2.01(a).

"MKE" shall mean Matsushita-Kotobuki Electronics Industries, Ltd., a Japanese corporation.

"MKE-Quantum" shall mean MKE-Quantum Components, L.L.C., a Delaware limited liability company.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto that is a nationally-recognized rating agency.

"Multiemployer Plan" shall mean any multiemployer plan within the meaning of section 3(37) of ERISA maintained or contributed to by Borrower or any ERISA Affiliate.

"Net Proceeds" shall mean with respect to any sale or issuance of any Equity Security or other security by any Person (including in the case of Borrower, any sale or issuance of any Subordinated Debt), the aggregate consideration received by such Person from such sale or issuance less the actual amount of fees and commissions payable to Persons other than such Person or any Affiliate of such Person.

"Note" shall have the meaning given to that term in Subparagraph 2.07(a).

"Notice of Borrowing" shall have the meaning given to that term in Subparagraph 2.01(b).

"Notice of Conversion" shall have the meaning given to that term in Subparagraph 2.01(d).

"Notice of Interest Period Selection" shall have the meaning

given to that term in Subparagraph 2.01(e).

"Obligations" shall mean and include, with respect to Borrower, all loans, advances, debts, liabilities, and obligations, howsoever arising, owed by Borrower to any

Agent or any Bank Party of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising pursuant to the terms of this Agreement or any of the other Credit Documents, including without limitation all interest, fees, charges, expenses, attorneys' fees and accountants' fees chargeable to Borrower or payable by Borrower hereunder or thereunder.

"Origination Fees" shall have the meaning given to that term in Subparagraph 2.04(b).

"Outstanding Facilities Credit" shall have the meaning given to that term in Subparagraph 2.03(a).

"Participant" shall have the meaning given to that term in Subparagraph 8.05(b).

"PBGC" shall mean the Pension Benefit Guaranty Corporation, or any successor thereto.

"Permitted Indebtedness" shall have the meaning given to that term in Subparagraph 5.02(a).

"Permitted Investments" shall have the meaning given to that term in Subparagraph 5.02(e).

"Permitted Liens" shall have the meaning given to that term in Subparagraph 5.02(b).

"Permitted Receivables Facility" shall mean one or more accounts receivable financing arrangements including (a) the sale of accounts receivables and any related property by Borrower and/or any of its Subsidiaries to a financing party or a special purpose vehicle, and/or (b) the granting of a security interest in accounts receivable and any related property by Borrower and/or any of its Subsidiaries; provided, however, that the aggregate outstanding advances under such accounts receivables financing arrangements shall not exceed $200,000,000 at any one time.

"Person" shall mean and include an individual, a partnership, a corporation (including a business trust), a limited liability company, a joint stock company, an unincorporated association, a joint venture, a trust or other entity or a Governmental Authority.

"Pricing Grid" shall mean Schedule II.

"Pricing Period" shall mean (a) the period commencing on the date of this Agreement and ending on September 30,

1997, (b) the period commencing on October 1, 1997 and ending on November 30, 1997, and (c) each consecutive three-calendar month period, four-calendar month period, two-calendar month period or three-calendar month period (as applicable) thereafter which commences on the day following the last day of the immediately preceding three-calendar month period, four-calendar month period, two-calendar month period or three-calendar month period (as applicable) and ends on the last day of that time period as follows:

(i) December 1st through February 28th or February 29th (as applicable);

(ii) March 1st through June 30th;

(iii) July 1st through August 31st; and

(iv) September 1st through November 30th.

"Prime Rate" shall mean the per annum rate publicly announced by the Administrative Agent from time to time at its New York Branch. The Prime Rate is determined by the Administrative Agent from time to time as a means of pricing credit extensions to some customers and is neither directly tied to any external rate of interest or index nor necessarily the lowest rate of interest charged by the Administrative

Agent at any given time for any particular class of customers or credit extensions. Any change in the Base Rate resulting from a change in the Prime Rate shall become effective on the Business Day on which each change in the Prime Rate occurs.

"Prior Credit Agreement" shall have that certain Credit Agreement, dated as of October 4, 1994, as amended, among Borrower, the banks named therein, ABN, Barclays Bank PLC and CIBC, as managing agents for the banks, and Canadian Imperial Bank of Commerce, as administrative agent for the banks.

"Proportionate Share" shall mean, with respect to each Bank, the percentage set forth under the caption "Proportionate Share" opposite such Bank's name on Schedule I, or, if changed, such percentage as may be set forth for such Bank in the Register.

"Quick Ratio" shall mean, with respect to Borrower at any time, the ratio, determined on a consolidated basis in accordance with GAAP, of:

(a) The sum at such time of all (i) cash and Cash Equivalents of Borrower and its Subsidiaries (excluding restricted cash) and (ii) accounts receivable of

Borrower and its Subsidiaries, less all reserves therefor;

to

(b) The sum at such time of (i) the current liabilities of Borrower and its Subsidiaries plus (ii) long-term Indebtedness secured by account receivables of Borrower or its Subsidiaries measured at the lesser of the amount of such long-term Indebtedness and the book value of the accounts receivable so encumbered.

"Register" shall have the meaning given to that term in Subparagraph 8.05(d).

"Reimbursement Obligation" shall have the meaning given to that term in Subparagraph 2.02(c).

"Reimbursement Payment" shall have the meaning given to that term in Subparagraph 2.02(c).

"Reportable Event" shall have the meaning given to that term in ERISA and applicable regulations thereunder.

"Requirement of Law" applicable to any Person shall mean (a) the Articles or Certificate of Incorporation and By-laws, Partnership Agreement, Operating Agreement or other organizational or governing documents of such Person, (b) any Governmental Rule binding upon such Person, (c) any license, permit, approval or other authorization granted by any Governmental Authority to or for the benefit of such Person or (d) any final judgment, decision or determination of any Governmental Authority or arbitrator, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Reserve Requirement" shall mean, with respect to any day in an Interest Period for a LIBOR Loan, the aggregate of the reserve requirement rates (expressed as a decimal) in effect on such day for eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D of the Federal Reserve Board) maintained by a member bank of the Federal Reserve System. As used herein, the term "reserve requirement" shall include, without limitation, any basic, supplemental or emergency reserve requirements imposed on Bank by any Governmental Authority.

"Revolving Loan" shall have the meaning given to that term in Subparagraph 2.01(a).

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor thereto that is a nationally-recognized rating agency.

"Senior Funded Debt" of any Person shall mean any Funded Debt which is not Subordinated Debt.

"Senior Funded Debt Ratio" shall mean, with respect to any Person at any time, the ratio, determined on a consolidated basis in accordance with GAAP, of:

(a) The total Senior Funded Debt of such Person and its Subsidiaries at such time;

to

(b) The sum at such time of (i) the total Senior Funded Debt and Subordinated Debt of such Person and its Subsidiaries at such time plus (ii) the total Tangible Net Worth of such Person and its Subsidiaries at such time.

"Senior Indebtedness" shall mean, with respect to any Person at any time, all Indebtedness of such Person other than Subordinated Debt.

"Solvent" shall mean, with respect to any Person on any date, that on such date (a) the fair value of the assets of such Person is greater than the fair value of the liabilities (including, without limitation, contingent liabilities) of such Person, as such value is established and liabilities evaluated for purposes of Section 101(31) of the Federal Bankruptcy Reform Act of 1978 (12 U.S.C. ss.101, et seq.) and, in the alternative, the California Uniform Fraudulent Transfer Act, (b) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature and (c) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital.

"Subordinated Debt" shall mean the Convertible Subordinated Debentures and any other subordinated debt permitted by Subparagraph 5.02(a).

"Subsidiary" of any Person shall mean (a) any corporation of which 50% or more of the issued and outstanding Equity Securities having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital

stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries or (b) any partnership, joint venture, or other association of which 50% or more of the equity interest having the power to vote, direct or control the management of such partnership, joint venture or other association is at the time owned and controlled by such Person, by such Person and one or more of the other Subsidiaries or by one or more of such Person's other Subsidiaries and in each case, only if such Person is included in the Financial Statements of such Person on a consolidated basis.

"Synthetic Lease" shall mean an off-balance sheet financing arrangement for equipment or real estate which is treated as an operating lease under GAAP but pursuant to which the lessee of such equipment or real estate has the benefits and burdens of ownership of the leased equipment or real estate for U.S. tax purposes.

"Tangible Net Worth" shall mean, with respect to Borrower and its Subsidiaries at any time, the remainder at such time, determined on a consolidated basis in accordance with GAAP, of (a) the total assets of Borrower and its Subsidiaries minus (b) the sum (without limitation and without duplication of deductions) of (i) the total liabilities of Borrower and its Subsidiaries, (ii) all reserves established by Borrower and its Subsidiaries for anticipated losses and expenses (to the extent not deducted in calculating total assets in clause (a) above), and (iii) all intangible assets of Borrower and its Subsidiaries (to the extent included in calculating total assets in clause (a) above), including, without limitation, goodwill (including any amounts, however designated on the balance sheet, representing the cost of acquisition of businesses and investments in excess of underlying tangible assets), trademarks, trademark rights, trade name rights, copyrights, patents, patent rights, licenses, unamortized debt discount, marketing expenses, organizational expenses, non-compete agreements and deferred research and development.

"Taxes" shall have the meaning given to such term in Subparagraph 2.11(a).

"Total Commitment" shall have the meaning given to that term in Subparagraph 2.01(a).

"Total Funded Debt Ratio" shall mean, with respect to Borrower, as of the last day of any quarter, the ratio,

determined on a consolidated basis in accordance with GAAP, of (a) the aggregate amount of all Funded Debt of Borrower then outstanding on such day to (b) EBITDA of Borrower for the consecutive four quarter period ending on such day.

"Transfers" shall mean, with respect to any assets or property, any sale, lease, transfer or other disposition thereof.

"Type" shall mean, with respect to any Revolving Loan or Borrowing at any time, the classification of such Revolving Loan or Borrowing by the type of interest rate it then bears, whether an interest rate based on the Base Rate or the LIBO Rate.

"UCP" shall have the meaning given to that term in Subparagraph 2.02(a).

"Unused Commitment" shall mean, at any time after this Agreement is executed by Borrower, the Agents and Banks, the remainder of (a) the Total Commitment at such time minus (b) the sum of the aggregate principal amount of all Revolving Loans then outstanding and the aggregate stated amount of all Letters of Credit then outstanding.

"Wholly-Owned Subsidiary" shall mean any Subsidiary in which (other than directors' qualifying or local ownership shares required by law) 100% of the issued and outstanding Equity Securities or equity interest (as applicable) having ordinary voting power to elect a majority of the Board of Directors of such Subsidiary or direct or control the management of such Subsidiary (as applicable) is at the time owned and controlled by a Person, by such Person and one or more of the other Subsidiaries or by one or more of such Person's other Subsidiaries.

1.02. GAAP. Unless otherwise indicated in this Agreement or any other Credit Document, all accounting terms used in this Agreement or any other Credit Document shall be construed, and all accounting and financial computations hereunder or thereunder shall be computed, in accordance with GAAP. If GAAP changes in any material respect during the term of this Agreement such that any covenants contained herein would then be calculated in a different manner or with different components, Borrower, the Banks and Agents agree to negotiate in good faith to amend this Agreement in such respects as are necessary to conform those covenants as criteria for evaluating Borrower's financial condition to substantially the same criteria as were effective prior to such change in GAAP; provided, however, that, until Borrower, the Banks and Agents so amend this Agreement, all such covenants shall be calculated in accordance with GAAP as in effect immediately prior to such change.

1.03. Headings. Headings in this Agreement and each of the other Credit Documents are for convenience of reference only and are not part of the substance hereof or thereof.

1.04. Plural Terms. All terms defined in this Agreement or any other Credit Document in the singular form shall have comparable meanings when used in the plural form and vice versa.

1.05. Time. All references in this Agreement and each of the other Credit Documents to a time of day shall mean New York time unless otherwise indicated.

1.06. Governing Law. This Agreement and each of the other Credit Documents (unless otherwise provided in such other Credit Documents) shall be governed by and construed in accordance with the laws of the State of California without reference to conflicts of law rules.

1.07. Construction. This Agreement is the result of negotiations among, and has been reviewed by, Borrower, each Bank, each Agent and their respective counsel. Accordingly, this Agreement shall be deemed to be the product of all parties hereto, and no ambiguity shall be construed in favor of or against Borrower, any Bank or any Agent.

1.08. Entire Agreement. This Agreement, the Agents' Fee Letters and each of the other Credit Documents, taken together, constitute and contain the entire agreement of Borrower, the Banks and Agents and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof.

1.09. Calculation of Interest and Fees. All calculations of interest and fees under this Agreement and the other Credit Documents for any period (a) shall include the first day of such period and exclude the last day of such period and (b) shall be calculated on the basis of a year of 360 days for actual days elapsed, except that during any period any Revolving Loan bears interest

based upon the Base Rate, such interest shall be calculated on the basis of a year of 365 or 366 days, as appropriate, for actual days elapsed.

1.10. Other Interpretive Provisions. References in this Agreement to "Recitals," "Sections," "Paragraphs," "Subparagraphs," "Exhibits" and "Schedules" are to recitals, sections, paragraphs, subparagraphs, exhibits and schedules herein and hereto unless otherwise indicated. References in this Agreement and each of the other Credit Documents to any document, instrument or agreement (a) shall include all exhibits, schedules and other attachments thereto, (b) shall include all documents, instruments or agreements issued or executed in replacement

thereof and (c) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time and in effect at any given time. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement or any other Credit Document shall refer to this Agreement or such other Credit Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Credit Document, as the case may be. The words "include" and "including" and words of similar import when used in this Agreement or any other Credit Document shall not be construed to be limiting or exclusive. In the event of any inconsistency between the terms of this Agreement and the terms of any other Credit Document, the terms of this Agreement shall govern.

SECTION II. CREDIT FACILITIES.

2.01. Revolving Loan Facility.

(a) Revolving Loan Availability. Subject to the terms and conditions of this Agreement (including the amount limitations set forth in Paragraph 2.03), each Bank severally agrees to advance to Borrower from time to time during the period beginning on the Closing Date and ending on June 6, 2000 (the "Maturity Date") such revolving loans as Borrower may request under this Paragraph 2.01 (individually, a "Revolving Loan"); provided, however, that (i) the aggregate principal amount of all Revolving Loans made by such Bank at any time outstanding shall not exceed such Bank's Commitment at such time and (ii) the aggregate principal amount of all Revolving Loans made by all Banks at any time outstanding shall not exceed Five Hundred Million Dollars ($500,000,000) (such amount, as reduced from time to time pursuant to this Agreement, to be referred to herein as the "Total Commitment"). All Revolving Loans shall be made on a pro rata basis by the Banks in accordance with their respective Proportionate Shares, with each Borrowing to be comprised of a Revolving Loan by each Bank equal to such Bank's Proportionate Share of such Borrowing. Except as otherwise provided herein, Borrower may borrow, repay and reborrow Revolving Loans until the Maturity Date.

(b) Notice of Borrowing. Borrower shall request each Borrowing by delivering to Administrative Agent an irrevocable written notice in the form of Exhibit A, appropriately completed (a "Notice of Borrowing"), which specifies, among other things:

(i) The principal amount of the requested Borrowing, which shall be in the amount of (A) $1,000,000 or an integral multiple of $500,000 in

excess thereof in the case of a Borrowing consisting of Base Rate Loans or (B) $10,000,000 or an integral multiple of $500,000 in excess thereof in the case of a Borrowing consisting of LIBOR Loans;

(ii) Whether the requested Borrowing is to consist of Base Rate Loans or LIBOR Loans;

(iii) If the requested Borrowing is to consist of LIBOR Loans, the initial Interest Period selected by Borrower for such LIBOR Loans in accordance with Subparagraph 2.01(e); and

(iv) The date of the requested Borrowing, which shall be a Business Day.

Borrower shall give each Notice of Borrowing to Administrative Agent at least three (3) Business Days before the date of the requested Borrowing in the case of a Borrowing consisting of LIBOR Loans and at least one (1) Business Day before the date of the requested Borrowing in the case of a Borrowing consisting of Base Rate Loans. Each Notice of Borrowing shall be delivered by first-class mail or facsimile to

Administrative Agent at the office or facsimile number and during the hours specified in Paragraph 8.01; provided, however, that Borrower shall promptly deliver to Administrative Agent the original of any Notice of Borrowing initially delivered by facsimile. Borrower may request that one or more Borrowings be made on the same day. Administrative Agent shall promptly notify each Bank of the contents of each Notice of Borrowing and of the amount and Type of (and, if applicable, the Interest Period for) each Revolving Loan to be made by such Bank as part of the requested Borrowing.

(c) Interest Rates. Borrower shall pay interest on the unpaid principal amount of each Revolving Loan from the date of such Revolving Loan until the maturity thereof, at one of the following rates per annum:

(i) During such periods as such Revolving Loan is a Base Rate Loan, at a rate per annum equal to the Base Rate, such rate to change from time to time as the Base Rate shall change; and

(ii) During such periods as such Revolving Loan is a LIBOR Loan, at a rate per annum equal at all times during each Interest Period for such LIBOR Loan to the LIBO Rate for such Interest Period plus the Applicable Margin therefor, such rate to change from time to time during such Interest Period as the Applicable Margin shall change;

Provided, however, that all Revolving Loans outstanding during the period commencing on the Closing Date and ending three (3) Business Days after the Closing Date shall be Base Rate Loans. All Revolving Loans in each Borrowing shall, at any given time prior to maturity, bear interest at one, and only one, of the above rates. The number of Borrowings consisting of LIBOR Loans shall not exceed twenty (20) at any time.

(d) Conversion of Revolving Loans. Borrower may convert any Borrowing from one Type of Borrowing to the other Type. Borrower shall request such a conversion by an irrevocable written notice to Administrative Agent in the form of Exhibit B, appropriately completed (a "Notice of Conversion"), which specifies, among other things:

(i) The Borrowing which is to be converted;

(ii) The Type of Revolving Loans into which such Revolving Loans are to be converted;

(iii) If such Borrowing is to be converted into a Borrowing consisting of LIBOR Loans, the initial Interest Period selected by Borrower for such Revolving Loans in accordance with Subparagraph 2.01(e); and

(iv) The date of the requested conversion, which shall be a Business Day.

Borrower shall give each Notice of Conversion to Administrative Agent at least three (3) Business Days before the date of the requested conversion in the case of a conversion into a Revolving Loan consisting of LIBOR Loans. If Borrower fails to give such Notice of Conversion at least three (3) Business Days before the date of the requested conversion, such Revolving Loan shall automatically convert into a Revolving Loan consisting of Base Rate Loans. Each Notice of Conversion shall be delivered by first-class mail or facsimile to Administrative Agent at the office or to the facsimile number and during the hours specified in Paragraph 8.01; provided, however, that Borrower shall promptly deliver to Administrative Agent the original of any Notice of Conversion initially delivered by facsimile. Administrative Agent shall promptly notify each Bank of the contents of each Notice of Conversion.

(e) LIBOR Loan Interest Periods.

(i) The initial and each subsequent Interest Period selected by Borrower for a LIBOR Loan shall be one (1), two (2), three (3) or six (6) months as Borrower may specify; provided, however, that (A) any

Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such next Business Day falls in another calendar month, in which case such Interest Period shall end on the immediately preceding Business Day; (B) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically

corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month; and (C) no Interest Period shall end after the Maturity Date.

(ii) Borrower shall notify Administrative Agent by an irrevocable written notice in the form of Exhibit C, appropriately completed (a "Notice of Interest Period Selection"), at least three (3) Business Days prior to the last day of each Interest Period for LIBOR Loans of the Interest Period selected by Borrower for the next succeeding Interest Period for such Revolving Loans. Each Notice of Interest Period Selection shall be given by first-class mail or facsimile to the office or the facsimile number and during the hours specified in Paragraph 8.01; provided, however, that Borrower shall promptly deliver to Administrative Agent the original of any Notice of Interest Period Selection initially delivered by facsimile. If Borrower fails to notify Administrative Agent of the next Interest Period for LIBOR Loans in accordance with this Subparagraph 2.01(e), such LIBOR Loans shall automatically convert to Base Rate Loans on the last day of the current Interest Period therefor.

(f) Scheduled Revolving Loan Payments. Borrower shall repay the unpaid principal amount of all Revolving Loans on the Maturity Date. Borrower shall pay accrued interest on the unpaid principal amount of the Revolving Loans in arrears (i) in the case of Base Rate Loans, on the last Business Day in each calendar quarter; (ii) in the case of LIBOR Loans, on the last day of each Interest Period therefor (and, if any such Interest Period is longer than three (3) months, every three (3) months after the first day of such Interest Period); and (iii) in the case of all Revolving Loans, at maturity.

(g) Purpose. Borrower shall use the proceeds of the Revolving Loans (i) to refinance the loans outstanding under the Prior Credit Agreement on the Closing Date and (ii) to finance Borrower's working capital and general corporate needs.

2.02. Letter of Credit Facility.

(a) Letter of Credit Availability. Subject to the terms and conditions of this Agreement (including the amount limitations set forth in Paragraph 2.03, Issuing Bank shall issue on behalf of Borrower from time to time during the period beginning on the LC Availability Date and ending on the date which is fifteen (15) days prior to the Maturity Date (the "LC Facility Expiration Date") such letters of credit as Borrower may request under this Paragraph 2.02 (individually, a "Letter of Credit"); provided, however, as follows:

(i) The aggregate amount available for drawing under all Letters of Credit at any time outstanding shall not exceed One Hundred Million Dollars ($100,000,000) (such amount, as reduced from time to time pursuant to this Agreement, to be referred to herein as the "LC Commitment").

(ii) Each Letter of Credit shall be an irrevocable performance standby Letter of Credit.

(iii) Each Letter of Credit shall expire on or prior to the LC Facility Expiration Date.

(iv) Each Letter of Credit shall be governed by the Uniform Customs and Practices for Documentary Credits as most recently published by the International Chamber of Commerce (the "UCP") prior to the date of issuance of such Letter of Credit and the terms of the UCP are hereby incorporated by reference with respect to each Letter of Credit.

(v) Each Letter of Credit shall be in a form reasonably acceptable to Issuing Bank.

Except as otherwise provided herein, Borrower may request Letters of Credit, cause or allow Letters of Credit to expire and request additional Letters of Credit until the LC Facility Expiration Date.

(b) LC Application. Borrower shall request each Letter of Credit by delivering to Administrative Agent and Issuing Bank an irrevocable written application in a form reasonably acceptable to Issuing Bank (it being understood that such form shall not contain terms inconsistent with the terms set forth in this Agreement), appropriately completed (an "LC Application"), which specifies, among other things:

(i) The stated amount of the requested Letter of Credit;

(ii) The name and address of the beneficiary of the requested Letter of Credit;

(iii) The expiration date of the requested Letter of Credit;

(iv) The documentary conditions for drawing under the requested Letter of Credit;

(v) The date of issuance for the requested Letter of Credit, which shall be a Business Day; and

(vi) The aggregate amount available for drawing under all Letters of Credit then outstanding.

Borrower shall give each LC Application to Issuing Bank at least five (5) Business Days before the proposed date of issuance of the requested Letter of Credit. Each LC Application shall be delivered by an established express courier service, first-class mail or facsimile to Administrative Agent and Issuing Bank at their respective offices or facsimile numbers and during the hours specified in Paragraph 8.01; provided, however, that Borrower shall promptly deliver to Issuing Bank the original of any LC Application initially delivered by facsimile. Administrative Agent shall promptly notify each Bank of the contents of each LC Application. In the event of any conflict between the terms of this Agreement and the terms of any LC Application, the terms of this Agreement shall control.

(c) Disbursement and Reimbursement.

(i) Disbursement. Issuing Bank will notify Borrower by facsimile forthwith upon receipt of the presentment of any demand for payment under any Letter of Credit, together with notice of the amount of such payment and the date such payment shall be made. Subject to the terms and provisions of such Letter of Credit, Issuing Bank shall make such payment (a "Drawing Payment") to the appropriate beneficiary.

(ii) Time of Reimbursement. Not later than 11:00 a.m. on the day each Drawing Payment is to be made by Issuing Bank, Borrower shall make or cause to be made to Issuing Bank a payment in the amount of such Drawing Payment (a "Reimbursement Payment"); provided, however, that Borrower shall make such Reimbursement Payment to, or cause such Reimbursement Payment to be made to, Administrative Agent for the benefit of the Banks if, prior to the time such Reimbursement Payment is made, Issuing Bank has notified Borrower that it has

requested the Banks pursuant to clause (ii) of Subparagraph 2.02(d) to pay to Issuing Bank their respective Proportionate Shares of the Drawing Payment made by Issuing Bank. If any such Reimbursement Payment is made to Administrative Agent, Administrative Agent shall promptly pay to each Bank which has paid its Proportionate Share of the Drawing Payment, such Bank's Proportionate Share of the Reimbursement Payment and shall promptly pay to Issuing Bank the balance of such Reimbursement Payment.

(iii) Reimbursement Obligation Absolute. The obligation of Borrower to reimburse Issuing Bank or the Banks, as the case may be, for Drawing Payments (such obligation to be referred to herein collectively as a "Reimbursement Obligation") shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under and without regard to any circumstances, including, without limitation (A) any lack of validity or enforceability of any of the Credit Documents, (B) the existence of any claim, setoff, defense or other right which Borrower may have at any time against any beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such beneficiary or transferee may be acting), Issuing Bank, any Agent, any Bank Party or any other Person, whether in connection with this Agreement, the transactions contemplated herein or in the other Credit Documents, or in any unrelated transaction, (C) any breach of contract or dispute between Borrower, any beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such beneficiary or transferee may be acting), Issuing Bank, any

Agent, any Bank Party or any other Person, (D) any demand, statement or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect, (E) payment by Issuing Bank under any Letter of Credit against presentation of a demand for payment which does not comply with the terms of such Letter of Credit, (F) any non-application or misapplication by any beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such beneficiary or transferee may be acting) of the proceeds of any drawing under such Letter of Credit or (G) any delay, extension of time, renewal, compromise or other indulgence or modification granted or agreed to by Issuing Bank, any Agent or any Bank Party, with or without notice to or approval by Borrower, with respect to Borrower's indebtedness under this Agreement; provided, that this Subparagraph 2.02(b)

shall not abrogate any right which Borrower may have to seek to enjoin any drawing under any Letter of Credit or to recover damages from Issuing Bank pursuant to Subparagraph 2.02(e).

(d) Bank Participations; Revolving Loan Funding.

(i) Participation Agreement. Each Bank severally, unconditionally and irrevocably agrees with Issuing Bank to participate in the extension of credit arising from the issuance of each Letter of Credit in an amount equal to such Bank's Proportionate Share of the stated amount of such Letter of Credit from time to time, and the issuance of each Letter of Credit shall be deemed a confirmation by Issuing Bank of such participation in such amount.

(ii) Participation Funding. Issuing Bank may request the Banks to fund their participations in Letters of Credit by paying to Issuing Bank all or any portion of any Drawing Payment made or to be made by Issuing Bank under any Letter of Credit. Issuing Bank shall make such a request by delivering to Administrative Agent (with a copy to Borrower), at any time after the drawing for which such payment is requested has been made upon Issuing Bank, a written request for such payment which specifies the amount of such Drawing Payment and the date on which such Drawing Payment is to be made or was made; provided, however, that Issuing Bank shall not request the Banks to make any payment under this Subparagraph 2.02(d) in connection with any portion of a Drawing Payment for which Issuing Bank has been reimbursed from a Reimbursement Payment by Borrower unless such Reimbursement Payment has been thereafter recovered by Borrower. Administrative Agent shall promptly notify each Bank of the contents of each such request and of such Bank's Proportionate Share of the applicable portion of such Drawing Payment. Promptly following receipt of such notice from Administrative Agent, each Bank shall pay to Administrative Agent, for the benefit of Issuing Bank, such Bank's Proportionate Share of the applicable portion of such Drawing Payment.

(iii) Funding Through Revolving Loans. At any time any Reimbursement Obligations are outstanding, Administrative Agent may or, upon the written request of Issuing Bank (if Borrower is not then the subject of a bankruptcy proceeding), shall (subject to the terms and conditions of this Subparagraph 2.02(d)), initiate a Borrowing in an amount not exceeding the aggregate amount of such outstanding Reimbursement Obligations

and use the proceeds of such Revolving Loan to repay all or a portion of such Reimbursement Obligations. Administrative Agent shall initiate such a Borrowing by delivering to each Bank (with a copy to Borrower) a written notice which specifies the aggregate amount of outstanding Reimbursement Obligations, the amount of the Borrowing, the date of such Borrowing and the amount of the Revolving Loan to be made by such Bank as part of such Borrowing. Each Bank shall make available to Administrative Agent funds in the amount of its Proportionate Share of such Revolving Loan as provided in Subparagraph 2.08(a). After receipt of such funds, Administrative Agent shall promptly disburse such funds to Issuing Bank and the Banks, as appropriate, in payment of the outstanding Reimbursement Obligations.

(iv) Obligations Absolute. Each Bank's obligations to fund its participations under this Subparagraph 2.02(d) shall be absolute, unconditional and irrevocable and shall not be affected by (A) the occurrence or existence of any Default or Event of Default, (B) any failure to satisfy any condition set forth in Section III, (C) any event or condition which might have a Material Adverse Effect, (D) the failure of any other Bank to make any payment under this Subparagraph 2.02(d), (E) any right of offset, abatement, withholding or reduction which such Bank may have against Issuing Bank, any Agent, any other Bank Party or Borrower, (F) any event, circumstance or condition set forth in Subparagraph 2.02(c) or Subparagraph 2.02(e), or (G) any other event, circumstance or condition whatsoever, whether or not similar to any of the foregoing; provided, that nothing in this Paragraph 2.02 shall prejudice any right which any Bank may have against Issuing Bank for any action by Issuing Bank which constitutes gross negligence or willful misconduct.

(e) Liability of Issuing Bank, Etc. Borrower agrees that none of Issuing Bank, any Agent or any other Bank Party (nor any of their respective directors, officers or employees) shall be liable or responsible for (i) the use which may be made of any Letter of Credit or for any acts or omissions of any beneficiary or transferee thereof in connection therewith; (ii) any reference which may be made to this Agreement or to any Letter of Credit in any agreements, instruments or other documents relating to obligations secured by such Letter of Credit; (iii) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged or any statement therein

prove to be untrue or inaccurate in any respect whatsoever; (iv) payment by Issuing Bank against presentation of documents which do not comply with the terms of any Letter of Credit, including failure of any documents to bear any reference or adequate reference to any Letter of Credit; or (v) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit, except only that Issuing Bank shall be liable to Borrower for acts or events described in clauses (i) through (v) above, to the extent, but only to the extent, of any damages suffered by Borrower (excluding consequential damages) which Borrower proves were caused by (A) Issuing Bank's willful misconduct, bad faith or gross negligence in determining whether a drawing made under any Letter of Credit complies with the terms and conditions therefor stated in such Letter of Credit or (B) Issuing Bank's willful misconduct, bad faith or gross negligence in failing to pay under any Letter of Credit after a drawing by the beneficiary thereof strictly complying with the terms and conditions of such Letter of Credit. Without limiting the foregoing, Issuing Bank may accept a drawing that appears on its face to be in order, without responsibility for further investigation. The determination of whether a drawing has been made under any Letter of Credit prior to its expiration or whether a drawing made under any Letter of Credit is in proper and sufficient form shall be made by Issuing Bank in its sole discretion, which determination shall be conclusive and binding upon Borrower to the extent permitted by law. Borrower hereby waives any right to object to any payment made under any Letter of Credit with regard to a drawing that is in the form provided in such Letter of Credit but which varies with respect to punctuation, capitalization, spelling or similar matters of form.

(f) Reports of Issuing Bank. While any Letter of Credit is outstanding, Issuing Bank shall on a monthly basis provide to Administrative Agent or any Bank such information regarding the Letters of Credit as Administrative Agent or such Bank may reasonably request, including the Letters of Credit outstanding, the stated amounts of outstanding Letters of Credit, the expiration dates of outstanding Letters of Credit, the names of the beneficiaries of outstanding Letters of Credit, the amounts of unpaid Reimbursement Obligations and the amounts and times of Drawing Payments and Reimbursement Payments.

(g) Purpose. Borrower shall use the Letters of Credit solely as provided in clause (ii) of Subparagraph 2.02(a).

2.03. Amount Limitations, Commitment Reductions, Etc.

(a) Total Commitments. The sum of the aggregate principal amount of all Revolving Loans outstanding, the aggregate amount available for drawing under all Letters of Credit then outstanding and the aggregate amount of all Reimbursement Obligations then outstanding (such sum to be referred to herein as the "Outstanding Facilities

Credit") shall not exceed the Total Commitment at such time.

(b) Optional Reduction or Cancellation of Commitments. Borrower may, upon three (3) Business Days written notice to Administrative Agent (and, in the case of the LC Commitment, to Issuing Bank), permanently reduce the Total Commitment by the amount of $5,000,000 or integral multiples of $1,000,000 in excess thereof or cancel the Total Commitment in its entirety; provided, however, that:

(i) Borrower may not reduce the Total Commitment if, after giving effect to such reduction, the Outstanding Facilities Credit would exceed the Total Commitment as so reduced; and

(ii) Borrower may not cancel the Total Commitment if, after giving effect to such cancellation, any Revolving Loan or Letter of Credit would remain outstanding.

(c) Effect of Commitment Reductions. From the effective date of any reduction of the Total Commitment, the Commitment Fees payable pursuant to Subparagraph 2.04(c) shall be computed on the basis of the Total Commitment as so reduced. Any reduction of the Total Commitment pursuant to this Paragraph 2.03 shall be applied ratably to reduce each Bank's Commitment in accordance with clause (i) of Subparagraph 2.09(a).

2.04. Fees.

(a) Agents' Fees. Borrower shall pay to Agents, for their own accounts, the fees in the amounts and at the times set forth in the Agents' Fee Letters.

(b) Origination Fees. Borrower shall pay to Administrative Agent, for the ratable benefit of the Banks as provided in this Subparagraph 2.04(b), nonrefundable origination fees (the "Origination Fees") in amounts equal to:

(i) For each Bank which committed to provide Commitments hereunder of Fifteen Million Dollars ($15,000,000) or more but less than Twenty-Five Million Dollars ($25,000,000), seven point five one

hundredths of one percent (.075%) of the sum of such Bank's Commitment on the Closing Date;

(ii) For each Bank which committed to provide Commitments hereunder of Twenty-Five Million Dollars ($25,000,000) or more but less than Forty Million Dollars ($40,000,000), twelve point five one hundredths of one percent (.125%) of the sum of such Bank's Commitment on the Closing Date; and

(iii) For each Bank which committed to provide Commitments hereunder of Forty Million Dollars ($40,000,000) or more, fifteen one hundredths of one percent (.150%) of the sum of such Bank's Commitment on the Closing Date.

(c) Commitment Fees. Borrower shall pay to Administrative Agent, for the ratable benefit of the Banks as provided in clause (v) of Subparagraph 2.09(a), nonrefundable commitment fees (the "Commitment Fees") equal to the Commitment Fee Percentage on the daily average Unused Commitment for the period beginning on the date of this Agreement and ending on the Maturity Date. The Commitment Fee Percentage shall be determined as provided in the Pricing Grid and may change for each Pricing Period. Borrower shall pay the Commitment Fees quarterly in arrears on the last day in each calendar quarter (commencing June 30, 1997) and on the Maturity Date (or if the Total Commitment is cancelled on a date prior to the Maturity Date, on such prior date).

(d) Letter of Credit Fees.

(i) Letter of Credit Usage Fees. Borrower shall pay to Administrative Agent, for the ratable benefit of the Banks as provided in clause (v) of Subparagraph 2.09(a), nonrefundable usage fees for the Letters of Credit (the "LC Usage Fees") equal to the LC Usage Fee Rate on the daily average available amount of each Letter of Credit for the period beginning on the date such Letter of Credit is issued and ending on the date such Letter of Credit expires. The LC Usage Fee Rate shall be determined as provided in the Pricing Grid and may change for each calendar quarter. Borrower shall pay the LC Usage Fees quarterly in arrears on the last day in

each calendar quarter (commencing at the end of the first calendar quarter after the issuance of the initial Letter of Credit) and on the Maturity Date.

(ii) Letter of Credit Issuance Fees. Borrower shall either pay to Administrative Agent, for the sole benefit of Issuing Bank, or directly to Issuing Bank,

nonrefundable issuance fees for the Letters of Credit (the "LC Issuance Fees") as agreed to between Borrower and Issuing Bank (and, if paid to Administrative Agent, in such amount as Administrative Agent has been notified by Issuing Bank is then due).

(iii) Other Letter of Credit Fees. In addition to the LC Issuance Fees, Borrower shall either pay to Administrative Agent, for the sole benefit of Issuing Bank, or directly to Issuing Bank, other standard reasonable fees of Issuing Bank for drawings under, transfers of and amendments to any Letter of Credit and other administrative actions performed by Issuing Bank in connection with any Letter of Credit, payable at such times and in such amounts as are consistent with Issuing Bank's standard fee policy at the time of such amendment or other action (and, if paid to Administrative Agent, in such amount as Administrative Agent has been notified by Issuing Bank is then due).

2.05. Prepayments.

(a) Terms of all Prepayments. Upon the prepayment of any Revolving Loan (whether such prepayment is an optional prepayment under Subparagraph 2.05(b), a mandatory prepayment required by Subparagraph 2.05(c) or a mandatory prepayment required by any other provision of this Agreement or the other Credit Documents, including, without limitation, a prepayment upon acceleration), Borrower shall pay to the Administrative Agent for the benefit of the Bank Party which made such Revolving Loan (i) if such prepayment is the prepayment of a LIBOR Loan, all accrued interest to the date of such prepayment on the amount prepaid and (ii) if such prepayment is the prepayment of a LIBOR Loan on a day other than the last day of an Interest Period for such Revolving Loan, all amounts payable to such Bank Party pursuant to Paragraph 2.12.

(b) Optional Prepayments. At its option, Borrower may, upon three (3) Business Days notice to Administrative Agent for LIBOR Loans and one (1) Business Day notice to Administrative Agent for Base Rate Loans, prepay any Borrowing in part, in an aggregate principal amount of $500,000 or more, or in whole.

(c) Mandatory Prepayments. If, at any time, the Outstanding Facilities Credit exceeds the Total Commitment at such time, Borrower shall immediately prepay Revolving Loans in an aggregate principal amount equal to such excess.

(d) Application of Revolving Loan Prepayments. All prepayments of the Revolving Loans shall, to the extent

possible, be first applied to prepay Base Rate Loans and then, if any funds remain, to prepay LIBOR Loans.

