

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 December 27, 1998

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  
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of December 27, 1998: 165,941,011

QUANTUM CORPORATION

10-Q REPORT

INDEX

Page  
Number

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statements of Operations	3
Condensed Consolidated Balance Sheets	4
Condensed Consolidated Statements of Cash Flows	5
Notes to Condensed Consolidated Financial Statements	6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	13
--------------------------------------------------------------------------------------------------	----

PART II - OTHER INFORMATION 39

SIGNATURE 40

QUANTUM CORPORATION

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

<TABLE>

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)  
(unaudited)

<CAPTION>

	Three Months Ended		Nine Months Ended	
	December 27, 1998	December 28, 1997	December 27, 1998	December 28, 1997
<S>	<C>	<C>	<C>	<C>
Sales	\$ 1,325,581	\$ 1,519,881	\$ 3,593,315	\$ 4,519,516
Cost of sales	1,086,492	1,384,208	2,995,964	3,809,826
	-----	-----	-----	-----
Gross profit	239,089	135,673	597,351	709,690
Operating expenses:				
Research and development	87,921	88,275	254,859	236,797
Sales and marketing	51,142	45,203	134,866	128,907
General and administrative	22,380	23,375	61,275	75,114
Purchased in-process research and Development	89,000	--	89,000	--
	-----	-----	-----	-----
	250,443	156,853	540,000	440,818
Income (loss) from operations	(11,354)	(21,180)	57,351	268,872
Other (income) expense:				
Interest expense	6,909	9,806	20,136	24,135
Interest income and other, net	(5,126)	(10,146)	(19,962)	(24,658)
Loss from investee	100,700	22,651	142,050	42,222
	-----	-----	-----	-----
	102,483	22,311	142,224	41,699
Income (loss) before income taxes	(113,837)	(43,491)	(84,873)	227,173
Income tax provision (benefit)	(7,286)	(11,308)	1,403	59,065
	-----	-----	-----	-----
Net income (loss)	\$ (106,551)	\$ (32,183)	\$ (86,276)	\$ 168,108
	=====	=====	=====	=====
Net income (loss) per share:				
Basic	\$ (0.64)	\$ (0.24)	\$ (0.54)	\$ 1.26
Diluted	\$ (0.64)	\$ (0.24)	\$ (0.54)	\$ 1.05
Weighted average common shares:				
Basic	165,820	135,842	158,687	133,669
Diluted	165,820	135,842	158,687	165,642

<FN>

See accompanying notes to condensed consolidated financial statements.

</FN>

</TABLE>

QUANTUM CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 27, 1998	March 31, 1998
	-----	-----
	(unaudited)	(Note 1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 683,011	\$ 642,150
Marketable securities	24,425	71,573
Accounts receivable, net of allowance for Doubtful accounts of \$11,823 and \$12,928	664,238	737,928
Inventories	259,042	315,035
Deferred taxes	136,020	133,981
Other current assets	88,710	124,670
	-----	-----
Total current assets	1,855,446	2,025,337
Property and equipment, net of accumulated		

Depreciation of \$278,922 and \$220,482	266,785	285,159
Intangibles, net	231,750	24,490
Other assets	39,587	103,425
	-----	-----
	\$2,393,568	\$2,438,411
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 405,737	\$ 446,243
Accrued warranty	73,611	74,017
Accrued compensation	55,601	60,344
Income taxes payable	27,659	39,777
Current portion of long-term debt	1,001	935
Other accrued liabilities	100,102	78,920
	-----	-----
Total current liabilities	663,711	700,236
Deferred taxes	73,945	38,668
Convertible subordinated debt	287,500	287,500
Long-term debt	64,225	39,985
Shareholders' equity:		
Common stock	855,946	776,291
Retained earnings	448,241	595,731
	-----	-----
Total shareholders' equity	1,304,187	1,372,022
	-----	-----
	\$2,393,568	\$2,438,411
	=====	=====

See accompanying notes to condensed consolidated financial statements.

4

<TABLE>

QUANTUM CORPORATION

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

<CAPTION>

	Nine Months Ended	
	December 27, 1998	December 28, 1997
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	\$ (86,276)	\$ 168,108
Items not requiring the current use of cash:		
Loss from investee	124,809	--
Purchased in-process research and development	89,000	--
Depreciation	69,107	57,802
Amortization	13,812	9,332
Compensation related to stock plans	4,064	3,099
Deferred income taxes	438	(346)
Changes in assets and liabilities:		
Accounts receivable	73,690	64,451
Inventories	55,993	(170,643)
Accounts payable	(40,506)	41,395
Income taxes payable	(12,118)	16,697
Accrued warranty	(406)	(23,718)
Other assets and liabilities	63,972	104,468
	-----	-----
Net cash provided by operating activities	355,579	270,645
	-----	-----
Cash flows from investing activities:		
Investment in property and equipment	(88,572)	(124,299)
Proceeds from disposition of property and equipment	139	23,932
Proceeds from sale of marketable securities	115,508	--
Purchase of marketable securities	(68,360)	--
Purchase of equity securities	--	(15,000)
Purchase of intangible assets	--	(16,000)
Proceeds from sale of interest in recording heads operations	--	94,000
	-----	-----
Net cash used in investing activities	(41,285)	(37,367)
	-----	-----
Cash flows from financing activities:		
Proceeds from long-term credit facilities	33,545	--
Proceeds from issuance of convertible subordinated note	--	287,500

Purchase of treasury stock	(305,287)	--
Principal payments on credit facilities	(26,848)	(180,757)
Proceeds from issuance of common stock	25,157	31,442
	-----	-----
Net cash provided by (used in) financing activities	(273,433)	138,185
	-----	-----
Net increase in cash and cash equivalents	40,861	371,463
Cash and cash equivalents at beginning of period	642,150	345,125
	-----	-----
Cash and cash equivalents at end of period	\$ 683,011	\$ 716,588
	=====	=====
Supplemental disclosure of cash flow information:		
Conversion of redeemable preferred stock to common stock	\$ --	\$ 3,888
Cash paid during the period for:		
Interest	\$ 3,898	\$ 11,793
Income taxes, net of (refunds)	\$ (1,239)	\$ 59,806

<FN>

See accompanying notes to condensed consolidated financial statements.

</FN>

</TABLE>

5

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, 1998 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 ("Quantum" or the "Company") for the fiscal year ended March 31, 1998 included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission.

2. Inventories

Inventories consisted of the following:  
(In thousands)

	December 27, 1998	March 31, 1998
	-----	-----
Materials and purchased parts	\$ 72,911	\$ 72,990
Work in process	25,300	44,303
Finished goods	160,831	197,742
	-----	-----
	\$259,042	\$315,035
	=====	=====

6

3. Net income (loss) per share

<TABLE>

The following table sets forth the computation of basic and diluted net income (loss) per share:

<CAPTION>

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	December 27, 1998	December 28, 1997	December 27, 1998	December 28, 1997
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>

Numerator:

Numerator for basic net income (loss)

per share - income (loss) available to common stockholders	\$ (106,551)	\$ (32,183)	\$ (86,276)	\$ 168,108
Effect of dilutive securities:				
5% convertible subordinated notes	--	--	--	5,430
	-----	-----	-----	-----
Numerator for diluted net income (loss) per share - income (loss) available to common stockholders	\$ (106,551)	\$ (32,183)	\$ (86,276)	\$ 173,538
	=====	=====	=====	=====
Denominator:				
Denominator for basic net income (loss) per share - weighted average shares	165,820	135,842	158,687	133,669
Effect of dilutive securities:				
Outstanding options	--	--	--	10,227
Series B preferred stock	--	--	--	120
5% convertible subordinated notes	--	--	--	21,626
	-----	-----	-----	-----
Denominator for diluted net income (loss) per share - adjusted weighted average shares and assumed conversions	165,820	135,842	158,687	165,642
	=====	=====	=====	=====
Basic net income (loss) per share	\$ (0.64)	\$ (0.24)	\$ (0.54)	\$ 1.26
	=====	=====	=====	=====
Diluted net income (loss) per share	\$ (0.64)	\$ (0.24)	\$ (0.54)	\$ 1.05
	=====	=====	=====	=====

</TABLE>

The computation of diluted net loss per share for the three and nine months ended December 27, 1998 and the three months ended December 28, 1997, excluded the effect of the 7% convertible subordinated notes issued in July 1997, which are convertible into 6,206,152 shares at a conversion price of \$46.325 per share, because the effect would have been antidilutive.

The computation of diluted net loss per share for the three and nine months ended December 27, 1998 and the three months ended December 28, 1997 also excluded the effect of weighted average outstanding options because the Company reported a net loss for these periods and accordingly, the effect would be antidilutive. At December 27, 1998, options to purchase 22,540,250 shares of the Company's common stock were outstanding.

7

#### 4. Debt & Capital

In September 1998, the Company issued 16.9 million shares to the shareholders of ATL Products, Inc. ("ATL") to complete the acquisition of ATL as a wholly owned subsidiary of the Company. In part, the Company reissued treasury stock to complete the acquisition. The difference between the cost of the treasury stock and the value at which the shares were reissued resulted in a \$63 million reduction to retained earnings in the quarter ended December 27, 1998. For additional information regarding the ATL acquisition, refer to Note 6 of the Notes to Condensed Consolidated Financial Statements.

In October 1998, the Company repurchased 2.8 million shares of its common stock which completed the share repurchase of a total of 15.5 million shares during the nine months ended December 27, 1998 at a cost of \$305 million as authorized by the Board of Directors. The intent of the repurchase was to minimize the dilutive impact of the shares issued to complete the acquisition of ATL.

In December 1998, the Company entered into a senior credit facility that provides a \$35 million revolving credit line to ATL. The revolving credit line is coterminous with the Company's \$500 million revolving credit line, expiring in June 2000. At the option of ATL, borrowings under the revolving credit line bear interest at either LIBOR plus a margin determined by a total funded debt ratio of the Company, or a base rate, with option periods of one to six months. At December 27, 1998, \$25 million was outstanding on ATL's revolving credit line.

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. Subsequent to August 1, 2001, the notes are redeemable at the Company's option at any time. 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.

## 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 of 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 on material nonpublic information.

8

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. The Court heard oral argument on plaintiffs' motion for class certification on November 4, 1997. On March 4, 1998, the Court entered an order denying plaintiffs' motion without prejudice. Limited discovery is proceeding.

With respect to the federal action, defendants filed their motion to dismiss on April 16, 1997. On August 14, 1997, the Court granted defendants' motion to dismiss without prejudice. On September 11, 1997, plaintiff filed an amended complaint. Defendants filed a motion to dismiss the amended complaint on October 24, 1997. The hearing on defendants' motion took place on February 3, 1998. On April 16, 1998, the Court granted defendants' motion to dismiss with prejudice. On May 19, 1998, plaintiff filed a notice of appeal of the District Court's dismissal in the United States Court of Appeals for the Ninth Circuit. On September 25, 1998, plaintiff filed his opening appellate brief. Defendants filed their answering brief on November 30, 1998. Plaintiff's reply brief was filed on January 14, 1999.

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.

On August 7, 1998, the Company was named as one of several defendants in a patent infringement lawsuit filed in the U.S. District Court for the Northern District of Illinois, Eastern Division. On Quantum's motion, the suit has been moved to the Northern District of California. The plaintiff, Papst Licensing GmbH, owns at least 24 U.S. patents which it asserts that the Company has infringed. The Company has studied many of these patents before and, of the patents it has studied, believes that defenses of patent invalidity and non-infringement can be asserted. However, Quantum has not yet had time to make a complete study of all the patents asserted by Papst and there can be no assurance that the Company has not infringed on these or other patents owned by Papst. The final results of this litigation, as with any litigation, are uncertain. If required, there can be no assurance that licenses to any technology owned by Papst or any other third party alleging infringement could be obtained on commercially reasonable terms if at all. Adverse resolution of the Papst litigation or any other intellectual property litigation could subject the Company to substantial liabilities and require it to refrain from manufacturing certain products which could have a material adverse effect on the Company's business, financial condition or results of operations. In addition, the costs of engaging in the Papst litigation or other intellectual property litigation could be substantial, regardless of the outcome.

The Company is also subject to other legal proceedings and claims that arise in the ordinary course of its business. While management currently believes the amount of ultimate liability, if any, with respect to these actions will not materially affect the financial position, results of

9

operations, or liquidity of the Company, the ultimate outcome of any litigation is uncertain. Were an unfavorable outcome to occur, the impact could be material to the Company.

## 6. Business Combinations

On September 28, 1998, the Company completed the acquisition of ATL. ATL designs, manufactures, markets and services automated tape libraries for the networked computer market. ATL's products incorporate DLTTape™ drives as well as ATL's proprietary IntelliGrip™ automation technology. The acquisition has been accounted for as a purchase with a total cost of \$335 million. The acquisition was completed with the issuance of 16.9 million shares of Quantum common stock valued at \$265 million on the date of acquisition in exchange for all outstanding shares of ATL, the conversion of outstanding ATL stock options into options valued at \$22 million to purchase 1.8 million shares of Quantum common stock and the assumption of \$45 million of ATL liabilities. ATL's results of operations are included in the financial statements as of the date of acquisition, and the assets and liabilities acquired were recorded based on their fair values as of the date of acquisition.