2.06. Other Payment Terms.

(a) Place and Manner. Except as otherwise expressly provided herein, Borrower shall make all payments due to each Bank Party hereunder by payments to Administrative Agent, for the account of such Bank Party and such Bank Party's Applicable Lending Office, at Administrative Agent's office, located at the address specified in Paragraph 8.01, in lawful money of the United States and in same day or immediately available funds not later than 11:00 A.M. on the date due. Administrative Agent shall promptly disburse to each Bank Party each such payment received by Administrative Agent for such Bank Party.

(b) Date. Whenever any payment due hereunder shall fall due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of interest or fees, as the case may be.

(c) Late Payments. If any amounts required to be paid by Borrower under this Agreement or the other Credit Documents (including, without limitation, principal or interest payable on any Revolving Loan

or interest thereon, any fees or other amounts) remain unpaid after such amounts are due, Borrower shall pay interest on the aggregate, outstanding balance of such amounts from the date due until those amounts are paid in full at a per annum rate equal to the Base Rate plus two percent (2.00%), such rate to change from time to time as the Base Rate shall change.

(d) Application of Payments. All payments hereunder shall be applied first to unpaid fees, costs and expenses then past due under this Agreement or the other Credit Documents, second to accrued interest then due and payable under this Agreement or the other Credit Documents and finally to reduce the principal amount of outstanding Revolving Loans.

(e) Failure to Pay Administrative Agent. Unless Administrative Agent shall have received notice from Borrower prior to the date on which any payment is due to any Bank Parties hereunder that Borrower will not make such payment in full, Administrative Agent may assume that Borrower has made such payment in full to Administrative Agent on such date and Administrative Agent may, in reliance upon such assumption, cause to be distributed to the appropriate Bank Parties on such due date an amount equal to the amount then due such Bank Parties. If and to the extent

Borrower shall not have so made such payment in full to Administrative Agent, each such Bank Party shall repay to Administrative Agent forthwith on demand such amount distributed to such Bank Party together with interest thereon, for each day from the date such amount is distributed to such Bank Party until the date such Bank Party repays such amount to Administrative Agent, at (i) the Federal Funds Rate for the first three (3) days and (ii) the Base Rate thereafter. A certificate of Administrative Agent submitted to any Bank Party with respect to any amounts owing by such Bank Party under this Subparagraph 2.06(e) shall be conclusive absent manifest error.

2.07. Notes and Interest Account.

(a) Notes. The obligation of Borrower to repay the Revolving Loans made by each Bank and to pay interest thereon at the rates provided herein shall be evidenced by a promissory note in the form of Exhibit D (individually, a "Note") which note shall be (i) payable to the order of such Bank, (ii) in the amount of such Bank's Commitment, (iii) dated the Closing Date and (iv) otherwise appropriately completed. Borrower authorizes each Bank to record on the schedule annexed to such Bank's Note the date and amount of each Revolving Loan made by such Bank and of each payment or prepayment of principal thereon made by Borrower, and agrees that all such notations shall constitute prima facie evidence of the matters noted. Borrower further authorizes each Bank to attach to and make a part of such Bank's Note continuations of the schedule attached thereto as necessary.

(b) Interest Account. Borrower authorizes Administrative Agent to record in an account or accounts maintained by Administrative Agent on its books (the "Interest Account") (i) the interest rates applicable to all Revolving Loans and the effective dates of all changes thereto, (ii) the Interest Period for each LIBOR Loan, (iii) the date and amount of each principal and interest payment on each Revolving Loan and (iv) such other information as Administrative Agent may determine is necessary for the computation of interest payable by Borrower hereunder.

2.08. Revolving Loan Funding, Etc.

(a) Bank Funding and Disbursement to Borrower. Each Bank shall, before 12:00 P.M. on the date of each Borrowing, make available to Administrative Agent at its office specified in Paragraph 8.01, in same day or immediately available funds, such Bank's pro rata share of such Borrowing. After Administrative Agent's receipt of such

funds and upon fulfillment of the applicable conditions set forth in Section III, Administrative Agent will promptly disburse such funds in same day or immediately available funds to Borrower. Unless otherwise directed by Borrower, Administrative Agent shall disburse the proceeds of each Borrowing to Borrower by disbursement to the account or accounts specified in the applicable Notice of Borrowing.

(b) Bank Failure to Fund. Unless Administrative Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to Administrative Agent such Bank's pro rata share of such Borrowing, Administrative Agent may assume that such Bank has made such portion available to Administrative Agent on the date of such Borrowing in accordance with Subparagraph

2.08(a), and Administrative Agent may, in reliance upon such assumption, make available to Borrower (or otherwise disburse) on such date a corresponding amount. If any Bank does not make the amount of its pro rata share of any Borrowing available to Administrative Agent on or prior to the date of such Borrowing, such Bank shall pay to Administrative Agent, on demand, interest which shall accrue on such amount until made available to Administrative Agent at rates equal to (i) the daily Federal Funds Rate during the period from the date of such Borrowing through the third Business Day thereafter and (ii) the Base Rate thereafter. A certificate of Administrative Agent submitted to any Bank with respect to any amounts owing under this Subparagraph 2.08(b) shall be conclusive absent manifest error. If any Bank's pro rata share of any Borrowing is not in fact made available to Administrative Agent by such Bank within three (3) Business Days after the date of such Borrowing, Borrower shall pay to Administrative Agent, on demand, an amount equal to such pro rata share together with interest thereon, for each day from the date such amount was made available to Borrower until the date such amount is repaid to Administrative Agent, at the interest rate applicable at the time to the Revolving Loans comprising such Borrowing.

(c) Banks' Obligations Several. The failure of any Bank to make the Revolving Loan to be made by it as part of any Borrowing shall not relieve any other Bank of its obligation hereunder to make its Revolving Loan on the date of such Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Revolving Loan to be made by such other Bank on the date of any Borrowing.

2.09. Pro Rata Treatment.

(a) Borrowings, Commitment Reductions, Etc. Except as otherwise provided herein:

(i) Each Borrowing, each reduction of the Total Commitment and participations in each Letter of Credit shall be made by or shared among the Banks pro rata according to their respective Proportionate Shares;

(ii) Each payment of principal of Revolving Loans in any Borrowing shall be shared among the Banks which made or funded the Revolving Loans in such Borrowing pro rata according to the respective unpaid principal amounts of such Revolving Loans so made or funded by such Banks;

(iii) Each payment of interest on Revolving Loans in any Borrowing shall be shared among the Banks which made or funded the Revolving Loans in such Borrowing pro rata according to (A) the respective unpaid principal amounts of such Revolving Loans so made or funded by such Banks and (B) the dates on which such Banks so made or funded such Revolving Loans or is deemed to have made or funded such Revolving Loans to the extent such Bank otherwise paid interest to Administrative Agent on such Revolving Loans in accordance with Subparagraph 2.08(b);

(iv) Each Reimbursement Payment and interest payable by Borrower thereon shall be shared among the Banks (including Issuing Bank) which made or funded the applicable Drawing Payment pro rata according to the respective amounts of such Drawing Payment so made or funded by such Banks;

(v) Each payment of Commitment Fees shall be shared among the Banks pro rata according to (A) their respective Proportionate Share and (B) in the case of each Bank which becomes a Bank hereunder after the date hereof, the date upon which such Bank so became a Bank;

(vi) Each payment of LC Usage Fees shall be shared among the Banks (including Issuing Bank in its capacity as a Bank) pro rata according to (A) their respective Proportionate Share and (B) in the case of each Bank which becomes a Bank hereunder after the date hereof, the date upon which such Bank so became a Bank;

(vii) Each payment of interest (other than interest on Revolving Loans) shall be shared among the Bank Parties and Agents owed the amount upon which such interest accrues pro rata according to (A) the respective amounts so owed such Bank Parties and (B) the dates on which such amounts became owing to such Bank Parties; and

(viii) All other payments under this Agreement and the other Credit Documents shall be for the benefit of the Person or Persons specified.

(b) Sharing of Payments, Etc. If any Bank Party shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of Revolving Loans owed to it in excess of its ratable share of payments on account of such Revolving Loans obtained by all Banks entitled to such payments, such Bank Party shall forthwith purchase from the other Bank Parties entitled to such payments such participations in the Revolving Loans or Reimbursement Obligations as shall be necessary to cause such purchasing Bank Party to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank Party, such purchase shall be rescinded and each other Bank Party shall repay to the purchasing Bank Party the purchase price to the extent of such recovery together with an amount equal to such other Bank Party's ratable share (according to the proportion of (i) the amount of such other Bank Party's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank Party in respect of the total amount so recovered. Borrower agrees that any Bank Party so purchasing a participation from another Bank Party pursuant to this Subparagraph 2.09(b) may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff, but only as provided in Paragraph 8.06) with respect to such participation as fully as if such Bank Party were the direct creditor of Borrower in the amount of such participation.

2.10. Change of Circumstances.

(a) Inability to Determine Rates. If, on or before the first day of any Interest Period for any LIBOR Loan, Agents shall determine that (i) the LIBO Rate for such Interest Period cannot be adequately and reasonably determined due to the unavailability of funds in or other circumstances affecting the London interbank market or (ii) the rates of interest for such LIBOR Loans do not adequately and fairly reflect the cost to the Banks of making or maintaining such LIBOR Loans, Administrative Agent shall immediately give notice of such condition to Borrower and the Banks. After the giving of any such notice and until Administrative Agent shall otherwise notify Borrower that the circumstances giving rise to such condition no longer exist, Borrower's right to request the making of or conversion to, and the Banks' obligations to make or convert to LIBOR Loans shall be suspended. Any LIBOR Loans

outstanding at the commencement of any such suspension shall, unless fully repaid, be converted at the end of the then current Interest Period for such LIBOR Loans into Base Rate Loans unless such suspension has then ended.

(b) Illegality. If, after the date of this Agreement, the adoption of any Governmental Rule, any change in any Governmental Rule or the application or requirements thereof (whether such change occurs in accordance with the terms of such Governmental Rule as enacted, as a result of amendment or otherwise), any change in the interpretation or administration of any Governmental Rule by any Governmental Authority, or compliance by any Bank with any request or directive (whether or not having the force of law) of any Governmental Authority (a "Change of Law") shall make it unlawful or impossible for any Bank to make or maintain any LIBOR Loan, such Bank shall immediately notify Administrative Agent and Borrower of such Change of Law. Upon receipt of such notice, (i) Borrower's right to request the making of or conversion to, and such Bank's obligation to make or convert to, LIBOR Loans shall be terminated, and (ii) Borrower shall, at the request of such Bank, either (A) pursuant to Subparagraph 2.01(d), convert any such then outstanding LIBOR Loans of such Bank into Base Rate Loans at the end of the current Interest Period for such LIBOR Loans, or (B) immediately repay or convert any such LIBOR Loans if such Bank shall notify Borrower that such Bank may not lawfully continue to fund and maintain such LIBOR Loans. Any conversion or prepayment of LIBOR Loans made pursuant to the preceding sentence prior to the last day of an Interest Period for such LIBOR Loans shall be deemed a prepayment thereof for purposes of Paragraph 2.12. After any Bank notifies Administrative Agent and Borrower of such a Change of Law and until such Bank notifies Administrative Agent and Borrower that it is no longer unlawful or impossible for such Bank to make or maintain any LIBOR Loan, all Revolving Loans of such Bank shall be Base Rate Loans.

(c) Increased Costs. If, after the date of this Agreement, any Change of Law:

(i) Shall subject any Bank to any tax, duty or other charge with respect to any LIBOR Loan, or shall change the basis of taxation of payments by Borrower to any Bank on such a LIBOR Loan or in respect to such a LIBOR Loan under this Agreement (except for changes in the rate of taxation on the overall net income of any Bank imposed by its jurisdiction of incorporation or the jurisdiction in which such Bank maintains a lending office); or

(ii) Shall impose, modify or hold applicable any reserve (excluding any Reserve Requirement or other reserve to the extent included in the calculation of the LIBO Rate for any LIBOR Loans), special deposit or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances or loans by, or any other acquisition of funds by any Bank for any LIBOR Loan; or

(iii) Shall impose on any Bank any other condition related to any LIBOR Loan or such Bank's Commitments;

and the effect of any of the foregoing is to increase the cost to such Bank of making, renewing, or maintaining any such LIBOR Loan or such Bank's Commitments or to reduce any amount receivable by such Bank hereunder, then Borrower shall from time to time, within five (5) days after demand by such Bank (which demand shall be accompanied by a statement setting forth in reasonable detail the basis for the calculation of the amount demanded), pay to such Bank additional amounts sufficient to reimburse such Bank for such increased costs or to compensate such Bank for such reduced amounts; provided, however, that Borrower shall not be obligated to pay any Bank for any such increased costs or reduced amounts incurred more than sixty (60) days prior to the date of such Bank's demand for payment if such demand was made more than sixty (60) days after the latest of (A) the date such Bank received actual notice of such increased cost or reduced amount, (B) the effective date of such Change in Law, or (C) the date such Change in Law occurred or was enacted. A certificate as to the amount of such increased costs or reduced amounts submitted by such Bank to Borrower shall constitute prima facie evidence of such increased costs or reduced amounts. The obligations of Borrower under this Subparagraph 2.10(c) shall survive the payment and performance of the Obligations and the termination of this Agreement.

(d) Capital Requirements. If, after the date of this Agreement, any Bank Party determines that (i) any Change of Law affects the amount of capital required or expected to be maintained by such Bank Party or any Person controlling such Bank Party (a "Capital Adequacy Requirement") and (ii) the amount of capital maintained by such Bank Party or such Person which is reasonably attributable to or based upon the Revolving Loans, the Letters of Credit, the Commitments or this Agreement must be increased as a result of such Capital Adequacy Requirement (taking into account such Bank Party's or such Person's policies with respect to capital adequacy), Borrower shall pay to such Bank Party or such Person, within five (5) days after demand of such Bank Party (which demand shall be accompanied by a statement setting forth in

reasonable detail the basis for the calculation of the amount demanded), such amounts as such Bank Party or such Person shall reasonably determine are necessary to compensate such Bank Party or such Person for the increased costs to such Bank Party or such Person of such increased capital. A certificate of any Bank Party setting forth in reasonable detail the computation of any such increased costs delivered by such Bank Party to Borrower shall constitute prima facie evidence of such increased costs. The obligations of Borrower under this Subparagraph 2.10(d) shall survive the payment and performance of the Obligations and the termination of this Agreement.

(e) Mitigation. As promptly as practical after any Bank becomes aware of (i) any Change of Law which will make it unlawful or impossible for such Bank to make or maintain any LIBOR Loan or (ii) any obligation by Borrower to pay any amount pursuant to Subparagraph 2.10(c) or Subparagraph 2.10(d), such Bank shall notify Borrower and Administrative Agent (and, if any Bank has given notice of any such event described in clause (i) or (ii) above and thereafter such event ceases to exist, such Bank shall promptly so notify Borrower and Administrative Agent). Each Bank affected by any Change of Law which makes it unlawful or impossible for such Bank to make or maintain any LIBOR Loan or to which Borrower is obligated to pay any amount pursuant to Subparagraph 2.10(c) or Subparagraph 2.10(d) shall use reasonable commercial efforts (including changing the jurisdiction of its Applicable Lending Office) to avoid the effect of such Change of Law or to avoid or materially reduce any amounts which Borrower is obligated

to pay pursuant to Subparagraph 2.10(c) or Subparagraph 2.10(d) if, in the reasonable opinion of such Bank, such efforts would not be disadvantageous to such Bank or contrary to such Bank's normal banking practices.

2.11. Taxes on Payments.

(a) Payments Free of Taxes. All payments made by Borrower under this Agreement and the other Credit Documents shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority (except (i) net income taxes and franchise taxes in lieu of net income taxes imposed on any Agent or Bank Party by its jurisdiction of incorporation or any jurisdiction in which it maintains a lending office and (ii) withholding taxes required to be paid for Bank Parties who do not comply with Subparagraph 2.11(b) at the time they first become Bank Parties hereunder) (all such non-excluded

taxes, levies, imposts, duties, charges, fees, deductions and withholdings being hereinafter called "Taxes"). Subject to Subparagraph 2.11(c), if any Taxes are required to be withheld from any amounts payable to any Agent or any Bank Party hereunder or under the other Credit Documents, the amounts so payable to such Agent or such Bank Party shall be increased to the extent necessary to yield to such Agent or such Bank Party (after payment of all Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement and the other Credit Documents. Whenever any Taxes are payable by Borrower, as promptly as possible thereafter, Borrower shall send to Administrative Agent for its own account or for the account of such other Agent or such Bank Party, as the case may be, a certified copy of an original official receipt received by Borrower showing payment thereof. If Borrower fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to Administrative Agent the required receipts or other required documentary evidence, Borrower shall indemnify Agents and the Bank Parties for any incremental taxes, interest or penalties that may become payable by any Agent or any Bank Party as a result of any such failure. The obligations of Borrower under this Subparagraph 2.11(a) shall survive the payment and performance of the Obligations and the termination of this Agreement.

(b) Withholding Exemption Certificates. On or prior to the Closing Date, each Bank which is not incorporated under the laws of the United States of America or a state thereof shall deliver to Borrower and Administrative Agent either two duly completed copies of United States Internal Revenue Service Form 1001 or 4224 (or successor applicable form), as the case may be, certifying in each case that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal taxes. Each Bank which delivers to Borrower and Administrative Agent a Form 1001 or 4224 pursuant to the immediately preceding sentence further undertakes to deliver to Borrower and Administrative Agent two further copies of Form 1001 or 4224, or successor applicable forms, or other manner of certification or procedure, as the case may be, on or before the date that any such letter or form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent letter and form previously delivered by it to Borrower and Administrative Agent, and such extensions or renewals thereof as may reasonably be requested by Borrower or Administrative Agent, certifying in the case of a Form 1001 or 4224 that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal taxes, unless in any such cases an event (including without limitation any change in treaty, law or regulation) has

occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent a Bank from duly completing and delivering any such letter or form with respect to it and such Bank advises Borrower and Administrative Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(c) Mitigation. Any Agent or Bank Party claiming any additional amounts payable pursuant to this Paragraph 2.11 shall use reasonable commercial efforts to file any certificate or document requested in writing by Borrower (including without limitation copies of Internal Revenue Service Form 1001, or successor forms, reflecting a reduced rate of withholding) or to change the jurisdiction of its Applicable Lending Office if the making of such a filing or such change

in the jurisdiction of its Applicable Lending Office would avoid the need for or materially reduce the amount of any such additional amounts which may thereafter accrue and if, in the reasonable opinion of such Agent or Bank Party in the case of a change in the jurisdiction of its Applicable Lending Office, such change would not be disadvantageous to such Agent or Bank Party or contrary to such Agent's or Bank Party's normal banking practices.

(d) Tax Returns. Nothing contained in this Paragraph 2.11 shall require any Agent or Bank Party to make available any of its tax returns (or any other information relating to its taxes which it deems to be confidential).

2.12. Funding Loss Indemnification. If Borrower shall (a) repay, prepay or convert any LIBOR Loan on any day other than the last day of an Interest Period therefor (whether a scheduled payment, an optional prepayment or conversion, a mandatory prepayment or conversion, a payment upon acceleration or otherwise), (b) fail to borrow any LIBOR Loan for which a Notice of Borrowing has been delivered to Administrative Agent (whether as a result of the failure to satisfy any applicable conditions or otherwise) or (c) fail to convert any Revolving Loans into LIBOR Loans in accordance with a Notice of Conversion delivered to Administrative Agent (whether as a result of the failure to satisfy any applicable conditions or otherwise), Borrower shall, upon demand by any Bank, reimburse such Bank for and hold such Bank harmless from all Funding Losses and all related incidental costs and expenses (such as administrative costs and expenses) incurred by such Bank as a result of such repayment, prepayment or failure. Each Bank demanding payment under this Paragraph 2.12 shall deliver to Borrower, with a copy to Administrative Agent, a certificate setting forth the amount of Funding Losses and related incidental costs and expenses for which demand is made, which certificate shall set forth in

reasonable detail the calculation of the amount demanded. Such a certificate so delivered to Borrower shall constitute prima facie evidence of such Funding Losses and related incidental costs and expenses. The obligations of Borrower under this Paragraph 2.12 shall survive the payment and performance of the Obligations and the termination of this Agreement for a period of one year from the date of termination.

2.13. Replacement of Banks. If any Bank shall (a) become a Defaulting Bank more than two (2) times in a period of twelve (12) consecutive months, (b) continue as a Defaulting Bank for more than five (5) Business Days at any time, (c) suspend its obligation to make or maintain LIBOR Loans pursuant to Subparagraph 2.10(b) for a reason which is not applicable to the Banks (or a material number of the Banks) generally, or (d) demand any payment under Subparagraph 2.10(c), 2.10(d) or 2.11(a) for a reason which is not applicable to the Banks (or a material number of Banks) generally, then Administrative Agent may (or upon the written request of Borrower or Agents, shall) replace such Bank (the "affected Bank"), or cause such affected Bank to be replaced, with another bank (the "replacement bank") satisfying the requirements of an Assignee Bank under Subparagraph 8.05(c), by having the affected Bank sell and assign all of its rights and obligations under this Agreement and the other Credit Documents to the replacement bank pursuant to Subparagraph 8.05(c); provided, however, that if Borrower seeks to exercise such right, it must do so within one hundred twenty (120) days after it first knows or should have known of the occurrence of the event or events giving rise to such right, and neither Administrative Agent nor any Agent nor any Bank shall have any obligation to identify or locate a replacement bank for Borrower. Upon receipt by any affected Bank of a written notice from Administrative Agent stating that Administrative Agent is exercising the replacement right set forth in this Paragraph 2.14, such affected Bank shall sell and assign all of its rights and obligations under this Agreement and the other Credit Documents to the replacement bank pursuant to an Assignment Agreement and Subparagraph 8.05(c) for a purchase price equal to the sum of the principal amount of the affected Bank's Revolving Loans so sold and assigned, all accrued and unpaid interest thereon and its ratable share of all fees to which it is entitled.

SECTION III. CONDITIONS PRECEDENT.

3.01. Initial Conditions Precedent. The obligations of the Bank Parties to make the Revolving Loans comprising the initial Borrowing or of Issuing Bank to issue the initial Letter of Credit are subject to receipt by Administrative Agent, on or prior to the Closing Date, of each item listed in Schedule 3.01, each in form and substance reasonably satisfactory to the Banks,

and with sufficient copies for, Administrative Agent and each Bank.

3.02. Conditions Precedent to Each Credit Event. The occurrence of each Credit Event (including the initial Borrowing and the initial Letter of Credit) is subject to the further conditions that:

(a) Borrower shall have delivered to Administrative Agent (and Issuing Bank, in the case of an LC Application) the Notice of Borrowing for such Credit Event in accordance with this Agreement;

(b) On the date such Credit Event is to occur and after giving effect to such Credit Event, the following shall be true and correct:

(i) The representations and warranties of Borrower and its Subsidiaries set forth in Paragraph 4.01 and in the other Credit Documents are true and correct in all material respects as if made on such date (except for representations and warranties expressly made as of a specified date, which shall be true as of such date); and

(ii) No Default or Event of Default has occurred and is continuing or will result from such Credit Event; and

(c) On the date such Credit Event is to occur and after giving effect to such Credit Event, all of the Credit Documents are in full force and effect.

The submission by Borrower to Administrative Agent of each Notice of Borrowing and each LC Application shall be deemed to be a representation and warranty by Borrower as of the date thereon as to the above.

3.03. Conditions Precedent to Each Conversion or Each Selection of Interest Period. The occurrence of the conversion of any Base Rate Loan into a LIBOR Loan or the selection of a new Interest Period for any LIBOR Loan is subject to the further conditions that:

(a) Borrower shall have delivered to Administrative Agent the Notice of Conversion or Notice of Interest Period Selection, as the case may be, for such conversion or selection of an Interest Period in accordance with this Agreement;

(b) On the date such conversion or selection of an Interest Period is to occur and after giving effect to such

conversion or selection of an Interest Period, no Default or Event of Default has occurred and is continuing or will result from such conversion or selection of an Interest Period; and

(c) On the date such conversion or selection of an Interest Period is to occur and after giving effect to such conversion or selection of an Interest Period, all of the Credit Documents are in full force and effect.

The submission by Borrower to Administrative Agent of each Notice of Conversion and each Notice of Interest Period Selection shall be deemed to be a representation and warranty by Borrower as of the date thereon as to the above.

SECTION IV. REPRESENTATIONS AND WARRANTIES.

4.01. Borrower's Representations and Warranties. In order to induce the Agents and Bank Parties to enter into this Agreement, Borrower hereby represents and warranties to the Agents and Bank Parties as follows:

(a) Due Incorporation, Qualification, etc. Each of Borrower and Borrower's Subsidiaries (i) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation; (ii) has the power and authority to own, lease and operate its properties and carry on its business as now conducted; and (iii) is duly qualified, licensed to do business and in good standing as a foreign corporation in each jurisdiction where the failure to be so qualified or licensed is reasonably likely to have a Material Adverse Effect.

(b) Authority. The execution, delivery and performance by Borrower of each Credit Document executed, or to be executed, by Borrower and the consummation of the transactions contemplated thereby (i) are within the corporate power of Borrower and (ii) have been duly authorized by all necessary corporate actions on the part of Borrower.

(c) Enforceability. Each Loan Document in the nature of an agreement executed, or to be executed, by Borrower has been, or will be, duly executed and delivered by Borrower and constitutes, or will constitute, a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity

(regardless of whether considered in a proceeding in equity or at law).

(d) Non-Contravention. The execution and delivery by Borrower of the Loan Documents and the performance and consummation of the transactions contemplated thereby do not (i) violate any Requirement of Law applicable to Borrower; (ii) violate any provision of, or result in the breach or the acceleration of, or entitle any other Person to accelerate (whether after the giving of notice or lapse of time or both), any Contractual Obligations of Borrower which could reasonably be expected to have a Material Adverse Effect; or (iii) result in the creation or imposition of any Lien (or the obligation to create or impose any Lien) upon any property, asset or revenue of Borrower (except such Liens as may be created in favor of Administrative Agent pursuant to this Agreement or the other Credit Documents).

(e) Approvals. No material consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Authority or other Person having jurisdiction over Borrower or any of Borrower's Subsidiaries (including the shareholders of any Person) is required in connection with the execution and delivery of the Loan Documents executed by Borrower or the performance and consummation of the transactions contemplated thereby except for consents, approvals, orders, authorizations, registrations, declarations or filings required to be obtained or made in accordance with the Loan Documents.

(f) No Violation or Default. Neither Borrower nor any of Borrower's Subsidiaries is in violation of or in default with respect to (i) any Requirement of Law applicable to such Person or (ii) any Contractual Obligation of such Person, where, in each case, such violation or default is reasonably likely to have a Material Adverse Effect. Without limiting the generality of the foregoing, neither Borrower nor any of Borrower's Subsidiaries (A) is in violation of any Environmental Laws, (B) to the best of Borrower's knowledge, has any liability or potential liability under any Environmental Laws or (C) has received written notice or other written communication of an investigation or is under investigation by any Governmental Authority having jurisdiction over Borrower or any of Borrower's Subsidiaries having authority to enforce Environmental Laws, where, in each case, such violation, liability or investigation could reasonably be expected to have a Material Adverse Effect, nor, to the best of Borrower's knowledge, have any Hazardous Materials been released or disposed of on any of the properties owned by Borrower or Borrower's Subsidiaries which, either individually or in the aggregate, could reasonably be

expected to have a Material Adverse Effect. No Event of Default or Default has occurred and is continuing.

(g) Litigation. Except as set forth in the Disclosure Letter, no actions (including, without limitation, derivative actions), suits, proceedings or investigations are pending or, to the knowledge of Borrower, threatened against Borrower or any of Borrower's Subsidiaries at law or in equity in any court or before any other Governmental Authority having jurisdiction over Borrower or any of Borrower's Subsidiaries which (i) is reasonably likely (alone or in the aggregate) to have a Material Adverse Effect or (ii) seeks to enjoin, either directly or indirectly, the execution, delivery or performance of the Loan Documents or the transactions contemplated thereby.

(h) Title; Possession Under Leases. Borrower and Borrower's Subsidiaries (i) own and have good title (without regard to minor defects of title) to all their other respective properties and assets which are material to the business of Borrower and its Subsidiaries taken as a whole, as reflected in the most recent Financial Statements delivered to Administrative Agent (except those assets and properties disposed of since the date of such Financial Statements in compliance with this Agreement) and (ii) own and have good title (without regard to minor defects of title) to all respective properties and assets acquired by Borrower and Borrower's Subsidiaries since such date which are material to the business of Borrower and its Subsidiaries taken as a whole (except those assets and properties disposed of in compliance with this Agreement). Such assets and properties are subject to no Lien, except for Permitted Liens.

(i) Financial Statements. The Financial Statements of Borrower which have been delivered to Administrative Agent in connection with this Agreement, (i) are in accordance with the books and records of Borrower, which have been maintained in accordance with good business practice; (ii) have been prepared in conformity with GAAP; and (iii) fairly present in all material respects the financial condition and results of operations of Borrower as of the date thereof and for the

periods covered thereby.

(j) No Agreements to Sell Assets; Etc. As of the Closing Date, neither Borrower nor any of Borrower's Material Subsidiaries has any legal obligation, absolute or contingent, to any Person to sell all or any material part of the assets of Borrower or any of Borrower's Material Subsidiaries (other than Transfers permitted pursuant to Subparagraph 5.02(c)), or to effect any merger, consolidation or other reorganization of Borrower or any of

Borrower's Subsidiaries or to enter into any agreement with respect thereto.

(k) Employee Benefit Plans.

(i) Based on the latest valuation of each Employee Benefit Plan that either Borrower or any ERISA Affiliate maintains or contributes to, or has any obligation under (which occurred within twelve months of the date of this representation), the aggregate benefit liabilities of such plan within the meaning of ss. 4001 of ERISA did not exceed the aggregate value of the assets of such plan. Neither Borrower nor any ERISA Affiliate has any liability with respect to any post-retirement benefit under any Employee Benefit Plan which is a welfare plan (as defined in section 3(1) of ERISA), other than liability for health plan continuation coverage described in Part 6 of Title I(B) of ERISA, which liability for health plan contribution coverage is not reasonably likely to have a Material Adverse Effect.

(ii) Each Employee Benefit Plan complies, in both form and operation, in all material respects, with its terms, ERISA and the Code, and no condition exists or event has occurred with respect to any such plan which would result in the incurrence by either Borrower or any ERISA Affiliate of any material liability, fine or penalty. Each Employee Benefit Plan, related trust agreement, arrangement and commitment of Borrower or any ERISA Affiliate is legally valid and binding and in full force and effect. No Employee Benefit Plan is being audited or investigated by any government agency or is subject to any pending or threatened claim or suit. Neither Borrower nor any ERISA Affiliate has nor, to the knowledge of Borrower or any ERISA Affiliate, has any fiduciary of any Employee Benefit Plan engaged in a prohibited transaction under section 406 of ERISA or section 4975 of the Code.

(iii) Neither Borrower nor any ERISA Affiliate has any material contingent obligations to any Multiemployer Plan. Neither Borrower nor any ERISA Affiliate has incurred any material liability (including secondary liability) to any Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan under Section 4201 of ERISA or as a result of a sale of assets described in Section 4204 of ERISA. Neither Borrower nor any ERISA Affiliate has been notified that any Multiemployer Plan is in reorganization or insolvent under and within the meaning of Section 4241 or Section 4245 of ERISA or

that any Multiemployer Plan intends to terminate or has been terminated under Section 4041A of ERISA.

(l) Other Regulations. Neither Borrower nor any of its Subsidiaries is subject to regulation under the Investment Company Act of 1940, the Public Utility Holding Company Act of 1935, the Federal Power Act, any state public utilities code or to any other Governmental Rule limiting its ability to incur indebtedness.

(m) Patent and Other Rights. Borrower and Borrower's Subsidiaries own or license under validly existing agreements (or could obtain such ownership, possession or license on terms not materially adverse to Borrower and its Subsidiaries, taken as a whole, and under circumstances that could not reasonably be expected to have a Material Adverse Effect), and have the full right to license without the consent of any other Person, all patents, licenses, trademarks, trade names, trade secrets, service marks, copyrights and all rights with respect thereto, which are material to conduct the businesses of Borrower and its Subsidiaries (taken as a whole) as now conducted.

(n) Governmental Charges. Borrower and Borrower's Subsidiaries have filed or caused to be filed all material tax returns which are required by law to be filed by them. Borrower and Borrower's Subsidiaries have paid, or made provision for the payment of, all taxes and other Governmental Charges which have become due pursuant to said

returns or otherwise, except such Governmental Charges, if any, which are being contested in good faith and as to which adequate reserves (determined in accordance with GAAP) have been provided or which are not reasonably likely to have a Material Adverse Effect if unpaid.

(o) Margin Stock. Borrower owns no Margin Stock which, in the aggregate, would constitute a substantial part of the assets of Borrower, and no proceeds of any Revolving Loan and no Letter of Credit will be used to purchase or carry, directly or indirectly, any Margin Stock or to extend credit, directly or indirectly, to any Person for the purpose of purchasing or carrying any Margin Stock.

(p) Subsidiaries, etc. Set forth in Schedule 4.01(p) (as supplemented by Borrower on or immediately prior to each anniversary of the Closing Date in a written notice to Administrative Agent) is a complete list of all of Borrower's Subsidiaries, the jurisdiction of incorporation of each, the asset value of each and the percentage of Borrower's consolidated total assets represented by each. Except for such Subsidiaries, Borrower has no Subsidiaries, is not a partner in any partnership or a joint venturer in

any joint venture except the joint venture with MKE in MKE-Quantum.

(q) Solvency, Etc. Borrower and each of its Material Subsidiaries is Solvent and, after the execution and delivery of the Loan Documents and the consummation of the transactions contemplated thereby, will be Solvent.

(r) Catastrophic Events. Neither Borrower nor any of Borrower's Subsidiaries and none of their properties is affected by any fire, explosion, strike, lockout or other labor dispute, earthquake, embargo or other casualty that is reasonably likely to have a Material Adverse Effect. As of the Closing Date, there are no disputes presently subject to grievance procedure, arbitration or litigation under any of the collective bargaining agreements, employment contracts or employee welfare or incentive plans to which Borrower or any of Borrower's Subsidiaries is a party, and there are no strikes, lockouts, work stoppages or slowdowns, or, to the best knowledge of Borrower, jurisdictional disputes or organizing activities occurring or threatened which alone or in the aggregate are reasonably likely to have a Material Adverse Effect.

(s) No Material Adverse Effect. No event has occurred and no condition exists which could reasonably be expected to have a Material Adverse Effect.

(t) Accuracy of Information Furnished. None of the Credit Documents and none of the other certificates, statements or information furnished to Bank Party by or on behalf of Borrower or any of its Subsidiaries in connection with the Credit Documents or the transactions contemplated thereby (taken together with all such Credit Documents, certificates, statements or information) contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (it being understood by the Bank Parties that the projections and forecasts provided by Borrower are not to be viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

4.02. Reaffirmation. Borrower shall be deemed to have reaffirmed, for the benefit of the Agents and Bank Parties, each representation and warranty contained in Paragraph 4.01 on and as of the date of each Credit Event (except for representations and warranties expressly made as of a specified date, which shall be true as of such date).

SECTION V. COVENANTS.

5.01. Affirmative Covenants. Until the termination of this Agreement and the satisfaction in full by Borrower of all Obligations (other than inchoate indemnity obligations of Borrower), Borrower will comply, and will cause compliance, with the following affirmative covenants, unless Majority Banks shall otherwise consent in writing:

(a) Financial Statements, Reports, etc. Borrower shall furnish to Administrative Agent (and Administrative Agent shall promptly thereupon furnish to each Bank) the following, each in such form and such detail as Administrative Agent shall reasonably request:

(i) As soon as available and in no event later than forty-five (45) days after the last day of each fiscal quarter of Borrower which is not a fiscal year end, a copy of the

unaudited Financial Statements of Borrower for such quarter and for the fiscal year to date (excluding statements of shareholders' equity), certified by an Executive Officer of Borrower to present fairly the financial condition, results of operations and other information reflected therein and to have been prepared in accordance with GAAP (subject to normal year-end audit adjustments);

(ii) As soon as available and in no event later than ninety (90) days after the close of each fiscal year of Borrower, (A) copies of the audited consolidated Financial Statements of Borrower for such fiscal year, audited by a nationally recognized accounting firm and (B) copies of the unqualified opinions (or qualified opinions reasonably acceptable to Agents);

(iii) Contemporaneously with the quarterly and year-end Financial Statements required by the foregoing clauses (i) and (ii), (A) a certificate of an Executive Officer of Borrower in the form of Exhibit E, appropriately completed, together with such financial computations as Agents may reasonably request to determine compliance with the terms of this Agreement (a "Compliance Certificate") and (B) management's discussion of Borrower's operations for the period covered by such Financial Statements in the form supplied to Borrower's stockholders, including a comparison with Borrower's operations for the corresponding quarter in the immediately preceding fiscal year or with the immediately preceding fiscal year, as the case may be, as set forth in Borrower's 10-K and 10-Q reports filed by Borrower or any of its

Subsidiaries with the Securities and Exchange Commission;

(iv) As soon as possible and in no event later than five (5) Business Days after any Executive Officer of Borrower or any Vice President of Human Resources of Borrower knows of the occurrence or existence of (A) any Reportable Event under any Employee Benefit Plan or Multiemployer Plan, (B) any litigation, suits or claims against Borrower or its Subsidiaries involving claimed monetary damages payable by Borrower or any of its Subsidiaries of $25,000,000 or more not covered by insurance, (C) any other event or condition which is reasonably likely to have a Material Adverse Effect, or (D) any Default or Event of Default; the statement of an Executive Officer of Borrower setting forth details of such event, condition, Default or Event of Default and the action which Borrower proposes to take with respect thereto;

(v) As soon as available and in no event later than five (5) Business Days after they are sent, made available or filed, copies of (A) all registration statements filed on forms S-1, S-2, S-3 or S-4 and 8-K, 10-K and 10-Q reports and such additional material reports filed by Borrower or any of its Subsidiaries with any securities exchange or the Securities and Exchange Commission; (B) all reports, proxy statements and financial statements sent or made available by Borrower or any of its Subsidiaries to its public security holders generally; and (C) all press releases and other similar public statements concerning any material developments in the business of Borrower or any of Borrower's Subsidiaries made available by Borrower or any of Borrower's Subsidiaries to the public generally; and

(vi) Such other certificates, opinions, statements, documents and information relating to the operations or condition (financial or otherwise) of Borrower or any of its Subsidiaries, and compliance by Borrower with the terms of this Agreement and the other Credit Documents as any Bank Party through Administrative Agent may from time to time reasonably request.

Notwithstanding the foregoing, it is understood and agreed that to the extent Borrower files Forms 10-K and 10-Q (or any successor forms) with the Securities and Exchange Commission (or any successor agency) and such forms are required to contain the same information as required by clauses (i), (ii) and (iii) (B) of Subparagraph 5.01(a),

Borrower may deliver copies of such forms with respect to the relevant time periods in lieu of the deliveries specified in clauses (i), (ii) and (iii) (B) of Subparagraph 5.01(a) when such reports are required to

be filed with the Securities and Exchange Commission.

(b) Books and Records. Borrower and its Subsidiaries shall at all times keep proper books of record and account in accordance with good business practices and GAAP (and, in the case of Foreign Subsidiaries, local accounting rules or GAAP to the extent required).

(c) Inspections. Borrower and its Subsidiaries shall permit personnel of Administrative Agent and, if no Default or Event of Default has occurred and is continuing, with the consent of Borrower (which consent shall not be unreasonably withheld or delayed), any Person designated by Administrative Agent, upon reasonable notice and during normal business hours, to visit and inspect any of the properties and offices of Borrower and its Subsidiaries, to examine the books and records of Borrower and its Subsidiaries and make copies thereof and to discuss the affairs, finances and accounts of Borrower and its Subsidiaries with, and to be advised as to the same by, their officers, auditors and accountants, all at such times and intervals as Administrative Agent may reasonably request. Notwithstanding any provision of this Agreement to the contrary, so long as no Default or Event of Default shall have occurred and be continuing, neither Borrower nor any of its Subsidiaries shall be required to disclose, permit the inspection, examination, photocopying or making extracts of, or discuss, any document, information or other matter that (i) constitutes non-financial trade secrets or non-financial proprietary information or (ii) the disclosure of which to any Bank Party, or their designated representative, is then prohibited by law or any agreement binding on Borrower or any of its Subsidiaries that was not entered into by Borrower or any such Subsidiary for the purpose of concealing information from the Bank Parties.

(d) Insurance. Borrower and its Subsidiaries shall:

(i) Carry and maintain insurance of the types and in the amounts customarily carried from time to time during the term of this Agreement by others engaged in substantially the same business as such Person and operating in the same geographic area as such Person, including, but not limited to, fire, public liability, property damage and worker's compensation; and

(ii) Deliver to Administrative Agent from time to time, as Administrative Agent may request, schedules setting forth all insurance then in effect.

(iii) Notwithstanding clauses (i) and (ii) above, Borrower and any of its Subsidiaries may self-insure in lieu of maintaining all or a portion of the insurance required to be maintained pursuant to this Subsection 5.01(d) to the extent determined by Borrower's Board of Directors to be appropriate and in the best interests of Borrower and its Subsidiaries taken as a whole.

(e) Governmental Charges. Borrower and its Subsidiaries shall promptly pay and discharge when due all taxes and other Governmental Charges prior to the date upon which penalties accrue thereon which, if unpaid, are reasonably likely to have a Material Adverse Effect, except such taxes and other Governmental Charges as may in good faith be contested or disputed, or for which arrangements for deferred payment have been made, provided that in each such case appropriate reserves are maintained in accordance with GAAP.

(f) Use of Proceeds. Borrower shall use the proceeds of the Revolving Loans and the Letters of Credit only for the respective purposes set forth in Subparagraph 2.01(g) and Subparagraph 2.02(g). Borrower shall not use any part of the proceeds of any Revolving Loan or any Letter of Credit, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock or for the purpose of purchasing or carrying or trading in any securities under such circumstances as to involve Borrower, any Bank Party or any Agent in a violation of Regulations G, T, U or X issued by the Federal Reserve Board.

(g) General Business Operations. Each of Borrower and its Subsidiaries shall (i) subject to Subparagraph 5.02(c) and 5.02(d), preserve and maintain its corporate existence and all of its material rights, privileges and franchises reasonably necessary to the conduct of its business, (ii) conduct its business activities in compliance with all Requirements of Law and Contractual Obligations applicable to such Person, the violation of which is reasonably likely to have a Material Adverse Effect, (iii) keep all property useful and necessary in its business in good working order and condition, ordinary wear and

tear excepted in accordance with prudent business practices, and (iv) pay and perform all Contractual Obligations as and when due (except to the extent disputed in good faith by Borrower or the appropriate Subsidiary and where non-payment would not be reasonably expected to have a Material Adverse Effect). Borrower shall maintain its chief executive office and principal

place of business in the United States and shall not relocate its chief executive office or principal place of business outside of California without providing Administrative Agent with prior written notice.

5.02. Negative Covenants. Until the termination of this Agreement and the satisfaction in full by Borrower of all Obligations (other than inchoate indemnity obligations of Borrower), Borrower will comply, and will cause compliance, with the following negative covenants, unless Majority Banks shall otherwise consent in writing:

(a) Indebtedness. Neither Borrower nor any of its Subsidiaries shall create, incur, assume or permit to exist any Indebtedness or any Guaranty Obligations except for the following ("Permitted Indebtedness"):

(i) The Obligations of Borrower under the Credit Documents;

(ii) Indebtedness listed in the Disclosure Letter existing on the date of this Agreement;

(iii) Indebtedness of Borrower and its Subsidiaries under loans and Capital Leases incurred by Borrower or any of its Subsidiaries to finance the acquisition by such Person of real property, fixtures, equipment or other fixed assets provided that in each case, (A) such Indebtedness is incurred by such Person at the time of, or not later than six (6) months after, the acquisition by such Person of the property so financed and (B) such Indebtedness does not exceed the purchase price of the property so financed;

(iv) Indebtedness arising from the endorsement of instruments for collection in the ordinary course of Borrower's or a Subsidiary's business;

(v) Indebtedness of Borrower under the Convertible Subordinated Debentures;

(vi) Indebtedness of Borrower under the External LC Agreement, provided that (A) the only credit extended to Borrower pursuant to the External LC Agreement consists of letters of credit issued for the benefit of MKE or its affiliates to secure obligations owed by Borrower to the beneficiaries for the purchase price of inventory; (B) the sum at any time of the aggregate face amount of all letters of credit issued and outstanding under the External LC Agreement plus the aggregate amount of all unreimbursed drawings under such letters of credit does not exceed eighty-five

million Dollars ($85,000,000); (C) the Indebtedness of Borrower under the External LC Agreement is at all times either unsecured or secured by Liens permitted pursuant to clause (xvii) of Subparagraph 5.02(b); and (D) the financial covenants of Borrower set forth in the External LC Agreement are less restrictive than the financial covenants set forth on Schedule 5.02(a);

(vii) Subordinated Indebtedness of Borrower to any Person, provided that (A) such Indebtedness contains subordination provisions no less favorable to the Agents and Banks than those set forth on Exhibit F or as otherwise approved by the Majority Banks; and (B) the aggregate principal amount of all Subordinated Debt of Borrower outstanding (including the Convertible Subordinated Debentures), measured at the time of issuance of such Subordinated Debt, does not exceed $700,000,000;

(viii) Indebtedness of the type described in clause (h) of the definition of "Indebtedness" or clause (iii) of the definition of "Contingent Obligations";

(ix) Indebtedness of Borrower and its Subsidiaries with respect to surety, appeal, indemnity, performance or other similar bonds in the ordinary course of business;

(x) Indebtedness of Borrower and its Subsidiaries under initial or successive refinancings of any Indebtedness permitted by clause (ii), (iii) or (vi) above, provided that the principal amount of any such refinancing does not exceed the principal amount of the Indebtedness being refinanced;

(xi) Indebtedness of Borrower and its Subsidiaries for trade accounts payable, provided that (A) such accounts arise in the ordinary course of business and (B) no material part of such account is more than ninety (90) days past due (unless subject to a bona fide dispute and for which adequate reserves have been established);

(xii) Indebtedness of Borrower and its Subsidiaries for expense accruals in the ordinary course of business;

(xiii) Guaranty Obligations or Contingent Obligations of Borrower in respect of Permitted Indebtedness of its Subsidiaries or Guaranty Obligations or Contingent Obligations of any Subsidiary of Borrower of the Permitted Indebtedness of one or

more other Subsidiaries of Borrower or of Permitted Indebtedness of Borrower;

(xiv) Indebtedness of Borrower to any of Borrower's Subsidiaries, Indebtedness of any of Borrower's Subsidiaries to Borrower or Indebtedness of any of Borrower's Subsidiaries to any of Borrower's other Subsidiaries;

(xv) Indebtedness of Borrower and its Subsidiaries in respect of any Permitted Receivables Facility;

(xvi) Indebtedness of Borrower and its Subsidiaries under Synthetic Leases;

(xvii) Indebtedness of Borrower and its Subsidiaries incurred in connection with MKE-Quantum and constituting a Permitted Investment; and

(xviii) Indebtedness of Borrower and its Subsidiaries not otherwise permitted hereunder, provided that the aggregate principal amount of all such Indebtedness does not exceed at any time ten percent (10%) of the total assets of Borrower and its Subsidiaries determined as of the end of the fiscal quarter immediately preceding the date of determination.

(b) Liens. Neither Borrower nor any of its Subsidiaries shall create, incur, assume or permit to exist any Lien on or with respect to any of its assets or property of any character, whether now owned or hereafter acquired, except for the following ("Permitted Liens"):

(i) Liens in favor of any Agent or any Bank securing the Obligations;

(ii) Liens listed in Disclosure Letter existing on the date of this Agreement;

(iii) Liens for taxes or other governmental charges not at the time delinquent or thereafter payable without penalty or being contested in good faith, provided that adequate reserves for the payment thereof have been established in accordance with GAAP;

(iv) Liens of carriers, warehousemen, mechanics, materialmen, vendors, and landlords and other similar Liens imposed by law incurred in the ordinary course of business for sums (A) not overdue or (B) being contested in good faith provided that adequate reserves for the payment thereof have been established in accordance with GAAP;

(v) Deposits under workers' compensation, unemployment insurance and social security laws or to secure the performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, or to secure statutory obligations of surety or appeal bonds or to secure indemnity, performance or other similar bonds in the ordinary course of business;

(vi) Zoning restrictions, easements, rights-of-way, title irregularities and other similar encumbrances, which

alone or in the aggregate are not substantial in amount and do not materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of Borrower or any of its Subsidiaries;

(vii) Liens securing Indebtedness which constitutes Permitted Indebtedness under clause (iii) of Subparagraph 5.02(a) provided that, in each case, such Lien (A) covers only those assets, the acquisition of which was financed by such Permitted Indebtedness (together with accessions, additions, replacements and proceeds thereof), and (B) secures only such Permitted Indebtedness and any related obligations of Borrower or any of its Subsidiaries;

(viii) Liens on the property or assets of any Subsidiary of Borrower in favor of Borrower or any other Subsidiary of Borrower;

(ix) Banker's Liens and similar Liens (including set-off rights) in respect of bank deposits;

(x) Liens incurred in connection with the extension, renewal or refinancing of the Indebtedness secured by the Liens described in clause (ii) or (vii) above, provided that any extension, renewal or replacement Lien (A) is limited to the property covered by the terms of the existing Lien and (B) secures Indebtedness which is no greater in amount and has material terms no less favorable to the Banks than the Indebtedness secured by the existing Lien;

(xi) Liens on property or assets of any corporation which becomes a Subsidiary of Borrower after the date of this Agreement, provided that (A) such Liens exist at the time the stock of such corporation is acquired by Borrower and (B) such Liens were not created in contemplation of such acquisition by Borrower;

(xii) Judgement Liens, provided that such Liens do not have a value in excess of $10,000,000 or such Liens are released, stayed, vacated or otherwise dismissed within thirty (30) days after issue or levy and, if so stayed, such stay is not thereafter removed;

(xiii) Rights of vendors or lessors under conditional sale agreements, Capital Leases or other title retention agreements, provided that, in each case, (A) such rights secure or otherwise relate to Permitted Indebtedness, (B) such rights do not extend to any property other than property acquired with the proceeds of such Permitted Indebtedness (together with accessions, additions, replacements and proceeds thereof) and (C) such rights do not secure any Indebtedness other than such Permitted Indebtedness;

(xiv) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties and in connection with the importation of goods in the ordinary course of Borrower's and its Subsidiaries' businesses;

(xv) Liens on insurance proceeds in favor of insurance companies with respect to the financing of insurance premiums;

(xvi) Liens in respect of any Permitted Receivables Facility;

(xvii) Liens on cash or Cash Equivalents securing reimbursement obligations of Borrower under letters of credit (other than any Letters of Credit) in an aggregate amount of all such cash and Cash Equivalents does not exceed $100,000,000;

(xviii) Liens securing Indebtedness and any related obligations of Borrower or any of its Subsidiaries which constitutes Permitted Indebtedness under clause (xvi) of Subparagraph 5.02(a) (or refinancings of such Indebtedness under clause (x) of Subparagraph 5.02(a)), provided that such Lien covers only those assets subject to such Synthetic Leases (together with accessions, additions, replacements and proceeds thereof);

(xix) Liens securing any obligations of Borrower or any of its Subsidiaries under the Prior Credit Agreement or

any security agreements, pledge agreements, charges, debentures, agreements, documents, certificates or undertakings entered into in connection therewith or pursuant thereto; provided that Borrower,

its Subsidiaries and the agents and the banks that are a party to the Prior Credit Agreement shall use their best efforts to terminate any such Liens within three (3) months of the Closing Date;

(xx) Liens incurred in connection with leases, subleases, licenses and sublicenses granted to Persons not interfering in any material respect with the business of Borrower and its Subsidiaries and any interest or title of a lessee or licensee under any such leases, subleases, licenses or sublicenses;

(xxi) Liens securing Indebtedness and any related obligations which constitute Permitted Indebtedness under clause (xvii) of Subparagraph 5.02(a) or Investments constituting Permitted Investments under clause (ix) of Subparagraph 5.02(d); and

(xxii) Liens on the property or assets of Borrower and its Subsidiaries not otherwise permitted hereunder, provided that (A) the aggregate principal amount of all Indebtedness secured by such Liens does not exceed at any time ten percent (10%) of the total assets of Borrower and its Subsidiaries determined as of the end of the fiscal quarter immediately preceding the date of determination and (B) such Liens do not encumber current assets of Borrower and its Subsidiaries in excess of $50,000,000.

(c) Asset Dispositions. Neither Borrower nor any of its Subsidiaries shall Transfer all or any of its assets or property, whether now owned or hereafter acquired, except for the following:

(i) Transfers by Borrower and its Subsidiaries in the ordinary course of their businesses;

(ii) Transfers of surplus, damaged, worn or obsolete assets or properties or Transfers of other assets or properties which are promptly being replaced;

(iii) Transfers of assets on commercially reasonable terms or account receivables in connection with a Permitted Receivables Facility by Borrower and its Subsidiaries (it being understood that any determination as to whether a particular Transfer is on commercially reasonable terms shall take into consideration any larger business transaction to which such particular Transfer is related);

(iv) Transfers by Borrower to any of Borrower's Subsidiaries or by any of Borrower's Subsidiaries to Borrower or any of Borrower's other Subsidiaries;

(v) Transfers which constitute the making of or liquidation of Permitted Investments;

(vi) Transfers in connection with Indebtedness permitted pursuant to clause (iii) of Subparagraph 5.02(a); and

(vii) Transfers of assets and property not otherwise permitted hereunder, provided that the aggregate value of all such assets and property (based upon the greater of the fair market or book value of such assets and property) so transferred in any period of four consecutive fiscal quarters does not exceed twenty percent (20%) of Tangible Net Worth as determined as of the end of the fiscal quarter immediately preceding the date of determination.

(d) Mergers, Acquisitions, Etc. Neither Borrower nor any of its Subsidiaries shall consolidate with or merge into any other Person or permit any other Person to merge into it, except that:

(i) Any Subsidiary of Borrower may merge into or consolidate with any other Subsidiary of Borrower;

(ii) Any Subsidiary of Borrower may merge into or consolidate with Borrower provided that Borrower is the surviving corporation;

(iii) Borrower may merge into or consolidate with any other Person, provided that (A) Borrower is the surviving corporation and (B) immediately after giving effect to such merger or consolidation no Default or Event of Default shall have occurred and be continuing; and

(iv) Any Subsidiary of Borrower may merge into or consolidate with any other Person to the extent such transaction is a Transfer otherwise permitted under Subparagraph 5.02(c) or an Investment otherwise permitted under Subparagraph 5.02(e) and immediately after giving effect to such merger or consolidation no Default or Event of Default shall have occurred and be continuing.

(e) Investments. Neither Borrower nor any of its Subsidiaries shall make any Investment except the following ("Permitted Investments"):

(i) Direct obligations of, or obligations the principal and interest on which are unconditionally guaranteed by, the United States of America or obligations of any agency of the United States of America to the extent such obligations are backed by the full faith and credit of the United States of America, in each case maturing within one year from the date of acquisition thereof;

(ii) Certificates of deposit maturing within one year from the date of acquisition thereof issued by a commercial bank or trust company organized under the laws of the United States of America or a state thereof or that is a Bank, provided that (A) such deposits are denominated in Dollars, (B) such bank or trust company has capital, surplus and undivided profits of not less than $100,000,000 and (C) such bank or trust company has certificates of deposit or other debt obligations rated at least A-1 (or its equivalent) by S&P or P-1 (or its equivalent) by Moody's;

(iii) Open market commercial paper maturing within 270 days from the date of acquisition thereof issued by a corporation organized under the laws of the United States of America or a state thereof, provided such commercial paper is rated at least A-1 (or its equivalent) by S&P or P-1 (or its equivalent) by Moody's;

(iv) Any repurchase agreement entered into with a commercial bank or trust company organized under the laws of the United States of America or a state thereof or that is a Bank, provided that (A) such bank or trust company has capital, surplus and undivided profits of not less than $100,000,000, (B) such bank or trust company has certificates of deposit or other debt obligations rated at least A-1 (or its equivalent) by S&P or P-1 (or its equivalent) by Moody's, (C) the repurchase obligations of such bank or trust company under such repurchase agreement are fully secured by a perfected security interest in a security or instrument of the type described in clause (i), (ii) or (iii) above and (D) such security or instrument so securing the repurchase obligations has a fair market value at the time such repurchase agreement is entered into of not less than one hundred percent (100%) of such repurchase obligations;

(v) Any transaction permitted by Subparagraph 5.02(a) or Subparagraph 5.02(d);

(vi) Money market mutual funds registered with the Securities and Exchange Commission, meeting the requirements of Rule 2a-7 promulgated under the Investment Company Act of 1940;

(vii) Investments listed in the Disclosure Letter existing on the date of this Agreement;

(viii) Investments in other assets properly classified as "marketable securities" or "cash" or "cash equivalents" under GAAP, and which conform to the investment policies adopted by the Board of Directors of Borrower from time to time;

(ix) (A) Investments in MKE-Quantum in the form of (w) non-exclusive licenses of technology to MKE-Quantum, (x) tax or other indemnity obligations of Borrower or any of its

Subsidiaries in favor of MKE-Quantum, (y) advances against product to be purchased by Borrower or any of its Subsidiaries from MKE-Quantum within a period of one year from the date of the making of the advance, and (z) (1) the value of any property transferred or leased to MKE-Quantum, (2) employee benefit obligations of Borrower or any of its Subsidiaries in favor of any employees of MKE-Quantum, (3) the value of the administrative services provided by Borrower or any of its Subsidiaries in favor of MKE-Quantum, (4) the value of any personnel services provided by Borrower or any of its Subsidiaries in favor of MKE-Quantum, and (5) the value of the use and occupancy of any facilities provided by Borrower or any of its Subsidiaries, in the case of each of (1) through (5) above, to the extent Borrower or any of its Subsidiaries is, or expects to be, reimbursed therefor, within one year of when such value is provided to MKE-Quantum, and (B) additional Investments in MKE-Quantum, provided that the aggregate amount of all such Investments made or incurred after the Closing Date pursuant to the subclause (B) of this clause (ix) in any rolling four fiscal quarter period of Borrower does not exceed the sum of $100,000,000 plus any amounts actually received by Borrower or any of its Subsidiaries as a return of Investments in MKE-Quantum during such rolling four quarter period plus any reductions in the primary obligations in underlying Investments constituting Guaranty Obligations during such rolling four fiscal quarter period; provided further that for purposes hereof, Investments constituting Indebtedness of MKE-Quantum acquired by Borrower or any of its Subsidiaries shall be deemed to be in an amount equal to such Indebtedness and to be made when such Indebtedness is acquired (unless such

Investment is a primary obligation underlying a Guaranty Obligation previously counted as an Investment) and Investments constituting Guaranty Obligations shall be deemed to be in an amount equal to the corresponding primary obligations and to be made at the time such primary obligations are incurred;

(x) Investments received by Borrower and its Subsidiaries in connection with the bankruptcy or reorganization of customers and suppliers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(xi) Investments arising from rights received by Borrower and its Subsidiaries upon the required payment of any permitted Contingent Obligations of Borrower and its Subsidiaries;

(xii) Investments in or to Borrower or any Wholly-Owned Subsidiary of Borrower;

(xiii) Investments of any Subsidiary of Borrower existing at the time it becomes a Subsidiary of Borrower provided that such Investments were not made in anticipation of such Person becoming a Subsidiary of Borrower;

(xiv) Investments received by Borrower or any of its Subsidiaries as consideration in connection with Transfers otherwise permitted under Subparagraph 5.02(c);

(xv) Investments in the nature of acquisitions provided that the aggregate amount of such acquisitions in any period of four consecutive fiscal quarters does not exceed twenty percent (20%) of Tangible Net Worth as determined as of the fiscal quarter immediately preceding the date of determination;

(xvi) Investments consisting of loans to employees, officers and directors, the proceeds of which shall be used to purchase equity securities of Borrower or its Subsidiaries and other loans to employees, officers and directors;

(xvii) Investments of Borrower and its Subsidiaries in interest rate protection, currency swap and foreign exchange arrangements, provided that all such arrangements are entered into in connection with bona fide hedging operations and not for speculation;

(xviii) Deposit accounts; and

(xix) Investments (other than of the type set forth in clause (xiv) above) not otherwise permitted hereunder, provided that the aggregate amount of such other Investments made after the Closing Date (less any return of such Investment) does not exceed twenty percent (20%) of Tangible Net Worth as determined as of the fiscal quarter immediately preceding the date of determination.

(f) Dividends, Redemptions, Etc. Neither Borrower nor any of its Subsidiaries shall pay any dividends or make any distributions on its Equity Securities; purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Securities; return any capital to any holder of its Equity Securities as such; make any distribution of assets, Equity Securities, obligations or securities to any holder of its Equity Securities as such; or set apart any sum for any such purpose, except as follows:

(i) Borrower may pay dividends on its Equity Securities payable solely in Borrower's own Equity Securities;

(ii) Borrower may purchase, redeem, retire, defease or otherwise acquire for value Equity Securities in connection with or pursuant to any of its Employee Benefit Plans or in connection with the employment or compensation of officers or directors;

(iii) Borrower may purchase, redeem, retire, defease or otherwise acquire for value Equity Securities with the proceeds received from a substantially concurrent issue of new Equity Securities or with other Equity Securities;

(iv) Borrower may purchase Equity Securities pursuant to stock repurchase programs provided that the aggregate payments under such programs do not exceed ten percent (10%) of Tangible Net Worth in any fiscal year as determined as of the fiscal quarter immediately preceding the date of determination;

(v) Borrower may distribute rights pursuant to a shareholder rights plan or redeem such rights provided such redemption is in accordance with the terms of such shareholder rights plan;

(vi) Any Subsidiary of Borrower may pay dividends or make distributions to Borrower or any Wholly-Owned Subsidiary of Borrower;

(vii) Any Subsidiary of Borrower may purchase and redeem shares of their own Equity Securities from Borrower or any Wholly-Owned Subsidiary of Borrower; or

(viii) Any Subsidiary of Borrower may declare or pay any dividends in respect of its Equity Securities or purchase or redeem shares of its Equity Securities or make distributions to shareholders not otherwise permitted hereunder provided that the aggregate amount paid or distributed in any period of four consecutive quarters (excluding any amounts covered by clauses (vi) or (vii) above) does not exceed five percent (5%) of Tangible Net Worth as determined as of the fiscal quarter immediately preceding the date of determination.

(g) Change in Business. Neither Borrower nor any of its Subsidiaries shall engage, either directly or indirectly through Affiliates, in any line of business other than the digital storage business, any other business incidental or reasonably related thereto, or any businesses that are, as determined by the Board of Directors of Borrower, appropriate extensions thereof.

(h) Certain Indebtedness Payments, Etc. Neither Borrower nor any of its Subsidiaries shall pay, prepay, redeem, purchase, defease or otherwise satisfy in any manner prior to the scheduled payment thereof any Subordinated Debt except as otherwise permitted under this Subparagraph 5.02(h); amend, modify or otherwise change the terms of any document, instrument or agreement evidencing Subordinated Debt such that such amendment, modification or change would (i) cause the outstanding aggregate principal amount of all such Subordinated Debt so amended, modified or changed to be increased as a consequence of such amendment, modification or change, (ii) cause the subordination provisions applicable to such Subordinated Debt to be less favorable to the Agents and the Bank Parties than those set forth on Exhibit F, (iii) increase the interest rate applicable thereto or (iv) accelerate

the scheduled payment thereof, except that Borrower may call for redemption the entire outstanding amount of the Convertible Subordinated Debentures and, to the extent such Convertible Subordinated Debentures are not converted prior to the redemption date, redeem such Convertible Subordinated Debentures, provided that (A) no Default or Event of Default has occurred and is continuing or would result from such call for redemption or redemption and (B) the closing price of the common stock shall have exceeded one hundred twenty percent (120%) of the then applicable conversion price for twenty (20) trading days within a period of thirty (30) consecutive trading days ending within five (5) trading days prior to the notice of

redemption. Borrower shall not cause or permit any of its obligations, except the obligations constituting Senior Indebtedness to constitute "Designated Senior Indebtedness" under the Indenture governing the Convertible Subordinated Debentures (it being understood that the Obligations of Borrower under this Agreement shall at all times constitute "Designated Senior Indebtedness").

(i) ERISA. Neither Borrower nor any ERISA Affiliate shall (i) adopt or institute any defined benefit Employee Benefit Plan that is an employee pension benefit plan within the meaning of Section 3(2) of ERISA, (ii) take any action which will result in the partial or complete withdrawal, within the meanings of sections 4203 and 4205 of ERISA, from a Multiemployer Plan, (iii) engage or permit any Person to engage in any transaction prohibited by section 406 of ERISA or section 4975 of the Code involving any Employee Benefit Plan or Multiemployer Plan which would subject either Borrower or any ERISA Affiliate to any tax, penalty or other liability including a liability to indemnify, (iv) incur or allow to exist any accumulated funding deficiency (within the meaning of section 412 of the Code or section 302 of ERISA), excluding all extensions permitted by law or contract, (v) fail to make full payment when due of all amounts due as contributions to any Employee Benefit Plan or Multiemployer Plan, (vi) fail to comply with the requirements of section 4980B of the Code or Part 6 of Title I(B) of ERISA, or (vii) adopt any amendment to any Employee Benefit Plan which would require the posting of security pursuant to section 401(a)(29) of the Code, if any of such actions or inactions described in clauses (i) - (vii), either individually or cumulatively, would have a Material Adverse Effect.

(j) Transactions With Affiliates. Neither Borrower nor any of its Subsidiaries shall enter into any Contractual Obligation with any Affiliate or engage in any other transaction with any Affiliate except upon terms at least as favorable to Borrower or such Subsidiary as an arms-length transaction with unaffiliated Persons.

(k) Accounting Changes. Neither Borrower nor any of its Subsidiaries shall change (i) its fiscal year (currently April 1 - March 31) or (ii) its accounting practices except as permitted by GAAP.

(l) Financial Covenants.

(i) Borrower shall not permit its Quick Ratio to be less than 1.00 to 1.00 on the last day of each fiscal quarter.

(ii) Borrower shall not permit its Tangible Net Worth on any date of determination (such date to be referred to herein as a "determination date") which occurs after March 31, 1997 (such date to be referred to herein as the "base date") to be less than the sum on such determination date of the following:

(A) $760,000,000;

plus

(B) Seventy-five percent (75%) of the sum of Borrower's consolidated quarterly net income (ignoring any quarterly losses) for each quarter after the base date through and including the quarter ending immediately prior to the determination date;

plus

(C) Seventy-Five percent (75%) of the Net Proceeds of all Equity Securities issued by Borrower and its Subsidiaries (excluding any issuance where the total proceeds are less than $10,000,000) during the period commencing on the base date and ending on the determination date;

plus

(D) Ninety percent (90%) of the Net Proceeds derived from the conversion of the Convertible Subordinated Debentures;

minus

(E) the lesser of (1) the aggregate amount paid by Borrower to repurchase its capital stock and (2) $50,000,000.

(iii) In any consecutive four-quarter period, Borrower shall not permit (A) more than two quarterly net losses aggregating to more than five percent (5%) of its Tangible Net Worth as determined as of the fiscal quarter immediately preceding the date of determination or (B) its cumulative net income for any consecutive four-quarter period to be less than one Dollar.

(iv) Borrower shall not permit its Senior Funded Debt Ratio on the last day of any fiscal quarter to exceed thirty-five percent (35%).

SECTION VI. DEFAULT.

6.01. Events of Default. The occurrence or existence of any one or more of the following shall constitute an "Event of Default" hereunder:

(a) Borrower (i) shall fail to pay when due any principal payment on the Revolving Loans or any Reimbursement Payment, (ii) shall fail to pay within three (3) Business Days when due any interest, or (iii) shall fail to pay when due any other payment required under the terms of this Agreement or any of the other Loan Documents and such failure shall continue for five (5) Business Days after notice thereof has been given to Borrower by any Agent; or

(b) Borrower shall fail to observe or perform any covenant, obligation, condition or agreement set forth in Paragraph 5.02; or

(c) Borrower shall fail to observe or perform any other covenant, obligation, condition or agreement contained in this Agreement or the other Loan Documents and such failure shall continue for twenty (20) Business Days after the earlier of the date that an Executive Officer of Borrower first obtains knowledge or notice of such failure or the date Administrative Agent gives Borrower notice of such failure; or

(d) Any written representation or warranty by the Borrower made or deemed made herein or in any Loan Document shall prove to have been false, incorrect or inaccurate in any material respect on or as of the date made or deemed made; or

(e) (i) Borrower or any of Borrower's Subsidiaries (A) shall fail to make a payment or payments in an aggregate amount of $2,500,000 or more when due under the terms of any Funded Debt to be paid by such Person (excluding this Agreement and the other Credit Documents or any intercompany Indebtedness between Borrower and any of its Subsidiaries, but including any other evidence of indebtedness of Borrower or any of its Subsidiaries to any Bank) and such failure shall continue beyond any period of grace provided with respect thereto, or (B) shall fail to make any other payment or payments when due under or otherwise default in the observance or performance of any other agreement, term or condition contained in any such Funded Debt, and the effect of such failure or default is to cause, or permit the holder or holders thereof to cause, indebtedness in an aggregate amount of $10,000,000 or more to become due prior to its stated date of maturity; or (ii) there shall occur or exist any other event or condition which causes, or permits the

holder or holders of such indebtedness to cause, indebtedness in an aggregate amount of $10,000,000 or more to become due prior to its stated date of maturity (whether through holder puts, mandatory redemptions or prepayments or otherwise); or

(f) Borrower or any of Borrower's Material Subsidiaries (except with respect to clause (v) below) shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) be unable, or admit in writing its inability, to pay its debts generally as they mature, (iii) make a general assignment for the

benefit of its or any of its creditors, (iv) be dissolved or liquidated in full or in part, (v) no longer be Solvent, (vi) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (vii) take any action for the purpose of effecting any of the foregoing; or

(g) Proceedings for the appointment of a receiver, trustee, liquidator or custodian of Borrower or any of Borrower's Material Subsidiaries or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to Borrower or any of Borrower's Material Subsidiaries or the debts thereof under any bankruptcy, insolvency or other similar law now or hereafter in effect shall be commenced and an order for relief entered or such proceeding shall not be dismissed or discharged within sixty (60) days of commencement; or

(h) A final nonappealable judgment or order for the payment of money in excess of $10,000,000 (exclusive of amounts which are covered by insurance issued by an insurer satisfying the requirements set forth in Subparagraph 5.01(d)) shall be rendered against Borrower or any of its Subsidiaries and the same shall remain undischarged and unpaid for a period of thirty (30) days during which execution shall not be effectively stayed; or

(i) Any Credit Document or any material term thereof shall cease to be, or be asserted by Borrower not to be, a legal, valid and binding obligation of Borrower enforceable in accordance with its terms, the effect of which is or could reasonably be expected to be to interfere with, hinder or impair in any material respect the practical or effective realization of the rights, benefits or remedies of the

Agents or the Banks under any Credit Documents taken as a whole; or

(j) Any Reportable Event occurs which constitutes grounds for the termination of any Employee Benefit Plan by the PBGC or for the appointment of a trustee by the PBGC to administer any Employee Benefit Plan, or any Employee Benefit Plan shall be terminated with unfunded liabilities within the meaning of Title IV of ERISA or a trustee shall be appointed by the PBGC to administer any Employee Benefit Plan, in each case which could reasonably be expected to have a Material Adverse Effect; or

(k) Any Change of Control shall occur.

(Any of the events or conditions set forth in Subparagraphs 6.01(a)-(k), prior to the giving of any required notice or the expiration of any specified grace period, shall constitute a "Default" hereunder.)

6.02. Remedies. Upon the occurrence or existence of any Event of Default (other than an Event of Default referred to in Subparagraph 6.01(f) or 6.01(g)) and at any time thereafter during the continuance of such Event of Default, Administrative Agent may, with the consent of the Majority Banks, or shall, upon instructions from the Majority Banks, by written notice to Borrower, (a) terminate the Commitments and the obligations of the Lender Parties to make Revolving Loans or issue Letters of Credit (b) declare all outstanding Obligations payable by Borrower to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Notes to the contrary notwithstanding, and/or (c) direct Borrower to deliver to Administrative Agent funds in an amount equal to the aggregate stated amount of all outstanding Letters of Credit. Upon the occurrence or existence of any Event of Default described in Subparagraph 6.01(f) or 6.01(g), immediately and without notice, (1) the Commitments and the obligations of the Lender Parties to make Revolving Loans or issue Letters of Credit shall automatically terminate and (2) all outstanding Obligations payable by Borrower hereunder shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Notes to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, Administrative Agent may exercise any right, power or remedy permitted to it by law, either by suit in equity or by action at law, or both. Immediately after taking any action under this Paragraph 6.02, Administrative Agent shall notify each Bank Party of such action.

SECTION VII. AGENTS AND RELATIONS AMONG BANKS.

7.01. Appointment, Powers and Immunities. Each Bank Party hereby appoints and authorizes Administrative Agent and the Co-Arrangers to act as its agents hereunder and under the other Credit Documents with such powers as are expressly delegated to Administrative Agent and the Co-Arrangers by the terms of this Agreement and the other Credit Documents, together with such other powers as are reasonably incidental thereto. Neither Administrative Agent nor any Co-Arranger shall have any duties or responsibilities except those expressly set forth in this Agreement or in any other Credit Document, be a trustee for any Bank Party or have any fiduciary duty to any Bank Party. Notwithstanding anything to the contrary contained herein, neither Administrative Agent nor any Co-Arranger shall be required to take any action which is contrary to this Agreement or any other Credit Document or applicable law. Neither Administrative Agent nor any Co-Arranger nor any Bank Party shall be responsible to any other Agent or Bank Party for any recitals, statements, representations or warranties made by Borrower contained in this Agreement or in any other Credit Document, for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, or any other Credit Document or for any failure by Borrower to perform its obligations hereunder or thereunder. Administrative Agent and the Co-Arrangers may employ agents and attorneys-in-fact and shall not be responsible to any Bank Party for the negligence or misconduct of any such agents or attorneys-in-fact selected by them with reasonable care. None of the Administrative Agent, the Co-Arrangers or their directors, officers, employees or agents shall be responsible to any Bank Party for any action taken or omitted to be taken by it or them hereunder or under any other Credit Document or in connection herewith or therewith, except for its or their own gross negligence or willful misconduct. Except as otherwise provided under this Agreement, Administrative Agent shall take such action with respect to the Credit Documents as shall be directed by the Majority Banks. Administrative Agent shall promptly furnish to each Bank Party copies of all material documents, reports, certificates, financial statements and notices furnished to Administrative Agent by Borrower; provided, however, that Administrative Agent shall not be liable to any Bank Party for its failure to provide copies of such material documents, reports, certificates, financial statements and notices unless such failure constitutes gross negligence or willful misconduct by Administrative Agent.

7.02. Reliance by Agents. Administrative Agent and the Co-Arrangers shall be entitled to rely upon any certificate, notice or other document (including any cable, telegram, facsimile or telex) believed by them in good faith to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of

legal counsel, independent accountants and other experts selected by Administrative Agent and the Co-Arrangers with reasonable care. As to any other matters not expressly provided for by this Agreement, neither Administrative Agent nor any Co-Arranger shall be required to take any action or exercise any discretion, but Administrative Agent shall be required to act or to refrain from acting upon instructions of the Majority Banks and shall in all cases be fully protected by the Bank Parties in acting, or in refraining from acting, hereunder or under any other Credit Document in accordance with the instructions of the Majority Banks, and such instructions of the Majority Banks and any action taken or failure to act pursuant thereto shall be binding on the Administrative Agent and all of the Co-Arrangers and Bank Parties.

7.03. Defaults. Neither Administrative Agent nor any Co-Arranger shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default unless Administrative Agent and the Co-Arrangers have received a notice from a Bank Party or Borrower, referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "Notice of Default". If Administrative Agent receives such a notice of the occurrence of a Default or Event of Default, Administrative Agent shall give prompt notice thereof to the Co-Arrangers and the Bank Parties. Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Majority Banks; provided, however, that until Administrative Agent shall have received such directions, Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interest of the Bank Parties.

7.04. Indemnification. Without limiting the Obligations of Borrower hereunder, each Bank agrees to indemnify Administrative Agent and the Co-Arrangers, ratably in accordance with such Bank's Proportionate Share, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against Administrative Agent and the Co-Arrangers in any way relating to or arising out of this Agreement or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or the enforcement of any of the terms hereof or thereof or of any such other documents; provided, however, that no Bank shall be liable for any of the foregoing to the extent they arise from Administrative Agent and/or the Co-Arrangers' gross negligence or willful misconduct. Administrative Agent and the Co-Arrangers shall be fully justified in refusing to take or to continue to take any action hereunder unless it shall first be indemnified to its satisfaction by the Banks against any and

all liability and

expense which may be incurred by it by reason of taking or continuing to take any such action. The obligations of each Bank under this Paragraph 7.04 shall survive the payment and performance of the Obligations, the termination of this Agreement and any Bank ceasing to be a party to this Agreement.