The excess of the purchase price over the fair value of the net tangible assets acquired has been allocated to the following identifiable intangible assets: goodwill, trade marks and trade names, original equipment manufacturer and value added reseller customer relationships, non-compete agreements, workforce in place, developed technology and in-process research and development. As of the acquisition date, technological feasibility of the in-process technology has not been established and the technology has no alternative future use. Therefore, the Company has expensed the amount of the purchase price allocated to in-process research and development, which based on a preliminary valuation, the Company has estimated at \$89 million as of the date of acquisition. The remaining identifiable intangible assets will be amortized on a straight-line basis over periods ranging from two to fifteen years.

The amount of the purchase price allocated to in-process research and development was determined by estimating the stage of development of each in-process research and development project at the date of acquisition, estimating cash flows resulting from the expected revenues generated from such projects, and discounting the net cash flows back to their present value using a discount rate of 20%, which represents a premium to the Company's cost of capital. The estimated revenues assume an average compound annual revenue growth rate of 37% during fiscal years 1999 to 2007. Estimated total revenues from the purchased in-process projects peak in fiscal year 2002 and then begin to decline as other new products are expected to be introduced. These projections are based on management's estimates of market size and growth, expected trends in technology and the expected timing of new product introductions. If these projects are not successfully developed, the Company may not realize the value assigned to the in-process research and development projects. In addition, the value of the other acquired intangible assets may also become impaired.

The following unaudited pro forma information has been prepared assuming that the acquisition had taken place at the beginning of the respective periods presented. The pro forma financial information is not necessarily indicative of the combined results that would have occurred had the acquisition

10

taken place at the beginning of the periods, nor is it necessarily indicative of results that may occur in the future.

<TABLE>  
<CAPTION>

(In thousands)	Three Months Ended		Nine Months Ended	
	December 27, 1998	December 28, 1997	December 27, 1998	December 28, 1997
<S>	<C>	<C>	<C>	<C>
Sales	\$1,325,581	\$1,536,833	\$3,633,626	\$4,563,654
Net income (loss)	\$ (106,551)	\$ (36,692)	\$ (96,986)	\$ 154,032
Net income (loss) per share:				
Basic	\$ (0.64)	\$ (0.27)	\$ (0.59)	\$ 1.14
Diluted	\$ (0.64)	\$ (0.27)	\$ (0.59)	\$ 0.95

</TABLE>

## 7. Loss from Investee

On May 16, 1997, the Company sold a 51% majority interest in its recording heads operations to Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE"), thereby forming a recording heads joint venture with MKE, named MKE-Quantum Components LLC ("MKQC"). MKQC was involved in the research, development, and manufacture of MR recording heads used in the Company's disk drive products manufactured by MKE.

On October 28, 1998, the Company and MKE agreed to dissolve MKQC because MKQC had not been able to produce MR recording heads on a cost-effective basis. In connection with the dissolution, MKE has taken control and ownership of MKQC's manufacturing operations in Batam, Indonesia; MKQC's domestic operations have substantially ceased as of December 27, 1998; and its domestic assets are in liquidation. The Company recorded a \$101 million loss from investee which

includes a write-off of Quantum's investment in MKQC; a write-down of Quantum's interest in facilities in Louisville, Colorado, and Shrewsbury, Massachusetts that were occupied by MKQC; warranty costs resulting from MR recording heads manufactured by MKQC; and Quantum's 49% pro rata share in funding MKQC's repayment of its obligations, primarily bank debt, accounts payable, and other liabilities through June 1999 when the liquidation of MKQC is expected to be completed.

For the quarter ended December 27, 1998, the Company accounted for its 49% interest in MKQC based on estimated liquidation values and costs. From May 16, 1997 to September 27, 1998, the Company accounted for its 49% interest in MKQC using the equity method of accounting. MKQC's net loss for the six months ended September 27, 1998 was \$84 million on sales of \$62 million. The results of the Company's involvement in recording heads through May 15, 1997 were consolidated.

During the first three quarters of fiscal year 1999, the Company provided support services to MKQC. The support services were primarily comprised of finance, human resources, facilities, legal, and information service support. The loss from investee includes support services expected to be provided throughout the liquidation of MKQC.

11

#### 8. Comprehensive Income (Loss)

As of April 1, 1998, the Company adopted Statement of Financial Accounting Standards, ("SFAS") No. 130, "Reporting Comprehensive Income." SFAS 130 establishes new rules for the reporting and display of comprehensive income and its components; however, it has no impact on the Company's net income or shareholders' equity. SFAS 130 requires foreign currency translation adjustments, which prior to adoption were reported only in shareholders' equity, to be included in the determination of comprehensive income.

The components of comprehensive income (loss), net of tax, are as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	December 27, 1998	December 28, 1997	December 27, 1998	December 28, 1997
	----	----	----	----
Net income (loss)	\$ (106,551)	\$ (32,183)	\$ (86,276)	\$ 168,108
Change in cumulative Translation adjustment	1,377	(1,341)	1,500	(1,090)
	-----	-----	-----	-----
Comprehensive income (loss)	\$ (105,174)	\$ (33,524)	\$ (84,776)	\$ 167,018
	=====	=====	=====	=====

12

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

Management's discussion and analysis includes:

- o Business overview.
- o Strategic developments.
- o A comparison of Quantum's results of operations in the three and nine months ended December 27, 1998 with the results of operations in the corresponding periods in fiscal year 1998.
- o Year 2000 update.
- o A discussion of Quantum's operating liquidity and capital resources.
- o A discussion of trends and uncertainties, which include those related to the information storage industry and those related to more specific characteristics of Quantum.

#### Forward-Looking Statements

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 can be identified by the use of forward-looking terminology, such as "may," "will," "project," "estimate," "anticipate," "expect," "continue," "potential," "opportunity" or the negative thereof or other variations thereon or comparable terminology or



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

Founded in 1980, Quantum Corporation ("Quantum" or the "Company") is a diversified mass storage company with leadership positions in both the fixed and removable storage markets. In calendar year 1998, Quantum was the highest-volume global supplier of hard disk drives for personal computers and the worldwide revenue leader for all classes of tape drives.

Quantum designs, develops, and markets information storage products, including high-performance, high-quality half-inch cartridge tape drives, tape media, tape autoloaders and libraries, hard disk drives, and solid state disk drives. Quantum also manufactures the half-inch cartridge tape drives and solid state disk drives, and the Company's wholly owned subsidiary,

13

ATL Products, Inc. ("ATL"), manufactures tape autoloaders and libraries. 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. MKE manufactures all of Quantum's hard disk drives.

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

Quantum's products meet the storage requirements of mid-range to high-end computer systems, workstations, network servers, high-end to entry-level desktop personal computers, and storage subsystems. The Company directly markets its products to major original equipment manufacturers ("OEMs") and through a broad range of distributors, resellers, and systems integrators worldwide.

The Company's information storage business currently includes two units, the Specialty Storage Products Group and the Enterprise and Personal Storage Products Group. The primary business activities of these two groups are discussed below.

Specialty Storage Products. Quantum designs, develops, manufactures, and markets half-inch cartridge tape drives, autoloaders and libraries based on patented DLTtape(TM) technology, and solid state disk drives. Quantum also designs, develops, and markets DLTtape media. In addition, the DLTtape technology has been licensed to Tandberg Data ASA for the manufacture and marketing of DLTtape drives based on current DLTtape and future Super DLTtape technology, as well as to Fuji and Maxell for the manufacture of tape media. The DLTtape drives (20 gigabytes to 70 gigabytes capacity, compressed) use advanced linear recording technology and a highly accurate tape guide system to perform mission-critical data backup for mid-range and high-end computer systems. Quantum has worldwide manufacturing rights for DLTtape drive and media technology and is currently the sole manufacturer of DLTtape drives. The Company believes that DLTtape drives are the de facto market standard in the mid-range segment of the tape storage market. The Company's solid state disk drives have high execution speeds required for applications such as imaging, multimedia, video-on-demand, online transaction processing, material requirements planning, and scientific modeling.

The Company's current DLTtape drive and DLTtape media product offerings include:

Quantum DLT 7000 tape drive. The DLT 7000 provides a combination of 35 gigabytes ("GB") native capacity (70 GB compressed) and a sustained data transfer rate of 5 megabytes ("MB") per second (10 MB per second compressed). The DLT 7000 tape drive features a SCSI-2 fast/wide interface with single-ended and differential options.

Quantum DLT 4000 tape drive. This product features a native storage capacity of 20 GB per cartridge and a sustained data transfer rate of 1.5 MB per second.

14

Quantum DLTtape III, IIIXT, IV tape media and cleaning cartridges. The

DLTtape family of half-inch cartridge tapes are designed and formulated specifically for Quantum DLTtape drives, autoloaders and libraries. The capacity of the DLTtape media is up to 35 GB, or 70 GB in compressed mode. By combining both solid and liquid lubricants in the tape binder system, tape and head wear are reduced while repelling airborne particles that could affect read/write head performance. In addition, by using a uniform particle shape, a dense binding system, a smooth coating surface, and a specially selected base film, Quantum's half-inch cartridge tapes take advantage of shorter wavelength recording schemes to ensure read compatibility with future generations of DLT brand tape drives.

The Company's current library and automation product offerings include:

P3000 Series library. The P3000 series is the first DLT library with High Availability features designed for data intensive applications. This product also features the Prism Library Architecture™, which incorporates a high performance PCI expansion bus. A Prism-enabled library can be upgraded by adding library building blocks, which harness the power of high-speed PCI adapter cards. This enables network and fibre connectivity, provides the capability to embed single-card CPUs and drives, and allows for added functionality such as tape mirroring and auto tape copy. Features also include the Intelligrip™ precision cartridge handling technology, designed to accurately load and unload. The P3000 Series library supports up to 16 DLT7000 drives and 326 cartridges for a native data transfer rate of 288 GB per hour and a native capacity of 11.4 Terabytes ("TB"). Up to five P3000 modules can be connected to form a single library system with up to 80 DLT7000 drives and 1,630 cartridges for a native transfer rate of 1.44 TB per hour, and a native capacity of 57 TB.

PL50 Library Hub. This external library controller offers the capability of connecting up to three backup servers to a single automated DLT library. The PL50 Library Hub features a server equipped with four SCSI ports, a monitor, and ATL's advanced Library Hub software. Three of the PL50's four SCSI ports are interfaces to backup servers. The fourth port is for connection to the ATL library robotics controller. The PL50 presents a virtual library to each backup server by allowing a user to assign specific cartridge slots and drive partitions.

P1000 Series library. Features the Prism Library Architecture, the IntelliGrip precision cartridge handling technology, option to accommodate from 2 to 4 DLT4000 or 7000 drives, 16 or 30 cartridge slot capacity, a native storage capacity of 1.05TB, and maximum native throughput of 144 GB per hour.

7100 Series library. Features the Intelligrip precision cartridge handling technology, option to accommodate from 2 to 4 DLT4000 or 7000 drives, maximum native storage capacity of 1.8 TB at speeds of up to 126 GB per hour, and a sustained data transfer rate of 5 MB per second.

520 Series library. Features the Intelligrip precision cartridge handling technology, option to accommodate from 2 to 4 DLT4000 or 7000 drives, maximum native storage capacity of 1.8 TB, and a sustained data transfer rate of 5 MB per second.

15

StorLink Series library. Features the Intelligrip precision cartridge handling technology, option to accommodate up to 528 DLT cartridges or 18 DLT drives, maximum native storage capacity of 37 TB and capacity of up to 648 GB per hour of backup and restore performance.

2640 Series library. Features the Intelligrip precision cartridge handling technology, option to accommodate up to nine DLT4000 or 7000 drives and 264 cartridges, storage capacity of up to 9.24 TB, library throughput of up to 162 GB per hour, and a sustained data transfer rate of 5 MB per second.

PowerStor(TM) L500 library. Features a 14-cartridge capacity and accommodates up to three DLTtape drives. A fully configured PowerStor Library provides a maximum native storage capacity of 490 GB and a sustained data transfer rate of 15 MB per second.

PowerStor L200 autoloader. Accommodates a DLT 4000 or DLT 7000 tape drive and delivers a maximum native storage capacity of 280 GB and a sustained data transfer rate of 5 MB per second.

DLT 4500, 4700 autoloaders. The DLT 4500 five-cartridge autoloader provides native storage capacity of 100 GB. The DLT 4700 seven-cartridge autoloader provides native storage capacity of 140 GB. These autoloaders have a sustained data transfer rate of 1.5 MB per second.

The Company's current solid state disk drive product offerings include:

Quantum Rushmore(TM) NTE family of solid state disk drives includes the ESP3000 and ESP5000 series. These drives are available in capacities ranging from 134 MB to 950 MB and have a data access time that is up to 15 times faster than magnetic hard disk drives.