7.05. Non-Reliance. Each Bank Party represents that it has, independently and without reliance on Administrative Agent, any Co-Arranger or any other Bank Party, and based on such documents and information as it has deemed appropriate, made its own appraisal of the financial condition and affairs of Borrower and the Subsidiaries and its own decision to enter into this Agreement and agrees that it will, independently and without reliance upon Administrative Agent, any Co-Arranger or any Bank Party, and based on such documents and information as it shall deem appropriate at the time, continue to make its own appraisals and decisions in taking or not taking action under this Agreement. Neither Administrative Agent nor any Co-Arranger nor any Bank Party shall be required to keep any other Agent or Bank Party informed as to the performance or observance by Borrower or its Subsidiaries of the obligations under this Agreement or any other document referred to or provided for herein or to make inquiry of, or to inspect the properties or books of Borrower. Except for notices, reports and other documents and information expressly required to be furnished to the Bank Parties by Administrative Agent hereunder, neither Administrative Agent nor any Co-Arranger nor any Bank Party shall have any duty or responsibility to provide any Agent or Bank Party with any credit or other information concerning Borrower or its Subsidiaries, which may come into the possession of any Agent or Bank Party or any of its or their Affiliates.

7.06. Resignation or Removal of Administrative Agent. Subject to the appointment and acceptance of a successor Administrative Agent as provided below, Administrative Agent may resign at any time by giving notice thereof to the Banks, and Administrative Agent may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor Administrative Agent, which Administrative Agent shall be reasonably acceptable to Borrower. If no successor Administrative Agent shall have been appointed by the Majority Banks and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent's giving of notice of resignation or the Majority Banks' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Bank Parties, appoint a successor Administrative Agent, which shall be (a) a bank having a combined capital, surplus and retained earnings of not less than U.S. $500,000,000 and (b) shall be reasonably acceptable to Borrower; provided, however, that Borrower shall have no right to approve a successor Agent which is a Bank if an Event of Default has occurred and is

continuing. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Section VII shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

7.07. Removal of Co-Arrangers. If, at any time, any Co-Arranger's share of the total credit facilities provided by all Banks hereunder is less than six and one-quarter percent (6.25%), such Co-Arranger may be removed by Borrower upon thirty (30) days prior written notice from Borrower to Administrative Agent and such Co-Arranger. Upon any such removal, Borrower shall, at its election, have the right to appoint another Bank as successor to such removed Co-Arranger, which successor Co-Arranger shall be reasonably acceptable to the Majority Banks. If no successor Co-Arranger is appointed for any removed Co-Arranger, all rights, powers and privileges vested in the Agents hereunder shall be exercised by Administrative Agent and the remaining Co-Arranger(s) or, if no Co-Arranger remains, by Administrative Agent alone. Upon the acceptance of any appointment as a Co-Arranger hereunder by a successor Co-Arranger, such successor Co-Arranger shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the removed Co-Arranger, and the removed Co-Arranger shall be discharged from its duties and obligations hereunder. After any Co-Arranger's removal hereunder as a Co-Arranger, the provisions of this Section VII shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as a Co-Arranger. For the purposes of this Paragraph 7.07, a Co-Arranger's share of the total credit facilities provided by all Banks hereunder at any time shall be (a) if Revolving Loans are then outstanding, (i) the aggregate principal amount of all Revolving Loans then outstanding, together with the aggregate stated amount of all Letters of Credit then outstanding, which are held by such Co-Arranger and its Affiliates as a Bank or as Banks hereunder, divided by (ii) the aggregate principal amount of all Revolving Loans then outstanding, together with the

aggregate stated amount of all Letters of Credit then outstanding, held by all Banks or (b) if no Revolving Loans are then outstanding, the aggregate Proportionate Share at such time of such Co-Arranger and its Affiliates as a Bank or as Banks hereunder.

7.08. Authorization. Administrative Agent is hereby authorized by the Bank Parties to execute, deliver and perform,

each of the Credit Documents to which Administrative Agent is or is intended to be a party and each Bank Party agrees, subject to the terms of this Agreement, to be bound by all of the agreements of Administrative Agent contained in the Credit Documents.

7.09. Agents in Their Individual Capacities. Each Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with Borrower and its Subsidiaries and affiliates as though such Agent were not an Agent hereunder. With respect to Revolving Loans made and Letters of Credit issued by ABN and CIBC as Banks, ABN and CIBC shall have the same rights and powers under this Agreement and the other Credit Documents as any other Bank Party and may exercise the same as though they were not Agents.

7.10. Agents' Communications Binding Upon Banks. Subject to the terms of this Agreement, the Bank Parties agree that written communications from Administrative Agent and the Co-Arrangers to Borrower on behalf of the Bank Parties shall be binding upon the Bank Parties.

7.11. No Obligations of Borrower. Nothing contained in this Article VII shall be deemed to impose upon Borrower any obligation in respect of the due and punctual performance by any Agent of its obligations to the Bank Parties under any provision of this Agreement, and Borrower shall have no liability to any Agent or Bank Party in respect of any failure by any Agent or Bank Party to perform any of their respective obligations to each other under this Agreement. Without limiting the generality of the foregoing sentence, where any provision of this Agreement relating to the payment of any amounts due and owing under the Loan Documents provides that such payments shall be made by Borrower to the Administrative Agent for the account of the Bank Parties, Borrower's obligations to the Bank Parties in respect of such payments shall be deemed to be satisfied upon the making of such payments to Administrative Agent in the manner provided by this Agreement.

7.12. Co-Agents and Documentation Agent. None of the Banks identified herein as a "co-agent" or as Documentation Agent shall have any right, power, obligation, liability, responsibility or duty under this Agreement or any other Credit Document other than those applicable to all Banks as such. Without limiting the foregoing, none of the Banks so identified as a "co-agent" or as Documentation Agent shall have or be deemed to have any fiduciary relationship with any Bank. Each Bank acknowledges that it has not relied, and will not rely, on any of the Banks identified as "co-agent" or as Documentation Agent in deciding to enter into this Agreement or in taking or not taking action hereunder. Without limiting the generality of the foregoing, it is understood and agreed that the Documentation Agent is not responsible for the validity, effectiveness,

enforceability or sufficiency of this Agreement or any other Credit Document.

SECTION VIII. MISCELLANEOUS.

8.01. Notices. Except as otherwise provided herein, all notices, requests, demands, consents, instructions or other communications to or upon Borrower, any Bank Party or any Agent under this Agreement or the other Credit Documents shall be in writing and faxed, mailed or delivered, if to Borrower or Administrative Agent at its respective facsimile number or address set forth below, if to any Bank, at the address or facsimile number specified beneath the heading "Address for Notices" under the name of such Bank in Schedule I or, if to Issuing Bank, at the address or facsimile number indicated in the notice given by Issuing Bank to the other parties at the time any such Issuing Bank is selected by Borrower and approved by Administrative Agent and the Co-Arrangers (or to such other facsimile number or address for any party as indicated in any notice given by that party to the other parties). All such notices and communications shall be effective (a) when sent by Federal Express or other overnight service of recognized standing, on the second Business Day following the deposit with such service; (b) when mailed, first class postage prepaid and addressed as aforesaid through the United States Postal Service, upon receipt; (c) when delivered by hand, upon delivery; and (d) when faxed, upon confirmation of receipt; provided, however, that any notice delivered to Administrative Agent or Issuing Bank under Section II shall not be effective until received by such Person.

Administrative
Agent: Canadian Imperial Bank of Commerce

425 Lexington Avenue
New York, New York 10017
Attn: Ian Palmer
Syndications
Telephone: (212) 856-3875
Facsimile: (212) 856-3763

Borrower: Quantum Corporation
500 McCarthy Boulevard
Milpitas, CA 95035
Attn: Ed McClammy,
Vice President Finance & Treasurer
Telephone: (408) 894-5703
Facsimile: (408) 894-4562

Each Notice of Borrowing, Notice of Conversion, Notice of Interest Period Selection and LC Application shall be given by

Borrower to Administrative Agent and, in the case of an LC Application, to Issuing Bank, to the office of such Person located at the address referred to above during such Person's normal business hours; provided, however, that any such notice received by any such Person after 1:00 P.M. on any Business Day shall be deemed received by such Person on the next Business Day. In any case where this Agreement authorizes notices, requests, demands or other communications by Borrower to any Agent or any Bank Party to be made by telephone or facsimile, any Agent or any Bank Party may conclusively presume that anyone purporting to be a person designated in any incumbency certificate or other similar document received by such Agent or Bank Party is such a person.

8.02. Expenses. Borrower shall pay within ten (10) days after demand, whether or not any Revolving Loan is made or any Letter of Credit is issued hereunder, (a) all reasonable fees and expenses payable to third parties, including each Agent's out-of-pocket expenses and reasonable attorneys' fees and expenses, incurred by Agents in connection with the preparation, negotiation, execution and delivery of, and the exercise of their duties under, the Summary of Terms and Conditions dated May 5, 1997 among Borrower and the Co-Arrangers and the Agents' Fee Letters and their structuring of, due diligence relating to and syndication of the credit facilities set forth in this Agreement; (b) all (i) Attorney Costs and (ii) other reasonable fees and expenses payable to third parties incurred by Agents in connection with the preparation, negotiation, execution, delivery and syndication of this Agreement and the other Credit Documents, and the preparation, negotiation, execution and delivery of amendments and waivers hereunder and thereunder; (c) all Attorney Costs and other reasonable fees and expenses payable to third parties incurred by Agents in connection with the exercise of their rights or duties under this Agreement and the other Credit Documents; and (d) all Attorney Costs and other reasonable fees and expenses payable to third parties incurred by any Agent or any Bank Party in the enforcement or attempted enforcement of any of the Obligations or in preserving any of Agents' or the Banks' rights and remedies (including all such fees and expenses incurred in connection with any "workout" or restructuring affecting the Credit Documents or the Obligations or any bankruptcy or similar proceeding involving Borrower or any of its Subsidiaries). The obligations of Borrower under this Paragraph 8.02 shall survive the payment and performance of the Obligations and the termination of this Agreement.

8.03. Indemnification. To the fullest extent permitted by law, Borrower agrees to protect, indemnify, defend and hold harmless Agents, the Bank Parties and their Affiliates and their respective directors, officers, employees, agents and advisors ("Indemnitees") from and against any and all liabilities, losses, damages or expenses of any kind or nature and from any suits,

claims or demands (including in respect of or for reasonable attorney's fees and other expenses) arising on account of or in connection with (a) any use by Borrower of any proceeds of the Revolving Loans or any Letter of Credit, (b) any violation or alleged violation of any Requirement of Law by Borrower or any of its Affiliates, (c) any Default or Event of Default, (d) or any acquisition or proposed acquisition by Borrower of the stock or assets (in whole or in part) of any other Person or (e) the execution, delivery and performance of this Agreement and the other Credit Documents by any of the Indemnitees (unless arising out of any violation by any of the Agents, the Bank Parties or any of their Affiliates of any applicable law governing its banking powers), except to the extent such liability arises from the willful misconduct or gross negligence of such Indemnitee. Upon receiving knowledge of any suit, claim or demand asserted by a third party that any Agent or any Bank Party believes is covered by this indemnity, such Agent or such Bank Party shall give Borrower prompt written notice of the matter (specifying with reasonable particularity the basis therefor) and an opportunity (but not the obligation) to participate in and defend it, at Borrower's sole cost and expense, with legal counsel reasonably satisfactory to such Agent or such Bank Party, as the case may be. Any failure or delay of any Agent or any Bank Party to notify Borrower of any such suit,

claim or demand as required by this Paragraph 8.03 or to cooperate in the defense thereof shall not relieve Borrower of its obligations under this Paragraph 8.03 but shall reduce such obligations to the extent of any increase in those obligations caused solely by any such failure or delay which is unreasonable. The obligations of Borrower under this Paragraph 8.03 shall survive the payment and performance of the Obligations and the termination of this Agreement.

8.04. Waivers; Amendments. Any term, covenant, agreement or condition of this Agreement or any other Credit Document may be amended or waived if such amendment or waiver is in writing and is signed by Borrower and the Majority Banks; provided, however that:

(a) Any amendment, waiver or consent which (i) amends this Paragraph 8.04, or (ii) amends the definition of Majority Banks must be in writing and signed or approved in writing by all Banks;

(b) Any amendment, waiver or consent which (i) increases the Total Commitment, (ii) extends the Maturity Date, (iii) reduces the principal of or interest on the Revolving Loans or any fees or other amounts payable for the account of the Banks hereunder, (iv) increases the LC Commitment, or (v) postpones any date fixed for any payment of the principal of or interest on the Revolving Loans or any fees or other amounts payable for the account of the

Banks hereunder must be in writing and signed or approved in writing by all Banks;

(c) Any amendment, waiver or consent which increases or decreases the Proportionate Share of any Bank must be in writing and signed by such Bank;

(d) Any amendment, waiver or consent which increases the LC Commitment or otherwise affects the rights or obligations of Issuing Bank must be in writing and signed by Issuing Bank; and

(e) Any amendment, waiver or consent which affects the rights or obligations of any Agent must be in writing and signed by such Agent.

No failure or delay by any Agent or any Bank Party in exercising any right hereunder shall operate as a waiver thereof or of any other right nor shall any single or partial exercise of any such right preclude any other further exercise thereof or of any other right. Unless otherwise specified in such waiver or consent, a waiver or consent given hereunder shall be effective only in the specific instance and for the specific purpose for which given.

8.05. Successors and Assigns.

(a) Binding Effect. This Agreement and the other Credit Documents shall be binding upon and inure to the benefit of Borrower, the Bank Parties, Agents, all future holders of the Notes and their respective successors and permitted assigns, except that Borrower may not assign or transfer any of its rights or obligations under any Credit Document without the prior written consent of Agents and each Bank. All references in this Agreement to any Person shall be deemed to include all successors and assigns of such Person.

(b) Participations. Any Bank may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to one or more banks or other financial institutions ("Participants") participating interests in any Revolving Loan owing to such Bank, any Note held by such Bank, any Commitment of such Bank or any other interest of such Bank under this Agreement and the other Credit Documents. In the event of any such sale by a Bank of participating interests to a Participant, such Bank's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof, such Bank shall remain the holder of any such Note for all purposes under this Agreement, such Bank shall retain the right to approve amendments and waivers and other voting

rights hereunder and Agents and Borrower shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement; provided, however, that any agreement pursuant to which any Bank sells a participating interest to a Participant may require the selling Bank to obtain the consent of such Participant in order for such Bank to agree in writing to any amendment of a type specified in clause (i), (ii), (iii), (iv) or (v) of Subparagraph 8.04(b) or Subparagraph 8.04(c), as appropriate. Borrower agrees that if amounts outstanding under this Agreement and the other Credit Documents are due and unpaid, or shall have been declared or

shall have become due and payable upon the occurrence of an Event of Default, each Participant shall, to the fullest extent permitted by law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement and any other Credit Documents to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement or any other Credit Documents; provided, however, that (i) no Participant shall exercise any rights under this sentence without the consent of Administrative Agent, (ii) no Participant shall have any rights under this sentence which are greater than those of the selling Bank and (iii) such rights of setoff shall be subject to the obligation of such Participant to share with the Banks, and the Banks agree to share with such Participant, as provided in Subparagraph 2.09(b). Borrower also agrees that any Bank which has transferred all or part of its interests in the Commitments and the Revolving Loans to one or more Participants shall, notwithstanding any such transfer, be entitled to the full benefits accorded such Bank under Paragraph 2.10, Paragraph 2.11, and Paragraph 2.12, as if such Bank had not made such transfer.

(c) Assignments. Any Bank may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time, sell and assign to any Bank, any affiliate of a Bank or any other bank or financial institution (individually, an "Assignee Bank") all or a portion of its rights and obligations under this Agreement and the other Credit Documents (such a sale and assignment to be referred to herein as an "Assignment") pursuant to an assignment agreement in the form of Exhibit G (an "Assignment Agreement"), executed by each Assignee Bank and such assignor Bank (an "Assignor Bank") and delivered to Administrative Agent for its acceptance and recording in the Register; provided, however, that:

(i) Without the written consent of Borrower (which written consent of Borrower shall not be required after the occurrence and during the

continuation of an Event of Default), Administrative Agent and Issuing Bank (which consent of Borrower, Administrative Agent and Issuing Bank shall not be unreasonably withheld), no Bank may make any Assignment to any Assignee Bank which is not, immediately prior to such Assignment, a Bank hereunder or an affiliate which controls, is controlled by or is under common control with a Bank hereunder;

(ii) Without the written consent of Borrower (which written consent of Borrower shall not be required after the occurrence and during the continuation of an Event of Default) and Administrative Agent (which consent of Borrower may be withheld in its sole and absolute discretion but which consent of Administrative Agent shall not be unreasonably withheld), no Bank may make any Assignment to any Assignee Bank which is not, immediately prior to such Assignment, a Bank hereunder or an affiliate which controls, is controlled by or is under common control with a Bank hereunder if (A) the principal amount of such Assignment is less than the lesser of two and one-half percent (2.50%) of the Total Commitment at the time of such Assignment or all of the Assignor Bank's Revolving Loans and Commitments hereunder or (B) if, after giving effect to such Assignment, the sum of the Assignor Bank's Commitment would be greater than zero but less than two and one-half percent (2.50%) of the Total Commitment at the time of such Assignment;

(iii) Without the written consent of Borrower (which written consent of Borrower shall not be required after the occurrence and during the continuation of an Event of Default) and Administrative Agent (which consent of Borrower and Administrative Agent shall not be unreasonably withheld), no Bank may make any Assignment to any Assignee Bank which is, immediately prior to such Assignment, a Bank hereunder or an affiliate which controls, is controlled by or is under common control with a Bank hereunder if the principal amount of such Assignment is less than the lesser of Five Million Dollars ($5,000,000) or all of the Assignor Bank's Revolving Loans and Commitments hereunder; and

(iv) No Bank may make any Assignment which does not assign and delegate an equal pro rata interest in such Bank's Revolving Loans, Commitments and all other rights, duties and obligations of such Bank under this Agreement and the other Credit Documents.

Upon such execution, delivery, acceptance and recording of each Assignment Agreement, from and after the Assignment Effective Date determined pursuant to such Assignment Agreement, (A) each Assignee Bank thereunder shall be a Bank hereunder with a Proportionate Share as set forth on Attachment 1 to such Assignment Agreement and shall have the rights, duties and obligations of such a Bank under this Agreement and the other Credit Documents, and (B) the Assignor Bank thereunder shall be a Bank with a Proportionate Share as set forth on Attachment 1 to such Assignment Agreement, or, if the Proportionate Share of the Assignor Bank has been reduced to 0%, the Assignor Bank shall cease to be a Bank; provided, however, that any such Assignor Bank which ceases to be a Bank shall continue to be entitled to the benefits of any provision of this Agreement which by its terms survives the termination of this Agreement. Each Assignment Agreement shall be deemed to amend Schedule I to the extent, and only to the extent, necessary to reflect the addition of each Assignee Bank, the deletion of each Assignor Bank which reduces its Proportionate Share to 0% and the resulting adjustment of Proportionate Shares arising from the purchase by each Assignee Bank of all or a portion of the rights and obligations of an Assignor Bank under this Agreement and the other Credit Documents. On or prior to the Assignment Effective Date determined pursuant to each Assignment Agreement, Borrower, at its own expense, shall execute and deliver to Administrative Agent, in exchange for the surrendered Note of the Assignor Bank thereunder, a new Note to the order of each Assignee Bank thereunder in an amount equal to the Commitment assumed by such Assignee Bank and, if the Assignor Bank is continuing as a Bank hereunder, a new Note to the order of the Assignor Bank in an amount equal to the Commitment retained by it. Each such new Note shall be dated the Closing Date and otherwise be in the form of the Note replaced thereby (provided that Borrower shall not be obligated to pay any additional interest to any Assignee Bank in respect to any principal payments made prior to the Assignment Effective Date of the Assignment to such Assignee Bank). The Notes surrendered by the Assignor Bank shall be returned by Administrative Agent to Borrower marked "replaced". Each Assignee Bank which was not previously a Bank hereunder and which is not incorporated under the laws of the United States of America or a state thereof shall, within three (3) Business Days of becoming a Bank, deliver to Borrower and Administrative Agent either two duly completed copies of United States Internal Revenue Service Form 1001 or 4224 (or successor applicable form), as the case may be, certifying in each case that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes.

(d) Register. Administrative Agent shall maintain at its address referred to in Paragraph 8.01 a copy of each Assignment Agreement delivered to it and a register (the "Register") for the recordation of the names and addresses of the Banks and the Proportionate Share of each Bank from time to time. The entries in the Register shall be conclusive in the absence of manifest error, and Borrower, Agents and the Bank Parties may treat each Person whose name is recorded in the Register as the owner of the Revolving Loans recorded therein for all purposes of this Agreement. The Register shall be available for inspection by Borrower or any Bank Party at any reasonable time and from time to time upon reasonable prior notice.

(e) Registration. Upon its receipt of an Assignment Agreement executed by an Assignor Bank and an Assignee Bank (and, to the extent required by Subparagraph 8.05(c), by Borrower, Administrative Agent and Issuing Bank), together with payment to Administrative Agent by Assignor Bank of a registration and processing fee of $3,500, Administrative Agent shall (i) promptly accept such Assignment Agreement and (ii) on the Assignment Effective Date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Bank Parties and Borrower. Administrative Agent may, from time to time at its election, prepare and deliver to the Bank Parties and Borrower a revised Schedule I reflecting the names, addresses and respective Proportionate Shares of all Banks then parties hereto.

8.06. Setoff; Security Interest.

(a) Setoff. In addition to any rights and remedies of the Bank Parties provided by law, each Bank Party shall have the right, with the prior consent of Administrative Agent, but without prior notice to or consent from Borrower, any such notice or consent being expressly waived by Borrower to the extent permitted by applicable law, upon the occurrence and during the continuance of an Event of Default, to set-off and apply, or to authorize or direct such Bank to set-off and apply, against any indebtedness, whether matured or unmatured, of Borrower to such Bank Party, any amount owing from such Bank Party to Borrower, at or at any time after, the happening of any of the above mentioned events, and as security for such indebtedness, Borrower

hereby grants to Administrative Agent and each Bank Party a continuing security interest in any and all deposits, accounts or moneys of Borrower then or thereafter maintained with such Bank Party, subject in each case to Subparagraph 2.09(b). The aforesaid right of set-off may be exercised by any Bank Party against Borrower or against any trustee in

bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver or execution, judgment or attachment creditor of Borrower or against anyone else claiming through or against Borrower or such trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor, notwithstanding the fact that such right of set-off shall not have been exercised by such Bank Party prior to the occurrence of an Event of Default. Any Bank Party which exercises its right of setoff agrees promptly to notify Borrower after any such set-off and application made by such Bank Party, provided that the failure to give such notice shall not affect the validity of such set-off and application.

(b) Security Interest. As security for the Obligations, Borrower hereby grants to each Bank Party, for the benefit of all Agents and Bank Parties, a continuing security interest in any and all deposit accounts or moneys of Borrower now or hereafter maintained with such Bank Party. Each Bank Party shall have all of the rights of a secured party with respect to such security interest.

8.07. No Third Party Rights. Nothing expressed in or to be implied from this Agreement is intended to give, or shall be construed to give, any Person, other than the parties hereto and their permitted successors and assigns hereunder, any benefit or legal or equitable right, remedy or claim under or by virtue of this Agreement or under or by virtue of any provision herein.

8.08. Partial Invalidity. If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law or any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Agreement nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

8.09. Jury Trial. EACH OF BORROWER, THE BANK PARTIES AND AGENTS, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AS TO ANY ISSUE RELATING HERETO IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO ANY CREDIT DOCUMENT.

8.10. Counterparts. This Agreement may be executed in any number of identical counterparts, any set of which signed by all the parties hereto shall be deemed to constitute a complete, executed original for all purposes.

8.11. Confidentiality. None of the Banks and Agents shall disclose to any Person any information with respect to Borrower or any of its Subsidiaries which is furnished pursuant

to this Agreement, except that any Bank or Agent may disclose any such information (a) to its own directors, officers, employees, auditors, counsel and other professional advisors and to its Affiliates if such Bank or Agent or such Bank's or such Agent's holding or parent company in its sole discretion determines that any such party should have access to such information; (b) to another Bank or Agent; (c) if generally available to the public; (d) if required or appropriate in any report, statement or testimony submitted to any Governmental Authority having or claiming to have jurisdiction over such Bank or Agent; (e) if required or appropriate in response to any summons or subpoena or in connection with any litigation, to the extent permitted or deemed advisable by counsel; (f) to comply with any Requirement of Law applicable to such Bank or Agent; (g) to any Participant or Assignee Bank or any prospective Participant or Assignee Bank, provided that such Participant or Assignee or prospective Participant or Assignee agrees in writing to be bound by this Paragraph 8.11 prior to disclosure; or (h) otherwise with the prior consent of Borrower; provided, however, that any disclosure made in violation of this Agreement shall not affect the obligations of Borrower under this Agreement and the other Credit Documents.

[The next page is the first signature page.]

IN WITNESS WHEREOF, Borrower, the Bank Parties and Agents have caused this Agreement to be executed as of the day and year first above written.

BORROWER: QUANTUM CORPORATION

By: /s/ G. Edward McClammy

G. Edward McClammy
Vice President Finance
& Treasurer

CO-ARRANGERS: ABN AMRO BANK N.V., San Francisco
International Branch,
As a Co-Arranger

By: /s/ Robin S. Yim

Name: Robin S. Yim
Title: Group Vice President

By: /s/ Richard R. DaCosta

Name: Richard R. DaCosta
Title: Assistant Vice President

CIBC INC.,
As a Co-Arranger

By: /s/ Cyd D. Petre

Name: Cyd D. Petre
Title: AUTHORIZED SIGNATORY

ADMINISTRATIVE AGENT: CANADIAN IMPERIAL BANK OF COMMERCE,
As Administrative Agent

By: /s/ Cyd D. Petre

Name: Cyd D. Petre
Title: Authorized Signatory

BANKS: ABN AMRO BANK N.V., San Francisco
International Branch,
As a Bank

By: /s/ Robin S. Yim

Name: Robin S. Yim
Title: Group Vice President

By: /s/ Richard R. DaCosta

Name: Richard R. DaCosta
Title: Assistant Vice President

CIBC INC.,
As a Bank

By: /s/ Cyd D. Petre

Name: Cyd D. Petre
Title: AUTHORIZED SIGNATORY

BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION,
As a Bank

By: /s/ Kevin McMahon

Name: Kevin McMahon
Title: Managing Director

BANKBOSTON, N.A.,
As a Bank

By: /s/ Lee A. Merkle

Name: Lee A. Merkle
Title: Vice President

THE BANK OF NOVA SCOTIA,
As a Bank

By: /s/ Chris Johnson

Name: Chris Johnson
Title: Senior Relationship Manager

FLEET NATIONAL BANK,
As a Bank

By: /s/ Matthew Glauninger

Name: Matthew Glauninger
Title: Vice President

THE INDUSTRIAL BANK OF JAPAN,
LIMITED,
As a Bank

By: /s/ Haruhiko Masuda

Name: Haruhiko Masuda
Title: Deputy General Manager

<TABLE>

BANQUE NATIONALE DE PARIS,
As a Bank

<CAPTION>

<S> <C>

By: /s/ William J. La Herran

Name: Rafael C. Lumanlan William J. La Herran
Title: Vice President Assistant Vice President

</TABLE>

THE MITSUBISHI TRUST AND BANKING
CORPORATION, LOS ANGELES AGENCY
As a Bank

By: /s/ Yasushi Satomi

Name: Yasushi Satomi
Title: Senior Vice President

UNION BANK OF CALIFORNIA, N.A.,
As a Bank

By: /s/ Patrick Clemens

Name: Patrick Clemens
Title: Assistant Vice President

THE FUJI BANK, LIMITED,
As a Bank

By: /s/ Kazuo Kamio

Name: Kazuo Kamio
Title: General Manager

ROYAL BANK OF CANADA,
As a Bank

By: /s/ Stephen S. Hughes

Name: Stephen S. Hughes
Title: Senior Manager

DEUTSCHE BANK AG NEW YORK AND/OR
CAYMAN ISLAND BRANCHES,
As a Bank

By: /s/ Ralf Hoffman

Name: Ralf Hoffman
Title: Vice President

By: /s/ Belinda J. Wheeler

Name: Belinda J. Wheeler
Title: Vice President

KEYBANK NATIONAL ASSOCIATION
As a Bank

By: /s/ Kevin P. McBride

Name: Kevin P. McBride
Title: Vice President

THE LONG-TERM CREDIT BANK OF JAPAN,
LTD.,
As a Bank

By: /s/ Motokazu Uematsu

Name: Motokazu Uematsu
Title: Deputy General Manager

MELLON BANK,
As a Bank

By: /s/ Edwin H. Wiest

Name: Edwin H. Wiest
Title: First Vice President

SANWA BANK CALIFORNIA,
As a Bank

By: /s/ Robert R. Shutt

Name: Robert R. Shutt
Title: Vice President

THE SUMITOMO TRUST AND BANKING CO., LTD., LOS ANGELES AGENCY
As a Bank

By: /s/ Ninoos Y. Benjamin

Name: Ninoos Y. Benjamin
Title: Vice President & Manager

BANQUE PARIBAS,
As a Bank

By: /s/ Nanci Meyer

Name: Nanci Meyer
Title: Assistant Vice President

By: /s/ Lee S. Buckner

Name: Lee S. Buckner
Title: Group Vice President

THE SUMITOMO BANK, LIMITED,
As a Bank

By: /s/ Kozo Masaki

Name: Kozo Masaki
Title: General Manager

SCHEDULE I

BANKS

BANK	PROPORTIONATE SHARE*
ABN AMRO BANK N.V.	8.00000000%

Applicable Lending Office:

ABN AMRO Bank N.V.
San Francisco International
Branch
101 California Street
Suite 4550
San Francisco, CA 94111-5812

Address for Notices:

ABN AMRO Bank N.V.
San Francisco International Branch
101 California Street, Suite 4550
San Francisco, CA 94111-5812
Attn: Robert N. Hartinger
Robin S. Yim

Telephone: (415) 984-3710
Fax: (415) 362-3524

ABN AMRO Bank, N.V.
1235 Avenue of the Americas, 9th Floor
New York, NY 10019
Attn: Drew Helene
Vice President, Syndications

Telephone: (212) 370-8505
Fax: (212) 503-2689 or 682-0364

Wiring Instructions:

ABN AMRO Bank N.V.
ABA No.: 026-009-580
Account No.: 651001054541
Account Name: ABN AMRO San
Francisco International Branch
Reference: Quantum Corp.

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
CIBC INC.	8.00000000%

Applicable Lending Office:

CIBC Inc.
Two Paces West
2727 Paces Ferry Road, Suite 1200
Atlanta, GA 30339

Address for Notices:

CIBC Inc.
425 Lexington Avenue
New York, NY 10017
Attention: Jan Palmer

Telephone: (212) 856-3695
Fax: (212) 856-3763 or 3799

Wiring Instructions:

Morgan Guaranty Trust Company of
New York
New York, NY 10260
ABA No.: 021-000-238
Account No.: 630-00-480
Account Name: CIBC, New York Agency

For further credit to: Agented Loans
Account No. 07-09611
Attention: Syndications
Reference: Quantum Corporation

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION	8.00000000%

Applicable Lending Office:

Bank of America National Trust
and Savings Association
1850 Gateway Boulevard, 3rd Floor
Concord, CA 94520
Attention: Julia Young
GPO Account Admin: #5693

Telephone: (510) 675-7328
Fax: (510) 675-7531

Address for Notices:

Bank of America National Trust
and Savings Association
Credit Products-High Technology-SF #3697
555 California Street, 41st Floor
San Francisco, CA 94104
Attention: Kevin McMahon
Managing Director

Telephone: (415) 622-8088
Fax: (415) 622-2514

Wiring Instructions:

Bank of America National Trust
and Savings Association
San Francisco, California
ABA No.: 121000358
Account No.: 1233183980
Reference: Quantum Corp.
Attention: Julia Young

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
BANKBOSTON, N.A.	6.00000000%

Applicable Lending Office:
BankBoston, N.A.
435 Tasso Street, Suite 250
Palo Alto, CA 94301

Address for Notices:

BankBoston, N.A.
435 Tasso Street, Suite 250
Palo Alto, CA 94301
Attn: Lee A. Merkle, Vice President

Telephone: (415) 853-0404
Fax: (415) 853-1425

Wiring Instructions:

BankBoston, N.A.
100 Federal Street

Boston, MA 02110
ABA No.: 011-000-390
Account No.: 540-99647
Attn: Comm Loan Svc, Adm 50 High Tech
Ref: Quantum Corporation

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
THE BANK OF NOVA SCOTIA	6.00000000%

Applicable Lending Office:

The Bank of Nova Scotia
580 California Street, Suite 2100
San Francisco, CA 94104
Attention: Mr. Chris Johnson

Telephone: (415) 986-1100
Fax: (415) 397-0791

Address for Notices:

The Bank of Nova Scotia
600 Peachtree Street, N.E.
Atlanta, GA 30308
Attention: Norman O. Campbell

Telephone: (404) 877-1500
Fax: (404) 888-8998

Wiring Instructions:

The Bank of Nova Scotia
One Liberty Plaza
New York, NY
ABA No.: 026002532
Account No.: 60023-7
For Credit to: The Bank of Nova Scotia
San Francisco Agency
Reference: Quantum Corporation

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
FLEET NATIONAL BANK	6.00000000%

Applicable Lending Office:

Fleet National Bank
75 State Street
Boston, MA 02109

Address for Notices:

Fleet National Bank
75 State Street
Boston, MA 02109
Attention: Matthew Glauninger
Vice President

Telephone: (617) 346-1645

Fax: (617) 346-1633

Wiring Instructions:

Fleet National Bank
75 State Street
Boston, MA 02109
ABA: 011-000-138
Account Name: Incoming Loan in Process Wire Account
A/C No.: 120986-03156
Reference: Quantum Corp.
Attention: Commercial Loan Operations/Agent Bank

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
THE INDUSTRIAL BANK OF JAPAN, LIMITED	6.00000000%

Applicable Lending Office:

The Industrial Bank of Japan, Limited
San Francisco Agency
555 California Street, Suite 3110
San Francisco, CA 94104

Address for Notices:

The Industrial Bank of Japan, Limited
San Francisco Agency
555 California Street, Suite 3110
San Francisco, CA 94104
Attention: Jeanette O'Donnell

Telephone: (415) 693-1831
Fax: (415) 982-1917
Telex: 49608738
Answerback: IBJ SFO

Wiring Instructions:

Bank of American NT & SA
International Deposit Services 6561
1850 Gateway Boulevard
Concord, CA 94520
ABA No.: 121-000-358
Account: The Industrial Bank of Japan, Limited
Los Angeles Agency
Account No.: 62906-14014
"For Credit to IBJ SFA, A/C 2601-22011"

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
BANQUE NATIONALE DE PARIS	5.00000000%

Applicable Lending Office:

Banque Nationale de Paris
180 Montgomery Street, 3rd Floor
San Francisco, CA 94104

Attention: Rafael Lumanlan

Telephone: (415) 956-0707
Fax: (415) 296-8954
Telex: RCA 278900
Answerback: BNPS UR

Address for Notices:

Banque Nationale de Paris
180 Montgomery Street, 3rd Floor
San Francisco, CA 94104

Credit:

Rafael Lumanlan
Vice President
Telephone: (415) 956-0707
Fax: (415) 296-8954

Operations:

Donald A. Hart
Treasurer
Telephone: (415) 956-2511
Fax: (415) 989-9041

Wiring Instructions:

Federal Reserve Bank of San Francisco
For the Account of: Banque Nationale de Paris
San Francisco Branch
ABA #: 121027234
Ref: QUANTUM REVOLVER

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
THE MITSUBISHI TRUST AND BANKING CORPORATION, LOS ANGELES AGENCY	5.00000000%

Applicable Lending Office:

The Mitsubishi Trust and Banking Corporation, Los Angeles Agency
801 South Figueroa Street, Suite 500
Los Angeles, CA 90017
Attention: Michael Lundgren
Assistant Vice President

Telephone: (213) 896-4732
Fax: (213) 629-2571/ (213) 687-4631
Telex: 49657290
Answerback: MTB B LSA

Alternative Contact: Pam Khamvongsa
Loan Assistant

Telephone: (213) 896-4735
Fax: (213) 687-8325

Address for Notices:

The Mitsubishi Trust and Banking Corporation, Los Angeles Agency
801 South Figueroa Street, Suite 500
Los Angeles, CA 90017
Attention: Jill Kato
Vice President

Telephone: (213) 896-4655
Fax: (213) 687-4631

Alternative Contact: F. Frank Herrera

First Vice President

Telephone: (213) 896-4652

Wiring Instructions:

Bank of America, San Francisco, California
ABA #: 121 000 358
Account #: 62908-04915
Ref: Quantum Corporation
Attention: Loan Administration Department

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
UNION BANK OF CALIFORNIA, N.A.	5.00000000%

Applicable Lending Office:

Union Bank of California, N.A.
400 California Street, 16th Floor
San Francisco, CA 94104
Attention: Norma Sarto

Telephone: (415) 765-2722
Fax: (415) 765-2920
Telex: 188316 UNION SFO UT
Answerback: UNION SFO UT

Address for Notices:

Union Bank of California, N.A.
350 California Street, 6th Floor
San Francisco, CA 94104
Attention: Glenn Leyrer

Telephone: (415) 705-7578
Fax: (415) 705-5093

Wiring Instructions:

Union Bank of California, 1980 Saturn Street, Monterey, CA 91755
Los Angeles, CA
Fed ABA No.: 122-000-496
Account No.: 070196431
Reference: Quantum Corporation

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
THE FUJI BANK, LIMITED	4.00000000%

Applicable Lending Office:

The Fuji Bank, Ltd.
601 California Street
San Francisco, CA 94108
Attention: Mike Rogers

Telephone: (415) 296-5440
Fax: (415) 362-4613
Telex: 176087
Answerback: FUJIBK SFO

Address for Notices:

The Fuji Bank, Ltd.
601 California Street
San Francisco, CA 94108

Credit:
Attention: Mami Yamajo, Vice President
Telephone: (415) 296-5433
Fax: (415) 362-4613

Operations:
Attention: Candi Eng
Telephone: (415) 296-5444
Fax: (415) 362-4613

Wiring Instructions:

Bank of America, NT&SA
San Francisco, CA
ABA #: 1210-0035-8
Account Name: The Fuji Bank, Limited, San Francisco
Account #: 62 901-08242
Ref: Quantum R/C

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
ROYAL BANK OF CANADA	4.00000000%

Applicable Lending Office:

Royal Bank of Canada
600 Wilshire Blvd., Suite 800
Los Angeles, CA 90017
Attention: Stephen Hughes

Telephone: (213) 955-5320
Fax: (213) 955-5350

Address for Notices:

Credit:

Royal Bank of Canada
600 Wilshire Blvd., Suite 800
Los Angeles, CA 90017
Attention: Stephen Hughes

Telephone: (213) 955-5320
Fax: (213) 955-5350

Operations:

Royal Bank of Canada
1 Financial Square, 23rd Floor
New York, NY 10005-3531
Attention: Linda Smith
Telephone: (212) 428-6323
Fax: (212) 428-2372
Telex: ROYBAN 65219

Wiring Instructions:

Chase Manhattan Bank, New York
New York, NY
ABA #: 021000021
Account #: 920-1-033363
Attention: Linda Smith

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
DEUTSCHE BANK AG NEW YORK AND/OR CAYMAN ISLANDS BRANCHES	4.00000000%

Applicable Lending Office:

Deutsche Bank AG
31 West 52nd Street
New York, NY 10019
Attention: Nancy Zorn

Telephone: (212) 469-4112
Fax: (212) 469-4139

Backup Operations: Lynn Sweeney
Telephone: (212) 469-4098
Fax: (212) 469-4139

Address for Notices:
50 California Street, Suite 1500
San Francisco, CA 94111
Attention: Olaf Janke

Telephone: (415) 439-5225
Fax: (415) 439-5215

Wiring Instructions:

Deutsche Bank AG New York Branch
ABA #: 026003780
Ref: Quantum Corporation
Attention: Nancy Zorn

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
KEYBANK NATIONAL ASSOCIATION	4.00000000%

Applicable Lending Office:

KeyBank National Association
P.O. Box 1594
Tacoma, WA 98401
Attention: Vicky Heineck/Mary Pease

Telephone: (800) 297-5818
Fax: (800) 297-5495

Address for Notices:

700 Fifth Avenue, 48th Floor
Seattle, WA 98104
Attention: Kevin McBride/Mary Young

Telephone: (206) 684-6039
Fax: (206) 684-6035

Wiring Instructions:

KeyBank National Association

ABA #: 125000574

Account Name: NW Region Specialty Services
Account #: 01500163
Ref: Quantum

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
THE LONG-TERM CREDIT BANK OF JAPAN, LTD.	4.00000000%

Applicable Lending Office:

The Long-Term Credit Bank of Japan, Ltd.
350 South Grand Avenue, Suite 3000
Los Angeles, CA 90071
Attention: Tamotsu Ukai

Telephone: (213) 689-6345
Fax: (213) 626-1067

Address for Notices:

The Long-Term Credit Bank of Japan, Ltd.
350 South Grand Avenue, Suite 3000
Los Angeles, CA 90071
Attention: Lisa Truong/Claude Graham

Telephone: (213) 689-6244/(213) 689-6235
Fax: (213) 626-1067
Telex: 673-3533
Answerback: LTCB LSA

Wiring Instructions:

First Interstate Bank of California
Los Angeles, CA
Fed ABA#: 122000358
For Credit to: Long-Term Credit Bank of Japan
Los Angeles Agency
Account No.: 6290131191
Attention: LA7
Reference: Quantum Corporation

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
MELLON BANK	4.00000000%

Applicable Lending Office:

Mellon Bank
435 Tasso Street, Suite 100
Palo Alto, CA 94301
Attention: Sean C. Gannon

Telephone: (415) 326-3005 ext. 224
Fax: (415) 326-2382

Address for Notices:

Mellon Bank
Three Mellon Bank Center, 153-2304

Pittsburgh, PA 15259
Attention: Damon Carr

Telephone: (412) 234-1872
Fax: (412) 236-2027

Wiring Instructions:

Mellon Bank
Attention: Loan Administration
ABA #: 043000261
Account #: 990-873-800
Ref: Quantum Corporation
Attention: Loan Administration

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
SANWA BANK CALIFORNIA	4.00000000%

Applicable Lending Office:

Sanwa Bank California
San Jose Commercial Banking Center
220 Almaden Boulevard
San Jose, CA 95113

Address for Notices:

Sanwa Bank California
San Jose Commercial Banking Center
220 Almaden Boulevard
San Jose, CA 95113
Attention: Robert R. Schutt
James E. Rosewater

Telephone: (408) 297-6500
Fax: (408) 292-4092

Wiring Instructions:

Sanwa Bank California
ABA No.: 122003516
Account Name: San Jose CBC
Account No.: 1128-19005
Reference: Quantum Corporation

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
THE SUMITOMO TRUST AND BANKING CO., LTD. LOS ANGELES AGENCY	4.00000000%

Applicable Lending Office:

The Sumitomo Trust and Banking Co., Ltd., Los Angeles Agency
333 South Grand Avenue, Suite 5300
Los Angeles, CA 90071
Attention: Dan McGregor

Telephone: (213) 229-2197
Fax: (213) 613-1083

Address for Notices:

The Sumitomo Trust and Banking Co., Ltd.. Los Angeles Agency
333 South Grand Avenue, Suite 5300
Los Angeles, CA 90071
Attention: Manager, Credit Administration Department

Telephone: (213) 629-3191
Fax: (213) 628-2719

Wiring Instructions:

Bank of America NT & SA, San Francisco, California
ABA #: 121000358
Account Name: The Sumitomo Trust & Banking Co., Ltd., Los Angeles Agency
Account #: 62907-31117
Ref: Quantum Corporation

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*
BANQUE PARIBAS	3.00000000%

Applicable Lending Office:

Banque Paribas
101 California Street, Suite 3150
San Francisco, CA 94111
Attention: Nanci Meyer

Telephone: (415) 398-6811
Fax: (415) 398-4240

Address for Notices:

Banque Paribas
2029 Century Park East, Suite 3900
Los Angeles, CA 90067

Letters of Credit:

Attention: Tessie Xander
Telephone: (310) 551-7385
Fax: (310) 553-1504

Revolver:

Attention: Shirley Williams
Telephone: (310) 551-7360
Fax: (310) 553-1504

Wiring Instructions:

Bank of America, San Francisco CA
ABA #: 1210-0035-8
For credit to Banque Paribas, Los Angeles Agency
Account #: 62902-10150
Ref: Quantum Corporation

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

BANK	PROPORTIONATE SHARE*

THE SUMITOMO BANK, LIMITED 2.00000000%

Applicable Lending Office:

The Sumitomo Bank, Limited
San Francisco Agency
555 California Street, Suite 3350
San Francisco, CA 94104
Attention: Gavin Hollis

Telephone: (415) 616-3003
Fax: (415) 397-1475

Address for Notices:

The Sumitomo Bank, Limited
San Francisco Agency
555 California Street, Suite 3350
San Francisco, CA 94104
Attention: Matt Kather

Telephone: (415) 616-3025
Fax: (415) 378-3580

Wiring Instructions:

The Sumitomo Bank of California
ABA No.: 121 002 042
Account Name: The Sumitomo Bank, Ltd., San Francisco Branch
Reference: Quantum Corporation

* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

SCHEDULE II

PRICING GRID

	LEVEL 1 PERIOD	LEVEL 2 PERIOD	LEVEL 3 PERIOD	LEVEL 4 PERIOD	LEVEL 5 PERIOD
APPLICABLE MARGINS AND LC USAGE FEE RATES:	0.40%	0.55%	0.70%	0.90%	1.10%
COMMITMENT FEE PERCENTAGES:	.150%	.200%	.250%	.300%	.375%

EXPLANATION

1. The Applicable Margin for each LIBOR Loan, the LC Usage Fee Rate on each Letter of Credit and the Commitment Fee Percentage will be set for each Pricing Period and will vary depending upon whether such period is a Level 1 Period, a Level 2 Period, a Level 3 Period, a Level 4 Period or a Level 5 Period.

2. The first Pricing Period, which commences on the date of this Agreement and ends on September 30, 1997, will be a Level 3 Period.

3. The second Pricing Period, which commences on October 1, 1997 and ends on November 30, 1997, will be a Level 1 Period, a Level 2 Period, a Level 3 Period, a Level 4 Period or a Level 5 Period depending upon Borrower's Total Funded Debt Ratio (and, with respect to determining pricing at Level 1 Pricing only, EBITDA) for the consecutive four-fiscal quarter period ending on June 30, 1997.

4. Each Pricing Period thereafter will be a Level 1 Period, a Level 2 Period, a Level 3 Period, a Level 4 Period or a Level 5 Period depending upon Borrower's Total Funded Debt Ratio (and, with respect to determining pricing at Level 1 Pricing only, EBITDA) for the most recent consecutive four-fiscal quarter period ending prior to the first day of such Pricing Period as follows:

(a) If, during any Pricing Period (i) Borrower's Total Funded Debt Ratio is 1.00 or less and (ii) Borrower's EBITDA for the previous four quarters is $400,000,000 or more, Borrower's pricing will be a Level 1 Period.

(b) If, during any Pricing Period, (i) Borrower's Total Funded Debt Ratio is more than 1.00 but less than or equal to

1.50, or (ii) Borrower's Total Funded Debt Ratio is less than or equal to 1.00 but Borrower's EBITDA for the previous four quarters is less than $400,000,000, Borrower's pricing will be a Level 2 Period.

(c) If, during any Pricing Period, Borrower's Total Funded Debt Ratio is more than 1.50 but less than or equal to 2.00, Borrower's pricing will be a Level 3 Period.

(d) If, during any Pricing Period, Borrower's Total Funded Debt Ratio is more than 2.00 but less than or equal to 2.50, Borrower's pricing will be a Level 4 Period.

(e) If, during any Pricing Period, Borrower's Total Funded Debt Ratio is more than 2.50, Borrower's pricing will be a Level 5 Period.

5. Level 1 Period will also apply during any Pricing Period (other than the first Pricing Period) in which Borrower's senior long term debt rating from S&P or Moody's is equal to or better than either BBB- or Baa3 or Borrower's subordinated debt rating from S&P or Moody's is equal to or better than BB+ or Ba1.

SCHEDULE 3.01

INITIAL CONDITIONS PRECEDENT

A. Principal Credit Documents.

(1) The Credit Agreement, duly executed by Borrower, each Bank and each Agent; and

(2) A Note payable to each Bank, each duly executed by Borrower.

B. Borrower Corporate Documents.

(1) The Certificate of Incorporation of Borrower, certified as of a recent date prior to the Closing Date by the Secretary of State of Delaware;

(2) A Certificate of Good Standing for Borrower (or comparable certificate), certified as of a recent date prior to the Closing Date by the Secretary of State of Delaware;

(3) A certificate of the Secretary or an Assistant Secretary of Borrower, dated the Closing Date, certifying (a) that attached thereto is a true and correct copy of the Bylaws of Borrower as in effect on the Closing Date; (b) that attached thereto are true and correct copies of resolutions duly adopted by the Board of Directors of Borrower and continuing in effect, which authorize the execution, delivery and performance by Borrower of this Agreement and the other Credit Documents executed or to be executed by Borrower and the consummation of the transactions contemplated hereby and thereby; (c) that there are no proceedings for the dissolution or liquidation of Borrower; and (d) the incumbency, signatures and authority of the officers of Borrower authorized to execute, deliver and perform this Agreement, the other Credit Documents and all other documents, instruments or agreements related thereto executed or to be executed by Borrower and indicating each such officer which is an Executive Officer or Authorized Financial Officer; and

(4) Certificates of Good Standing (or comparable certificate) for Borrower, certified as of a recent date prior to the Closing Date by the Secretaries of State (or comparable public official) of each state in which Borrower is qualified to do business.

C. Financial Statements, Financial Condition, Etc.

(1) A copy of the unaudited balance sheet, statements of income and cash flows of Borrower and its Subsidiaries for the fiscal quarter ended March 31, 1997 and for the fiscal year to such date (prepared on a consolidated basis);

(2) A copy of the audited consolidated Financial Statements of Borrower for the fiscal year ended March 31, 1996, prepared by Ernst & Young and a copy of the unqualified opinion delivered by such accountants in connection with such Financial Statements;

(3) A copy of the 10-Q report filed by Borrower with the Securities and Exchange Commission for the quarter ended December 29, 1996;

(4) A copy of the 10-K report filed by Borrower with the Securities and Exchange Commission for the fiscal year ended March 31, 1996; and

(5) Such other financial, business and other information regarding Borrower, or any of its Subsidiaries as any Co-Arranger may reasonably request, including information as to possible contingent liabilities, tax matters, environmental matters and obligations for employee benefits and compensation.

D. Opinions. A favorable written opinion from Wilson Sonsini Goodrich & Rosati, counsel for Borrower, dated the Closing Date, addressed to the Administrative Agent for the benefit of the Agents and the Banks, covering such legal matters as Agents may reasonably request and otherwise in form and substance satisfactory to the Co-Arrangers.

E. Other Items.

(1) A duly completed and timely delivered Notice of Borrowing;

(2) The Disclosure Letter, duly executed by Borrower;

(3) A copy of the indenture (including, as applicable, the form of debenture and the form of the note) and other documents, agreements and instruments, related to the Convertible Subordinated Debentures, together with all amendments and indentures supplemental thereto through the Closing Date, certified by an Executive Officer of Borrower;

(4) An organization chart for Borrower and its Subsidiaries, setting forth the relationship among such Persons, certified by an Executive Officer of Borrower;

(5) A certificate of an Executive Officer of Borrower, addressed to Administrative Agent and dated the Closing Date, certifying that:

(a) The representations and warranties set forth in Paragraph 4.01 are true and correct in all material respects as of such date (except for such representations and warranties made as of a specified date, which shall be true as of such date); and

(b) No Event of Default or Default has occurred and is continuing as of such date;

(6) Evidence satisfactory to Administrative Agent that the proceeds of the initial Loans to be made on the Closing Date will be used to satisfy all outstanding indebtedness of Borrower under the Prior Credit Agreement, that the obligations of Borrower under the Prior Credit Agreement (other than inchoate indemnity obligations) have been satisfied and that the Prior Credit Agreement is terminated;

(7) All fees and expenses payable to the Agents and the Banks on or prior to the Closing Date (including all Origination Fees and all fees payable to the Agents pursuant to the Agents' Fee Letters);

(8) All fees and expenses of Agents' counsels through the Closing Date; and

(9) Such other evidence as any Agent or Bank Party may reasonably request to establish the accuracy and completeness of the representations and warranties and the compliance with the terms and conditions contained in this Agreement and the other Credit Documents.

SCHEDULE 4.01(p)

See Disclosure Letter

SCHEDULE 5.02(a)

See Disclosure Letter

EXHIBIT A

NOTICE OF BORROWING

[Date]

Canadian Imperial Bank of Commerce,
as Administrative Agent
425 Lexington Avenue
New York, New York 10017
Attn: Ian Palmer
Syndications

1. Reference is made to that certain Credit Agreement, dated as of June 6, 1997 (as amended from time to time, the "Credit Agreement"), among Quantum Corporation ("Borrower"), the financial institutions listed in Schedule I to the Credit Agreement (the "Banks"), ABN AMRO Bank N.V., San Francisco International Branch ("ABN") and CIBC Inc., as co-arrangers for the Banks, Canadian Imperial Bank of Commerce, as administrative agent for the Banks (in such capacity, "Administrative Agent"), ABN, as syndication agent for the Banks, Bank of America National Trust and Savings Association, as documentation agent for the Banks, and certain co-agents listed therein. Unless otherwise indicated, all terms defined in the Credit Agreement have the same respective meanings when used herein.

2. Pursuant to Subparagraph 2.01(b) of the Credit Agreement, Borrower irrevocably hereby requests a Borrowing upon the following terms:

(a) The principal amount of the requested Borrowing is to be $_____;

(b) The requested Borrowing is to consist of ["Base Rate" or "LIBOR"] Loans;

(c) If the requested Borrowing is to consist of LIBOR Loans, the initial Interest Period for such Revolving Loans will be [_____ month[s]]; and

(d) The date of the requested Borrowing is to be _____, _____.

3. Borrower hereby certifies to the Agents and the Banks that, on the date of this Notice of Borrowing and after giving effect to the requested Borrowing:

(a) The representations and warranties of Borrower and its Subsidiaries set forth in Paragraph 4.01 of the Credit Agreement and in the other Credit Documents are true and correct in all material respects as if made on such date (except for representations and warranties expressly made as of a specified date, which are true as of such date); and

(b) No Default or Event of Default has occurred and is continuing or will result from the requested Borrowing.

4. Please disburse the proceeds of the requested Borrowing to

_____.

IN WITNESS WHEREOF, Borrower has executed this Notice of Borrowing on the date set forth above.

QUANTUM CORPORATION

By:_____
Name:_____
Title:_____

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EXHIBIT B

NOTICE OF CONVERSION

[Date]

Canadian Imperial Bank of Commerce,
as Administrative Agent
425 Lexington Avenue
New York, New York 10017
Attn: Ian Palmer
Syndications

1. Reference is made to that certain Credit Agreement, dated as of June 6, 1997 (as amended from time to time, the "Credit Agreement"), among Quantum Corporation ("Borrower"), the financial institutions listed in Schedule I to the Credit Agreement (the "Banks"), ABN AMRO Bank N.V., San Francisco International Branch ("ABN") and CIBC Inc., as co-arrangers for the Banks, Canadian Imperial Bank of Commerce, as administrative agent for the Banks (in such capacity, "Administrative Agent"), ABN, as syndication agent for the Banks, Bank of America National Trust and Savings Association, as documentation agent for the Banks, and certain co-agents listed therein. Unless otherwise indicated, all terms defined in the Credit Agreement have the same respective meanings when used herein.

2. Pursuant to Subparagraph 2.01(d) of the Credit Agreement, Borrower hereby irrevocably requests to convert a Borrowing as follows:

(a) The Borrowing to be converted consists of ["Base Rate" or "LIBOR"] Loans in the aggregate principal amount of $_____ which were initially advanced to Borrower on _____, ____;

(b) The Revolving Loans in the Borrowing are to be converted into ["Base Rate" or "LIBOR"] Loans;

(c) If such Revolving Loans are to be converted into LIBOR Loans, the initial Interest Period for such Revolving Loans commencing upon conversion will be [_____ month[s]]; and

(d) The date of the requested conversion is to be _____, ____;

3. Borrower hereby certifies to the Agents and the Banks that, on the date of this Notice of Conversion, and after giving effect to the requested conversion, no Default or Event of Default has occurred and is continuing or will result from the requested conversion.

B-1

B-2

IN WITNESS WHEREOF, Borrower has executed this Notice of Conversion on the date set forth above.

QUANTUM CORPORATION

By:_____

Name:_____
Title:_____

EXHIBIT C

NOTICE OF INTEREST PERIOD SELECTION

[Date]

Canadian Imperial Bank of Commerce,
as Administrative Agent
425 Lexington Avenue
New York, New York 10017
Attn: Ian Palmer
Syndications

1. Reference is made to that certain Credit Agreement, dated as of June 6, 1997 (as amended from time to time, the "Credit Agreement"), among Quantum Corporation ("Borrower"), the financial institutions listed in Schedule I to the Credit Agreement (the "Banks"), ABN AMRO Bank N.V., San Francisco International Branch ("ABN") and CIBC Inc., as co-arrangers for the Banks, Canadian Imperial Bank of Commerce, as administrative agent for the Banks (in such capacity, "Administrative Agent"), ABN, as syndication agent for the Banks, Bank of America National Trust and Savings Association, as documentation agent for the Banks, and certain co-agents listed therein. Unless otherwise indicated, all terms defined in the Credit Agreement have the same respective meanings when used herein.

2. Pursuant to Subparagraph 2.01(e) of the Credit Agreement, Borrower hereby irrevocably selects a new Interest Period for a Revolving Loan as follows:

(a) The Borrowing for which a new Interest Period is to be selected consists of LIBOR Loans in the aggregate principal amount of $_____ which were initially advanced to Borrower on _____, _____ ;

(b) The last day of the current Interest Period for such Revolving Loans is _____, ____; and

(c) The next Interest Period for such Revolving Loans commencing upon the last day of the current Interest Period is to be [_____ month[s]].

3. Borrower hereby certifies to the Agents and the Banks that, on the date of this Notice of Interest Period Selection, and after giving effect to the requested selection, no Default or Event of Default has occurred and is continuing or will result from the requested selection.

IN WITNESS WHEREOF, Borrower has executed this Notice of Interest Period Selection on the date set forth above.

QUANTUM CORPORATION

By:_____
Name:_____
Title:_____

EXHIBIT D

REVOLVING LOAN NOTE

$_____ _____, _____
_____, 1997

FOR VALUE RECEIVED, QUANTUM CORPORATION, a Delaware corporation ("Borrower"), hereby promises to pay to the order of _____ ("Bank"), the principal sum of

_____ DOLLARS ($_____), or such lesser amount as shall equal the aggregate outstanding principal balance of the Revolving Loans made by Bank to Borrower pursuant to the Credit Agreement referred to below (as amended from time to time, the "Credit Agreement"), on or before the Maturity Date specified in the Credit Agreement, and to pay interest on said sum, or such lesser amount, at the rates and on the dates provided in the Credit Agreement.

Borrower shall make all payments hereunder, for the account of Bank's Applicable Lending Office, to Administrative Agent as indicated in the Credit Agreement, in lawful money of the United States and in same day or immediately available funds.

Borrower hereby authorizes Bank to record on the schedule(s) annexed to this note the date and amount of each Revolving Loan and of each payment or prepayment of principal made by Borrower and agrees that all such notations shall constitute prima facie evidence of the matters noted; provided, however, that the failure of Bank to make any such notation shall not affect Borrower's obligations hereunder.

This note is one of the Notes referred to in the Credit Agreement, dated as of June 6, 1997, among Borrower, Bank and the other financial institutions from time to time parties thereto (collectively, the "Banks"), ABN AMRO Bank N.V., San Francisco International Branch and CIBC Inc., as co-arrangers for the Banks, and Canadian Imperial Bank of Commerce, as administrative agent for the Banks. This note is subject to the terms of the Credit Agreement, including the rights of prepayment and the rights of acceleration of maturity set forth therein. The transfer, sale or assignment of any rights under or interest in this note is subject to certain restrictions contained in the Credit Agreement, including Paragraph 8.05 thereof. Terms used herein have the meanings assigned to those terms in the Credit Agreement, unless otherwise defined herein.

Borrower shall pay all reasonable fees and expenses payable to third parties, including reasonable attorneys' fees, incurred by Bank in the enforcement or attempt to enforce any of Borrower's obligations hereunder not performed when due. Borrower hereby waives notice of presentment, demand, protest or notice of any

other kind. This note shall be governed by and construed in accordance with the laws of the State of California.

QUANTUM CORPORATION

By:_____
Name:_____
Title:_____

LOANS AND PAYMENTS OF PRINCIPAL

Date	Type of Loan	Amount of Loan	Interest Period	Amount of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By

- ----------

- ----------

- ----------

- ----------

- ----------

- ----------

- ----------

- ----------

- ----------

- ----------

EXHIBIT E

COMPLIANCE CERTIFICATE

[Date]

Canadian Imperial Bank of Commerce,
as Administrative Agent
425 Lexington Avenue
New York, New York 10017
Attn: Ian Palmer
Syndications

1. Reference is made to that certain Credit Agreement, dated as of June 6, 1997 (as amended from time to time, the "Credit Agreement"), among Quantum Corporation ("Borrower"), the financial institutions listed in Schedule I to the Credit Agreement (the "Banks"), ABN AMRO Bank N.V., San Francisco International Branch ("ABN") and CIBC Inc., as co-arrangers for the Banks, Canadian Imperial Bank of Commerce, as administrative agent for the Banks (in such capacity, "Administrative Agent"), ABN, as syndication agent for the Banks, Bank of America National Trust and Savings Association, as documentation agent for the Banks, and certain co-agents listed therein. Unless otherwise indicated, all terms defined in the Credit Agreement have the same respective meanings when used herein (including Attachment 1 hereto).

2. Borrower hereby certifies to the Agents and the Banks as follows:

(a) In connection with the preparation of the Financial Statements of Borrower for the [quarter][year] ended _____, ____ (the "Financial Statements"), the undersigned Executive Officer of Borrower (the "Undersigned") has reviewed the terms of the Credit Agreement and has made, or caused to be made, a detailed review of the transactions and financial condition of Borrower and its Subsidiaries during the accounting period covered by the Financial Statements.

(b) The Undersigned did not discover during the course of such reviews, and has no other knowledge of, any event or condition which constitutes a Default or an Event of Default at the end of the accounting period covered by the Financial Statements or as of the date of this Compliance Certificate, except as follows:

[State "None" or describe in detail any event or condition which constitutes a Default or an Event of Default, including the period during which any such event or condition has existed, and the action which Borrower proposes to take in connection therewith.]

(c) Set forth in Attachment 1 hereto are true, complete and accurate computations used in determining compliance with various covenants set forth in the Credit Agreement for the period covered by the Financial Statements and as of the last day of such period.

IN WITNESS WHEREOF, Borrower has executed this Compliance Certificate on the date set forth above.

QUANTUM CORPORATION

By:_____
Name:_____
Title:_____

EXHIBIT F

SUBORDINATED DEBT TERMS

Section [_].1 Agreement of Subordination. [Quantum Corporation] covenants and agrees, and each holder of Notes issued hereunder by his acceptance thereof likewise covenants and agrees, that all Notes shall be issued subject to the provisions of this Article [__]; and each Person holding any Note, whether upon original issue or upon transfer, assignment or exchange thereof, accepts and agrees to be bound by such provisions.

The payment of the principal of, premium, if any, and interest on all Notes (including, but not limited to, the redemption price with respect to the Notes called for redemption in accordance with Section [_] [Notice of Redemption: Selection of Notes] or submitted for redemption in accordance with Section [_] [Redemption at Option of Holders], as the case may be, as provided in the Indenture) issued hereunder shall, to the extent and in the manner hereinafter set forth, be subordinated and subject in right of payment to the prior payment in full of all Senior Indebtedness, whether outstanding at the date of this Indenture or thereafter incurred.

No provision of this Article [_] shall prevent the occurrence of any default or Event of Default hereunder.

Section [_].2 Payments to Noteholders. No payment shall be made with respect to the principal of, or premium, if any, or interest on the Notes (including, but not limited to, the redemption price with respect to the Notes to be called for redemption in accordance with Section [_] [Notice of Redemption: Selection of Notes] or submitted for redemption in accordance with Section [_] [Redemption at Option of Holders], as the case may be, as provided in the Indenture), except payments and distributions made by the Trustee as permitted by the first or second paragraph of Section [_].5, if:

(i) a default in the payment of principal, premium, interest, rent or other obligations due on any Senior Indebtedness occurs and is continuing (or, in the case of Senior Indebtedness for which there is a period of grace, in the event of such a default that continues beyond the period of grace, if any, specified in the instrument or lease evidencing such Senior Indebtedness), unless and until such default shall have been cured or waived or shall have ceased to exist; or

(ii) a default, other than a payment default, on a Designated Senior Indebtedness occurs and is continuing that then permits holders of such Designated Senior Indebtedness to accelerate its maturity and the Trustee receives a notice of the default (a "Payment Blockage Notice") from a Representative or [Quantum Corporation].

If the Trustee receives any Payment Blockage Notice pursuant to clause (ii) above, no subsequent Payment Blockage Notice shall be effective for purposes of this Section [_].2 unless and until (A) at least 365 days shall have elapsed since the initial effectiveness of the immediately prior Payment Blockage Notice, and (B) all scheduled payments of principal, premium, if any, and interest on the Notes that have come due have been paid in full in cash. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice.

[Quantum Corporation] may and shall resume payments on and distributions in respect of the Notes upon the earlier of:

(1) the date upon which the default is cured or waived or ceases to exist, or

(2) in the case of a default referred to in clause (ii) above, 179 days pass after notice is received if the maturity of such Designated Senior Indebtedness has not been accelerated,

unless this Article [_] otherwise prohibits the payment or distribution at the time of such payment or distribution.

Upon any payment by [Quantum Corporation], or distribution of assets of [Quantum Corporation] of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or liquidation or

reorganization of [Quantum Corporation], whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all amounts due or to become due upon all Senior Indebtedness shall first be paid in full in cash or other payment satisfactory to the holders of such Senior Indebtedness, or payment thereof in accordance with its terms provided for in cash or other payment satisfactory to the holders of such Senior Indebtedness before any payment is made on account of the principal of, premium, if any, or interest on the Notes (except payments made pursuant to Article [_] [Trustee Provisions] from monies deposited with the Trustee pursuant thereto prior to commencement of proceedings for such dissolution, winding-up, liquidation or reorganization); and upon any such dissolution or winding-up or liquidation or reorganization of [Quantum Corporation] or bankruptcy, insolvency, receivership or other proceeding, any payment by [Quantum Corporation], or distribution of assets of [Quantum Corporation] of any kind or character, whether in cash, property or securities, to which the holders of the Notes or the Trustee would be entitled, except for the provision of this Article [_], shall (except as aforesaid) be paid by [Quantum Corporation] or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the holders of the Notes or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior Indebtedness (pro rata to such holders on the basis of the respective amounts of Senior Indebtedness held by such

holders, or as otherwise required by law or a court order) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Senior Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay all Senior Indebtedness in full, in cash or other payment satisfactory to the holders of such Senior Indebtedness, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness, before any payment or distribution is made to the holders of the Notes or to the Trustee.

For purposes of this Article [_], the words, "cash, property or securities" shall not be deemed to include shares of stock of [Quantum Corporation] as reorganized or readjusted, or securities of [Quantum Corporation] or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article [_] with respect to the Notes to the payment of all Senior Indebtedness which may at the time be outstanding; provided that (i) the Senior Indebtedness is assumed by the new corporation, if any, resulting from any reorganization or readjustment, and (ii) the rights of the holders of Senior Indebtedness (other than leases which are not assumed by [Quantum Corporation] or the new corporation, as the case may be) are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of [Quantum Corporation] with, or the merger of [Quantum Corporation] into, another corporation or the liquidation or dissolution of [Quantum Corporation] following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article [_] [Consolidation, Merger, Sale, Conveyance and Lease] shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section [_].2 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article [_] [Consolidation, Merger, Sale, Conveyance and Lease].

In the event of the acceleration of the Notes because of an Event of Default, no payment or distribution shall be made to the Trustee or any holder of Notes in respect of the principal of, premium, if any, or interest on the Notes (including, but not limited to, the redemption price with respect to the Notes called for redemption in accordance with Section [_] [Notice of Redemption; Selection of Notes] or submitted for redemption in accordance with Section [__] [Redemption at Option of Holders], as the case may be, as provided in the Indenture), except payments and distributions made by the Trustee as permitted by the first or second paragraph of Section [_].5, until all Senior Indebtedness has been paid in full in cash or other payment satisfactory to the holders of Senior Indebtedness or such acceleration is rescinded in accordance with the terms of this Indenture. If payment of the Notes is accelerated because of an Event of Default, [Quantum Corporation] shall promptly notify holders of Senior Indebtedness of the acceleration.

In the event that, notwithstanding the foregoing provisions, any payment or distribution of assets of [Quantum Corporation] of any kind or character, whether in cash, property or securities (including, without limitation, by way of setoff or otherwise), prohibited by the foregoing, shall be received by the Trustee or the holders of the Notes before all Senior Indebtedness is paid in full in cash or other payment satisfactory to the holders of such Senior Indebtedness, or provision is made for such payment thereof in accordance with its terms in cash or other payment satisfactory to the holders of such Senior Indebtedness, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of Senior Indebtedness or their representative or representatives, or to

the trustee or trustees under any indenture pursuant to which any instruments evidencing any Senior Indebtedness may have been issued, as their respective interests may appear, as calculated by [Quantum Corporation], for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all Senior Indebtedness in full in cash or other payment satisfactory to the holders of such Senior Indebtedness, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness.

Nothing in this Section [_].2 shall apply to claims of, or payments to, the Trustee under or pursuant to Section [__][Compensation and Expenses of Trustee]. This Section [_].2 shall be subject to the further provisions of Section [_].5.

Section [_].3 Subrogation of Notes. Subject to the payment in full of all Senior Indebtedness, the rights of the holders of the Notes shall be subrogated to the extent of the payments or distributions made to the holders of such Senior Indebtedness pursuant to the provisions of this Article [_](equally and ratably with the holders of all indebtedness of [Quantum Corporation] which by its express terms is subordinated to other indebtedness of [Quantum Corporation] to substantially the same extent as the Notes are subordinated and is entitled to like rights of subrogation) to the rights of the holders of Senior Indebtedness to receive payments or distributions of cash, property or securities of [Quantum Corporation] applicable to the Senior Indebtedness until the principal, premium, if any, and interest on the Notes shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of the Senior Indebtedness of any cash, property or securities to which the holders of the Notes or the Trustee would be entitled except for the provisions of this Article [_] and no payment over pursuant to the provisions of this Article [_] to or for the benefit of the holders of Senior Indebtedness by holders of the Notes or the Trustee, shall, as between [Quantum Corporation], its creditors other than holders of Senior Indebtedness, and the holders of the Notes, be deemed to be a payment by [Quantum Corporation] to or on account of the Senior Indebtedness; and no payments or distributions of cash, property or securities to or for the benefit of the holders of the Notes

pursuant to the subrogation provisions of this Article [_], which would otherwise have been paid to the holders of Senior Indebtedness shall be deemed to be a payment by [Quantum Corporation] to or for the account of the Notes. It is understood that the provisions of this Article [_] are and are intended solely for the purposes of defining the relative rights of the holders of the Notes, on the one hand, and the holders of the Senior Indebtedness, on the other hand.

Nothing contained in this Article [_] or elsewhere in this Indenture or in the Notes is intended to or shall impair, as among [Quantum Corporation], its creditors other than the holders of Senior Indebtedness, and the holders of the Notes, the obligation of [Quantum Corporation], which is absolute and unconditional, to pay to the holders of the Notes the principal of (and premium, if any) and interest on the Notes as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the holders of the Notes and creditors of [Quantum Corporation] other than the holders of the Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or the holder of any Note from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article [_] of the holders of Senior Indebtedness in respect of cash, property or securities of [Quantum Corporation] received upon the exercise of any such remedy.

Upon any payment or distribution of assets of [Quantum Corporation] referred to in this Article [_], the Trustee, subject to the provisions of Section [_] [Duties and Responsibilities of Trustee], and the holders of the Notes shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such bankruptcy, dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, delivered to the Trustee or to the holders of the Notes, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of [Quantum Corporation], the amount thereof or payable thereon and all other facts pertinent thereto or to this Article [_].

Section [_].4 Authorization to Effect Subordination. Each holder of a Note by the holder's acceptance thereof authorizes and directs the Trustee on the holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article [_] and appoints the Trustee to act as the holder's attorney-in-fact for any and all such purposes. If the Trustee does not file a proper proof of claim or proof of debt in the form required in any proceeding referred to in the third paragraph of Section [_] [Payments of Notes on Default; Suit Therefor] hereof at least 30 days before the expiration of the time to file such claim, the holders of any Senior Indebtedness or their

representatives are hereby authorized to file an appropriate claim for and on behalf of the holders of the Notes.

Section [_].5 Notice to Trustee. [Quantum Corporation] shall give prompt written notice in the form of an Officers' Certificate to a Responsible Officer of the Trustee and to any paying agent of any fact known to [Quantum Corporation] which would prohibit the making of any payment of monies to or by the Trustee or any paying agent in respect of the Notes pursuant to the provisions of this Article [_]. Notwithstanding the provisions of this Article [_] or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of monies to or by the Trustee in respect of the Notes pursuant to the provisions of this Article [_], unless and until a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office from [Quantum Corporation] (in the form of an Officers' Certificate) or a Representative or a holder or holders of Senior Indebtedness or from any trustee thereof; and before the receipt of any such written notice, the Trustee, subject to the provisions of Section [_] [Duties and Responsibilities of Trustee], shall be entitled in all respects to assume that no such facts exist; provided that if on a date not fewer than one Business Day prior to the date upon which by the terms hereof any such monies may become payable for any purpose (including, without limitation, the payment of the principal of, or premium, if any, or interest on any Note) the Trustee shall not have received, with respect to such monies, the notice provided for in this Section [_].5, then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such monies and to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such prior date.

Notwithstanding anything in this Article [_] to the contrary, nothing shall prevent any payment by the Trustee to the Noteholders of monies deposited with it pursuant to Section [_] [Discharge of Indenture], and any such payment shall not be subject to the provisions of Section [_].1 or [_].2.

The Trustee, subject to the provisions of Section [_] [Duties and Obligations of Trustee], shall be entitled to rely on the delivery to it of a written notice by a Representative or a person representing himself to be a holder of Senior Indebtedness (or a trustee on behalf of such holder) to establish that such notice has been given by a Representative or a holder of Senior Indebtedness or a trustee on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article [_], the Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such person, the extent to which such person is entitled to participate in such

payment or distribution and any other facts pertinent to the rights of such person under this Article [_], and if such evidence is not furnished the Trustee may defer any payment to such person pending judicial determination as to the right of such person to receive such payment.

Section [_].6 Trustee's Relation to Senior Indebtedness. The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article [_] in respect of any Senior Indebtedness at any time held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in Section [_] [Limitations on Rights of Trustee as Creditor] or elsewhere in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article [_], and no implied covenants or obligations with respect to the holders of Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and, subject to the provisions of Section [_] [Duties and Obligations of Trustee], the Trustee shall not be liable to any holder of Senior Indebtedness if it shall pay over or deliver to holders of Notes, [Quantum Corporation] or any other person money or assets to which any holder of Senior Indebtedness shall be entitled by virtue of this Article [_] or otherwise.

Section [_].7 No Impairment of Subordination. No right of any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of [Quantum Corporation] or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by [Quantum Corporation] with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

Section [_].8 Certain Conversions Deemed Payment. For the purposes of

this Article [_] only, (1) the issuance and delivery of junior securities upon conversion of Notes in accordance with Article [_] [Conversion of Notes] shall not be deemed to constitute a payment or distribution on account of the principal of (or premium, if any) or interest on Notes or on account of the purchase or other acquisition of Notes, and (2) the payment, issuance or delivery of cash (except in satisfaction of fractional shares pursuant to Section 15.[_] [Cash Payment in Lieu of Fractional Shares]), property or securities (other than junior securities) upon conversion of a Note shall be deemed to constitute payment on account of the principal of such Note. For the purposes of this Section [_].8, the term "junior securities" means (a) shares of any stock of any class of [Quantum Corporation], or (b) securities of [Quantum Corporation] which are subordinated in right of payment to

all Senior Indebtedness which may be outstanding at the time of issuance or delivery of such securities to substantially the same extent as, or to a greater extent than, the Notes are so subordinated as provided in this Article [_]. Nothing contained in this Article [_] or elsewhere in this Indenture or in the Notes is intended to or shall impair, as among [Quantum Corporation], its creditors other than holders of Senior Indebtedness and the Noteholders, the right, which is absolute and unconditional, of the Holder of any Note to convert such Note in accordance with Article [_] [Conversion of Notes].