Quantum Rushmore Ultra family of solid state disk drives includes the RU3000 and RU5000 series. These drives are available in capacities ranging from 134 MB to 1.66 GB and have a data access time that is up to 10 times faster than magnetic hard disk drives.

Enterprise and Personal Storage Products. Quantum designs, develops, and markets technologically advanced desktop and high-end hard disk drives. These drives are designed to meet the storage needs of entry-level to high-end desktop personal computers ("PCs"), servers, and workstations for use in both home and business environments; and for the data-intensive storage needs of high-end desktop systems, workstations, high-performance network servers, and storage subsystems. The high-end disk drives are designed for data-intensive applications, such as data warehousing, digital content creation, digital video, file servers, financial services, Internet and intranet services, mechanical CAD, multimedia, online transaction processing, RAID storage, software development, and workgroup computing.

16

The Company's current desktop disk drive product offerings include:

Quantum Bigfoot(TM) TS. The Bigfoot TS is the first 5.25-inch drive with the award winning Shock Protection System(TM), a technology that protects the mechanical platform against the impact of mishandling during shipping or integration into a PC. The Bigfoot TS features capacities of 6.4 GB, 8.4 GB, 12.7 GB and 19.2 GB, Ultra ATA interface, MR heads, a PRML read channel, burst data transfer rates of up to 33 MB per second, internal data rates up to 168 MB per second, average seek time of 10.5 milliseconds ("ms"), and a rotational speed of 4,000 RPM.

Quantum Bigfoot TX. Features capacities of 4 GB, 6 GB, 8 GB and 12 GB, Ultra ATA interface, MR heads, a PRML read channel, burst data transfer rates of up to 33 MB per second, internal data rates up to 142 MB per second, average seek time of 12 ms, and a rotational speed of 4,000 RPM.

Quantum Fireball(TM) Plus KA. Announced in December 1998, Fireball Plus KA is expected to begin mass production in late first quarter of calendar year 1999. The Fireball Plus KA is the first 7200 RPM drive with the Quantum-developed Ultra ATA/66 interface (patent pending) which enhances data integrity through improved timing margins and Cyclical Redundancy Check, a data protection scheme which helps assure the integrity of transferred data. Additional features include the Data Protection System, a technology which tests the health of Quantum desktop hard drives and determines if the disk drive is the source of system failure, Shock Protection System, capacities of 6.4 GB, 9.1 GB, 13.6 GB and 18.2 GB, MR Heads, internal data rates up to 235 MB per second, and an average seek time of 8.5 ms.

Quantum Fireball CR. Announced in November 1998, Fireball CR began mass production in January 1999. Features include Shock Protection System, capacities of 4.3 GB, 6.4 GB, 8.4 GB and 12.7 GB, Ultra ATA/66 interface, MR heads, internal data rates of up to 190 MB per second, average seek times of 9.5 ms, and a rotational speed of 5,400 RPM.

Quantum Fireball EX. Features Shock Protection System, capacities of 3.2 GB, 5.1 GB, 6.4 GB, 10.2 GB and 12.7 GB, Ultra ATA interface, MR heads, buffer-to-host data transfer rates of up to 33 MB per second, internal data rates up to 187 MB per second, average seek times of 9.5 ms, and a rotational speed of 5,400 RPM.

Quantum Fireball EL. Features Shock Protection System, capacities of 2.5 GB, 5.1 GB, 7.6 GB and 10.2 GB, Ultra ATA interface, MR heads, buffer-to-host data transfer rates of up to 33 MB per second, internal data rates up to 162 MB per second, average seek times of 9.5 ms, and a rotational speed of 5,400 RPM.

Quantum Fireball SE. Features capacities of 2.1 GB, 3.2 GB, 4.3 GB, 6.4 GB and 8.4 GB, Ultra ATA interface, MR heads, buffer-to-host data transfer rates of up to 33 MB per second, internal data rates up to 158 MB per second, average seek times of 9.5 ms, and a rotational speed of 5,400 RPM.

17

The Company's current high-end disk drive product offerings include:

Quantum Viking(TM) II. The Viking II 3.5-inch hard disk drive is

available in capacities of 4.5 GB and 9.1 GB with high bandwidth Ultra2 SCSI Low Voltage Differential (LVD) or Ultra SCSI interface. The Viking II also features MR heads, burst data transfer rates of up to 80 MB per second, internal data rates of up to 170 MB per second, an average seek time of 7.5 ms, and a rotational speed of 7200 RPM.

Quantum Atlas(TM) 10K. Announced in October 1998, the Atlas 10K is expected to begin mass production in the second quarter of calendar year 1999. The Atlas 10K family is among the first to offer 36.4 GB capacity in a half-height, 3.5-inch form factor, as well as 18.2 GB and 9.1 GB capacities in a low-profile, 1-inch-high footprint. The drive features the Shock Protection System and advanced SCSI interface - Ultra 160/m SCSI interface supports up to 160 MB per second and is fully compatible with the Ultra2 and Ultra SCSI systems. Additional features include the leading-edge Fibre Channel option interface, full duplex, command on second port, 200 MB/sec peak bus throughput, Class 3 and FC-AL2 compliant, third party XOR and 4 MB buffer, internal data rates up to 315 MB per second, average seek time of 5 ms, and a rotational speed of 10,000 RPM.

Quantum Atlas IV. Announced in October 1998, the Atlas IV is expected to begin mass production in late first quarter of calendar year 1999. The Atlas IV drive family is also among the first to offer 36.4GB capacity in a half-height, 3.5-inch form factor, as well as 18.2 GB and 9.1 GB capacities in a low-profile, 1-inch-high footprint. Atlas IV supports the Ultra160/m SCSI interface, Ultra2 and Ultra SCSI systems. Additional features include the Shock Protection System, buffer-to-host data transfer rates of up to 160 MB per second, internal data rates up to 257 MB per second, average seek time of 6.9 ms, 21 MB/sec maximum sustained data throughput, and a rotational speed of 7,200 RPM.

Quantum Atlas III. The Atlas III multimode 3.5-inch hard disk drive is available in capacities of 9.1 GB and 18.2 GB. It supports both the high-speed Ultra2 SCSI LVD interface and the Ultra SCSI interface. The Atlas III features broad interface availability with new Ultra-2 LVD SCSI-3, Ultra single-ended SCSI-3 and Fibre Channel Arbitrated Loop (FC-AL). The drive's performance includes burst data transfer rates of up to 80 MB per second, internal data rates up to 180 MB per second, average seek time of 7.8 ms, and a rotational speed of 7200 RPM.

The Company is currently concentrating its product research and development efforts on broadening its existing tape, tape automation, and disk drive product lines through the introduction of new products. These development efforts span the Company's business and focus on the development of new tape drives, autoloaders and libraries, desktop and high-end hard disk drives, including disk drives designed for consumer electronics applications, and other storage solutions. A key initiative involves Super DLTtape technology, which includes four new tape drive technologies that the Company plans to develop into a major extension of its DLTtape architecture. The Company expects to deliver its first tape storage product based on the Super DLTtape technology in the second half of calendar year 1999.

18

#### Strategic Developments

Dissolution of MKQC. On October 28, 1998, the Company and MKE agreed to dissolve MKE-Quantum Components LLC ("MKQC") because MKQC had not been able to produce MR recording heads on a cost-effective basis. MKQC was formed on May 16, 1997, when the Company sold a 51% majority interest in its recording heads operations to Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE"). In connection with the dissolution, MKE has taken control and ownership of MKQC's manufacturing operations in Batam, Indonesia; MKQC's domestic operations have substantially ceased as of December 27, 1998; and its domestic assets are in liquidation. The Company recorded a \$101 million loss from investee which includes a write-off of Quantum's investment in MKQC; a write-down of Quantum's interest in facilities in Louisville, Colorado, and Shrewsbury, Massachusetts that were occupied by MKQC; warranty costs resulting from MR recording heads manufactured by MKQC; and Quantum's 49% pro rata share in funding MKQC's repayment of its obligations, primarily bank debt, accounts payable, and other liabilities.

Quantum and TiVo Inc. - Strategic Cooperation. In December 1998, the Company announced a strategic alliance with TiVo, Inc., a company which has created personalized television through the combination of an innovative new television service and patented consumer electronics technology that enables viewers to control what, when and how they watch TV. Under the terms of the agreement, the Company will provide the Quantum QuickView(TM) hard drive technology for integration into the TiVo receiver, an in-home center for the TiVo personalized television service. Quantum QuickView hard drive technology was optimized for the TiVo center to enable time-shifting capability and provide instant access to content. The technology allows viewers to pause, rewind, slow-motion and instant replay any live TV broadcast as well as automatically time-shift their favorite TV shows for viewing anytime. Availability of the TiVo service is expected to begin in early calendar year 1999.

## Results of Operations

Sales. Sales for the three and nine months ended December 27, 1998 were \$1.326 billion and \$3.593 billion, respectively, compared to \$1.520 billion and \$4.520 billion, respectively, for the corresponding periods in fiscal year 1998. The decrease in sales reflected lower revenues from sales of desktop and high-end hard disk drives, partially offset by an increase in DLTtape media revenues and the acquisition of ATL and consolidation of ATL's sales effective September 28, 1998. The three month comparative period reflected record sales of DLTtape drives, automation products and media royalty revenues as the Company continued to experience favorable market conditions for DLT brand products, despite the decline in overall revenues for the period. The decline in desktop hard disk drive revenues for the three and nine month comparative periods reflected a decline in shipments and average unit prices. However, a strong PC market in the third quarter of fiscal year 1999 resulted in some easing of the intense competitive pricing pressures of prior quarters. Although high-end hard disk drive shipments increased in the three and nine month comparative periods of fiscal year 1999, increased competitive pricing pressures, especially in the third quarter of fiscal year 1999, resulted in reduced average unit prices and lower high-end hard disk drive revenue.

19

Sales to the Company's top five customers for the three and nine months ended December 27, 1998 represented 40% and 43% of sales, respectively, compared to 44% and 45% of sales, respectively, for the corresponding periods in fiscal year 1998 (these amounts reflect a retroactive combination of the sales to Compaq Computer, Inc. and Digital Equipment Corporation as a result of their merger in June 1998). Sales to Compaq Computer, Inc. were 14% and 15% of sales for the three and nine months ended December 27, 1998, respectively, compared to 15% and 18% of sales, respectively, for the corresponding periods in fiscal year 1998 (including sales made to Digital Equipment Corporation). Sales to Hewlett-Packard were 12% and 14% of sales, respectively, for the three and nine months ended December 27, 1998, compared to 13% and 12% of sales, respectively, for the corresponding periods in fiscal year 1998.

The OEM and distribution channel sales were 62% and 34% of sales for the quarter ended December 27, 1998, respectively, compared to 63% and 37% of sales for the quarter ended December 28, 1997. For the first nine months of fiscal year 1999, OEM and distribution channel sales were 64% and 34% of sales, respectively, compared to 62% and 38% of sales for the corresponding periods of fiscal year 1998. The remaining sales in fiscal year 1999 represented media royalty revenues and sales to value added resellers.

Gross Margin Rate. The gross margin rate for the quarter ended December 27, 1998 increased to 18.0% from 8.9% in the quarter ended December 28, 1997. The gross margin rate for the first nine months of fiscal year 1999 was 16.6%, compared to 12.9% in the corresponding period in fiscal year 1998.

The gross margin rate for the third quarter and first nine months of fiscal year 1998 reflected the impact of a \$103 million special charge taken in the third quarter related to the transition to a new generation of high-end disk drive products, and consisted primarily of inventory write-offs and adjustments, and losses related to firm inventory purchase commitments. The gross margin excluding the impact of the charge was 15.7% and 18.0% in the three and nine month periods ended December 28, 1997.

Excluding the impact of the special charge in the three and nine month comparative periods, the increase in the gross margin rate for the fiscal third quarter of 1999 reflected increased revenues of DLTtape drives, automation products and DLTtape media royalties which have significantly higher margins compared to the Company's other products. The decline in the gross margin rate for the nine month comparative period reflected the decline in prices and gross margins earned on desktop hard disk drives, partially offset by increased media royalties and the proportion of revenue coming from the sale of higher margin DLTtape drive and automation products, although at generally lower margin rates compared to the prior year period. The decline in desktop hard disk drive margins for the nine month comparative period reflected intense competition and aggressive pricing, especially in the first two quarters of fiscal year 1999, in part, reflecting the growth of the value PC market. For the fourth quarter of fiscal year 1999, the Company expects to experience continued gross margin pressure with respect to its desktop and high-end hard disk drive products.

20

Research and Development Expenses. Research and development expenses in the three and nine months ended December 27, 1998, were \$88 million, or 6.6% of sales, and \$255 million, or 7.1% of sales, respectively, compared to \$88 million, or 5.8% of sales, and \$237 million, or 5.2% of sales, respectively, in the corresponding periods in fiscal year 1998. The increase in research and development expenses as a percentage of sales reflected decreased sales, while the increase in research and development expenses for the first nine months of

fiscal year 1999 reflected higher research and development expenses related to new hard disk drive products, as well as research and development expenses related to new information storage products and technologies, including the Super DLTtape drive and optical storage technology. The amount of research and development expenses is expected to increase in the fourth quarter of fiscal year 1999 as compared to the third quarter of fiscal year 1999.