Section [_].9 Article Applicable to Paying Agents. If at any time any paying agent other than the Trustee shall have been appointed by [Quantum Corporation] and be then acting hereunder, the term "Trustee" as used in this Article [_] shall (unless the context otherwise requires) be construed as extending to and including such paying agent within its meaning as fully for all intents and purposes as if such paying agent were named in this Article [_] in addition to or in place of the Trustee; provided, however, that the first paragraph of Section [_].5 shall not apply to [Quantum Corporation] or any Affiliate of [Quantum Corporation] if it or such Affiliate acts as paying agent.

Section [_].10 Senior Indebtedness Entitled to Rely. The holders of Senior Indebtedness (including, without limitation, Designated Senior Indebtedness) shall have the right to rely upon this Article [_], and no amendment or modification of the provisions contained herein shall diminish the rights of such holders unless such holders shall have agreed in writing thereto.

Definitions:

Designated Senior Indebtedness: The term "Designated Senior Indebtedness" means the Sumitomo Credit Agreement and any particular Senior Indebtedness in which the instrument creating or evidencing the same or the assumption or guarantee thereof (or related agreements or documents to which [Quantum Corporation] is a party) expressly provides that such Indebtedness shall be "Designated Senior Indebtedness" for purposes of the Indenture (provided that such instrument, agreement or other document may place limitations and conditions on the right of such Senior Indebtedness to exercise the rights of Designated Senior Indebtedness). If any payment made to any holder of any Designated Senior Indebtedness or its Representative with respect to such Designated Senior Indebtedness is rescinded or must otherwise be returned by such holder or Representative upon the insolvency, bankruptcy or reorganization of [Quantum Corporation] or otherwise, the reinstated Indebtedness of [Quantum Corporation] arising as a result of such rescission or return shall constitute Designated Senior Indebtedness effective as of the date of such rescission or return.

Senior Indebtedness: The term "Senior Indebtedness" means the principal of, premium, if any, interest (including all interest

accruing subsequent to the commencement of any bankruptcy or similar proceeding, whether or not a claim for post-petition interest is allowable as a claim in any such proceeding) and rent payable on or in connection with, and all fees, costs, expenses and other amounts accrued or due on or in connection with, Indebtedness of [Quantum Corporation], whether outstanding on the date of this Indenture or thereafter created, incurred, assumed, guaranteed or in effect guaranteed by [Quantum Corporation] (including all deferrals, renewals, extensions or refundings of, or amendments, modifications or supplements to, the foregoing), unless in the case of any particular Indebtedness the instrument creating or evidencing the same or the assumption or guarantee thereof expressly provides that such Indebtedness shall not be senior in right of payment to the Notes or expressly provides that such Indebtedness is "pari passu" or "junior" to the Notes. Notwithstanding the foregoing, the term Senior Indebtedness shall not include any Indebtedness of [Quantum Corporation] to any subsidiary of [Quantum Corporation], a majority of the voting stock of which is owned, directly or indirectly, by [Quantum Corporation] or [Quantum Corporation]'s 5% Convertible Subordinated Debentures due April 1, 2002. If any payment made to any holder of any Senior Indebtedness or its Representative with respect to such Senior Indebtedness is rescinded or must otherwise be returned by such holder or Representative upon the insolvency, bankruptcy or reorganization of [Quantum Corporation] or otherwise, the reinstated Indebtedness of [Quantum Corporation]

arising as a result of such rescission or return shall constitute Senior Indebtedness effective as of the date of such rescission or return.

Sumitomo Credit Agreement: The term "Sumitomo Credit Agreement" means that certain Credit Agreement, dated as of September 22, 1995 by and among [Quantum Corporation], the several financial institutions listed on the signature pages thereto (collectively, the "Banks"), and The Sumitomo Bank, Limited, acting through its San Francisco Branch, as agent for the Banks (the "Agent") and as Issuer, as amended, amended and restated, supplemented or otherwise modified from time to time.

EXHIBIT G

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT, dated as of the date set forth at the top of Attachment 1 hereto, is by and among:

(1) The bank designated under item A of Attachment 1 hereto as the Assignor Bank ("Assignor Bank"); and

(2) Each bank designated under item B of Attachment 1 hereto as an Assignee Bank (individually, an "Assignee Bank").

RECITALS

A. Assignor Bank is one of the banks which is a party to the Credit Agreement dated as of June 6, 1997, by and among Quantum Corporation, a Delaware corporation ("Borrower"), Assignor Bank and the other financial institutions parties thereto (collectively, the "Banks"), ABN AMRO Bank N.V., San Francisco International Branch ("ABN") and CIBC Inc., as co-arrangers for the Banks, Canadian Imperial Bank of Commerce, as administrative agent for the Banks (in such capacity, "Administrative Agent"), ABN, as syndication agent for the Banks, Bank of America National Trust and Savings Association, as documentation agent for the Banks, and certain co-agents listed therein. (Such Credit Agreement, as amended, supplemented or otherwise modified in accordance with its terms from time to time to be referred to herein as the "Credit Agreement").

B. Assignor Bank wishes to sell, and Assignee Bank wishes to purchase, a portion of Assignor Bank's rights under the Credit Agreement pursuant to Subparagraph 8.05(c) of the Credit Agreement.

AGREEMENT

Now, therefore, the parties hereto hereby agree as follows:

1. Definitions. Except as otherwise defined in this Assignment Agreement, all capitalized terms used herein and defined in the Credit Agreement have the respective meanings given to those terms in the Credit Agreement.

2. Sale and Assignment. Subject to the terms and conditions of this Assignment Agreement, Assignor Bank hereby agrees to sell, assign and delegate to each Assignee Bank and each Assignee Bank hereby agrees to purchase, accept and assume an undivided interest in and share of Assignor Bank's rights, obligations and duties under the Credit Agreement and the other Credit Documents equal to the Proportionate Share set forth under the caption "Proportionate Share" opposite such Assignee Bank's name on Attachment 1 hereto.

3. Assignment Effective Upon Notice. Upon (a) receipt by Administrative Agent of five (5) counterparts of this Assignment Agreement (to each of which is attached a fully completed Attachment 1), each of which has been executed by Assignor Bank and each Assignee Bank (and, if any Assignee Bank is not then a Bank, by Borrower, Administrative Agent and Issuing Bank (if any)) and (b) payment to Administrative Agent of the registration and processing fee specified in Subparagraph 8.05(e) by Assignor Bank, Administrative Agent will transmit to Borrower, Assignor Bank and each Assignee Bank an Assignment Effective Notice substantially in the form of Attachment 2 hereto (an "Assignment Effective Notice"). Such Assignment Effective Notice shall set forth the date on which the assignment affected by this Assignment Agreement shall become effective (the "Assignment Effective Date"), which date shall be the fifth Business Day following the date of such Assignment Effective Notice.

4. Assignment Effective Date. At or before 12:00 noon (local time of Assignor Bank) on the Assignment Effective Date, each Assignee Bank shall pay to Assignor Bank, in immediately available or same day funds, an amount equal to the purchase price, as agreed between Assignor Bank and such Assignee Bank (the "Purchase Price"), for the Proportionate Share purchased by such Assignee Bank

hereunder. Effective upon receipt by Assignor Bank of the Purchase Price payable by each Assignee Bank, the sale, assignment and delegation to such Assignee Bank of such Proportionate Share as described in Paragraph 2 hereof shall become effective.

5. Payments After the Assignment Effective Date. Assignor Bank and each Assignee Bank hereby agree that Administrative Agent shall, and hereby authorize and direct Administrative Agent to, allocate amounts payable under the Credit Agreement and the other Credit Documents as provided in the Credit Agreement in accordance with its appropriate Proportionate Share. Assignor Bank and each Assignee Bank have made separate arrangements for (i) the payment by Assignor Bank to such Assignee Bank of any principal, interest, fees or other amounts previously received or otherwise payable to Assignor Bank hereunder if Assignor Bank and such Assignee Bank have otherwise agreed that such Assignee Bank is entitled to receive any such amounts and (ii) the payment by such Assignee Bank to Assignor Bank of any principal, interest, fees or other amounts payable to such Assignee Bank hereunder if Assignor Bank and such Assignee Bank have otherwise agreed that Assignor Bank is entitled to receive any such amounts.

6. Delivery of Notes. On or prior to the Assignment Effective Date, Assignor Bank will deliver to Administrative Agent the Note payable to Assignor Bank. On or prior to the Assignment Effective Date, Borrower will deliver to Administrative Agent a Note for each Assignee Bank and Assignor Bank, in each case a in principal amount reflecting, in accordance with the Credit Agreement, their respective Commitment (as adjusted pursuant to this Assignment Agreement). As provided in Subparagraph 8.05(c) of

the Credit Agreement, each such new Note shall be dated the Closing Date and otherwise be in the form of Note replaced thereby (provided that Borrower shall not be obligated to pay any principal paid or interest accrued prior to the effective date of this assignment to the Assignee Bank). Promptly after the Assignment Effective Date, Administrative Agent will send to each of Assignor Bank and the Assignee Banks its new Note and will send to Borrower the superseded Note of Assignor Bank, marked "replaced."

7. Delivery of Copies of Credit Documents. Concurrently with the execution and delivery hereof, Assignor Bank will provide to each Assignee Bank (if it is not already a Bank party to the Credit Agreement) conformed copies of all documents delivered to Assignor Bank on or prior to the Closing Date in satisfaction of the conditions precedent set forth in the Credit Agreement.

8. Further Assurances. Each of the parties to this Assignment Agreement agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Assignment Agreement.

9. Further Representations, Warranties and Covenants. Assignor Bank and each Assignee Bank further represent and warrant to and covenant with each other, Administrative Agent, the Co-Arrangers and the Banks as follows:

(a) Other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned hereby free and clear of any adverse claim, Assignor Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the other Credit Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or the other Credit Documents furnished.

(b) Assignor Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower or any of its obligations under the Credit Agreement or any other Credit Documents.

(c) Each Assignee Bank confirms that it has received a copy of the Credit Agreement and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment Agreement.

(d) Each Assignee Bank will, independently and without reliance upon any Agent, Assignor Bank or any other Bank Party and based upon such documents and information as it shall deem appropriate at the time, continue to make its own credit

decisions in taking or not taking action under the Credit Agreement and the other Credit Documents.

(e) Each Assignee Bank appoints and authorizes Agents to take such action as Agents on its behalf and to exercise such powers under the Credit Agreement and the other Credit Documents as are delegated to Agents by the terms thereof, together with such powers as are

reasonably incidental thereto, all in accordance with Section VII of the Credit Agreement.

(f) Each Assignee Bank agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement and the other Credit Documents are required to be performed by it as a Bank.

(g) Attachment 1 hereto sets forth the revised Proportionate Share of Assignor Bank and each Assignee Bank as well as administrative information with respect to each Assignee Bank.

10. Effect of this Assignment Agreement. On and after the Assignment Effective Date, (a) each Assignee Bank shall be a Bank with a Proportionate Share as set forth on Attachment 1 hereto and shall have the rights, duties and obligations of such a Bank under the Credit Agreement and the other Credit Documents and (b) Assignor Bank shall be a Bank with a Proportionate Share as set forth on Attachment 1 hereto, or, if the Proportionate Share of Assignor Bank has been reduced to 0%, Assignor Bank shall cease to be a Bank.

11. Miscellaneous. This Assignment Agreement shall be governed by, and construed in accordance with, the laws of the State of California. Paragraph headings in this Assignment Agreement are for convenience of reference only and are not part of the substance hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment Agreement to be executed by their respective duly authorized officers as of the date set forth in Attachment 1 hereto.

_____,
as an Assignee Bank

By:_____
Name:_____
Title:_____

_____,
as an Assignee Bank

By:_____
Name:_____
Title:_____

_____,
as an Assignee Bank

By:_____
Name:_____
Title:_____

_____,
as an Assignee Bank

By:_____
Name:_____
Title:_____

CONSENTED TO AND ACKNOWLEDGED BY:

QUANTUM CORPORATION

By:_____
Name:_____
Title:_____

CANADIAN IMPERIAL BANK OF COMMERCE,
As Administrative Agent

By:_____
Name:_____
Title:_____

ACCEPTED FOR RECORDATION
IN REGISTER:

CANADIAN IMPERIAL BANK OF COMMERCE,
As Administrative Agent

By:_____
Name:_____
Title:_____

ATTACHMENT 1
TO ASSIGNMENT AGREEMENT

NAMES, ADDRESSES AND PROPORTIONATE SHARES
OF ASSIGNOR BANK AND ASSIGNEE BANKS AFTER ASSIGNMENT

----------, ----

		Proportionate Share*
A.	ASSIGNOR BANK	
	----------	-----%

Applicable Lending Office:

Address for notices:

Telephone No: _____
Facsimile No: _____

Wiring Instructions:

B.	ASSIGNEE BANKS	
	----------	-----%

Applicable Lending Office:

- --------

* To be expressed by a percentage rounded to the eighth-digit to the right of the decimal point.

Proportionate
Share*

B. ASSIGNEE BANKS (cont'd)

Address for notices:

Telephone No: _____
Facsimile No: _____

Wiring Instructions:

--- -----%

Applicable Lending Office:

Address for notices:

Telephone No: _____
Facsimile No: _____

Wiring Instructions:

ATTACHMENT 2
TO ASSIGNMENT AGREEMENT

FORM OF
ASSIGNMENT EFFECTIVE NOTICE

The undersigned, as administrative agent for the banks under the Credit Agreement, dated as of June 6, 1997 (as amended from time to time) among Quantum Corporation ("Borrower"), the financial institutions parties thereto (the "Banks") ABN AMRO Bank N.V., San Francisco International Branch ("ABN") and CIBC Inc., as co-arrangers for the Banks, Canadian Imperial Bank of Commerce, as administrative agent for the Banks (in such capacity, "Administrative Agent"), ABN, as syndication agent for the Banks, Bank of America National Trust and Savings Association, as documentation agent for the Banks, and certain co-agents listed therein, acknowledges receipt of five executed counterparts of a completed Assignment Agreement, a copy of which is attached hereto. [Note: Attach copy of Assignment Agreement.] Terms defined in such Assignment Agreement are used herein as therein defined.

1. Pursuant to such Assignment Agreement, you are advised that the Assignment Effective Date will be _____ [Insert fifth business day following date of Assignment Effective Notice].

2. Pursuant to such Assignment Agreement, Assignor Bank is required to deliver to Administrative Agent on or before the Assignment Effective Date the Note payable to Assignor Bank.

3. Pursuant to such Assignment Agreement, Borrower is required to deliver to Administrative Agent on or before the Assignment Effective Date the following Notes, each dated _____ [Insert appropriate date]:

[Describe each new Note for Assignor Bank and each Assignee Bank as to principal amount.]

4. Pursuant to such Assignment Agreement, each Assignee Bank is required to pay its Purchase Price to Assignor Bank at or before 12:00 Noon (local time of Assignor Bank) on the Assignment Effective Date in immediately available funds.

Very truly yours,

CANADIAN IMPERIAL BANK OF COMMERCE,
as Administrative Agent

By:_____
Name:_____
Title:_____

AMENDED AND RESTATED MASTER AGREEMENT

BETWEEN

MATSUSHITA-KOTOBUKI ELECTRONICS INDUSTRIES, LTD.,

AND

QUANTUM CORPORATION

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AMENDED AND RESTATED MASTER AGREEMENT BETWEEN
MATSUSHITA-KOTOBUKI ELECTRONICS INDUSTRIES, LTD.,
AND QUANTUM CORPORATION

THIS AMENDED AND RESTATED MASTER AGREEMENT is made by and among MATSUSHITA-KOTOBUKI ELECTRONICS INDUSTRIES, LTD., a Japanese corporation, its subsidiaries, IRELAND KOTOBUKI ELECTRONICS INDUSTRIES, LTD. , an Irish corporation, and KOTOBUKI ELECTRONICS INDUSTRIES (S) PTE. LTD., a Singapore corporation (collectively, "MKE") and QUANTUM CORPORATION, a Delaware corporation, and its subsidiary QUANTUM PERIPHERALS (EUROPE) SA, a Swiss corporation (hereinafter collectively "Quantum"). This Agreement is entered into as of the 30th day of April, 1997 (the "Effective Date").

RECITALS:

WHEREAS, Quantum is a leader in designing, developing and marketing hard disk drive products, and computer memory storage products for worldwide business and consumer markets and MKE is a leader in manufacturing hard disk drive products;

WHEREAS, Quantum and MKE have been partners in a manufacturing and marketing relationship since 1985 pursuant to which MKE has manufactured, and Quantum has marketed, hard disk drive products which Quantum has designed and developed;

WHEREAS, Quantum and MKE entered into an agreement on December 31, 1992 setting forth the terms of such manufacturing and marketing relationship;

WHEREAS, Quantum and MKE are desirous of continuing their long-term business relationship and wish to continue such relationship as herein provided;

WHEREAS, Quantum has the exclusive right to market all hard disk drive products manufactured or to be manufactured by MKE, excluding only hard disk drives developed by MKE and/or MEI which do not utilize Technical Information and/or Confidential Information of Quantum;

WHEREAS, MKE has the exclusive right to manufacture all such hard disk drive products for Quantum;

WHEREAS, each of Quantum and MKE is willing to grant such exclusive rights and MKE is willing to manufacture such products; and

WHEREAS, as a result of the expanded scope of their manufacturing and marketing relationship, Quantum and MKE now desire that the terms of the agreement between the parties dated as of December 31, 1992, as amended September 1, 1994, and January 26, 1996 (the "Master Agreement"), be amended and restated in their entirety as set forth herein;

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual covenants and promises in this Agreement, the parties agree as follows:

1. ROLES.

1.1. Quantum. Subject to the terms and conditions of this Agreement, Quantum shall have the responsibility for product development and design of the Products (as hereinafter defined) and completion of the prototype thereof. Except as expressly set forth herein, Quantum shall have the Exclusive, worldwide right to market, offer to sell and sell the Products.

1.2. MKE. Subject to the terms and conditions of this Agreement, MKE shall have the Exclusive, worldwide right and responsibility to manufacture the Products designed by Quantum and to be purchased by Quantum under the terms and conditions hereof. MKE shall be responsible for the purchase and ownership of such facilities and capital equipment as MKE may determine to be necessary for Product manufacture.

1.3. Cooperative Roles. The parties have worked together over time regarding the manufacture of the Products and have established a successful working relationship for discussing and implementing operational details of the development, manufacture and supply of Products. The parties intend to continue this successful operational relationship. MKE and Quantum intend that sound cooperation will result from the contributions of each party and this division of responsibilities. Both parties understand, however, that full cooperation is necessary to fully develop this business and achieve the potential opportunities in this new market.

1.4. Regular Meetings. MKE and Quantum shall hold regular meetings, but not less than once each calendar quarter, at a location alternating between Japan and California, to discuss and confer on issues relating to the joint interest of the parties in developing, manufacturing and marketing the Products. The matters to be discussed at such meetings shall include, without limitation, new product development, manufacturing process development, marketing strategy, financial matters and technology strategy.

2. DEFINITIONS.

The following terms, as used in this Agreement, shall have the meanings referenced below:

2.1. "Components" shall mean parts and components specially designed by Quantum or MKE which are included in a Product, including heads, disks and motors.

2.2. "Confidential Information" shall have the meaning set forth in Section 10.1.

2.3. "Development Costs" shall mean all expenditures associated with Product development until the completion of the drawings defining the requirements and design of the Products, including testing and completion of prototypes, up to the stage that such Products can be put into pre-production by MKE in Japan.

2.4. "Exclusive" shall mean sole rights excluding all other parties.

2.5. "Manufacturing Costs" shall mean all costs of the design development and construction of the manufacturing hardware for the Products, including tooling design and equipment acquisition.

2.6. "MEI" shall mean Matsushita Electric Industrial Co., Ltd., a corporation organized under the laws of Japan, having its principal place of business at 1006, Kadoma, Osaka 571 Japan.

2.7. "Products" [CONFIDENTIAL TREATMENT REQUESTED]

2.8. "Quantum" shall also include any subsidiary of Quantum not specifically referenced above.

2.9. "Technical Information" shall mean all non-public information and know-how which is proprietary to Quantum or MKE, as the case may be, directly related to the development and manufacturing of any Products, including all inventions, processes and discoveries known, actively used, or hereafter developed by either party with respect thereto during the term of this Agreement. Technical Information shall be mutually exchanged between the parties solely for the purpose of contributing to, or assisting with, the design, manufacturing, marketing, testing and service of the Products, provided that either party has the right to transfer such information without the consent of or payment of royalties to a third party, and further provided that such Technical Information as will be transferred by MKE to Quantum may not be used

for Quantum's manufacturing of any product, including the Products, without MKE's prior written consent. Notwithstanding anything to the contrary contained herein, no exchange of Technical Information shall be deemed to transfer, license or otherwise assign from one party to the other party any proprietary rights any party hereto may have in the Technical Information.

3. MARKETING RIGHTS.

3.1. Quantum Rights. Subject to the terms and conditions of this Agreement, Quantum shall have the Exclusive worldwide rights to market, distribute and sell Products during the term of this Agreement. Quantum agrees to use its best efforts to market and sell Products subject to the terms and conditions of this Agreement.

[CONFIDENTIAL TREATMENT REQUESTED]

[CONFIDENTIAL TREATMENT REQUESTED]

3.2. Marketing Decisions. Except as expressly set forth in Section 3.1 ("Quantum Rights") above, Quantum will have complete responsibility and authority for all decisions regarding the marketing and sale of the Products. Quantum will evaluate and determine the distribution methods, the organization to be established, the customers to whom the Products will be sold and the strategy to be utilized. Quantum shall further be responsible for planning and reviewing marketing opportunities. Quantum is responsible for all costs incurred in the sale and marketing of the Products. Quantum agrees that all Products will be manufactured by and purchased from MKE, except as otherwise provided in this Agreement.

3.3. Product Components. During the term of this Agreement, the parties contemplate that a number of the Components, which are integral parts of the Products, will be developed. MKE anticipates that certain Components will be useful in other products and that sales opportunities will develop for such Components. If MKE desires to market any such Component to the mutual benefit of both parties, the parties agree to enter into good faith discussions to reach agreement on MKE's marketing rights, although neither party shall be obligated to enter into any such agreement. Nothing herein shall limit MKE's ability to manufacture and market parts and components for MKE Customers or third parties which do not utilize Quantum Technical Information.

3.4. MKE Cooperation. With the prior approval of MKE, MKE shall permit the customers of Quantum to tour and evaluate MKE's manufacturing facilities for the Products.

4. MANUFACTURING RIGHTS.

4.1. MKE Rights. Subject to the terms and conditions of this Agreement, Quantum hereby grants MKE the Exclusive worldwide rights to manufacture any and all Products during the term of this Agreement. MKE shall not have the right to grant rights to manufacture or have manufactured the Products without Quantum's written consent.

4.2. Manufacturing Decisions. MKE will have complete responsibility and authority for the development of manufacturing processes, acquisition of production equipment and the construction of facilities. [CONFIDENTIAL TREATMENT REQUESTED] Except as expressly set forth in Section 3.1 ("Quantum Rights") above, all Products manufactured by MKE will be sold to and marketed by Quantum.

4.3. Quantum Manufacturing. The parties understand that the assurance of continued production of quality and low-cost Products is critical to Quantum's business and that Quantum is relying on MKE as the sole source of the Products. [CONFIDENTIAL TREATMENT REQUESTED]

[CONFIDENTIAL TREATMENT REQUESTED]

4.4. [CONFIDENTIAL TREATMENT REQUESTED]

4.5. Non-Competitive Products. On a case-by-case basis, the parties will negotiate in good faith the rights and consideration to use each other's Technical Information and/or other intellectual property for non-competitive products or to work together to produce such non-competitive products. For purposes hereof, "non-competitive products" are products that would not compete with then-existing or contemplated Products as mutually agreed upon by the Parties.

5. DEVELOPMENT AND MANUFACTURING COSTS.

5.1. Development Costs.

a. [CONFIDENTIAL TREATMENT REQUESTED]

b. [CONFIDENTIAL TREATMENT REQUESTED]

5.2. Manufacturing Costs.

a. [CONFIDENTIAL TREATMENT REQUESTED]

b. [CONFIDENTIAL TREATMENT REQUESTED]

5.3. Technology Exchange Costs. MKE and Quantum will be exchanging engineering personnel as part of the initial and ongoing technology exchange under Section 8 ("Technical Cooperation"). [CONFIDENTIAL TREATMENT REQUESTED]

5.4. Component Development Costs. The parties expect that further cost reductions will be achieved in the Products after they are developed by further development of Components through vertical integration techniques. [CONFIDENTIAL TREATMENT REQUESTED]

6. EXCLUDED PRODUCTS; PRODUCT DEVELOPMENT.

6.1. Excluded Products. MKE shall be free to pursue the development, manufacture and sale of any products, including but not limited to components and parts, not utilizing the Technical Information of Quantum as is confidential pursuant to the provisions of Section 10 ("Confidentiality") hereof.

6.2. Development. For each Product proposed by Quantum and determined to be economically attractive for production under this Agreement, [CONFIDENTIAL TREATMENT REQUESTED] MKE and Quantum will work together in selecting and locating low-cost component sources on a worldwide basis. The Product design and key component design will be transferred by Quantum for MKE to develop the processes and tooling to manufacture

the Product. The parties recognize that the development process necessary to insure that the developed Product will be complementary with MKE's manufacturing processes, while requiring the assistance of MKE, shall be the sole responsibility of Quantum.

6.3. Development of New HDD Technology and Products.

a. [CONFIDENTIAL TREATMENT REQUESTED]

b. [CONFIDENTIAL TREATMENT REQUESTED]

c. In accordance with Section 9 ("Proprietary Rights") of this Agreement, MKE shall own all rights to any new manufacturing process technology developed under this Section 6.3. In accordance with Section 9 of this Agreement, Quantum shall own all rights to any new Product design technology developed by employees, agents and consultants of MKE under this Section 6.3; provided, however, that such ownership shall not impair MKE's rights to use such technology as provided in paragraph (b) of this Section 6.3.

6.4. Product Changes. Quantum shall have the right to control changes to the Products provided that any changes that would materially alter the manufacturing process or cost shall require MKE's prior written consent, such consent not to be unreasonably withheld or delayed. If MKE believes that design changes to the Products are beneficial, the proposed change shall be submitted to Quantum for approval, such approval not to be unreasonably withheld. MKE understands that after the Products are introduced into the marketplace by Quantum that subsequent changes may affect the design of the system into which an OEM incorporated such Product. MKE agrees to notify Quantum of any changes in the manufacturing process employed by MKE that may affect form, fit, function, or reliability of the Product. Enhancements and modifications to the Product design may be submitted from time to time by Quantum and MKE agrees to cooperate in promptly incorporating such revised design in the manufacturing process subject to the sufficient time allowance and the changes in the price of the Products to be paid by Quantum to MKE.

7. COMPONENTS.

7.1. Component Integration. After product designs are submitted to MKE, the key Components of the design will be integrated by MKE for cost-effective manufacturing to the extent the parties mutually agree. As part of the integration and cost reduction of the manufacturing process, Components may be jointly redesigned or additional Components may be developed.

7.2. Component Purchases. MKE will negotiate with various suppliers to establish sources of supply for the Components needed to manufacture the

Products. Should MKE desire to change or add vendors of Components for particular components following initial selection for a particular Product, MKE shall notify Quantum thereof and shall obtain Quantum's prior written approval for any change or addition of vendors for key components.

8. TECHNICAL COOPERATION.

The Technical Information exchange will be an ongoing process during the term of the Agreement. Each party shall have full access to the other's facilities and production processes for the Products and full cooperation will be provided by all parties. The parties recognize, however, that it is intended that information transfer shall be efficiently accomplished and not impede the business of any party. Quantum agrees to make available to MKE design information (including Technical Information) relating to a Product, as it is developed by Quantum, and to compile the product documentation to facilitate transfer. Quantum agrees to use reasonable commercial efforts to assist and provide technical support as reasonably necessary to enable MKE to manufacture the Products. MKE agrees to retain and create documentation for its manufacturing processes for the Products to the extent that is possible and practical. Quantum recognizes that it may be expensive and impractical for MKE to assemble complete information relating to MKE's manufacturing processes for the Products. Quantum shall have full access to all information relating to MKE's manufacturing processes for the Products upon reasonable request, provided that Quantum may not use the Technical Information of MKE included in such information for any purpose except as expressly provided in this Agreement. Both parties recognize that continued access to the Technical Information of the other party pursuant to this Agreement is necessary for broad business planning, which includes implementing product designs and changes and assisting the other party in overcoming problems.

9. PROPRIETARY RIGHTS.

9.1. Right To Use. Subject to the terms and conditions of this Agreement, Quantum hereby grants to MKE a worldwide, [CONFIDENTIAL TREATMENT REQUESTED], nonexclusive and [CONFIDENTIAL TREATMENT REQUESTED] license to use any manufacturing processes, techniques, Technical Information and know-how of Quantum used in the production of the Products, including any modifications, alterations or revisions thereof for manufacture of any Product.

9.2. Product Designs and Manufacturing Processes. MKE agrees that all rights to the Products and Product designs, including modifications and enhancements, shall remain proprietary to Quantum or the third party from which it has been licensed, regardless of the contributions of the parties. Quantum agrees that all rights to manufacturing processes, techniques, Technical Information and know-how used in the production for the Products, including any modifications, alterations or revisions thereof regardless of contribution of the parties but excluding any test software programs supplied by Quantum to MKE without charge, shall remain proprietary to MKE or the third party from which it has been licensed, and that such MKE technology may be used by MKE

for other purposes. Neither party shall have the right to transfer any Technical Information of the other party obtained hereunder to a third party without the prior written consent of the disclosing party.

9.3. Patents. The parties recognize that during the term of this Agreement, inventions and patentable technology may be developed by Quantum and MKE within the scope of this Agreement. If an invention or patentable technology relates to Products or Product designs, Quantum shall have sole ownership and MKE agrees to assign to Quantum any rights it may have to such invention. If an invention or patentable technology relates to manufacturing techniques or processes, MKE shall have sole ownership and Quantum agrees to assign to MKE any rights it may have to such invention.

9.4. Patent Protection. The parties agree to develop and diligently pursue a strategy for protecting the proprietary rights developed under this Agreement against infringement by third parties, which shall include filing patent applications in countries which the parties mutually agree. The cost of obtaining all Product patents will be borne by Quantum and the cost of obtaining all manufacturing and process patents will be borne by MKE. Each party shall provide assistance to the other, as requested, without charge.

9.5. Patent Rights. If MKE desires to utilize the technology covered by a Product patent owned by Quantum for the development of a product outside the scope of this Agreement, Quantum and MKE agree to in good faith discuss the grant of rights to MKE.

9.6. Trademarks. Except as set forth in the Purchase Agreement, each party shall have the right during the term of this Agreement to use trademarks and tradenames of its own selection and neither party shall have any rights to use the trademarks of the other without the other's written consent.

9.7. Patent Contributions. The parties acknowledge that when one party makes a significant contribution of demonstrated substantial commercial value to

the operations of the other party pursuant to this Section 9, they will enter into good faith discussions to determine whether the contributing party should receive compensation for such contribution. It is expressly understood that there is no obligation to provide any compensation to any party and the determination of any compensation, if any, shall be in the sole discretion of the party who may wish to pay such compensation.

10. CONFIDENTIALITY.

10.1. Confidentiality. All parties acknowledge that, in the course of performing their respective obligations, they will be receiving information which is confidential and proprietary to the disclosing party and which the disclosing party wishes to protect from public disclosure. "Confidential Information" means any information which has been or will be disclosed between the parties relating to the Technical Information and to their respective businesses, customers, products, marketing plans, financial status and the like. The parties agree that regardless of the date of termination of this Agreement, each will keep confidential any "Confidential Information" of the other party for a period commencing upon receipt thereof until three (3) years following the date of such termination and any extension hereof.

10.2. Restrictions. Each party (i) agrees to use Confidential Information only for the purposes described in this Agreement, and not to disclose Confidential Information given to it by the other party to any person, real or legal, except as authorized in this Agreement; (ii) shall require a

third party to whom disclosure of Confidential Information is authorized to sign a confidentiality agreement in form mutually acceptable to the parties; (iii) shall exercise the same degree of care to safeguard the confidentiality of such Confidential Information as it would exercise in protecting the confidentiality of similar property of its own; and (iv) agrees to use its diligent efforts to prevent inadvertent or unauthorized disclosure, publication or dissemination of any Confidential Information. The obligations to avoid publication or dissemination of Confidential Information will not apply to any information which a party can show:

a. is already in the possession of such party;

b. is or becomes publicly available without breach of this Agreement by such party or through ordinary marketing or sale of the Products;

c. is rightfully received by such party from a third party not known (whether at the time of receipt or dissemination of such information) to be under an obligation of confidence to the other party with respect thereto;

d. is released for disclosure by the other party with its written consent;

e. is disclosed pursuant to the requirement of a governmental agency or operation of law, provided that such party is obligated to use its best efforts to prevent disclosure or seek confidential treatment as requested by a party under such circumstances; or

f. is independently developed by such party.

11. PATENT INDEMNIFICATION.

Quantum will defend any action brought against MKE based on a claim that a Product manufactured by MKE and any software/firmware and Product interface supplied by Quantum infringes any trade secret, copyright, patent or any other intellectual property rights. Quantum will indemnify and hold MKE harmless and Quantum agrees to defend any action brought against MKE and hold MKE harmless from any and all damages, liabilities, costs and expenses, including reasonable attorneys' fees and cost of investigation, arising as a result of infringement or a claim of infringement covered by this Section. If promptly notified in writing of any action or suit or threats thereof brought against MKE based on a claim that the Product supplied hereunder, including any software/firmware and Product interface supplied by Quantum, infringes any patent, trade secret, copyright, or any other intellectual property rights, Quantum shall defend such action or suit at its own expense, by reputable counsel selected by Quantum and reasonably acceptable to MKE and shall pay any and all fees, costs and damages that may be awarded in such action or in settlement thereof. MKE shall provide Quantum information and assistance reasonably required to defend and/or settle such action or suit or threats thereof. Settlement shall be at the option of Quantum; provided that no settlement shall require MKE to take or refrain from taking any action or give or accept any property or forgive or forbear any right of action; and provided further that Quantum shall not effect any settlement that does not provide for the full and unconditional release of all applicable claims against MKE without MKE's prior written consent. In the event that a charge of infringement of a patent, trade secret or copyright is made or a final injunction is obtained against MKE prohibiting the supply of the Products to Quantum hereunder or any part thereof, by reason of such infringement, Quantum

shall have the right, after consulting with MKE and upon written notice to MKE, to either (A) at its expense, procure for MKE the right to continue supplying the Product or replace or modify the Product, or (B) modify the Product so that it is non-infringing so long as such modification does not

affect the Product's functioning, or (C) direct MKE to dispose of MKE's inventory of such Product at Quantum's expense. In case of (B) above, Quantum shall be liable to MKE for, and MKE shall be entitled to recover from Quantum, all of the following costs and expenses in the event of any such change of the Product design:

a. MKE's inventory of certain components and/or parts useful only in the Product before such change of the Product design;

b. Working and processing costs and expenses actually incurred by MKE prior to notice of such change of the Product design for the finished and/or unfinished Product;

c. Working and processing costs and expenses actually incurred for disassembling the finished and/or unfinished Product in MKE's inventory at the time of notice of such change of the Product design, if and to the extent such disassembling is required to mitigate the costs and expenses due to such change of the Product design.

In case of (C) above, this Agreement shall be terminated with respect to the affected Product. If any Product is so disposed of by MKE in line with Quantum's discretion, MKE shall not be liable for the result thereof and Quantum shall pay to MKE the original purchase price for such Product in addition to the expense incurred by MKE in such disposal of the Products.

Notwithstanding anything in this Section 11 to the contrary, Quantum shall have no liability for any claim of patent, trade secret, or copyright infringement, if the alleged infringement arises from (A) changes and modifications to the Products by MKE other than those provided in the Purchase Agreement; or (B) the manufacturing process by which the Product is manufactured unless the product design provided by Quantum requires the manufacturing process or the manufacturing process which is the subject of such claim is originated with Quantum and has been performed by MKE in compliance with Quantum engineering drawings.

MKE shall defend such action or suit at its expense, by reputable counsel selected by MKE and reasonably acceptable to Quantum and shall pay any and all fees, costs or damages that may be awarded in such action or in settlement thereof, provided Quantum gives MKE full information and assistance to defend and/or settle such action or suit or threats thereof. Settlement shall be at the option of MKE. In the event that a charge of infringement of a patent, trade secret or copyright is made or a final injunction is obtained against Quantum prohibiting usage of the Product purchased hereunder or any part thereof, by reason of such infringement, MKE shall have the right, upon written notice to Quantum, to either (A) at its expense, procure for Quantum the right to continue using the Product or replace or modify the Product, or (B) modify the manufacturing process for the Product so that it is non-infringing so long as such modification does not affect the Product's functioning, or (C) direct Quantum to return such Product to MKE at MKE's expense. In case of (C) above this Agreement shall be terminated with respect to the affected Product. If any Product is so returned to MKE, MKE shall not be liable for the result thereof except that if MKE has been paid for the products by Quantum, MKE shall pay to Quantum the original purchase price for such Product which does not contain any part originated with Quantum's request and involving possible infringement upon the patent, trade secret or copyright in question.

12. PURCHASE AGREEMENT.

12.1. Purpose. This Agreement is intended to set forth the general framework of the relationship of the parties, including the roles and rights of each party. The specific terms of the

business relationship between MKE and Quantum relating to the manufacture, purchase and sale of the Products are set forth in a separate Amended and Restated Purchase Agreement entered into by and between the parties hereto of even date herewith, including any amendments thereof.

13. TERM AND TERMINATION.

13.1. Term. This Agreement shall be effective on the first date set forth above and shall continue until December 31, 2007, unless earlier terminated pursuant to this Section 13. Upon its scheduled expiration this Agreement shall be renewed automatically for one additional term of five (5) years; provided, however, that either party may elect not to renew this Agreement by giving no less than sixty (60) days written notice to the other party prior to the expiration date of its intention not to renew this Agreement. The date upon

which the Agreement expires in accordance with the provisions set forth in this Section 13.1 or in accordance with the provisions of Section 13.2 ("Interim Review Prior to Scheduled Termination") shall be referred to as the "Expiration Date."

13.2. Interim Review Prior to Scheduled Termination. At any time after December 31, 2002, either party may request a review of and propose changes to this Agreement (the "Request"). The parties shall promptly commence such review and negotiate in good faith with respect to the proposed changes. If agreement with respect to such changes is not reached within twelve (12) months from the date of the Request, either party may upon written notice to the other party, delivered within thirty (30) days after the end of such twelve (12) month review period, terminate this Agreement [CONFIDENTIAL TREATMENT REQUESTED].

13.3. Termination. This Agreement may be terminated prior to its expiration for the reasons described below in paragraph (a) (an "Event of Default"), paragraph (b) (an "Event of Bankruptcy") or paragraph (c) (a "Change of Control"). Termination shall become effective following an Event of Default or a Change of Control only after the party seeking to terminate has complied with the notice requirements and/or time periods set forth in paragraph (a) below or Section 16.13, respectively. Termination may occur following an Event of Bankruptcy upon notice from the party entitled to terminate to the other party. In all cases, the date of notice of termination of this Agreement (i.e., after the expiration of any required time periods) shall be referred to as the "Termination Notice Date." [CONFIDENTIAL TREATMENT REQUESTED].

a. The material default by one party on a material obligation of such party under this Agreement or the Purchase Agreement shall entitle the party not in default to give the party in default written notice describing such default and requiring the party in default to remedy such default. If such default is not fully remedied within sixty (60) days after the date of such notice, the party not in default shall be entitled to terminate this Agreement immediately.

b. Either party may terminate this Agreement at any time upon or after the filing of an order for relief in respect of any petition against the other party filed under Title 11 of the United States Code, or the entry of a decree or order by a court having competent jurisdiction in respect of any petition filed or action taken against the other party looking to reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any other present or future federal or state statute, law or regulation, resulting in the appointment of a receiver,

liquidator, custodian, assignor, trustee, sequestrator or other similar official of the other party or of any substantial part of its property, or resulting in the winding-up or liquidation of its affairs, in the case of any involuntary filing or petition, and the continuation of any decree or order is unstayed and in effect for a period of sixty (60) consecutive days; or at any time upon or after the filing of a petition for relief under Title 11 of the United States Code by the other party or the consent, acquiescence or taking of any action by the other party in support of a petition filed by or against it looking to reorganization arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any other present or future federal or state statute, law or regulation, or the appointment, with the consent of the other party, of any receiver, liquidator, custodian, assignor, trustee, sequestrator or other similar official of the other party or of any substantial part of its property, or the making by it of an assignment for the general benefit of all creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the other party in furtherance of any such action.

c. Either party may terminate this Agreement upon the occurrence of a change in control of the other party in accordance with Section 16.13 ("Changes in Control").

13.4. Rights Upon Termination.

a. In the event of any termination of this Agreement under Article 13, Articles 2, 10, 11, 14, 15 and 16, and Sections 9.1, 9.2, 9.3 and 13.4 shall survive. Any termination of this Agreement shall only be effective upon completion of the wind down phase described in the Purchase Agreement.

b. In addition, in the event of any valid termination of this Agreement by MKE under Section 13.3 ("Termination") due to a material breach by Quantum, MKE shall be entitled to such remedies as may be awarded in arbitration pursuant to Section 14 ("Arbitration").

c. In addition, in the event of any valid termination of this Agreement by Quantum under Section 13.3 due to a material breach by MKE, Quantum shall be entitled to such rights as set forth in Section 4.3 ("Quantum Manufacturing") and such other remedies as may be awarded by arbitration pursuant to Section 14 ("Arbitration").

d. This Section sets forth the sole remedy of a party in the event of a material breach of this Agreement by the other party.

e. Following termination or expiration of the Agreement, amounts due and owing prior to termination or expiration of this Agreement shall still be due and payable to the party owed such payment in accordance with the terms and conditions of this Agreement.

14. ARBITRATION.

This Agreement shall be governed in all respects by the laws of the United States of America and by the laws of the State of California, excluding its conflict of law provisions. This Agreement is prepared and executed in the English language only and any translation of this Agreement into any other language shall have no effect. All disputes, controversy or claim arising out of or relating to this Agreement, or the breach, termination, or invalidity thereof, shall be settled by arbitration in Geneva, Switzerland, in accordance with the United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules. The language of the arbitration shall be English. The award rendered by the arbitrator shall include costs of the arbitration, reasonable attorneys' fees and reasonable costs for experts and other witnesses. Judgment on the award may be entered in any court having jurisdiction.

The parties agree that the arbitrator shall have the authority to issue interim orders for provisional relief, including, but not limited to, orders for injunctive relief, attachment or other provisional remedy, as necessary to protect either party's name, proprietary information, trade secrets, know-how or any other proprietary right. The parties agree that any interim order of the arbitrator for any injunctive or other preliminary relief shall be enforceable in any court of competent jurisdiction. In addition, either party shall be free to seek provisional relief from any court of competent jurisdiction, in order to protect that party's name or proprietary rights, prior to or after the arbitration procedure set forth in this Section.

Anything in this Agreement to the contrary notwithstanding, in no event shall the failure to agree upon the prices of the Products and the minimum quantities be subject to arbitration.

15. GOVERNMENTAL CONSENTS.

15.1. U.S. Requirements. MKE recognizes that the transfer of technology from Quantum is subject to compliance with United States export laws. Quantum agrees to use its best efforts to promptly obtain necessary consents for the export of technology under this Agreement.

15.2. Japan Requirements. Quantum recognizes that approval of the government of Japan may be required prior to this Agreement becoming effective. MKE agrees to use its best efforts to promptly obtain such necessary approval.

15.3. Visas. During the term of this Agreement, both parties agree to assist the other to obtain visas necessary to permit the exchange of personnel.

15.4. Compliance with Laws. All parties agree during the term of this Agreement to comply with all applicable laws of any country or government authority including, but not limited to Foreign Exchange and Foreign Trade Control Act and Export Trade Control Order of Japan and administrative guidance prohibiting use of products or technology for design or manufacture of nuclear weapons, chemical weapons, biological weapons or missiles, or Export Administration Act and Regulations of the United States. The parties recognize and agree that products and technology delivered or transferred from one party to the other party may be subject to restrictions on export or reexport imposed by the United States Department of Commerce or the Ministry of International Trade and Industry of Japan.

16. MISCELLANEOUS.

16.1. Nonassignability. Except as specifically permitted by this Agreement, neither party may assign, transfer or sublicense any of the rights or obligations arising under this Agreement (including any affiliate or subsidiary of a party) other than to a successor to its entire business by reason of merger or sale of assets provided that the other party first receives written notice of any such proposed merger or sale of assets and the intended successor in interest of such proposed merger or sale of assets pursuant to such transaction acknowledges in writing to be bound by the terms and conditions of this Agreement, without the prior written consent of the other party, and any attempted assignment without such consent shall be void and without effect.

16.2. Failure to Enforce. The failure of either party to enforce at any time or for any period of time the provisions of this Agreement shall not be construed to be a waiver of such provisions or of the right of such party to enforce each and every such provision.

16.3. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, United States of America, excluding its conflict of law provisions.

16.4. Severability. In the event that any of the provisions of this Agreement shall be held by a court or other tribunal of competent jurisdiction to be unenforceable, the remaining portions of this Agreement shall remain in full force and effect.

16.5. Notices. Any notice which any party desires or is obligated to give to the other shall be given in writing and sent to the appropriate address shown below or to such other address as the party to receive the notice may have last designated in writing in the manner herein provided. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effective (i) if personally delivered, at the time delivered by hand, (ii) if delivered by facsimile transmission, upon confirmation of transmission, (iii) if by courier, on the business day such courier guarantees delivery, and (iv) if delivered by U.S. Mail, seven (7) business days after deposit in the U.S. mail, postage prepaid, all properly addressed as follows:

Quantum Corporation
500 McCarthy Boulevard
Milpitas, CA 95035
Attention: Chief Executive Officer
facsimile: (408) 232-6798

Matsushita-Kotobuki Electronics
Industries, Ltd.
8-1 Furujin-Machi
Takamatsu-City, Kagawa 760, Japan
Attention: Takashi Honjo, President
facsimile: 011-81-(878) 511047

Quantum Peripherals (Europe) SA
Champs-Montants 16a
CH-2074 Marin-Epagnier
Neuchatel, Switzerland
Attention: Chief Executive Officer
facsimile: 011-41-32-753-5541

Ireland Kotobuki Electronics, Ltd.
Finnabair Industrial Park, Coe's Road
Dundalk, Co Louth
The Republic of Ireland
Attention: Managing Director

Kotobuki Electronics Industries (s) Pte. Ltd.
2 Corporation Road #02-01/12, #04-01/12
Corporation Place
Singapore 618494

16.6. Entire Agreement. Except for the Purchase Agreement, an Inventory Storage Agreement between the parties effective December 8, 1993, a Revised Hydrodynamic Spindle Motor Proprietary Right and Manufacturing Agreement between the parties effective February 3, 1995, and a Limited Voice Messaging/Processing Industry Sales Agreement between the parties effective July 28, 1993, as well as any agreements between the parties regarding the establishment and operation of TA Diamond LLC (which may in future be known as Quantum-MKE Components LLC), and the supply of products manufactured by such entity, this Agreement and any attachments or exhibits hereto constitute the entire agreement among the parties pertaining to the subject matter hereof, and any and all other written or oral agreements existing between the parties are expressly canceled. Any modifications of this Agreement must be in writing and signed by duly authorized officers of all parties.

16.7. Force Majeure. In the event of any delay in performance or failure of performance of obligations under this Agreement by either party due to any causes arising from acts of God, war, mobilization, riot, strike, fire, earthquake, flood, embargo, delay of carrier, power failure or attributable to acts, events or omissions beyond the reasonable control of the party concerned, such delay or failure of performance shall not be deemed a default and the party so delayed or prevented shall be under no liability for loss or injury suffered by the other party. Nothing in this paragraph shall affect the right of either party to terminate this Agreement as otherwise provided herein.

16.8. Limitation of Liability. IN NO EVENT AND UNDER NO CIRCUMSTANCES SHALL ANY PARTY UNDER THIS AGREEMENT BE LIABLE FOR ANY SPECIAL OR CONSEQUENTIAL DAMAGES OR LOSS OF PROFITS OF THE OTHER PARTY OR PARTIES OR ANY EXPENDITURES,

COSTS OR INVESTMENTS MADE OR INSURED BY THE OTHER PARTY OR PARTIES AS PROVIDED HEREIN.

16.9. MEI. Quantum acknowledges that MKE is a subsidiary of MEI which is a manufacturer of products which may be competitive with the Products and that MEI and its subsidiaries other than MKE may now have or will have under development products which are competitive with the Products.

16.10. Binding. This Agreement is not binding upon MEI, its subsidiaries, and their respective affiliates other than MKE and nothing herein shall be construed as a limitation upon the rights of MEI and its subsidiaries other than MKE to sell any products to any customers or potential customers therefor anywhere in the world, but nothing herein contained shall authorize the disclosure of Quantum's Technical Information to MEI and its subsidiaries other than MKE. Also, this Agreement does not apply to the design, manufacture or supply to or from TA Diamond LLC, of Products or Components to either party hereunder, which are addressed by separate agreement among the parties hereto and TA Diamond LLC.

16.11. Agency. This Agreement does not create a principal to agent, employer to employee partnership, joint venture, or any other relationship except that of independent contractors between Quantum and MKE.

16.12. Headings. Headings to Paragraphs and Sections of this Agreement are to facilitate reference only, do not form a part of this Agreement, and shall not in any way affect the interpretation hereof.

16.13. Changes in Control. Prior to the occurrence of a change of control of either Quantum or MKE, i.e., a person or entity acquires more than fifty percent (50%) of the voting control of either

Quantum or MKE, the party likely to undergo such change of control will notify the other party and the parties will discuss the likely effect. [CONFIDENTIAL TREATMENT REQUESTED].

16.14. Bankruptcy Code. All rights and licenses granted under or pursuant to this Agreement by one party to the other with respect to the Products or the Technical Products of the Technical Information are, and shall otherwise be deemed to be, for the purposes of Section 365(n) of the United States Bankruptcy Code, 11 U.S.C. Section 101, et seq. (the "Bankruptcy Code"), licenses of rights to "intellectual property" as defined under Section 101(56) of the Bankruptcy Code; provided it abides by the terms of this Agreement. The parties further agree that, in the event that any proceeding shall be instituted by or against a party seeking to adjudicate it bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy of insolvency or reorganization or relief of debtors, or seeking an entry or an order for relief of debtors, or seeking an entry or an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property, or such party shall take any action to authorize any of the foregoing actions (each a "Proceeding"), the other party shall have the right to retain and enforce its rights under this Agreement including, but not limited to the following rights, provided it abides by the terms of this Agreement: (i) the right to continue to use the Technical Information, all documentation and other supporting materials relater thereto and manufacture and sell Products and all versions and derivatives thereof; and (ii) the right to complete access to, as appropriate, all Technical Information and Products and all embodiments of such to be provided under this Agreement, including documentation therefor, and the same, if not already in the non-bankrupt party's possession, shall be promptly delivered to such party: (a) upon any such commencement of a Proceeding upon written request therefor by such party, unless the bankrupt party elects to continue to perform all of its obligations under his Agreement; or (b) if not delivered under (a) above, upon the rejection of this Agreement by or on behalf of the bankrupt party upon written request therefor by the non-bankrupt party.

IN WITNESS WHEREOF, the parties hereto here caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written. Notwithstanding such execution, this Agreement shall become effective only after obtaining required approval of the government of Japan.

QUANTUM CORPORATION

By: /s/ Michael Brown

Name: Michael Brown
Title: President and CEO

QUANTUM PERIPHERALS
(EUROPE) SA

By: /s/ Andrew Kryder

Name: Andrew Kryder
Title:

MATSUSHITA-KOTOBUKI
ELECTRONICS INDUSTRIES, LTD.

By: /s/ Takashi Hanjo

Name: Takashi Hanjo
Title: President

IRELAND KOTOBUKI
ELECTRONICS INDUSTRIES, LTD.

By: /s/ Yoshiyuiri Aono

Name: Yoshiyuiri Aono
Title: Managing Director

KOTOBUKI ELECTRONICS
INDUSTRIES (S) PTE. LTD.

By: /s/ Hironijo Sakioka

Name: Hironijo Sakioka
Title: Managing Director

AMENDED AND RESTATED

PURCHASE AGREEMENT

BETWEEN

MATSUSHITA-KOTOBUKI ELECTRONICS INDUSTRIES, LTD.,

AND

QUANTUM CORPORATION

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AMENDED AND RESTATED PURCHASE AGREEMENT BETWEEN
MATSUSHITA-KOTOBUKI ELECTRONICS INDUSTRIES, LTD.,
AND QUANTUM CORPORATION

THIS AMENDED AND RESTATED PURCHASE AGREEMENT is made by and among MATSUSHITA-KOTOBUKI ELECTRONICS INDUSTRIES, LTD., a Japanese corporation, its subsidiaries, IRELAND KOTOBUKI ELECTRONICS INDUSTRIES, LTD., an Irish corporation, and KOTOBUKI ELECTRONICS INDUSTRIES (S) PTE. LTD., a Singapore corporation (collectively, "MKE") and QUANTUM CORPORATION, a Delaware corporation, and its subsidiary QUANTUM PERIPHERALS (EUROPE) SA, a Swiss corporation (hereinafter collectively "Quantum"). This Agreement is entered into as of the 30th day of April, 1997 (the "Effective Date") and is intended to be an amendment and restatement of the Purchase Agreement between the parties dated as of December 1987, as amended.

In consideration of the mutual covenants and promises in this Agreement, the parties agree as follows:

1. DEFINITIONS.

The following terms, as used in this Agreement, shall have the meanings referenced below:

1.1. "Confidential Information" shall have the meaning set forth in the Master Agreement.

1.2. "DPSG Products" shall mean Products designed by Quantum primarily for the storage needs of desktop and portable systems, including by way of example but not limitation, personal computers for home and business use.

1.3. "Engineering Change" regarding design shall mean any electrical or mechanical changes to the Products or Spare Parts, proposed by Quantum or MKE, which would affect the performance, reliability, safety, serviceability, appearance, dimensions, tolerances, final assembly or Product Specifications of the Products. Regarding manufacturing process, "Engineering Change" shall mean any change to the manufacturing process, proposed by Quantum or MKE, which may affect form, fit, function, quality, and/or reliability of the Products.

1.4. "Master Agreement" means the Amended and Restated Master Agreement between MKE and Quantum dated as of even date herewith.

1.5. "Products" [CONFIDENTIAL TREATMENT REQUESTED].

1.6. "Product Specifications" shall mean the specifications for the Products mutually agreed by the parties from time to time in accordance with the procedures of the parties in effect on the Effective Date.

1.7. "Purchase Order" shall mean purchase orders submitted to MKE from Quantum in accordance with Sections 3 ("Purchase Orders") and 4 ("Forecasts/Commitments") of this Agreement.

1.8. "Quantum" shall also include any subsidiary of Quantum not specifically referenced above.

1.9. "Spare Parts" shall mean all spare parts for the Products.

1.10. "Technical Information" shall mean all non-public information and know-how which is proprietary to Quantum or MKE, as the case may be, directly related to the development and manufacturing of any Products, including all inventions, processes and discoveries known, actively used, or hereafter developed by either party with respect thereto during the term of this Agreement. Technical Information shall be mutually exchanged between the parties solely for the purpose of contributing to, or assisting with, the design, manufacturing, marketing, testing and service of the Products, provided that either party has the right to transfer such information without the consent of or payment of royalties to a third party, and further provided that such Technical Information as will be transferred by MKE to Quantum may not be used for Quantum's manufacturing of any product, including the Products, without MKE's prior written consent. Notwithstanding anything to the contrary contained herein, no exchange of Technical Information shall be deemed to transfer, license or otherwise assign from one party to the other party any proprietary rights any party hereto may have in the Technical Information.

1.11. "Unique Customer Configured Products" shall mean Products based upon standard Products but incorporating changes that may include electrical, hardware interface, firmware and/or form factor made pursuant to the terms of this Agreement. The specifications of such products will be mutually confirmed in writing on an as-needed basis.

1.12. "WSSG Products" shall mean Products designed by Quantum primarily for the storage needs of storage-intensive applications, including by way of example but not limitation, servers, workstations, disk arrays, networked databases, storage subsystems and mini-computers.

2. CONTROLLING DOCUMENT.

2.1. Controlling Agreement. All purchases of the Products by Quantum from MKE shall be subject to the terms and conditions of this Agreement, the Master Agreement and the Exhibits, if any, attached to each. Any additional, inconsistent and conflicting clauses in any Purchase Order, release, acceptance or other written correspondences from one party to the other, are to be considered rejected and of no effect. Any addition to, deletion from or modification of any of the provisions of this Agreement shall be made in writing signed by duly authorized representatives of both parties and shall state that it is an amendment of this Agreement.

2.2. Conflicts. If a conflict arises between any of the terms in the following documents, the order of precedence shall be: (i) this Agreement, (ii) the Master Agreement, and (iii) written terms on any issued and accepted Purchase Order.

3. PURCHASE ORDERS.

3.1. Orders. The purchase and sale of Products and Spare Parts shall be

made against specific Purchase Orders placed by Quantum to MKE and accepted by MKE during the term of this Agreement in accordance with the provisions hereof, provided that such acceptance shall not be unreasonably withheld or delayed in accordance with the provisions hereof. Purchase Orders and change orders may be placed by facsimile. A Purchase Order may provide for delivery of the Products for a period up to one hundred eighty (180) days following normal expiration of this Agreement and all terms and conditions of this Agreement shall govern. Subject to the provisions of

Section 18.2 ("Termination"), no Purchase Order is required to be accepted by MKE on and after the expiration or the termination of this Agreement. Any Purchaser Order issued, or to be issued, for any firm commitment of purchase of Products hereunder shall be noncancellable except as otherwise provided for in Sections 11.3 ("Delivery Times") and 21.7 ("Force Majeure") hereof and Quantum shall be responsible for taking deliveries of and paying for all Products set forth in such Purchase Order.

3.2. European Purchase Orders. All purchase orders from Quantum Peripherals (Europe) SA ("Quantum-Switzerland") to Ireland Kotobuki Electronics Industries, Ltd. ("MKE-Ireland") shall be issued to MKE and the copy of such purchase orders shall be delivered to MKE-Ireland simultaneously with such issuance. Control of order acceptance and production allocation shall be made by MKE.

3.3. Confirmation. MKE will notify Quantum of receipt of a Purchase Order within five (5) working days after receipt of Quantum's Purchase Order. Confirmation of receipt and acceptance by MKE may be by facsimile. No individual Purchase Order shall be binding upon MKE unless and until accepted in writing by MKE, but such acceptance shall not be unreasonably withheld or delayed.

3.4. Contents. All Purchase Orders for Products and Spare Parts submitted by Quantum shall state the following: (i) price, (ii) the quantities ordered, (iii) delivery dates, (iv) destination (which shall be the mutually agreed Quantum facility unless otherwise specifically agreed by the parties), (v) requested method of shipment (and specific carrier if desired) and (vi) Product model or Spare Parts number in accordance with the terms and conditions hereof. Quantum shall use the form of Purchase Order agreed upon by the parties from time to time to place the Purchase Order and emergency orders referred to in Section 3.5 ("Emergency Orders") below. Any additional or inconsistent terms contained on such form of Purchase Order shall not be applicable and are hereby rejected.

3.5. Emergency Orders. The monthly rolling forecasts and Purchase Orders placed by Quantum under Sections 3.1 ("Orders") and 4.2 ("Commitments") shall not prevent Quantum from placing emergency orders for Products for delivery up to the quantities as may be agreed to by MKE in accordance with the provisions hereof in less than ninety (90) days and MKE agrees to make reasonable efforts to deliver the Products on the requested schedule but shall have no liability hereunder for failure to deliver such emergency orders on the requested schedule.

3.6. Shipment Report. MKE will supply Quantum a weekly shipment report for all Products shipped during the past week, which report shall specify the quantity, part number (including revision or configuration level), shipment date and commercial invoice number with the form and method to be mutually agreed upon between the parties.

4. FORECASTS/COMMITMENTS.

4.1. Purchase Orders. Quantum will issue a non-cancelable Purchase Order on a monthly basis, on or before the 10th day of such month, [CONFIDENTIAL TREATMENT REQUESTED].

4.2. [CONFIDENTIAL TREATMENT REQUESTED]

[CONFIDENTIAL TREATMENT REQUESTED]

4.3. European Purchase Commitment. Quantum warrants and guarantees that Quantum or Quantum's subsidiaries will utilize MKE-Ireland's product first in meeting European demand; provided that Quantum and MKE shall mutually agree as to the timing of any increases in MKE- Ireland's production capacity. Quantum agrees to use diligent efforts to market, sell and promote the Products and Unique Customer Configured Products in Europe through Quantum-Switzerland.

4.4. Discontinuance of Model. Quantum shall promptly notify MKE of Quantum's decision to discontinue to order any specific model of Product. Notwithstanding any such notice, Quantum shall remain obligated to purchase the specific model of Product pursuant to the application of Section 3.1 ("Orders") and Section 8 ("Purchase Order Reschedules and Forecast Adjustments").

5. PRICES.

5.1. Price. The purchase price to Quantum for each item of the Products sold to Quantum shall be agreed to from time to time by the parties.

5.2. Special Pricing.

a. In order to obtain business from specific potential customers identified by Quantum and deemed to be in the mutual best interests of Quantum and MKE, Quantum and MKE shall in good faith work together to establish a mutually agreeable price for the Products between MKE and Quantum where such special pricing may be necessary in order for Quantum to obtain the business from such customers.

b. All prices to Quantum for Products, Unique Custom Configured Products and/or Spare Parts, where MKE's trading company provides export services from Japan, shall be F.O.B. Japanese Port (Osaka, Kobi or their vicinity) as designated by Quantum [CONFIDENTIAL TREATMENT REQUESTED] the Ex-MKE factory price for such Products, Unique Custom Configured Products and/or Spare Parts as set forth in Section 5.1 ("Price") above.

6. CURRENCY.

MKE sales of Products and Spare Parts to Quantum shall be in U.S. Dollars.

7. TAXES.

The price for the Products includes all taxes necessary to pass title to the Products, Unique Customer Configured Products and Spare Parts to Quantum at the delivery point. In the case of substantially high rate taxes, charges or duties such as 100% sanctions, Quantum and MKE agree to meet immediately and to agree upon a method to resolve such problem. Title to the Products, Unique Customer Configured Products and Spare Parts shall pass to Quantum from MKE ex-MKE Factory unless MKE's Trading Company provides export services, in which event title shall pass to Quantum F.O.B. Japanese Port (Osaka, Kobe or their vicinity) as designated by Quantum.

8. PURCHASE ORDER RESCHEDULES AND FORECAST ADJUSTMENTS.

[CONFIDENTIAL TREATMENT REQUESTED]

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It is expected that a significant portion of Quantum's business will require special configuration of the Products. Some may be as minor as code changes while others may require special brackets or other hardware changes. Quantum's customers also will change the mix of Products in addition to their configuration with virtually no lead time. Therefore, Quantum shall be able to change the configuration and mix of products on a weekly basis. Quantum and MKE will work together to establish a mutually agreeable procedure for changing the configuration and mix of Products and Unique Customer Configured Products.

9. PAYMENT TERMS.

Unless otherwise specifically provided herein, all payments, including without limitation payments for the Products, Unique Customer Configured Products and Spare Parts made by Quantum hereunder shall be payable in U.S. Dollars, [CONFIDENTIAL TREATMENT REQUESTED], in case of Products manufactured in Japan and [CONFIDENTIAL TREATMENT REQUESTED], in case of Products manufactured in Ireland or Singapore, after delivery of the Products, Unique Customer Configured Products or Spare Parts to Quantum. Delivery of the Products, Unique Customer Configured Products or Spare Parts shall be deemed to occur when such Products, Unique Customer Configured Products or Spare Parts are delivered ex-MKE Factory unless MKE's designated Trading Company provides export service to Quantum, in which event delivery shall be deemed to occur when the Products, Unique Customer Configured Products and/or Spare Parts are delivered F.O.B. Japanese Port (Osaka, Kobe or their vicinity) as designated by Quantum.

[CONFIDENTIAL TREATMENT REQUESTED]

10. TITLE.

Title to the Products, Unique Customer Configured Products and/or Spare Parts and risk of loss shall pass to Quantum upon MKE's delivery thereof, as delivery is defined in Section 9 ("Payment Terms") above regardless of any provisions for payment of freight or insurance or form of shipping documents.

11. DELIVERY.

11.1. Transportation. The method of transportation and the carrier selected shall be as specified by Quantum in its Purchase Order. All transportation charges, including insurance, shall be paid by Quantum.

11.2. Packaging. The method of packaging shall be in accordance with specifications established by Quantum from time to time. The cost of packaging for shipment to the United States is included in the price. Each shipment shall include a packing list containing: (i) Purchase Order number, (ii) Product, Unique Customer Configured Products or Spare Part number, and (iii) quantity of shipped Products, Unique Customer Configured Products or Spare Parts. Serial numbers of Products shipped to Quantum shall be delivered concurrently with the packing list but by separate communications in accordance with the parties' standard practices. Quantum shall indemnify and hold harmless MKE from and against any and all liabilities, cost, expenses, loss and damages, arising out of or relating to the packaging for the Products provided that the Products and Spare Parts are packed in conformity with Quantum's specifications.

11.3. Delivery Times. The delivery dates and quantities specified by Quantum in its Purchase Orders accepted by MKE are firm. If a delivery date, along with the appropriate quantities, is missed by more than five (5) days, then Quantum may reschedule the delivery in question.

12. INSPECTION AND ACCEPTANCE.

12.1. MKE Inspection. MKE shall provide and maintain an inspection procedure and quality assurance program for Products and Spare Parts and their production processes. Complete records of all inspection work done by MKE including equipment calibration, shall be made available to Quantum upon its request and reasonable times during the term of this Agreement. Quantum is authorized to perform source inspection and quality assurance audits at MKE's manufacturing facilities, but this shall not relieve MKE of its obligation to deliver conforming Products or waive Quantum's right of inspection and acceptance at destination.

12.2. Quantum Inspection. All Products, Unique Customer Configured Products and Spare Parts ordered by Quantum under this Agreement shall be subject to inspection and acceptance by Quantum at its destination in accordance with incoming inspection test procedures agreed to by MKE. All Products, Unique Customer Configured Products and Spare Parts shipped, under this Agreement will comply one hundred percent (100%) to the Product Specifications. Products, Unique Customer Configured Products and Spare Parts which fail to pass Quantum's incoming test or inspection requirements for the Products, Unique Customer Configured Products and Spare Parts which have been established by the mutual agreement of Quantum and MKE may be rejected by Quantum and returned to MKE for repair or replacement, with all costs to repair or replace and of transportation (with MKE choosing the carrier) and risk of loss from Quantum's principal facility, to be paid as provided below.

a. During the Agreement term, and by mutual agreement between Quantum and MKE, MKE shall provide at MKE's expense, at Quantum's facility, technical personnel for purpose of analyzing manufacturing defects found during incoming acceptance tests.

b. In the event that MKE's technical personnel at Quantum's facility cannot correct defects relating solely to manufacturing defects within a reasonable number of working days following MKE's receipt of Quantum's notice of defects, the non-conforming Products, Unique

Customer Configured Products and Spare Parts may be returned to MKE for repair or replacement. Quantum shall notify MKE prior to return of nonconforming Products, Unique Customer Configured Products or Spare Parts. All returned Products, Unique Customer Configured Products or Spare Parts will be shipped to MKE's designated facility.

c. All shipments of non-conforming Products, Unique Customer Configured Products or Spare Parts pursuant to (b) above shall be made freight collect and MKE assumes risk of loss and damage during transit. Replacement Products, Unique Customer Configured Products or Spare Parts will be delivered to Quantum, at Quantum's applicable facility, at MKE's expense within thirty (30) days after the date of receipt of non-conforming Products, Unique Customer Configured Products or Spare Parts by MKE. Should MKE fail to repair or replace rejected Products, Unique Customer Configured Products or Spare Parts and return conforming Products, Unique Customer Configured Products or Spare Parts to Quantum within thirty (30) days, Quantum shall have the option to cancel without cost or liability the purchase of such Products, Unique Customer Configured Products or Spare Parts and receive, at Quantum's option, a credit or rebate if payment has been made. Quantum shall pay freight charges, insurance and other

customary charges for transportation for improperly rejected Products, Unique Customer Configured Products or Spare Parts. Notwithstanding the foregoing, Quantum and MKE shall separately negotiate in good faith if either party believes that different procedures for repair and replacement of WSSG Products or other new Products should be established because of the differences in such Products.

d. It is understood that all costs to repair or replace and of transportation with respect to defective Products, Unique Customer Configured Products or Spare Parts shall be [CONFIDENTIAL TREATMENT REQUESTED].

12.3. Quantum Corrections. Quantum may attempt to correct deficiencies with Spare Parts purchased under this Agreement. Such correction by Quantum shall neither invalidate nor act as a waiver of Quantum's rights to satisfaction under Section 12.2 ("Quantum Inspection") above nor affect any other terms of this Agreement, including, but not limited to, the warranty under Section 13 ("Warranty"). The act of payment for Products or Spare Parts shall not of itself signify acceptance by Quantum of the Products or Spare Parts.

12.4. Non-conforming Acceptance. Quantum may choose to accept Products, Unique Customer Configured Products or Spare Parts which fail to conform in a minor aspect to the specifications established by this Agreement without prejudice to its right to reject non-conforming items in the future. If Quantum so chooses, Quantum will notify MKE of its intent to accept non-conforming items. MKE agrees to negotiate in good faith a price reduction for such items based upon Quantum's added expenses to correct such deficiencies provided that the basis for non-conformance is not the result of a design defect. After the parties agree on a price Quantum will notify MKE that Quantum has accepted the non-conforming items.

12.5. Lot Failures. If a lot fails the acceptance quality yield level established by the parties from time to time then Quantum may reject the entire lot and require MKE technical personnel to verify individual Products in the lot as acceptable provided that the basis for failure of quality yield level is not the result of a design defect.

12.6. Ongoing Reliability Testing. MKE shall perform ongoing reliability testing in a manner and frequency mutually agreed upon by the parties from time to time.

12.7. OEM Customer Inspection. MKE shall allow with prior arrangement, Quantum's OEM customers to perform or cause to be performed inspection, audit and/or test of Product and/or manufacturing process. The OEM customer is to be accompanied by a Quantum employee(s) who will be the interface between the OEM customer and MKE.

13. WARRANTY, PATENT INDEMNIFICATION.

13.1. MKE Warranty. The MKE warranty period extended to Quantum shall be [CONFIDENTIAL TREATMENT REQUESTED]. Such warranty period shall commence from the date of delivery of Products by MKE to Quantum as described in Section 9 ("Payment Terms") hereof. All Products, Unique Customer Configured Products or Spare Parts furnished under this Agreement, except for software/firmware and product interface components supplied by Quantum, will be warranted by MKE to be free of defects in materials and workmanship, and will conform to applicable Product Specifications, drawings and/or samples provided or incorporated in this Agreement. Notwithstanding the above, the warranty period may be extended by mutual agreement. The terms of the warranty periods will be reviewed on an annual basis. Quantum and MKE agree to negotiate in good faith extensions of the warranty period due to competitive market conditions.

13.2. Quantum Warranty. Quantum warrants for the period of time that Quantum warrants to its customers from the date of delivery of Products by Quantum to its customers that all Products, Unique Customer Configured Products and Spare Parts furnished under this Agreement will be free from defects in design. These warranties shall survive any inspection, delivery, payment and termination or expiration of this Agreement, and shall run to MKE and MKE Customers, or its successors and assigns.

13.3. Remedy. Correction of warranty defects hereunder shall be performed at either Quantum's or MKE's facility, as MKE and Quantum shall agree. MKE shall, with the mutual agreement of Quantum, repair or replace all defective Products, Unique Customer Configured Products and Spare Parts within thirty (30) days of receipt of defective Products returned to it by Quantum. During the term of this Agreement, and if mutually agreed between Quantum and MKE, MKE shall provide, at Quantum's facility, technical personnel for the purpose of analyzing and repairing defects in the Products, Unique Customer Configured Products and Spare Parts. Notwithstanding the foregoing, Quantum and MKE shall separately negotiate in good faith if either party believes that different procedures for repair and replacement of WSSG Products or other new Products should be

established because of the differences in such Products.

13.4. Warranty Costs. [CONFIDENTIAL TREATMENT REQUESTED]

[CONFIDENTIAL TREATMENT REQUESTED]. The parties shall review on a semi-annual basis the procedures for warranty repairs and allocation of warranty expenses as well as the reimbursement policy for such warranty repairs as hereinafter set forth. Initially, a report shall be prepared by MKE and Quantum on a calendar quarterly basis indicating the warranty costs incurred by the parties pursuant to this Section 13. Within thirty (30) days after a warranty cost report is submitted, the owing party shall reimburse the owed party. Any disputes pursuant to this Section 13 shall be resolved by arbitration in the manner established by Section 19 ("Arbitration") below.

13.5. Exclusive Remedy. THE WARRANTIES SET FORTH ABOVE CONSTITUTE THE SOLE AND EXCLUSIVE REMEDY OF MKE AND QUANTUM REGARDING THE PERFORMANCE OF THE PRODUCTS. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, QUANTUM AND MKE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AND HEREBY EXPRESSLY DISCLAIM ALL OTHER WARRANTIES, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. NEITHER MKE OR QUANTUM SHALL BE LIABLE FOR CONSEQUENTIAL DAMAGES.

13.6. Warranty and Service by MKE for Sales by MKE to MKE Customers. MKE shall at its cost, expense and responsibility, warrant the Products and/or provide after-sales service on the Products sold to MKE Customers hereunder. Notwithstanding, Quantum shall at MKE's request provide in good faith reasonable technical advice and assistance regarding Product design in support of such warranty and after-sales service. Quantum shall reasonably support MKE's requests regarding customer specifications, firmware changes, and assignment of part numbers for Product sold hereunder. The parties agree to negotiate in good faith reasonable terms and conditions regarding any specification and/or schedule changes.

13.7. Patent Indemnification. The provisions of Section 11 ("Patent Indemnification") of the Master Agreement shall be deemed incorporated into this Agreement.

14. ENGINEERING CHANGES.

14.1. MKE Changes. MKE shall notify Quantum of any Engineering Change proposed to be made by MKE to the Product, Spare Parts, or manufacturing process and shall supply a written description of the expected effect of the Engineering Change on the Product or manufacturing process, including the effect on performance, all test results of the proposed change, reliability, quality and serviceability and any cost changes expected by the Engineering Change. In deciding whether or not to give its consent to the inclusion of an MKE-proposed Engineering Change, Quantum may elect to evaluate parts and/or designs specified as part of the proposed change. Quantum agrees to approve or disapprove MKE-proposed changes or respond with alternate proposals within sixty (60) working days of receipt of a written request including all necessary documentation and materials to correctly evaluate the requested change for changes requiring customer approval and ten (10) working days for changes requiring only Quantum approval.

Quantum will use its best effort to reduce the response time for MKE - proposed changes that require customer approval.

14.2. Quantum Changes. Quantum may request, in writing, that MKE incorporate an Engineering Change into the Product or a manufacturing process. Such request will include a description of the proposed change sufficient to permit MKE to evaluate its feasibility and the proposed effect on quality, reliability, performance, cost and serviceability. Within ten (10) working days of such request by Quantum, MKE will advise Quantum of the terms and conditions under which it would make the Engineering Change requested by Quantum. MKE's evaluation shall be in writing and shall state the cost savings or increase, if any, expected to be created by the Engineering Change, and its effect on the performance, quality, reliability, safety, appearance, dimensions, tolerance, inventory cost and lead time, provided such advice and evaluation by MKE shall be deemed conditional only and such change request shall be of no force and effect until such time as Quantum and MKE shall agree in writing upon a commensurate increase or decrease in the purchase price or revision of delivery schedule or both. If Quantum requests MKE in writing to incorporate an Engineering Change into the Product or manufacturing process and it is agreed to by MKE, the Product Specifications will be amended as required. MKE shall not unreasonably refuse to incorporate Quantum's Engineering Changes into the Product or manufacturing process.

15. SPARE PARTS.

15.1. Spare Parts During Product Manufacture. During the manufacture of the Products Quantum shall have the right to order all piece parts for the purpose of providing service on the Products by Quantum, or any authorized third party repair organization. Quantum will order Spare Parts with at least ninety (90) days lead time and MKE agrees to supply the Spare Parts.

15.2. Prices of Spare Parts During Product Manufacture. The prices of all piece parts or subassemblies that compose the Product [CONFIDENTIAL TREATMENT REQUESTED] of the total Product price to Quantum.

15.3. Spare Parts After Termination of Product Manufacturing. Quantum shall have the right to purchase the recommended Spare Parts and MKE agrees to supply these Spare Parts for a period of seven (7) years after discontinuance of a relevant model of a Product. Quantum shall also have the right to purchase all mutually agreed upon individual piece parts from MKE or their vendors during this time period so that MKE is not required to stock every individual piece part. MKE will assist Quantum in purchasing and obtaining the best prices from their vendors.