**Sales and Marketing Expenses.** Sales and marketing expenses in the three and nine months ended December 27, 1998, were \$51 million, or 3.9% of sales, and \$135 million, or 3.8% of sales, respectively, compared to \$45 million, or 3.0% of sales, and \$129 million, or 2.9% of sales, respectively, in the corresponding periods of fiscal year 1998. The increase in sales and marketing expenses reflected the consolidation of ATL's expenses and an increase in marketing and advertising costs associated with DLTtape products. The amount of sales and marketing expenses is expected to increase in the fourth quarter of fiscal year 1999 as compared to the third quarter of fiscal year 1999.

**General and Administrative Expenses.** General and administrative expenses in the three and nine months ended December 27, 1998, were \$22 million, or 1.7% of sales, and \$61 million, or 1.7% of sales, respectively, compared to \$23 million, or 1.5% of sales, and \$75 million, or 1.7% of sales, respectively, in the corresponding periods of fiscal year 1998. The decrease in general and administrative expenses reflected the impact of cost control efforts, including reduced bonus expenses, in response to the lower level of earnings and sales.

**Purchased In-process Research and Development.** Purchased in-process research and development costs pursuant to the acquisition of ATL were expensed in the quarter ending December 27, 1998. Based on a preliminary valuation, the Company has estimated these costs at \$89 million. For additional information regarding the ATL acquisition and the costs allocated to in-process research and development, refer to Note 6 of the Notes to Condensed Consolidated Financial Statements.

**Interest and Other Income/Expense.** Net interest and other income and expense in the three and nine months ended December 27, 1998 was \$1.8 million and \$0.2 million net expense, respectively, compared to \$0.3 million and \$0.5 million net income, respectively, in the corresponding periods of fiscal year 1998.

**Loss From Investee.** On October 28, 1998, the Company and MKE agreed to dissolve MKQC. In connection with the dissolution, the Company recorded a \$101 million loss in the period ended

21

December 27, 1998 which included a write-off of Quantum's investment in MKQC; a write-down of Quantum's interest in facilities in Louisville, Colorado, and Shrewsbury, Massachusetts that were occupied by MKQC; warranty costs resulting from MR recording heads manufactured by MKQC; and Quantum's 49% pro rata share in funding MKQC's repayment of its obligations, primarily bank debt, accounts payable, and other liabilities. Refer to Note 7 of the Notes to Consolidated Condensed Financial Statements for additional discussion of the dissolution of MKQC.

**Income Taxes.** No tax benefit was recognizable for the charge for purchased in-process research and development. The Company recorded a provision for income taxes at an effective rate of 33% of pretax earnings before the charge for the nine months ended December 27, 1998 as compared to 26% for the corresponding period in fiscal year 1998. The higher effective tax rate for the nine months ended December 27, 1998 was primarily attributable to a decreased percentage of foreign earnings taxed at less than the U.S. rate and nondeductible goodwill amortization.

Year 2000

A year 2000 computer issue is raised by the possibility that unless modifications are made, by midnight on December 31, 1999, computer systems may not be able to distinguish the year 2000 from the year 1900. There are two other date-related issues which may contribute to the year 2000 problem: i) certain systems have associated special values with date fields (i.e., 9/9/99), and ii) these same systems may fail to recognize that year 2000 is a leap year. The pervasive use and dependency on computer technology in all facets of modern commerce means that the inherent risks to companies, including Quantum, from year 2000 issues is potentially quite vast. For example, risks are associated with potential disruptions or failures within Quantum (i.e., Quantum's products and operations), within Quantum's suppliers, customers and service providers (i.e., their products and operations), and so on. Because the year 2000 issue can impact Quantum indirectly through its suppliers, service providers and customers, an assessment and prediction of the impact of the year 2000 issue on

the Company is difficult.

The Company is in the process of implementing plans to address year 2000 issues both within and outside of Quantum. In addressing the year 2000 issues and risks, the Company has focused, and will continue to focus, its efforts on the Company's enterprise-wide and departmental operations, products, critical suppliers (including service providers), and key customers. Within Quantum, these efforts are intended to encompass all major categories of computer systems and operating equipment in use by the Company, including those utilized in manufacturing, research and development, sales, finance, and human resources. To ensure year 2000 compliance for all of Quantum's systems, the Company has adopted a resolution approach based on the U.S. General Accounting Office Year 2000 Assessment Guide. The approach utilizes a multi-phased model, with major phases consisting of the following: inventory, assessment, resolution, testing, and certification. Briefly described, the inventory phase is the process where all hardware, software, equipment, infrastructure, and desktop tools and applications are listed and reviewed for criticality and risk. Thereafter, it is determined in the assessment phase whether to convert, replace, or eliminate the impacted system or application. A formal plan is developed and carried out in the resolution phase. Under stringent procedures in the

22

testing phase, the system or application is validated on its functionality to perform seamlessly in the year 2000. All test results are documented and verified in the certification phase.

Within each of the major categories of computer systems and operating equipment, the Company prioritizes its year 2000 issues and risks on three levels: critical, key, or active. The critical level proposes short-term failure to have a severe impact on business operations, resulting in significant downtime or a manual effort to perform the required functions. Without this system or application, the business could not function. Key level applications or systems, although required by the Company, are not mandatory for business survival. The failure of key level applications is not expected to cause significant disruption to the Company's operations. The work can be deferred or manual back-up procedures will be devised to handle the interim needs. Active level applications, although currently in use, are not required for the Company's normal operations. Their failure is not expected to result in any disruption to the business.

Quantum has made significant progress in its preparedness for year 2000. The inventory phase is 85% complete for all levels, with an expected completion date of mid February 1999. The Company is acting to remedy issues as they are revealed while it simultaneously completes its assessment of year 2000 risks. Quantum currently anticipates that it will have assessed and remedied all critical areas of its own operations by the end of February 1999, and that it will be prepared to internally certify readiness of these critical areas by the end of March 1999. Assessment, resolution, testing, and certification of critical third parties is expected to be completed by the end of March 1999. Quantum also plans to develop contingency plans based, in part, on the assessment results.

The Company's estimated timetable for assessment, resolution, testing, and certification of critical level-year 2000 issues is summarized in the following table:

23

<TABLE>  
<CAPTION>

	Assessment	Resolution	Testing	Certification
Information Technology	85 % Complete Expected completion date, February 28, 1999	75% Complete Expected completion date, February 28, 1999	5% Complete Expected completion date, March 31, 1999	0% Complete Expected completion date, March 31, 1999
Operating Equipment with Embedded Chips or Software	90% Complete Expected completion date, February 28, 1999	75% Complete Expected completion date, February 28, 1999	50% Complete Expected completion date, March 31, 1999	0% Complete Expected completion date, March 31, 1999

Products	100% Complete	100% Complete	100% Complete	100% Complete
3rd Party	90% Complete for system interface; 80% Complete for all other material exposures  Expected completion date for surveying all third parties, February 28, 1999	40% Complete for system interface.  Develop contingency plans as appropriate, March 31, 1999	20% Complete for system interface.  Expected completion date for system interface work, March 31, 1999	0% Complete for system interface  Expected completion date for system interface work, March 31, 1999  Implement contingency plans or other alternatives as necessary, March 31, 1999

</TABLE>

The Company's failure to complete critical readiness assessments, critical corrective actions or implement viable contingency plans in a timely matter could have a material, adverse effect on the Company's business, financial condition and results of operations.

As indicated above, the Company's risk assessment includes understanding the year 2000 readiness of its suppliers. The Company's risk assessment process associated with suppliers includes soliciting and analyzing responses to questionnaires distributed to these suppliers, as well as onsite interviews with certain critical suppliers. The Company has received 100% of responses from an initial survey sent to suppliers, and has received 100% of responses from a second follow-up survey sent to those identified as critical suppliers. Certain critical suppliers will receive an on-site visit by Quantum, to commence in February 1999, and to be completed by March 1999.

The Company's manufacturing partner, MKE and its year 2000 readiness are of particular importance. MKE has implemented a year 2000 compliance project plan in April 1998, similar in content and structure to that employed by Quantum. MKE is expected to have all of its critical processes, applications and hardware tested and year 2000 compliant and certified by the end of March 1999. All key and active processes, applications and hardware are expected to be year 2000 compliant and certified by the end of June 1999. Regular meetings are held between Quantum and

MKE to verify that MKE is, and will remain, on schedule. Additionally, the Company will perform limited on-site evaluations of MKE operations in Japan, Singapore, and Ireland during February and March 1999. Quantum's reliance on MKE and other critical suppliers, and therefore, on the proper functioning of their information systems and software, means that any failure by these critical suppliers to address year 2000 issues could have a material adverse impact on the Company's business, financial condition and results of operations. Based on the level of risk assessed of critical suppliers, the Company may develop contingency plans, including the possibility of a planned increase in inventory or other measures.

The Company is also working closely with key customers to evaluate their readiness for year 2000 and expects to perform site visits if deemed necessary. The ability of customers to deal with year 2000 issues may affect their operations and their ability to order and pay for products. Based on the level of risk assessed, the Company may develop contingency plans to address possible changes in customer order patterns.

Quantum believes that its most reasonably likely worst case scenario would be attributed to third party factors, rather than its internal systems and applications. For example, since the Company deals heavily with third parties to manufacture and transport products and services, a failure of third party systems could result in a disruption of service, which could result in delays in shipments of the Company's products. For internal systems, the Company is developing workarounds, which may involve providing manual or other automated systems in lieu of normal procedures.

Although the year 2000 issue is resident in both software and hardware, it is created by those system components that effect or calculate time and date. The



disk drive and tape sub-system does not retain software that has date and time information but only as generated by the system clock or software application. Quantum products are inherently year 2000 compliant; the family of disk drives, whether for desktop, workstation and systems, or solid state disks has no internal date clocks, and therefore is not impacted by the year 2000 problem. Quantum's DLT tape drives use a four-character string to describe the year in the internal buffer and will not be affected by the year 2000 change. Additionally, no modifications need to be made to any disk or tape drive's internal firmware to accommodate the transition to the year 2000. The Company considers a disk drive or tape product to be year 2000 compliant when used in accordance with Quantum's product information and will not generate an error in data related to the year change from December 31, 1999 to January 1, 2000. Furthermore, year 2000 compliant products will correctly handle leap years, including leap years beginning January 1, 2000 and thereafter. However, the assessment of whether a complete computer system operates correctly depends on factors such as the operating system, BIOS, software and components, which are provided by companies other than Quantum.

Costs incurred to date in addressing the year 2000 issue were approximately \$6.25 million at December 27, 1998. Based on assessment and resolution projects underway, the Company currently expects that the total cost of addressing the year 2000 issue, including both incremental spending and redeployed resources, will not exceed \$15 million. A majority of the cost is expected to relate to the redeployed resources. However, as the year 2000 efforts continue, Quantum may use third-party vendors, auditors, and/or service providers as necessary to assure that program milestones are successfully met. The expected costs related to the year 2000 effort in fiscal year 1999 represent approximately 10% of the total information technology budget for the fiscal year. No significant

25

system projects have been deferred due to the year 2000 program. As the Company's risk assessment and correction activities continue, these costs may change. In addition, the Company's total cost estimate does not include potential costs related to any customer or other claims resulting from the Company's failure to adequately correct year 2000 issues.

Based on assessment and remediation completed to date, the Company does not expect any significant disruption to its operations or operating results as a result of year 2000 issues. The Company is taking all steps it believes are appropriate to identify and resolve any year 2000 issues; however, it is uncertain to what extent the Company may be affected by such matters. There can be no assurance that the Company will be able to assess, identify and correct year 2000 issues in a timely or successful manner. In addition, there can be no assurance that the failure to ensure year 2000 capability by suppliers, service providers, customers, or other third parties would not have a material adverse affect on the Company's financial condition or results of operations.

The foregoing statements regarding the Company's year 2000 plans and the Company's expectations for resolving these issues and the costs associated therewith are forward-looking statements and actual results could vary. The Company's success in addressing year 2000 issues could be impacted by the severity of the problems to be resolved within the Company, by year 2000 issues affecting its suppliers and service providers, and by the costs associated with third party consultants and software necessary to address these issues.

#### Liquidity and Capital Resources

Cash, cash equivalents and marketable securities were \$707 million at December 27, 1998, compared to \$714 million at March 31, 1998. The major uses of cash were the purchase of \$305 million of treasury stock, as discussed below, and investment in property and equipment. Offsetting this use of cash was cash provided by operating activities, primarily sales, the collection of accounts receivable, and the reduction in inventories.

In September 1998, the Company issued 16.9 million shares to the shareholders of ATL to complete the acquisition of ATL as a wholly owned subsidiary of the Company. In part, the Company reissued treasury stock to complete the acquisition. The difference between the cost of the treasury stock and the value at which the shares were reissued resulted in a \$63 million reduction to retained earnings in the quarter ended December 27, 1998. For additional information regarding the ATL acquisition, refer to Note 6 of the Notes to Condensed Consolidated Financial Statements.

In October 1998, the Company repurchased 2.8 million shares of its common stock which completed the share repurchase of a total of 15.5 million shares during the nine months ended December 27, 1998 at a cost of \$305 million as authorized by the Board of Directors. The intent of the repurchase was to minimize the dilutive impact of the shares issued to complete the acquisition of ATL.

In December 1998, the Company entered into a senior credit facility that provides a \$35 million revolving credit line to ATL. The revolving credit line is coterminous with the Company's \$500 million revolving credit line, expiring in June 2000. At the option of ATL, borrowings under the

revolving credit line bear interest at either LIBOR plus a margin determined by a total funded debt ratio of the Company, or a base rate, with option periods of one to six months. At December 27, 1998, \$25 million was outstanding on ATL's revolving credit line.

In June 1997, the Company entered into an unsecured senior credit facility that 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. At September 27, 1998, there was no outstanding balance drawn on this line.

In September 1996, the Company entered into a \$42 million mortgage financing related to certain domestic facilities at an effective interest rate of approximately 10.1%. The term of the mortgage is 10 years, with monthly payments based on a 20-year amortization period, and a balloon payment at the end of the 10-year term.

Based on the adverse conditions in the hard disk drive market in fiscal year 1999, the Company has reduced capital spending and expects to spend less than \$130 million for capital equipment, expansion of the Company's facilities, and leasehold improvements in the fiscal year. These capital expenditures will support the disk drive and tape drive businesses, research and development, and general corporate operations. Refer to the Future Capital Needs section of the Trends and Uncertainties section for additional discussion of capital.

The Company believes that its existing capital resources, including the credit facility and any cash generated from operations, will be sufficient to meet all currently planned expenditures and sustain operations for the next 12 months. 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 factors described in the Trends and Uncertainties section that follows.

#### Trends and Uncertainties

By 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.

#### 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.

- o Intense competition - The information storage products industry in general, and the hard disk drive market 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.

27

- o Declining desktop hard disk drive prices - In conjunction with intense competition, the growth of the low-cost PC market, often referred to as the "sub \$1,000" PC market, has led to a shift in the storage market toward lower priced hard disk drives.
- o Rapid technological change - Technology advancement in the information storage industry is increasingly rapid and the customer qualification process is difficult.
- o Customer concentration - High-purchase-volume customers for information storage products are concentrated within a small number of computer system manufacturers, distribution channels, and systems integrators.
- o 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 is in turn affected by computer system product cycles and prevailing economic conditions.

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 is materially adversely affected. The hard disk drive market, in particular, 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 and transition products sooner than expected, which can materially adversely affect the Company. For example, in the first nine months of fiscal year 1999 and the second half of fiscal year 1998,

periods of excess inventory in the desktop hard disk drive market, aggressive pricing and corresponding margin reduction adversely impacted the Company's operating results during these periods, although with less of an adverse impact in the third quarter of fiscal year 1999. The Company experienced similar conditions in the high-end of the hard disk drive market during most of fiscal year 1998 and in the first nine months of fiscal year 1999, although with less of an adverse impact in the first nine months of fiscal year 1999. As a result of these conditions, the Company had diminished profitability, at near breakeven, in the first quarter of fiscal year 1999 and fourth quarter of fiscal year 1998. Furthermore, losses in the third quarter of fiscal year 1998 were largely attributable to a \$103 million special charge primarily for high-end hard disk drive inventory write-offs and firm inventory purchase commitments. If competition and pricing further intensifies, the Company's operating results could be further adversely affected.

Another competitive risk is that 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 Exabyte, Fujitsu, Hewlett-Packard, IBM, Maxtor, Seagate, Sony, and Western Digital. In the event that the Company is unable to compete effectively with these companies, any other company, or any collaboration of companies, the Company would be materially adversely affected. The Company's information storage product competition can be further broken down as follows:

28

**Specialty Storage Products.** In the market for tape storage products, the Company competes with other companies that have tape storage product offerings and alternative formats, including Exabyte, Hewlett-Packard, Sony, and Storage Technology. In addition, Hewlett-Packard, IBM, and Seagate formed a consortium to develop two tape drive products, one of which targets high-capacity data storage. The Company targets and has the market leadership position in the storage product market that provides mission-critical backup systems, archiving, and disaster recovery for mid-range servers. The Company has achieved market leadership and competes in this segment based on the reliability, data integrity, performance, capacity, and scalability of its tape and automation storage products. Although the Company has experienced excellent market acceptance and conditions for its tape storage products, the market would become more competitive if other companies individually or collaboratively broaden their product lines in this market. As a result, the Company could experience increased price and performance competition. If price or performance competition increases, the Company could be required to lower prices, resulting in decreased margins that could materially adversely affect the Company's operating results.

**Hard Disk Drive Products.** In the market for desktop products, Quantum competes primarily with Fujitsu, IBM, Maxtor, Samsung, Seagate, and Western Digital. Quantum and its competitors have developed and continue to develop 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, cost, product performance, quality, and reliability 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 information storage industry in general. This competitiveness, which intensified in the second half of fiscal year 1998 and continued in the first nine months of fiscal year 1999, resulted in significantly reduced gross profit margins on desktop disk drive products during these periods.

The Company faces competition in the high-end hard disk drive market primarily from Fujitsu, Hitachi, IBM, and Seagate. Seagate and IBM have the largest share of the market for high-end hard disk drives. Although the same competitive factors identified above as being generally applicable to the overall disk drive industry apply to high-end disk drives, the Company believes that performance, quality, and reliability are even more important to the users of high-end products than to users in the desktop market. However, this does not lessen the intensely competitive nature of the high-end of the hard disk drive market. For example, intense competition has led to the trend of losses on the Company's high-end hard disk drive products over the past six quarters, although with decreased losses in the first nine months of fiscal year 1999. The Company does not anticipate that the high-end disk drive products will return to profitability prior to shipping next generation products and there can be no assurance as to the profitability of next generation products. The Company's operating results in the high-capacity market during the foreseeable future is dependent on the successful development, timely introduction, market acceptance, and product transition of key new products, as to which there can be no positive assurance.

**Declining Desktop Hard Disk Drive Prices.** As discussed above, intense

competition has resulted in aggressive pricing in the desktop hard disk drive market. The intense competition, when

29

combined with the growth of the low-cost PC market, often referred to as the "sub \$1,000" PC market, has led to a shift in the storage market toward lower priced desktop hard disk drives. To be successful as a hard disk drive supplier in general as well as to the low-cost PC market, cost structure, including corporate infrastructure, materials, distribution and warranty costs must be appropriately aligned to the product performance and price required to compete in this market. The Company is currently implementing plans to bring the cost structure of desktop hard disk drives into alignment with prices; however, there can be no assurance that the Company's plans will be successful or implemented timely. Continued growth of the low cost market as a portion of the overall hard disk drive market could result in increasingly adverse pricing having an increasingly adverse impact on the Company's results of operations. The Company will continue to evaluate its business model for its desktop hard disk products given the challenging environment in this market.

Rapid Technological Change, New Product Development and Qualification, and Technology Investments. In the hard disk drive market, the combination of an environment of increasingly rapid technological changes, short product life cycles, and intense competitive pressures results in rapidly decreasing gross margins on specific products. Accordingly, any delay in the 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 that meet this demand and effectively compete with the products of competitors.

For example, magnetoresistive ("MR") recording heads represent an important technology and component related to the performance and competitiveness of the Company's products. In particular, MR recording heads have been important to achieving competitive storage density for the Company's products. The anticipated next generation of MR recording heads is referred to as "Giant" MR ("GMR") recording heads. In calendar year 1999, the Company expects industry-wide competition in products incorporating GMR technology to have an impact on technology leadership and competitiveness. In this regard, the alliance between IBM and Western Digital that includes a purchasing agreement and technology licensing involving GMR recording heads has increased the competition in products incorporating GMR technology. The Company can make no assurance regarding its ability to incorporate GMR recording heads into its products and, if successful, the competitiveness of the Company's products.

The Company's future is also dependent on its ability to qualify new products with customers, to successfully introduce these products to the market on a timely basis, and to commence and achieve volume production that meets customer demand. Because of these factors, the Company expects sales of new products to continue to account for a significant portion of its future hard disk drive sales, and that sales of older products will decline rapidly.

The Company is frequently in the process of qualifying new products with its customers. The customer qualification process for disk drive products, particularly high-end products, can be lengthy, complex, and difficult. The Company would be materially adversely affected if it were unable to achieve customer qualifications for new products in a timely manner, or at all, or if

30

MKE were unable to continue to manufacture qualified products in volume with consistent high quality.

In the mid-range tape drive market, the Company has experienced less rapid technological change, as well as less technology and performance based competition compared with the hard disk drive market. This has resulted in favorable gross margins on sales of the Company's DLTtape brand products. Higher margins on DLTtape products, as compared with the eroded gross margins on hard disk drives, have resulted in tape drive and related media products becoming the primary source of the Company's operating income in the first nine months of fiscal year 1999 and the second half of fiscal year 1998. Given the favorable tape drive market conditions that the Company has experienced, competitors are aggressively trying to make technological advances and take other steps in order to more successfully compete with the Company's DLTtape products. Successful competitor product offerings that target the market in which the Company's DLTtape products compete could have a material adverse effect on the Company. In addition, in the event that the Company is not able to maintain DLTtape technology competitiveness based on its performance, quality, reliability and scalability, or otherwise not meet the requirements of the market, it could lose market share and experience declining sales and gross margins, which would have a material adverse effect on the Company.

In the information storage industry in general, 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 or achieve market acceptance. These significant risks apply to all new products, including those expected to be based on optical and Super DLTtape technologies. 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 and substantially lower prices than the Company's products. Furthermore, 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, for technological or other reasons, the Company is unable 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.

As part of the Company's strategy to remain technologically competitive, the Company has invested in technologies, such as in optical technology through its strategic alliance with and investment in TeraStor. In addition, the Company is developing technologies for consumer electronics applications, including the strategic alliance with TiVo, Inc., as discussed in the Strategic Developments section. There can be no assurance that the technologies, companies, and ventures in which the Company has invested will be profitable in the information storage industry. Adverse technological or operating outcomes could result in impairment and write-down of associated investments that could have a material adverse effect on the Company.

31

Customer Concentration. In addition to the concentration of the information storage industry and the Company's customer base, customers are generally 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. In June 1998, two Quantum customers, Compaq Computer, Inc. and Digital Equipment Corporation merged, thereby increasing the Company's customer concentration and associated risk.

Sales of the Company's desktop and tape products, which together comprise a majority of its overall sales, were concentrated with several key customers in the first nine months of fiscal year 1999 and in fiscal year 1998. Sales to the Company's top five customers in the nine months ended December 27, 1998 represented 43% of sales, compared to 45% of sales in the corresponding period in fiscal year 1998 (percentage of sales reflects a retroactive combination of the sales to Compaq Computer, Inc. and Digital Equipment Corporation as a result of their merger in June 1998). Because of the rapid and unpredictable changes in market conditions, and the short product life cycles for its customers' products, the Company is unable to predict whether 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. In addition, the loss of one or more key customers could materially adversely affect the Company.

Fluctuation in Product Demand. Fluctuation in demand for the Company's products results in fluctuations in operating results. Demand for the computer systems in which the Company's storage products are used 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, either 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 will be at a slower rate than the rate experienced in recent years.

Sales of DLTtape drives and media have tended to be more stable and were a significant component of sales for the Company. In addition, 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 can be no assurance that this trend will continue. Beginning in the third quarter of fiscal year 1998, sales of tape drives and media achieved gross margins that significantly exceeded gross margins from the sale of the Company's hard drive products. In this regard the Company expects sales of DLTtape and automation products, which represented 28% of sales in the third quarter of fiscal year 1999 and 21% of sales in fiscal year 1998, and a majority of operating profits in both periods, will continue to represent a major portion of the Company's operating profits in the future. The Company expects the rate of sales growth to lessen in fiscal year 1999 compared with the rate of growth achieved in fiscal year 1998. However, there can be no assurance that any growth expectations will be achieved or that current market conditions will continue.

32

The Company's shipments tend to be highest in the third month of each quarter.

Failure by the Company to complete shipments in the final month of a quarter resulting from a decline in customer demand, manufacturing problems, or other factors would adversely affect the Company's operating results for that quarter.

Because the Company has no long-term purchase commitments from its customers, future demand is difficult to predict. The Company could experience decreases in demand for any of its products in the future, which could have a material adverse effect on the Company.

#### 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 intellectual property matters, the acquisition of ATL, the Tandberg manufacturing license and marketing agreement, inventory risk, dependence on MKE for the manufacture of the hard disk drives that Quantum develops and markets, the dissolution of MKQC, risks from conversion to a single European currency, dependence on suppliers, component shortages, future capital needs, warranty costs, foreign manufacturing and sales, foreign exchange contracts, and price volatility of Quantum's common stock. For information regarding litigation, refer to Note 5 of the Notes to Condensed Consolidated Financial Statements.