15.4. Prices for Spare Parts After Termination of Product Manufacturing. After termination of this Agreement, Prices for the Spare Parts shall be mutually agreed upon, however, the parties agree to negotiate commercially reasonable prices for said Spare Parts. At Quantum's option certain Spare Parts of U.S. manufacture may be purchased directly from the manufacturers. Warranty for MKE - supplied Spare Parts will be the same as for the Product under Section 13 ("Warranty"). Order lead times and payment terms for parts and subassemblies shall be the same as for Spare Parts.

16. DOCUMENTATION.

16.1. Quantum's Brands.

a. Quantum grants to MKE the right to apply such of Quantum's Brands to the Products to be manufactured and delivered to Quantum pursuant to this Agreement as Quantum shall direct upon reasonable written notice. Quantum's Brands shall not be used in combination with any

other tradenames, trademarks, characters, figures or marks by MKE without the prior written approval of Quantum. Quantum represents and warrants that it is the sole and exclusive owner of Quantum's Brands and that the use thereof on the Product will not infringe the rights of any third party.

b. Quantum's Brands shall be affixed to each unit of the Product, in such manner as may be specified by Quantum trademark guidelines issued by Quantum to MKE from time to time.

c. Quantum shall indemnify and hold harmless MKE from and against any and all liabilities, costs, expenses, loss and damages, including reasonable counsel fees and expenses for the cost of settlement, arising out of or relating to any claim by any third party of any proprietary right or interest in Quantum's Brands or any claim relating to any art work, labeling and other printed matters supplied by or included at the direction of Quantum. Quantum shall, at the request of MKE, assume the defense of any action or suit against MKE relating hereto, by reputable counsel reasonably acceptable to MKE retained at Quantum's expense, and shall pay any damages assessed against or otherwise payable by MKE as a result of the disposition of any such action or suit. MKE shall promptly notify Quantum of the commencement of any such action or suit, or threats thereof, and Quantum shall be afforded the opportunity to determine the manner in which such action or suit should be handled or otherwise disposed of. Quantum shall not effect any settlement that does not provide for the full and unconditional release of all applicable claims against MKE without MKE's prior written consent. Notwithstanding the foregoing, if MKE is a named party in any action or suit, MKE may participate in any such action or suit at its own expense and by its own counsel. MKE shall not undertake to settle, or agree to any settlement herein, without first obtaining the written consent of Quantum.

17. COMPONENTS.

MKE and Quantum agree to work together and mutually agree on sourcing of parts components to insure that consideration be given to sources outside MKE, given price, quality, delivery and other procurement considerations are equal.

While Quantum and MKE will jointly develop the specifications for the key components and parts, Quantum shall be responsible for establishing the actual specifications for such components and parts. MKE shall be responsible for the components and parts after such components and parts successfully pass MKE's incoming test inspection subject to Section 13.1 ("MKE Warranty") and Section 13.2 ("Quantum Warranty") hereof. Notwithstanding the aforesaid, should the application of the previous sentence work a hardship on either party, Quantum and MKE shall, in good faith, negotiate a reasonable commercial solution.

It is contemplated that all components and parts for the Products or Unique

Customer Configured Products will be either provided by MKE or other worldwide sources resulting in the lowest total cost.

Quantum shall provide reasonable assistance to MKE to resolve any material problems of such components and parts if such problems may occur after the commencement of mass-production of such components and parts.

18. TERM AND TERMINATION.

18.1. Term. This Agreement shall be effective as of the date first set forth above and shall continue in effect for the same period of time as the Master Agreement remains in effect. In the event the Master Agreement terminates for any reason, this Agreement shall terminate concurrently. In the event

the term of the Master Agreement is extended for any reason, this Agreement shall automatically be extended for the same period of time.

18.2. [CONFIDENTIAL TREATMENT REQUESTED]

[CONFIDENTIAL TREATMENT REQUESTED]

b. [CONFIDENTIAL TREATMENT REQUESTED].

18.3. Rights Upon Termination.

a. In the event of any termination of this Agreement following completion of the wind down period under Section 18.2, Articles 1, 6, 9, 13, 15, 16, 19, 20 and 21, and Sections 18.2 and 18.3 shall survive.

b. In addition, in the event of any valid termination of this Agreement by MKE under Section 18.2 ("Termination") due to a material breach by Quantum, MKE shall be entitled to damages as awarded in arbitration pursuant to Section 19 ("Arbitration").

c. In addition, in the event of any valid termination of this Agreement by Quantum under Section 18.2 ("Termination") due to a material breach by MKE, Quantum shall be entitled to damages as awarded in arbitration pursuant to Section 19 ("Arbitration").

d. This Section sets forth the sole remedy of a party in the event of a material breach of this Agreement by the other party.

19. ARBITRATION.

This Agreement shall be governed in all respects by the laws of the United States of America and by the laws of the State of California, excluding its conflict of law provisions. This Agreement is prepared and executed in the English language only and any translation of this Agreement into any other language shall have no effect. All disputes, controversy or claim arising out of or relating to this Agreement, or the breach, termination, or invalidity thereof, shall be settled by arbitration in Geneva, Switzerland, in accordance with the United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules. The language of the arbitration shall be English. The award rendered by the arbitrator shall include costs of the arbitration, reasonable attorneys' fees and reasonable costs for experts and other witnesses. Judgment on the award may be entered in any court having jurisdiction. The parties agree that the arbitrator shall have the authority to issue interim orders for provisional relief, including, but not limited to, orders for injunctive relief, attachment or other provisional remedy, as necessary to protect either party's name, proprietary information, trade secrets, know-how or any other proprietary right. The parties agree that any interim order of the arbitrator for any injunctive or other preliminary relief shall be enforceable in any court of competent jurisdiction. In addition, either party shall be free to seek provisional relief from any court of competent jurisdiction, in order to protect that party's name or proprietary rights, prior to or after the arbitration procedure set forth in this Section.

Anything in this Agreement to the contrary notwithstanding, in no event shall the failure to agree upon the prices of the Products and the minimum quantities be subject to arbitration.

20. GOVERNMENTAL CONSENTS.

20.1. Compliance with Laws. All parties agree during the term of this Agreement to comply with all applicable laws of any country or government authority including, but not limited to Foreign Exchange and Foreign Trade

Control Act and Export Trade Control Order of Japan and administrative guidance prohibiting use of products or technology for design or manufacture of nuclear weapons, chemical weapons, biological weapons or missiles, or Export Administration Act and Regulations of the United States. The parties recognize and agree that products and technology delivered or transferred from one party to the other party may be subject to restrictions on export or re-export imposed by the United States Department of Commerce or the Ministry of International Trade and Industry of Japan.

21. MISCELLANEOUS.

21.1. Nonassignability. Except as specifically permitted by this Agreement, neither party may assign, transfer or sublicense any of the rights or obligations arising under this Agreement (including any affiliate or subsidiary of a party) other than to a successor to its entire business by reason of merger or sale of assets provided that the other party first receives written notice of any such proposed merger or sale of assets and the intended successor in interest of such proposed merger or sale of assets pursuant to such transaction acknowledges in writing to be bound by the terms and conditions of this Agreement, without the prior written consent of the other party, and any attempted assignment without such consent shall be void and without effect.

21.2. Failure to Enforce. The failure of either party to enforce at any time or for any period of time the provisions of this Agreement shall not be construed to be a waiver of such provisions or of the right of such party to enforce each and every such provision.

21.3. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, United States of America, excluding its conflict of law provisions.

21.4. Severability. In the event that any of the provisions of this Agreement shall be held by a court or other tribunal of competent jurisdiction to be unenforceable, the remaining portions of this Agreement shall remain in full force and effect.

21.5. Notices. Any notice which any party desires or is obligated to give to the other shall be given in writing and sent to the appropriate address shown below or to such other address as the party to receive the notice may have last designated in writing in the manner herein provided. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effective (i) if personally delivered, at the time delivered by hand, (ii) if delivered by facsimile transmission, upon confirmation of transmission, (iii) if by courier, on the business day such courier guarantees delivery, and (iv) if delivered by U.S. Mail, seven (7) business days after deposit in the U.S. mail, postage prepaid, all properly addressed as follows:

Quantum Corporation
500 McCarthy Boulevard
Milpitas, CA 95035
Attention: Chief Executive Officer
facsimile: (408) 232-6798

Matsushita-Kotobuki Electronics
Industries, Ltd.
8-1 Furujin-Machi
Takamatsu-City, Kagawa 760, Japan
Attention: Takashi Honjo, President
facsimile: 011-81-(878) 511047

Quantum Peripherals (Europe) SA
Champs-Montants 16a
CH-2074 Marin-Epagnier
Neuchatel, Switzerland
Attention: Chief Executive Officer
facsimile: 011-41-32-753-5541

Ireland Kotobuki Electronics, Ltd.
Finnabair Industrial Park, Coe's Road
Dundalk, Co Louth
The Republic of Ireland
Attention: Managing Director

Kotobuki Electronics Industries (s) Pte. Ltd.
2 Corporation Road #02-01/12, #04-01/12
Corporation Place
Singapore 618494

21.6. Entire Agreement. Except for the Master Agreement, an Inventory Storage Agreement between the parties effective December 8, 1993, a Revised Hydrodynamic Spindle Motor Proprietary Right and Manufacturing Agreement between the parties effective February 3, 1995, and a Limited Voice Messaging/Processing Industry Sales Agreement between the parties effective July 28, 1993, as well as

any agreements between the parties regarding the establishment and operation of TA Diamond LLC (which may be known in future as Quantum-MKE Components LLC), and the supply of products manufactured by such entity, this Agreement and any attachments or exhibits hereto constitute the entire agreement among the parties pertaining to the subject matter hereof, and any and all other written or oral agreements existing between the parties are expressly canceled. Any modifications of this Agreement must be in writing and signed by duly authorized officers of all parties.

21.7. Force Majeure. In the event of any delay in performance or failure of performance of obligations under this Agreement by either party due to any causes arising from acts of God, war, mobilization, riot, strike, fire, earthquake, flood, embargo, delay of carrier, power failure or attributable to acts, events or omissions beyond the reasonable control of the party concerned, such delay or failure of performance shall not be deemed a default and the party so delayed or prevented shall be under no liability for loss or injury suffered by the other party. Nothing in this paragraph shall affect the right of either party to terminate this Agreement as otherwise provided herein.

21.8. LIMITATION OF LIABILITY. IN NO EVENT AND UNDER NO CIRCUMSTANCES SHALL ANY PARTY UNDER THIS AGREEMENT BE LIABLE FOR ANY

SPECIAL OR CONSEQUENTIAL DAMAGES OR LOSS OF PROFITS OF THE OTHER PARTY OR PARTIES OR ANY EXPENDITURES, COSTS OR INVESTMENTS MADE OR INSURED BY THE OTHER PARTY OR PARTIES AS PROVIDED HEREIN.

21.9. Binding. This Agreement does not apply to the design, manufacture or supply to or from TA Diamond LLC, of products or components to either party hereunder, which are addressed by separate agreement among the parties hereto and TA Diamond LLC.

21.10. Agency. This Agreement does not create a principal to agent, employer to employee partnership, joint venture, or any other relationship except that of independent contractors between Quantum and MKE.

21.11. Headings. Headings to Paragraphs and Sections of this Agreement are to facilitate reference only, do not form a part of this Agreement, and shall not in any way affect the interpretation hereof.

21.12. Trading Company. Unless otherwise agreed to in writing by MKE and Quantum, MKE and Quantum agree that either Quantum will establish a "trading company" (as hereafter defined) or establish a relationship with an existing trading company acceptable to MKE, for the purpose of expediting the necessary documentation for that shipment of Products and Spare Parts under this Agreement and the importation of components and parts by Quantum for MKE and may be responsible pursuant to the specific terms and times of payment as provided for elsewhere in this Agreement for the collection and payment of all monies due to the appropriate party under this Agreement during the term of this Agreement and any other functions necessary to carry out the business between Quantum and MKE. A "trading company" shall mean such organization existing, or to exist, which is, or shall be, able to effect the functions described in the proceeding sentence. At any time during the term of this Agreement, Quantum shall have the right to establish its own trading company to act as such in replacement of any prior existing relationship, or Quantum may change its relationship from a non-Quantum affiliated trading company to any other non-Quantum affiliated trading company, with the written consent of MKE, which shall not be unreasonably withheld.

IN WITNESS WHEREOF, the parties hereto here caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written. Notwithstanding such execution, this Agreement shall become effective only after obtaining required approval of the government of Japan.

QUANTUM CORPORATION

By: /s/ Michael Brown

Name: Michael Brown
Title: President and CEO

QUANTUM PERIPHERALS
(EUROPE) SA

By: /s/ Andrew Kryder

Name: Andrew Kryder

Title:

MATSUSHITA-KOTOBUKI
ELECTRONICS INDUSTRIES, LTD.

By: /s/ Takashi Hanjo

Name: Takashi Hanjo
Title: President

IRELAND KOTOBUKI
ELECTRONICS INDUSTRIES, LTD.

By: /s/ Yoshiyuki Aono

Name: Yoshiyuki Aono
Title: Managing Director

KOTOBUKI ELECTRONICS
INDUSTRIES (S) PTE. LTD.

By: /s/ Hironijo Sakioka

Name: Hironijo Sakioka
Title: Managing Director

041797

LICENSE AGREEMENT ("Agreement") with an Effective Date of January 1, 1996 between INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation ("IBM"), and QUANTUM CORPORATION, a Delaware corporation ("QUANTUM").

Each of the parties (as "Grantee") desires to acquire a nonexclusive license under patents of the other party (as "Grantor"). In consideration of the premises and mutual covenants herein contained, IBM and QUANTUM agree as follows:

Section 1. Definitions

1.1 "Information Handling System" shall mean any instrumentality or aggregate of instrumentalities primarily designed to compute, classify, process, transmit, receive, retrieve, originate, switch, store, display, manifest, measure, detect, record, reproduce, handle or utilize any form of information, intelligence or data for business, scientific, control or other purposes.

1.2 "IHS Product" shall mean an Information Handling System or any instrumentality or aggregate of instrumentalities (including, without limitation, any component, subassembly, computer program or supply) designed for incorporation in an Information Handling System. Any instrumentality or aggregate of instrumentalities primarily designed for use in the fabrication (including testing) of an IHS Product licensed herein shall not be considered to be an IHS Product.

1.3 "Subsidiary" of a party hereto or of a third party shall mean a corporation, company or other entity:

(a) more than fifty percent (50%) of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, now or hereafter, owned or controlled, directly or indirectly, by a party hereto or such third party, but such corporation, company or other entity shall be deemed to be a Subsidiary only so long as such ownership or control exists; or

(b) which does not have outstanding shares or securities, as may be the case in a partnership, joint venture or unincorporated association, but more than fifty percent (50%) of whose ownership interest representing the right to make the decisions for such corporation, company or other entity is now or hereafter, owned or controlled, directly or

indirectly, by a party hereto or such third party, but such corporation, company or other entity shall be deemed to be a Subsidiary only so long as such ownership or control exists.

1.4 "IBM Licensed Patents" and "QUANTUM Licensed Patents" shall mean all patents, including utility models and typeface design patents and registrations (but not including any other design patents or registrations) of Grantor:

(a) [CONFIDENTIAL TREATMENT REQUESTED];

(b) which, but for this Agreement, would be infringed by Grantee's making, using, importing, offering for sale, or leasing, selling or otherwise transferring a Grantee's Licensed Product in the country in which such patent exists; and

(c) under which patents or the applications therefor Grantor or any of its Subsidiaries now has, or hereafter obtains, the right to grant licenses to Grantee of or within the scope granted herein without such grant or the exercise of rights thereunder resulting in the payment of royalties or other consideration by Grantor or its Subsidiaries to third parties (except for payments between Grantor and its Subsidiaries, and payments to third parties for inventions made by said third parties while employed by Grantor or any of its Subsidiaries).

Licensed Patents shall include said patent applications, continuations in part of said patent applications, and any patents reissuing on any of the aforesaid patents.

1.5 "Licensed Patents" shall mean either IBM Licensed Patents or QUANTUM Licensed Patents as the context indicates.

1.6 "IBM Licensed Products" shall mean IHS Products.

1.7 "Magnetic Disk" shall mean a platter-like rigid element having a magnetic material coated or plated on or otherwise deposited on, or incorporated in, one or both planar surfaces of said element and primarily designed for magnetically

or magneto-optically storing digital information recorded thereon or reproduced therefrom while said element is rotating.

1.8 "Program" shall mean a plurality of instructions capable of being executed by another IHS Product, whether or not such instructions are in a machine-readable form and whether or not

such plurality of instructions require processing such as assembly or compilation prior to being so executed.

1.9 "Rotating Magnetic Memory Product" (hereinafter "RMM Products") shall mean an IHS Product primarily designed to record and/or read, magnetically or magneto-optically, digital information on or from a rotating Magnetic Disk, which may be either fixed or removable, and any instrumentality or aggregate of instrumentalities (including any Magnetic Disk) primarily designed for incorporation therein.

1.10 "Tape Transport" shall mean an IHS Product primarily designed to effect relative movement between a magnetic tape and one or more magnetic transducers, each transducer operative to read and/or write information from or on such tape, whether or not such instrumentality or aggregate of instrumentalities is mechanically or electrically connected to other apparatus but shall not mean or include such other apparatus. The term "Tape Transport" shall also include any instrumentality, including a multi-cartridge tape loader and tape media cartridge, or aggregate of instrumentalities primarily designed for incorporation in such an IHS Product.

1.11 "Data Storage Transducer" shall mean a magnetic transducing unit operative to read and/or write information from or on a Magnetic Disk or magnetic tape while operating in close physical proximity thereto.

1.12 "Semiconductor Material" shall mean any material whose conductivity is intermediate to that of metals and insulators at room temperature and whose conductivity, over some temperature range, increases with increases in temperature. Such materials shall include, but not be limited to, refined products, reaction products, reduced products, mixtures and compounds.

1.13 "Solid State Disk" shall mean any instrumentality or aggregate of instrumentalities, which is coupled to a CPU or auxiliary apparatus via a Controller Apparatus and peripheral bus and is designed for storage and reproduction of digital information by selectively setting or presetting detectable states in Semiconductor Material forming at least a portion of such instrumentality or aggregate of instrumentalities. A Solid State Disk may include powering means and auxiliary and/or support circuits (such as regeneration means, true-complement

generation means, address means, address decoding means, sensing means, selection means input/output means) to control the flow of such information into or out of such Solid State Disk.

1.14 "RAID Product" shall mean an IHS Product, having a plurality of RMM Products acting in concert as an array, primarily designed to record and/or read digital information to or from the RMM Products in the array, and for reconstituting any digital information which as stored on a failed RMM Product in the array from digital information stored on the remaining RMM Products in the array.

1.15 "Controller Apparatus" shall mean an IHS Product which is substantially physically resident within an RMM Product, Solid State Disk or a Tape Transport and is primarily designed to serve as an interface between a central processor or auxiliary apparatus (which term shall include, without limitation, an input/output channel for a central processor) and such RMM Product, Solid State Disk or Tape Transport, whether or not such apparatus is physically separate from such central processor or auxiliary apparatus or such RMM Product, Solid State Disk or Tape Transport, for interpreting and executing commands, translating data formats, checking and maintaining integrity of information, furnishing status information, or indexing, searching, selecting, switching, locating, comparing or controlling information in, on or with respect to, such RMM Product, Solid State Disk or Tape Transport. Such apparatus shall be deemed to be a Controller Apparatus notwithstanding that it is also capable of performing the aforesaid functions while not connected to said central processor or auxiliary apparatus.

1.16 "Controller Program" shall mean a plurality of instructions capable of being compiled, executed or interpreted by a Controller Apparatus whether or not such instructions are in a machine-readable form.

1.17 "Program Medium" shall mean any medium primarily designed for and containing a Controller Program.

1.18 "Net List" shall mean a detailed specification of circuit functions implementing logic or circuit equations to carry out defined operational tasks within a custom or "Application-Specific-Integrated-Circuit" (ASIC) utilizing a vendor-supplied library of functional circuit elements such as AND gates, OR

gates, multipliers, flip-flops, etc. to lay out mask sets and manufacture ASIC Semiconductor Chips.

1.19 "Semiconductor Chip" shall mean an integral unit containing an interconnected array of active and/or passive elements, integrated on or in a single substrate comprising Semiconductor Material where such unit is primarily designed to be used in relation to a QUANTUM Licensed Product.

1.20 "QUANTUM Licensed Products" shall mean RMM Products, Tape Transports, Solid State Disks, Controller Apparatus, Controller Programs, Semiconductor Chips designed by QUANTUM or generated from Net Lists authored by QUANTUM, Data Storage Transducers, Program Mediums, and any combinations of any, some or all of the foregoing. The term Quantum Licensed Products shall not include RAID Products.

1.21 "Licensed Products" shall mean either IBM Licensed Products or QUANTUM Licensed Products as the context indicates.

Section 2. Grants of Rights

2.1 Subject to the provisions of Sections 2.3, 2.4 and 4, IBM on behalf of itself and its Subsidiaries grants to QUANTUM a worldwide, nonexclusive license under the IBM Licensed Patents:

(a) to use, import, and lease, sell and otherwise transfer QUANTUM Licensed Products;

(b) to make QUANTUM Licensed Products other than RMM Products and Semiconductor Chips, to use any apparatus in the manufacture of such products, and to practice any method or process in such manufacture;

(c) to have QUANTUM Licensed Products made by another manufacturer for the use and/or lease, sale or other transfer by QUANTUM only when the designs and specifications for such QUANTUM Licensed Products were created by QUANTUM (either solely or jointly with one or more third parties); provided, however the license under this Section 2(c):

(i) with respect to Semiconductor Chips shall only be under non-manufacturing method and/or non-manufacturing process claims of IBM Licensed Patents, the infringement of which would be necessitated by compliance with such designs and specifications; and

(ii) with respect to QUANTUM Licensed Products other than Semiconductor Chips shall only be under claims of IBM Licensed Patents, the infringement of which would be

necessitated by compliance with such designs and specifications; and

(iii) shall not apply to any QUANTUM Licensed Products in the form manufactured or marketed by said other manufacturer prior to QUANTUM's furnishing of said designs and specifications; and

(d) to make RMM Products, to use any apparatus in the manufacture of such products, and to practice any method or process in such manufacture, but this license shall only be effective in the event that QUANTUM's RMM Product foundry is unable to supply such products to QUANTUM, and in such event, [CONFIDENTIAL TREATMENT REQUESTED].

Unless QUANTUM informs IBM to the contrary, QUANTUM shall be deemed to have authorized said other manufacturer to make said QUANTUM Licensed Products under the license granted to QUANTUM in this Section 2.1(c) when the condition specified herein is fulfilled. Within thirty (30) days of a written request identifying a product and a manufacturer, QUANTUM shall inform IBM of the quantity of such product, if any, manufactured by such manufacturer.

In the event that neither IBM nor any of its Subsidiaries has the right to grant a license under any particular IBM Licensed Patent of the scope set forth above in this Section 2.1, then the license granted herein under said IBM Licensed Patent shall be of the broadest scope which IBM or any of its Subsidiaries has

the right to grant within the scope set forth above.

Upon receipt by IBM of all payments specified in Section 4, the license granted to QUANTUM shall be fully paid-up.

2.2 Subject to the provisions of Section 2.4, QUANTUM on behalf of itself and its Subsidiaries grants to IBM a worldwide, fully paid-up, nonexclusive license under the QUANTUM Licensed Patents:

(a) to make, use, import, and lease, sell or otherwise transfer IBM Licensed Products;

(b) in the manufacturing of IBM Licensed Products, to use any apparatus and practice any method or process; and

(c) to have IBM Licensed Products made by another manufacturer for the use and/or lease, sale or other transfer by IBM only when the designs and specifications for such IBM Licensed Products were created by IBM (either solely or jointly with

one or more third parties); provided, however the license under this Section 2.2(c):

(i) shall only be under claims of QUANTUM Licensed Patents, the infringement of which would be necessitated by compliance with such designs and specifications; and

(ii) shall not apply to any IBM Licensed Products in the form manufactured or marketed by said other manufacturer prior to IBM's furnishing of said designs and specifications.

Unless IBM informs QUANTUM to the contrary, IBM shall be deemed to have authorized said other manufacturer to make said IBM Licensed Products under the license granted to IBM in this Section 2.2(c) when the condition specified herein is fulfilled. Within thirty (30) days of a written request identifying a product and a manufacturer, IBM shall inform QUANTUM of the quantity of such product, if any, manufactured by such manufacturer.

In the event that neither QUANTUM nor any of its Subsidiaries has the right to grant a license under any particular QUANTUM Licensed Patent of the scope set forth above in this Section 2.2, then the license granted herein under said QUANTUM Licensed Patent shall be of the broadest scope which QUANTUM or any of its Subsidiaries has the right to grant within the scope set forth above.

2.3 Notwithstanding the rights granted to QUANTUM by IBM in this Section 2, no license or immunity is granted hereunder by IBM with respect to Semiconductor Chips made, used, sold, leased, or otherwise transferred by QUANTUM separately from any other QUANTUM Licensed Products [CONFIDENTIAL TREATMENT REQUESTED]

[CONFIDENTIAL TREATMENT REQUESTED]

2.4 No license or immunity is granted by either party hereto either directly or by implication, estoppel or otherwise to any third parties acquiring items from either party for the combination of such acquired items with other items (including items acquired from either party hereto) or for the use of such combination even if such acquired items have no substantial use other than as part of such a combination.

2.5 Subject to Section 2.6, the licenses granted herein shall include the right of each party to grant sublicenses to its Subsidiaries, which sublicenses may include the right of sublicensed Subsidiaries to sublicense other Subsidiaries of said party. No sublicense shall be broader in any respect at any time during the life of this Agreement than the license held at that time by the party that granted the sublicense.

2.6 A sublicense granted to a Subsidiary shall terminate on the earlier of:

(a) the date such Subsidiary ceases to be a Subsidiary; and

(b) the date of termination or expiration of the license of the party that granted the sublicense.

If a Subsidiary ceases to be a Subsidiary and holds any patents under which a party hereto is licensed, such license shall continue for the term defined herein.

2.7 If, after the Effective Date, a party or any of its Subsidiaries ("Acquiring

Party") acquires assets, either by acquiring an entity which owns the assets or by acquiring the assets from such an entity, and said entity is, as of the date of acquisition, licensed by the other party ("Licensor") under one or more Licensed Patents through an existing agreement pursuant to which royalties or other payments are made by said entity to said Licensor, then the license and other rights granted herein to the Acquiring Party with respect to said Licensed Patents shall apply to products manufactured through the use of said assets; provided, however, such royalties or other payments shall continue to be made by the Acquiring Party to the Licensor with respect to products manufactured through the use of said assets notwithstanding that the Acquiring Party may have been licensed for the same Licensed Products before the acquisition.

2.8 If one party transfers a product line, either as part of or separate from a disposition of a Subsidiary to any third party, and if such transfer includes [CONFIDENTIAL TREATMENT REQUESTED], then after written request to the other party hereto jointly by the transferring party and such third party within sixty (60) days following the transfer, the other party hereto agrees to grant to such third party a royalty-free license (under the same terms as the license granted to said one party herein) under the other party's Licensed Patents for the field (as defined between the transferring party and such third party) of such product line provided that:

(a) such field shall be within the field then licensed to the transferring party;

(b) such field shall not be defined more broadly than appropriate to cover the particular product line being transferred and shall be in form and substance acceptable to such other party;

(c) the license granted shall be subject to a revenue cap which (i) for the twelve (12) month period following the transfer shall be set at the revenue attributable to the sale of products in the product line in the last full calendar year prior to the date of transfer plus the greater of ten percent (10%) and the average growth rate during the two calendar years preceding the transfer; and (ii) for subsequent twelve (12) months period shall also be subject to an annual compounded growth rate calculated according to the same formula;

(d) the transferring party shall relinquish its rights under this Agreement for such field for five (5) years following such transfer;

(e) such third party shall grant to such other party a royalty-free license (under the same terms as the license granted to such other party herein) under all Third Party Patents for all products licensed herein to such other party on the Effective Date of this Agreement. "Third Party Patents" shall mean all patents throughout the world under which, at any time commencing with the date of the product line transfer, the third party or any of its Subsidiaries has the right to grant such licenses; and

(f) this Section 2.8, Section 3, and Section 4 shall be omitted from the license granted to such third party.

The relinquishing of its rights by such transferring party pursuant to this Section 2.8 shall be automatically effected as an amendment hereto as of the effective date of such transfer,

which amendment shall automatically terminate five (5) years after the date of transfer, but licenses to such transferring party to use, lease, sell or otherwise transfer apparatus that was manufactured by or for it prior to the time of such relinquishing shall continue with respect to such apparatus.

Section 3. Releases

3.1 Each party (as "Releasor") on behalf of itself and its Subsidiaries which are Subsidiaries as of the Effective Date, irrevocably releases the other party, its Subsidiaries which are Subsidiaries as of the Effective Date and its and their respective customers from any and all claims of infringement of Releasor's Licensed Patents which claims are based on acts prior to the Effective Date, which, had they been performed after the Effective Date would have been licensed under this Agreement.

The release contained herein shall not apply to any person other than the persons named in this Section 3 and shall not apply to the manufacture of any items by any person other than the other party or its Subsidiaries. The release granted by QUANTUM to IBM is effective as of the Effective Date. The release granted by IBM to QUANTUM shall become effective upon receipt of payment specified in Section 4.1.

Section 4. Payment

4.1 [CONFIDENTIAL TREATMENT REQUESTED]:

(a) [CONFIDENTIAL TREATMENT REQUESTED]; and

(b) [CONFIDENTIAL TREATMENT REQUESTED].

4.2 QUANTUM shall be liable for interest on any overdue payment required to be made pursuant to Section 4, commencing on the date such payment becomes due, at an annual rate which is the greater of ten percent (10%) or one percentage point higher than the prime interest rate as quoted by the head office of Citibank N.A., New York, at the close of banking on such date, or on the first business day thereafter if such date falls on a non-business day. If such interest rate exceeds the maximum legal rate in the jurisdiction where a claim therefore is being

asserted, the interest rate shall be reduced to such maximum legal rate.

4.3 If an installment payment set forth in Section 4.1 is not made by its due date, and if such payment, plus interest pursuant to Section 4.2, is not made prior to sixty (60) days after notice from IBM of QUANTUM's delinquency, then, at IBM's sole option, either:

(a) all of the above installment payments which were due after such notice shall automatically become due and payable in full on the sixtieth day after such notice without presentment, demand or additional notice of any kind (all of which are hereby expressly waived); or

(b) all licenses and other rights granted herein to QUANTUM shall automatically terminate on the sixtieth day after such notice.

QUANTUM shall remain obligated to pay all installments which had become due prior to such notice (plus interest thereon as provided in Section 4.2) and QUANTUM shall not be obligated to make any other payments. IBM's election of the option set forth in Section 4.3 (a) or 4.3 (b) shall be stated in such notice. Such notice shall be given as stated in Section 6 herein.

Section 5. Term of Agreement; Acquisition of a Party

5.1 The term of the licenses granted under this Agreement shall be from the Effective Date until * [CONFIDENTIAL TREATMENT REQUESTED], unless earlier terminated under the provisions of this Agreement.

5.2 IBM shall have the right to terminate the license and any other rights granted to QUANTUM granted under this Agreement if QUANTUM fails at any time to make any payment required herein, and if QUANTUM does not cure such failure (including the payment of any interest) within sixty (60) days after written notice from IBM to QUANTUM specifying the nature of such failure.

5.3 If one party (the "Acquired Party") is acquired by a third party, becoming a Subsidiary of such third party:

(a) the Acquired Party shall promptly give notice of such acquisition to the other party;

(b) the date in Section 1.4 (a) shall automatically change to the date of such acquisition;

(c) the license granted to the Acquired Party shall automatically be subject to an annual revenue cap which shall be set at the revenue attributable to the sale of the

Acquired Party's Licensed Products in the last full calendar year prior to the date of such acquisition plus an annual, compounded growth factor calculated at the average growth rate during the last two calendar years prior to the date of acquisition;

(d) all payments specified in Section 4 (if any) which would have been paid after the date of such acquisition shall become immediately due and payable; and

(e) the rights of the non-Acquired party shall not be affected.

5.4 If one party (the "Acquired Party") is acquired by a third party such that it is no longer a separate legal entity, then the Acquired Party shall require

as a condition precedent to the acquisition that the entity that survives after, or results from, such acquisition shall be obligated to make the payments, if any, due pursuant to Section 4.

5.5 Providing that the parties are actively engaged in good faith negotiations toward a renewal of this Agreement, each party agrees not to bring suit against the other for patent infringement for a period of six months after * [CONFIDENTIAL TREATMENT REQUESTED], to allow time to conclude a mutually acceptable renewal.

Section 6. Means of Payment and Communication

6.1 Payment shall be made by electronic funds transfer. Payments shall be deemed to be made on the date credited to the following account:

IBM, Director of Licensing
The Bank of New York
48 Wall Street
New York, New York 10286
United States of America
[CONFIDENTIAL TREATMENT REQUESTED]

6.2 Notices and other communications shall be sent by facsimile or by registered or certified mail to the following addresses and shall be effective upon mailing:

For IBM:	For QUANTUM:
Director of Licensing	Office of Corporate
IBM Corporation	General Counsel
500 Columbus Avenue	Quantum Corporation
Thornwood, New York 10594	500 McCarthy Boulevard
	Milpitas, CA 95035
Facsimile: (914) 742-6737	Facsimile: (408) 324-7005

Section 7. Miscellaneous

7.1 Neither party shall assign or grant any right under any of its Licensed Patents unless such assignment or grant is made subject to the terms of this Agreement.

7.2 Neither party shall assign any of its rights or delegate any of its obligations under this Agreement. Any attempt to do so shall be void. However, a party which undergoes reorganization may assign such rights and delegate such obligation to its legal successor, provided that after the reorganization, the successor and its Subsidiaries will have essentially the same assets as such party and its Subsidiaries had prior to the reorganization.

7.3 Neither party shall use or refer to this Agreement or any of its provisions in any promotional activity. Brief reference to this Agreement in financial statements and reports of either party, including by example, filings with the U.S. Securities and Exchange Commission, shall not be deemed to be promotional activity within the scope of this Section 7.3.

7.4 Each party represents and warrants that it has the full right and power to grant the license and release set forth in Sections 2 and 3. Each party (as a Grantor) further represents and warrants that prior to the execution of this Agreement, it has informed the other party of any patent originating from inventions made by employees of Grantor or its Subsidiaries, which patent is now owned by Grantor or its Subsidiaries and which patent, owing to prior arrangements with third parties, does not qualify as a Licensed Patent of Grantor under which licenses are granted in Section 2. Neither party makes any other representation or warranties, express or implied, nor shall either party have any liability in respect of any infringement of patents or other rights of third parties due to the other party's operation under the license herein granted.

7.5 Nothing contained in this Agreement shall be construed as conferring any rights by implication, estoppel or otherwise,

under any non-patent intellectual property right, or any patents, other than the Licensed Patents. Neither party is required hereunder to furnish or disclose to the other any technical or other information (including copies of Licensed Patents).

7.6 Neither party shall have any obligation hereunder to institute any action or suit against third parties for infringement of any of its Licensed Patents or to defend any action or suit brought by a third party which challenges or concerns

the validity of any of its Licensed Patents. Neither party shall have any right to institute any action or suit against third parties for infringement of any of the other party's Licensed Patents. Neither party, nor any of its Subsidiaries, is required to file any patent application, or to secure any patent or patent rights, or to maintain any patent in force.

7.7 Each party shall, upon a request from the other party sufficiently identifying any patent or patent application, inform the other party as to the extent to which said patent or patent application is subject to the licenses and other rights granted hereunder. If such licenses or other rights under said patent or patent application are restricted in scope, copies of all pertinent provisions of any contract or other arrangement creating such restrictions shall, upon request, be furnished to the party making such request, unless such disclosure is prevented by such contract, and in such event, a statement of the nature of such restriction shall be provided.

7.8 If a third party has the right to grant licenses under a patent to a party hereto (as a "Licensee") with the consent of the other party hereto, said other party shall provide said third party with any consent required to enable said third party to license said Licensee on whatever terms such third party may deem appropriate. Each party hereby waives any right it may have to receive royalties or other consideration from said third party as a result of said third party's so licensing said Licensee within the scope of the licenses granted under Section 2 of this Agreement.

7.9 This Agreement shall not be binding upon the parties until it has been signed hereinbelow by or on behalf of each party. No amendment or modification hereof shall be valid or binding upon the parties unless made in writing and signed as aforesaid.

7.10 If any section of this Agreement is found by competent authority to be invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of such section in every other respect and the remainder of this Agreement shall continue in effect so long as the Agreement still expresses the intent of the parties. However, if the intent of the parties cannot be preserved, this Agreement shall be either renegotiated or terminated.

7.11 This Agreement shall be construed, and the legal relations between the parties hereto shall be determined, in accordance with the law of the State of New York, USA, as such law applies to contracts signed and fully performed in New York.

7.12 The headings of sections are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

7.13 This Agreement supersedes the Patent License Agreement dated as of March 10, 1986 between IBM and QUANTUM, except for patent licenses granted under the March 10, 1986 agreement which are more extensive in scope or in duration than the licenses granted under this Agreement, and those patent licenses shall remain in force and effect under the terms and conditions of the March 10, 1986 agreement.

This Agreement embodies the entire understanding of the parties with respect to the Licensed Patents, and replaces any prior oral or written communications between them.

Agreed to: QUANTUM CORPORATION	Agreed to: INTERNATIONAL BUSINESS MACHINES CORPORATION
By: /s/ Gerard Schenkkan T. Schenkkan Vice President Corporate Development	By: /s/ M.C. Phelps, Jr. M.C. Phelps, Jr. Vice President

EXHIBIT 11.1

QUANTUM CORPORATION
COMPUTATION OF NET INCOME PER SHARE
(In thousands except per share data)

	Three Months Ended	
	June 29, 1997	June 30, 1996
PRIMARY		
Weighted average number of common shares during the period	131,805	110,922
Incremental common shares attributable to exercise of outstanding options	9,076	4,770
Total shares	140,881	115,692
Net Income	96,514	3,843
Net income per share	0.69	0.03
FULLY DILUTED		
Weighted average number of common shares during the period	131,806	110,924
Incremental common shares attributable to exercise of outstanding options and conversion of 6 3/8% convertible subordinated debentures and 5% convertible subordinated notes	9,079	39,464
Total shares	140,885	150,388
Net income:		
Net income	96,514	3,843
Add 6 3/8% convertible subordinated debentures and 5% convertible subordinated notes interest, net of income tax effect	0	3,627
Net income, as adjusted	96,514	7,470
Net income per share	0.69	0.05*

* The primary net income per share is shown in the statements of income as both primary and fully diluted, as the effect of the assumed conversion of the subordinated debentures is anti-dilutive.

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