**Intellectual Property Matters.** From time to time, the Company is approached by companies and individuals alleging Quantum's infringement of and need for a license under patented or proprietary technology that Quantum assertedly uses. On August 7, 1998, the Company was named as one of several defendants in a patent infringement lawsuit filed in the U.S. District Court for the Northern District of Illinois, Eastern Division. On Quantum's motion, the suit has been moved to the Northern District of California. The plaintiff, Papst Licensing GmbH, owns at least 24 U.S. patents which it asserts that the Company has infringed. The Company has studied many of these patents before and, of the patents it has studied, believes that defenses of patent invalidity and non-infringement can be asserted. However, Quantum has not yet had time to make a complete study of all the patents asserted by Papst and there can be no assurance that the Company has not infringed these or other patents owned by Papst. The final results of this litigation, as with any litigation, are uncertain. If required, there can be no assurance that licenses to any technology owned by Papst or any other third party alleging infringement could be obtained on commercially reasonable terms if at all. Adverse resolution of the Papst litigation or any other intellectual property litigation could subject the Company to substantial liabilities and require it to refrain from manufacturing certain products which could have a material adverse effect on the Company's business, financial condition or results of operations. In addition, the costs of engaging in the Papst litigation or other intellectual property litigation could be substantial, regardless of the outcome.

**Acquisition of ATL.** As discussed in Note 6 of the Notes to Condensed Consolidated Financial Statements, on September 28, 1998 the Company completed the acquisition of ATL. In connection with the acquisition, the Company expensed the amount of the purchase price

33

allocated to in-process research and development, which based on a preliminary valuation, the Company has estimated at \$89 million. Recent actions and comments from the Securities and Exchange Commission have indicated they are reviewing the current valuation methodology of purchased in-process research and development related to business combinations. The Commission is concerned that some companies are writing off more of the value of an acquisition than is appropriate. The Company believes it is in compliance with all of the rules and related guidance as they currently exist. However, there can be no assurance that the Commission will not seek to retroactively apply new guidance and reduce the amount of purchased in-process research and development previously expensed by the Company. This could result in the restatement of previously filed financial statements of the Company and could have a material adverse impact on financial results for periods subsequent to the acquisition.

In addition, the acquisition of ATL by the Company entails a number of risks. The success of Quantum and ATL is dependent, in part, on the retention and integration of key management, technical, marketing, sales and customer support personnel of ATL, in particular its President and Chief Executive Officer, Kevin C. Daly, Ph.D. However, there can be no assurance that key personnel will remain with Quantum for any specified period. Quantum's success with the acquisition also depends in large part upon its ability to attract, retain and motivate highly skilled employees. Competition for such employees, particularly development engineers and experienced senior management, is intense, and there can be no assurance that Quantum will be able to continue to attract and retain sufficient numbers of such highly skilled employees. Quantum's inability to attract and retain additional key employees or the loss of one or more of its current key employees could have a material adverse effect on the Company's business, financial condition and results of operations.

The success of Quantum and ATL is also dependent, in part, on the retention of key customers of both Quantum and ATL. A number of ATL's competitors are Quantum's customers and therefore the acquisition may increase the Company's competition with its customers. Although Quantum already competes with a number of its key customers, increased competition could result in customers shifting storage strategies and purchases away from Quantum products. A loss of a key customer could have a material adverse effect on the Company's financial condition and results of operations.

Tandberg Manufacturing License and Marketing Agreement. In September 1998, Quantum and Tandberg entered into a manufacturing license and marketing agreement through which Tandberg can become an independent second source for DLTtape drives, including products under development based on Quantum's Super DLTtape technology as well as current DLTtape technology. Tandberg expects to implement full DLTtape manufacturing operations by the second half of calendar year 1999. As part of the agreement, Tandberg intends to market a full spectrum of DLTtape products, including drives, media, and libraries. With Tandberg's strong name recognition and established distribution channels in the European market, Tandberg is expected to be a synergistic partner. Tandberg will need Quantum's assistance to ramp-up its production of DLTtape drives. There are a number of risks associated with this agreement, including that Tandberg may not be successful or timely in ramping-up its production of DLTtape drives for technical, operational, cost or other reasons; if the Quantum/Tandberg alliance is unsuccessful, more broadly licensed

34

competitive products may be able to gain market share in the mid-range tape market; manufacturing capacity added by Tandberg could lead to over supply and price declines if demand in the mid-range tape storage market begins to slow down. There can be no assurance that the agreement will be successful, synergistic, or will not have an adverse impact on the Company's financial position and results of operations.

Inventory Risk. As discussed in the "Customer Concentration" and "Fluctuation in Product Demand" sections, the Company's customers generally are not obligated to purchase any minimum volume of the Company's products and fluctuations in end-user demand may result in the deferral or cancellation of orders for the Company's products. These risk factors, when combined with the OEM trend toward carrying minimal inventory levels related to just-in-time and build-to-order type manufacturing processes, increase the risk that Quantum, as a supplier, will manufacture and custom configure too much or too little inventory in support of OEM manufacturing processes. Significant excess inventory conditions could result in inventory write-downs and losses that could adversely impact the Company's results of operations, whereas inventory shortages could adversely impact the Company's relationship with its customers and the Company's results of operations.

Dependence on MKE Relationship. Quantum is dependent on MKE for the manufacture of all of its hard disk drive products. Approximately 75% and 79% of the Company's sales in the first nine months of fiscal year 1999 and in fiscal year 1998, respectively, were derived from products manufactured by MKE. The Company's relationship with MKE is therefore critical to the Company's business and financial performance.

Quantum's master agreement with MKE, which covers the general terms of the business relationship is effective through May 2007. The agreement may be terminated sooner as a result of certain specified events including a change-in-control of either Quantum or MKE. 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 to the Company's operations. As a result, the Company would be materially adversely affected.

35

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 disk drive 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. For example, a portion of the \$103 million special charge recorded in the third quarter of fiscal year 1998 reflected losses on firm inventory commitments associated with high-end disk drive production at MKE.

**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 for the next 12 months. 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.

**Dissolution of MKQC.** Since the acquisition of MR recording heads technology in fiscal year 1995 as part of the purchase 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. On October 28, 1998, the Company and MKE agreed to dissolve MKE-Quantum Components LLC ("MKQC"). MKQC was formed on May 16, 1997, when the Company sold a 51% majority interest in its recording heads operations to Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE").

Although the Company does not expect to be further adversely impacted by the dissolution of MKQC, the \$101 million loss from investee that the Company recorded in the third quarter of fiscal year 1999 is based, in part, on the Company's estimated cash outflow required to liquidate MKQC and there are inherent uncertainties involved in such estimates. For example, if the assets of MKQC are sold for amounts that are less than estimated by MKQC or if buyers cannot be found, MKQC would require additional funding to repay its bank debt, accounts payable and other liabilities, and the Company would be expected to fund cash shortfalls on a 49% pro rata basis. If the Company's cash outflows to complete the dissolution of MKQC are greater than estimated, the Company could be further adversely impacted.

**Risks from Conversion to Single European Currency.** On January 1, 1999, certain member states of the European Economic Community fixed their respective currencies to a new currency, the Single European Currency ("Euro"). On that day the Euro became a functional legal currency within these countries. During the three years beginning on January 1, 1999, business in these countries can be

36

conducted both in the former national currency as well as the Euro. Companies operating in or conducting business in these countries need to ensure that their financial and other software systems are capable of processing transactions and properly handling the existing currencies and the Euro. Quantum is still assessing the impact that the introduction and use of the Euro will have on its internal systems. The Company will take corrective actions based on such assessment but does not presently expect that introduction and use of the Euro will materially affect the Company's foreign exchange and hedging activities or use of derivative instruments or will result in any material increase in costs to the Company. While Quantum will continue to evaluate the impact of the Euro introduction over time, based on currently available information, management does not believe that the introduction of the Euro will have a material adverse impact on the Company's financial condition or overall trends in results of operations.

**Dependence on Suppliers of Components and Sub-Assemblies; Component Shortages.** Both 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. 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, 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 over the next 12 months. 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, research, and development expenditures, which could adversely affect the Company.

Warranty. Quantum generally warrants its products against defects for a period of three to five years. A provision for estimated future costs relating to warranty expense is recorded when products are shipped. Actual warranty costs 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 used to estimate the warranty expense accrual.

37

Risks Associated with Foreign Manufacturing and Sales. Many of the Company's products and product components are currently manufactured outside the United States. In addition, close to half of the Company's revenue comes from sales outside the United States, including sales to the overseas operations of domestic companies. 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. In addition, several Asian countries have recently experienced significant economic downturns and significant declines in the value of their currencies relative to the U.S. dollar. In the four quarters ending with the first quarter of fiscal year 1999, the Company experienced a year-over-year reduction in sales to certain Asian countries due, in part, to the effects of these factors. With most of the Company's non-U.S. sales being denominated in U.S. dollars, the Company is unable to predict what effect, if any, these factors will have on its ability to maintain or increase its sales in these markets, general economic conditions, and the Company's customers.

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.

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 information storage and computer market may have a significant impact on the market price of the common stock. In particular, when the Company reports operating results that are less than the expectations of analysts, the market price of the common stock can be materially adversely affected.

38

## 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.
- None.

39

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: February 9, 1999

By: /s/ Richard L. Clemmer  
-----  
Richard L. Clemmer  
Executive Vice President, Finance  
and Chief Financial Officer

40

QUANTUM CORPORATION

INDEX TO EXHIBITS

Exhibit Number	Exhibit
10.1	SECOND AMENDMENT TO CREDIT AGREEMENT, dated December 18, 1998, among Quantum Corporation, certain financial institutions (collectively, the "Banks"), Canadian Imperial Bank of Commerce, as administrative agent for the Banks, ABN AMRO Bank, N.V., as syndication agent for the Banks and Bank of America National Trust & Savings Association, as documentation agent for the Banks.
10.2	CREDIT AGREEMENT, dated December 18, 1998, among ATL Products, Inc., certain financial institutions (collectively, the "Banks") and Fleet National Bank as agent for the Banks.
10.3	INDUSTRIAL LEASE, dated July 17, 1998, between The Irvine Company as lessor, and ATL Products, Inc. as lessee.
27.1	Financial Data Schedule
Footnotes to Exhibits	Footnote
None	

41

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of December 18, 1998, is entered into by and among:

- (1) QUANTUM CORPORATION, a Delaware corporation ("Borrower");
- (2) Each of the financial institutions listed in Schedule I to the Credit Agreement referred to in Recital A below (collectively, the "Banks") that execute this Amendment;
- (3) CANADIAN IMPERIAL BANK OF COMMERCE, as administrative agent for the Banks (in such capacity, "Administrative Agent").
- (4) ABN AMRO BANK, N.V., San Francisco International Branch ("ABN"), as syndication agent for the Banks (in such capacity, "Syndication Agent"); and
- (5) BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION, as documentation agent for the Banks (in such capacity, "Documentation Agent").

RECITALS

A. Each of (i) Borrower, (ii) the Banks, (iii) Administrative Agent, (iv) ABN and CIBC Inc., as co-arrangers for the Banks, (v) Syndication Agent, (vi) Documentation Agent, and (vii) BankBoston, N.A., The Bank of Nova Scotia, Fleet National Bank and The Industrial Bank of Japan, Limited, as co-agents for the Banks, are parties to a Credit Agreement dated as of June 6, 1997, as amended by that certain First Amendment to Credit Agreement dated as of June 26, 1998 (as amended, the "Credit Agreement").

B. Borrower has requested the Banks, Administrative Agent, Syndication Agent and Documentation Agent to amend the Credit Agreement in certain respects.

C. The Banks executing this Amendment, Administrative Agent, Syndication Agent and Documentation Agent are willing so to amend the Credit Agreement upon the terms and subject to the conditions set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Borrower, the Banks executing this Amendment, Administrative Agent, Syndication Agent and Documentation Agent hereby agree as follows:

1

1. Definitions, Interpretation. All capitalized terms defined above and elsewhere in this Amendment shall be used herein as so defined. Unless otherwise defined herein, all other capitalized terms used herein shall have the respective meanings given to those terms in the Credit Agreement, as amended by this Amendment. The rules of construction set forth in Section I of the Credit Agreement shall, to the extent not inconsistent with the terms of this Amendment, apply to this Amendment and are hereby incorporated by reference.

2. Amendments to Credit Agreement. Subject to the satisfaction of the conditions set forth in Paragraph 4 below, the Credit Agreement is hereby amended as follows:

(a) Paragraph 1.01 is hereby amended by adding thereto, in the appropriate alphabetical order, definitions of the terms "MKE-Quantum Dissolution Charge" and "Second Amendment Effective Date" to read in their entirety as follows:

"MKE-Quantum Dissolution Charge" shall mean the non-recurring charge, not to exceed \$125,000,000 (pre-tax) in the aggregate, taken by Borrower in Borrower's third fiscal quarter in fiscal year 1999 as a result of expenses and charges incurred by Borrower in connection with the winding up of the affairs and dissolution of MKE-Quantum.

"Second Amendment Effective Date" shall mean December 18, 1998.

(b) Clause (xvii) of Subparagraph 5.02(a) is hereby amended by adding thereto at the beginning of such clause the phrase "Prior to the Second Amendment Effective Date,".

(c) Clause (ix) of Subparagraph 5.02(e) is hereby amended by adding thereto at the beginning of such clause the phrase "Prior to the Second Amendment Effective Date,".

(d) Clause (ii) of Subparagraph 5.02(l) is hereby amended by (i) deleting the word "sum" in Subclause (G) thereof and replacing it with the word "amount", (ii) deleting the "." at the end of Subclause (G) thereof and replacing it with a ";", and (ii) adding the following immediately after Subclause (G):

minus

(H) An amount equal to (1) the after tax amount of any MKE-Quantum Dissolution Charge minus (2) the after tax gains (if any) realized by Borrower upon any Transfer of the assets or property of MKE-Quantum.

(e) Clause (iii) of Subparagraph 5.02(l) is hereby amended by (i) deleting the "." at the end of the first proviso clause thereof, and (ii) adding thereto immediately after the first proviso clause, a second proviso clause to read in its entirety as follows:

; provided, further, that for purposes of calculating Borrower's net income for any period which includes the quarter ending on or about December 31, 1998, such

2

calculation shall exclude the after tax sum of any MKE-Quantum Dissolution Charge minus the after tax gains (if any) realized by Borrower upon any Transfer of the assets or property of MKE-Quantum.

3. Representations and Warranties. Borrower hereby represents and warrants to Administrative Agent, Syndication Agent, Documentation Agent and the Banks that the following are true and correct on the date of this Amendment and that, after giving effect to the amendments set forth in Paragraph 2 above, the following will be true and correct on the Effective Date (as defined below):

(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 shall be true and correct in all material respects as of such date);

(b) No Default or Event of Default has occurred and is continuing; and

(c) Each of the Credit Documents is in full force and effect.

(Without limiting the scope of the term "Credit Documents," Borrower expressly acknowledges in making the representations and warranties set forth in this Paragraph 3 that, on and after the date hereof, such term includes this Amendment.)

4. Effective Date. The amendments effected by Paragraph 2 above shall become effective on December 18, 1998 (the "Effective Date"), subject to receipt by Administrative Agent and the Banks on or prior to the Effective Date of the following, each in form and substance satisfactory to Administrative Agent, the Banks executing this Amendment and their respective counsel:

(a) This Amendment duly executed by Borrower, the Majority Banks, Administrative Agent, Syndication Agent and Documentation Agent;

(b) A Certificate of the Secretary or an Assistant Secretary of Borrower, dated the Effective Date, certifying that (i) the Certificate of Incorporation and Bylaws of Borrower, in the form delivered to Administrative Agent on the Closing Date, are in full force and effect and have not been amended, supplemented, revoked or repealed since such date, (ii) that the resolution of Borrower, in the form delivered to Administrative Agent on the Closing Date, is in full force and effect and has not been amended, supplemented, revoked or repealed since such date, and (iii) the incumbency, signatures and authority of the officers of Borrower authorized to execute, deliver

and perform the Credit Agreement, this Amendment, the other Credit Documents and all other documents, instruments or agreements relating thereto executed or to be executed by Borrower and indicating each such officer which is an Executive Officer or Authorized Financial Officer;

(c) A nonrefundable amendment fee to be paid to each Bank that executes this Amendment on or before December 18, 1998 equal to 0.10% of each such Bank's respective Proportionate Share; and

(d) Such other evidence as Administrative Agent or any Bank executing this Amendment 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 Amendment and the other Credit Documents.

5. Effect of this Amendment. On and after the Effective Date, each reference in the Credit Agreement and the other Credit Documents to the Credit Agreement shall mean the Credit Agreement as amended hereby. Except as specifically amended above, (a) the Credit Agreement and the other Credit Documents shall remain in full force and effect and are hereby ratified and confirmed and (b) the execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power, or remedy of the Banks or Administrative Agent, nor constitute a waiver of any provision of the Credit Agreement or any other Credit Document.

6. Miscellaneous.

(a) Counterparts. This Amendment 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.

(b) Headings. Headings in this Amendment are for convenience of reference only and are not part of the substance hereof.

(c) Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of California without reference to conflicts of law rules.

IN WITNESS WHEREOF, Borrower, Administrative Agent, Syndication Agent, Documentation Agent and the Banks executing this Amendment have caused this Amendment to be executed as of the day and year first above written.

QUANTUM CORPORATION, as Borrower

By: /s/ Anthony H. Lewis, Jr.  
-----  
Name: Anthony H. Lewis, Jr.  
-----  
Title: Vice President, Finance & Treasurer  
-----

CANADIAN IMPERIAL BANK OF COMMERCE,  
as Administrative Agent

By: /s/ Paul J. Chakmak  
-----  
Name: Paul J. Chakmak  
-----  
Title: Managing Director, CIBC Oppenheimer  
-----  
Corp. as AGENT  
-----

ABN AMRO BANK N.V., San Francisco  
International Branch, as Syndication Agent

By: /s/ Robin S. Yim  
-----  
Name: Robin S. Yim

-----  
Title: Group Vice President  
-----

By: /s/ Richard R. DaCosta  
-----  
Name: Richard R. DaCosta  
-----  
Title: Vice President  
-----

BANK OF AMERICA NATIONAL TRUST AND  
SAVINGS ASSOCIATION, as Documentation Agent

By: /s/ Kevin Mc Mahon  
-----  
Name: Kevin Mc Mahon  
-----  
Title: Managing Director  
-----

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: Vice President  
-----

BANKBOSTON, N.A., as a Bank

By: /s/ John B. Desmond  
-----  
Name: John B. Desmond  
-----  
Title: Vice President  
-----

BANK OF AMERICA NATIONAL TRUST AND  
SAVINGS ASSOCIATION, as a Bank

By: /s/ Kevin Mc Mahon  
-----  
Name: Kevin Mc Mahon  
-----  
Title: Managing Director  
-----

BANQUE NATIONALE DE PARIS, as a Bank

By: /s/ Michael D. McCorriston /s/ Gavin S. Holles  
-----  
Name: Michael D. McCorriston Gavin S. Holles  
-----  
Title: Vice President Vice President  
-----

PARIBAS, as a Bank

By: /s/ Jonathan Leong

-----  
Name: Jonathan Leong  
-----  
Title: Vice President  
-----

6

By: /s/ Lee S. Buckner  
-----  
Name: Lee S. Buckner  
-----  
Title: Managing Director  
-----

CIBC INC., as a Bank

By: /s/ Paul J. Chakmak  
-----  
Name: Paul J. Chakmak  
-----  
Title: Managing Director, CIBC Oppenheimer  
-----  
Corp. as AGENT  
-----

DEUTSCHE BANK A.G., NEW YORK AND/OR  
CAYMAN ISLANDS BRANCHES, as a Bank

By: /s/ Andre Heitbaum  
-----  
Name: Andre Heitbaum  
-----  
Title: Asst. Vice President  
-----

By: /s/ William W. McGinty  
-----  
Name: William W. McGinty  
-----  
Title: Director  
-----

FLEET NATIONAL BANK, as a Bank

By: /s/ Mathew M. Glauninger  
-----  
Name: Mathew M. Glauninger  
-----  
Title: Vice President  
-----

KEYBANK NATIONAL ASSOCIATION, as a Bank

By: /s/ Mary K. Young  
-----  
Name: Mary K. Young  
-----  
Title: Assistant Vice President  
-----

7

MELLON BANK, as a Bank

By: /s/ Michael P. Rogers  
-----  
Name: Michael P. Rogers  
-----  
Title: Vice President  
-----

-----  
ROYAL BANK OF CANADA, as a Bank

By: /s/ Michael A. Cole  
-----

Name: Michael A. Cole  
-----

Title: Senior Manager  
-----

SANWA BANK LIMITED, SAN FRANCISCO BRANCH, as a Bank

By: /s/ Peter Olson  
-----

Name: Peter Olson  
-----

Title: First Vice President & Manager  
-----

THE BANK OF NOVA SCOTIA, as a Bank

By: /s/ Chris Osborn  
-----

Name: Chris Osborn  
-----

Title: Finance Manager  
-----

THE FUJI BANK, LIMITED, as a Bank

By: /s/ Masahito Fukuda  
-----

Name: Masahito Fukuda  
-----

Title: Joint General Manager  
-----

8

THE INDUSTRIAL BANK OF JAPAN, LIMITED, as a Bank

By: /s/ Kensaku Iwata  
-----

Name: Kensaku Iwata  
-----

Title: Deputy General Manager  
-----

THE LONG-TERM CREDIT BANK OF JAPAN, LTD., as a Bank

By: /s/ Noboru Akahane  
-----

Name: Noboru Akahane  
-----

Title: Deputy General Manager  
-----

THE MITSUBISHI TRUST AND BANKING  
CORPORATION, LOS ANGELES AGENCY, as a Bank

By: /s/ Yasushi Satomi  
-----

Name: Yasushi Satomi  
-----



Title: Senior Vice President  
-----

THE SUMITOMO BANK, LIMITED, as a Bank

By: /s/ Azar Shakeri  
-----  
Name: Azar Shakeri  
-----  
Title: Vice President  
-----

THE SUMITOMO TRUST AND BANKING CO., LTD., as a Bank

By: /s/ Eleanor Chan  
-----  
Name: Eleanor Chan  
-----  
Title: Manager & Vice President  
-----

UNION BANK OF CALIFORNIA, N.A., as a Bank

By: /s/ Allan B. Miner  
-----  
Name: Allan B. Miner  
-----  
Title: Vice President  
-----

-----  
 -----

CREDIT AGREEMENT

among

ATL PRODUCTS, INC.

and

THE BANKS NAMED HEREIN

and

FLEET NATIONAL BANK  
 as Agent for the Banks

December 18, 1998

<TABLE>

TABLE OF CONTENTS

<CAPTION>

	Page
	---
<S>	<C>
SECTION I.	18
INTERPRETATION.....	1
1.01. Definitions.....	1
1.02. GAAP.....	16
1.03. Headings.....	17
1.04. Plural Terms.....	17
1.05. Time.....	17
1.06. Governing Law.....	17
1.07. Construction.....	17
1.08. Entire Agreement.....	17
1.09. Calculation of Interest and Fees.....	17
1.10. Other Interpretive Provisions.....	17
SECTION II.	18
CREDIT FACILITIES.....	18
2.01. Revolving Loan Facility.....	18
2.03. Fees.....	21
2.04. Prepayments.....	21
2.05. Other Payment Terms.....	22
2.06. Notes and Interest Account.....	23
2.07. Revolving Loan Funding, Etc.....	23
2.08. Pro Rata Treatment.....	24
2.09. Change of Circumstances.....	25
2.10. Taxes on Payments.....	27
2.11. Funding Loss Indemnification.....	29
2.12. Replacement of Banks.....	29
2.13. Guaranty.....	29
SECTION III.	30
CONDITIONS PRECEDENT.....	30
3.01. Initial Conditions Precedent.....	30
3.02. Conditions Precedent to Each Credit Event.....	30
3.03. Conditions Precedent to Each Conversion or Each Selection of Interest Period.....	30



(3) FLEET NATIONAL BANK, a national banking association ("Fleet"), as agent for the Banks (in such capacity, "Agent").

#### RECITALS

A. Borrower has requested that the Banks provide certain credit facilities to Borrower on an unsecured basis but which shall be guaranteed by Borrower's parent Quantum Corporation, a Delaware corporation ("Guarantor").

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:

"Agent" shall have the meaning given to that term in clause (3) of the introductory paragraph.

"Agent's Fee Letter" shall mean the letter agreement dated the date of this Agreement between Borrower and 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 Agent or any Bank be deemed to be an Affiliate of Borrower or any of Borrower's Subsidiaries 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.

"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 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(e) or 6.01(f) occurs and (b) on the date 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(e) or 6.01(f), 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.

2

"Authorized Financial Officer" shall mean (a) with respect to Borrower, the Chief Financial Officer or Treasurer of Borrower or any Vice President of Finance of Borrower and (b) with respect to Guarantor, the Chief Financial Officer or Treasurer of Guarantor or any Vice President of Finance of Guarantor.

"Banks" shall have the meaning given to that term in clause (2) of the introductory paragraph.

"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(e) or 6.01(f) occurs and (b) on the date 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(e) or 6.01(f), 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.

"Borrower Disclosure Letter" shall mean the letter from Borrower to Agent, dated the date of this Agreement, which identifies itself as the "Borrower Disclosure Letter" under this Agreement.

"Borrower Permitted Indebtedness" shall mean and include (without duplication) the following:

(a) The Obligations of Borrower under the Credit Documents;

(b) Indebtedness listed in the Borrower Disclosure Letter existing on the date of this Agreement;

(c) Intercompany Indebtedness of Borrower to Guarantor or any of Guarantor's Subsidiaries provided that the aggregate principal amount of all such Intercompany Indebtedness does not exceed \$15,000,000 at any time;

(d) Indebtedness of the types described in clauses (iii), (iv), (viii), (ix), (x) (other than with respect to the references to clauses (ii) and (vi) therein), (xi), (xii), (xiii), (xiv), (xv), (xvi) and (xvii) of Subparagraph 5.02(a) of the Guarantor Credit Agreement; and

(e) 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 Five Million Dollars (\$5,000,000).

3

"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, Boston, Massachusetts 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 2.09(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.

"Change of Control" shall mean with respect to Borrower or Guarantor, as applicable, 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 or Guarantor entitled to vote for members of the board of directors, or (B) acquire all or substantially all of the assets of Borrower or Guarantor and its Subsidiaries taken as a whole, or (ii) during any period of fifteen (15) consecutive calendar months, individuals who are directors of Guarantor on the first day of such period ("Initial Directors") and any directors of Guarantor who are specifically approved by two-thirds of the directors of Guarantor who are Initial Directors or previously-approved Approved Directors ("Approved Directors") shall cease to constitute a majority of the Board of Directors of Guarantor before the end of such period.

"Change of Law" shall have the meaning given to that term in Subparagraph 2.09(b).

"Closing Date" shall mean the date when the initial Revolving Loan is made.

"Commitment" shall mean, with respect to any Bank at any time, such Bank'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 2.03(c).

4

"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.

"Credit Documents" shall mean and include the Loan Documents; all documents, instruments and agreements delivered to Agent or any Bank pursuant to Paragraph 3.01; and all other documents, instruments and agreements delivered by Borrower, Guarantor or any of their Subsidiaries to Agent or any Bank in connection with this Agreement on or after the date of this Agreement.

"Credit Event" shall mean the making of any Revolving Loan.

"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 Agent.

"Dollars" and "\$" shall mean the lawful currency of the United States of America.

"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.

"Event of Default" shall have the meaning given to that term in Paragraph 6.01.

5

"Executive Officer" shall mean, with respect to Borrower or Guarantor, respectively, the Chairman, Chief Executive Officer, Chief Operating Officer, President, Chief Financial Officer, Treasurer, General Counsel or Vice President of Corporate Development and Planning of such Person or any division President or Executive Vice President of such Person (or, if the titles are changed, the persons having similar responsibilities for such Person).

"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 Agent on and for such day by three (3) Federal funds brokers of recognized standing selected by 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.

"Fleet" shall have the meaning given to that term in clause (3) of the introductory paragraph.

"Funding Losses" shall mean, with respect to any repayment, prepayment or conversion of any LIBOR Loan as set forth in clause (a) of Paragraph 2.11, any failure to borrow any LIBOR Loan as set forth in clause (b) of Paragraph 2.11 or any failure to convert into any LIBOR Loan as set forth in clause (c) of Paragraph 2.11, 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.

"Guarantor" has the meaning given to that term in Recital A.

"Guarantor Credit Agreement" shall mean that certain Credit Agreement, dated as of June 6, 1997, among Guarantor, the financial institutions listed in Schedule I thereto, ABN AMRO Bank N.V., San Francisco International Branch ("ABN") and CIBC Inc., as co-arrangers for such financial institutions, Canadian Imperial Bank of Commerce, as administrative agent for such financial institutions, ABN, as syndication agent for such financial institutions, Bank of America National Trust and Savings Association, as documentation agent for such financial institutions, and certain co-agents listed therein (as amended, restated or otherwise modified from time to time in accordance with Paragraph 8.04 thereof).

"Guarantor Credit Documents" shall mean the "Credit Documents" as such term is defined in the Guarantor Credit Agreement.

"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.

"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

8

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 2.06(b).

"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.

"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 Agent's discretion, (i) the rate per annum at which Dollar deposits are offered to Agent

9

in the London interbank eurodollar currency market or (ii) the rate at which Dollar deposits are offered to Agent in, or by Agent to major banks in, any offshore interbank eurodollar market selected by 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 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 Guaranty, the Agent's Fee Letter, each Notice of Borrowing, and each additional certificate delivered by Borrower, Guarantor or any of their 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 sixty-six and two-thirds percent (66 2/3%) 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 sixty-six and two-thirds percent (66 2/3%) 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 sixty-six and two-thirds percent (66 2/3%) 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 Guarantor and its Subsidiaries taken as a whole; (b) the ability of Borrower or Guarantor on behalf of Borrower to pay or perform the Obligations in accordance with the terms of this Agreement and the other Credit Documents; (c) the ability of Guarantor to pay or perform its obligations in accordance with the terms of the Guaranty; or (d) the rights and remedies of Agent and the Banks under this Agreement, the Guaranty or any other Credit Documents taken as a whole.

10

"Material Subsidiaries" (a) with respect to Guarantor shall have the meaning given to that term in the Guarantor Credit Agreement; provided, however, that for purposes of determining Guarantor's compliance with each of the representations, warranties and covenants set forth in the Guarantor Credit Agreement and in the other Guarantor Credit Documents, Material Subsidiaries shall include Borrower; and (b) with respect to Borrower 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, interest, fee or other amount payable by Borrower under this Agreement or the other Credit Documents, the date such Revolving Loan, interest, 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).

"Moody's" means Moody's Investors Service, Inc. and any successor thereto that is a nationally-recognized rating agency.

"Note" shall have the meaning given to that term in Subparagraph 2.06(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 Agent or any Bank 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).

"Participant" shall have the meaning given to that term in Subparagraph 8.05(b).

11

"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 February 28, 1999, and (b) each consecutive four-calendar month period, two-calendar month period, three-calendar month period or three-calendar month period (as applicable) thereafter which commences on the day following the last day of the immediately preceding four-calendar month period, two-calendar month period, three-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 Agent from time to time at its head office. The Prime Rate is determined by 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 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 mean that certain Credit Agreement, dated as of February 2, 1998 between Borrower and Union Bank of California, N.A.

"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.

"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.

12

"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 any 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.

"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.

"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.

"Taxes" shall have the meaning given to such term in Subparagraph 2.10(a).

13

"Total Commitment" shall have the meaning given to that term in Subparagraph 2.01(a).

"Total Funded Debt Ratio" shall have the meaning given to that term in the Guarantor Credit Agreement.

"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.

"Unused Commitment" shall mean, at any time after this Agreement is executed by Borrower, Agent and the 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.

"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.

"Year 2000 Problem" shall mean the risk that computer applications used by Borrower and its Subsidiaries or Guarantor and its Subsidiaries may be unable to properly recognize and perform date-sensitive functions involving certain dates on or after December 31, 1999.

1.02. GAAP. Unless otherwise indicated in this Agreement or any other Credit Document, all accounting terms used in this Agreement, the Guaranty 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, Guarantor, the Banks and Agent agree to negotiate in good faith to amend this Agreement and the Guaranty in such respects as are necessary to conform those covenants as criteria for evaluating Guarantor's financial condition to substantially the same criteria as were effective prior to such change in GAAP; provided, however, that, until Borrower, Guarantor, the Banks and Agent so amend this Agreement and the Guaranty, 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.

14

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, 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 Agent.

1.08. Entire Agreement. This Agreement, the Agent's Fee Letter, the Guaranty and each of the other Credit Documents, taken together, constitute and contain the entire agreement of Borrower, Guarantor, the Banks and Agent 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.

15

## 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 2.02), 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 Thirty Five Million Dollars (\$35,000,000) (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 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) \$500,000 or an integral multiple of \$100,000 in excess thereof;

(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 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 by 12:00 P.M. on the day 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 Agent at the office or facsimile number and during the hours specified in Paragraph 8.01; provided, however, that Borrower shall promptly deliver to Agent the original of any Notice of Borrowing initially delivered by facsimile. 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.

16

(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 five (5) 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 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 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 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 Agent the original of any Notice of Conversion initially delivered by facsimile. Agent shall promptly notify each Bank of the contents of each Notice of Conversion.

17

(e) LIBOR Loan Interest Periods.

(i) The initial and each subsequent Interest Period selected by Borrower for a LIBOR Loan shall be one (1), 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 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 Agent the original of any Notice of Interest Period Selection initially delivered by facsimile. If Borrower fails to notify 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. Amount Limitations, Commitment Reductions, Etc.

(a) Total Commitments. The sum of the aggregate principal amount of all Revolving Loans outstanding at any time 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 Agent, permanently reduce the Total Commitment by the amount of \$100,000 or integral multiples of \$50,000 in excess thereof or cancel the Total Commitment in its entirety; provided, however, that:

18

(i) Borrower may not reduce the Total Commitment if, after giving effect to such reduction, the aggregate principal amount of all Revolving Loans then outstanding would exceed the Total Commitment as so reduced; and

(ii) Borrower may not cancel the Total Commitment prior to the Maturity Date if, after giving effect to such cancellation, any Revolving Loan 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 2.03(c) shall be computed on the basis of the Total Commitment as so reduced. Any reduction of the Total Commitment pursuant to this Paragraph 2.02 shall be applied ratably to reduce each Bank's Commitment in accordance with clause (i) of Subparagraph 2.08(a).

#### 2.03. Fees.

(a) Agent's Fees. Borrower shall pay to Agent, for its own accounts, the fees in the amounts and at the times set forth in the Agent's Fee Letter.

(b) Origination Fee. Borrower shall pay to Agent, for the ratable benefit of the Banks, nonrefundable origination fees (the "Origination Fees") in an amount equal to one-half of one percent (.50%) of each Bank's Commitment on the Closing Date.

(c) Commitment Fees. Borrower shall pay to Agent, for the ratable benefit of the Banks as provided in clause (iv) of Subparagraph 2.08(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 December 31, 1998) and on the Maturity Date (or if the Total Commitment is cancelled on a date prior to the Maturity Date, on such prior date).

#### 2.04. Prepayments.

(a) Terms of all Prepayments. Upon the prepayment of any Revolving Loan (whether such prepayment is an optional prepayment under Subparagraph 2.04(b), a mandatory prepayment required by Subparagraph 2.04(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 Agent for the benefit of the Bank 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 Party pursuant to Paragraph 2.11.

(b) Optional Prepayments. At its option, Borrower may, upon three (3) Business Days notice to Agent for LIBOR Loans and one (1) Business Day notice to Agent for

19

Base Rate Loans, prepay any Borrowing in part, in an aggregate principal amount of \$100,000 or more, or in whole.

(c) Mandatory Prepayments. If, at any time, the aggregate principal amount of all Revolving Loans then outstanding 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.

2.05. Other Payment Terms.

(a) Place and Manner. Except as otherwise expressly provided herein, Borrower shall make all payments due to each Bank hereunder by payments to Agent, for the account of such Bank and such Bank's Applicable Lending Office, at 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. Agent shall promptly disburse to each Bank each such payment received by Agent for such Bank.

(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 Agent. Unless Agent shall have received notice from Borrower prior to the date on which any payment is due to any Bank hereunder that Borrower will not make such payment in full, Agent may assume that Borrower has made such payment in full to Agent on such date and Agent may, in reliance upon such assumption, cause to be distributed to the appropriate Banks on such due date an amount equal to the amount then due such Banks. If and to the extent Borrower shall not have so made such payment in full to Agent, each such Bank shall repay to Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to Agent, at (i) the Federal Funds Rate for the first

20

three (3) days and (ii) the Base Rate thereafter. A certificate of Agent submitted to any Party with respect to any amounts owing by such Bank under this Subparagraph 2.05(e) shall be conclusive absent manifest error.

2.06. 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 Agent to record in an account or accounts maintained by 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 Agent may determine is necessary for the computation of interest payable by Borrower hereunder.

2.07. 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 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 Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Section III, Agent will promptly disburse such funds in same day or immediately

available funds to Borrower. Unless otherwise directed by Borrower, 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 Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to Agent such Bank's pro rata share of such Borrowing, Agent may assume that such Bank has made such portion available to Agent on the date of such Borrowing in accordance with Subparagraph 2.07(a), and 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 Agent on or prior to the date of such Borrowing, such Bank shall pay to Agent, on demand, interest which shall accrue on such amount until made available to 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 Agent submitted to any Bank with respect to any amounts

21

owing under this Subparagraph 2.07(b) shall be conclusive absent manifest error. If any Bank's pro rata share of any Borrowing is not in fact made available to Agent by such Bank within three (3) Business Days after the date of such Borrowing, Borrower shall pay to 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 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.

#### 2.08. Pro Rata Treatment.

(a) Borrowings, Commitment Reductions, Etc. Except as otherwise provided herein:

(i) Each Borrowing and each reduction of the Total Commitment 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 Agent on such Revolving Loans in accordance with Subparagraph 2.07(b);

(iv) 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;

(v) Each payment of interest (other than interest on Revolving Loans) shall be shared among the Banks and Agent owed the amount upon which such interest accrues pro rata according to (A) the respective amounts so owed such Banks and (B) the dates on which such amounts became owing to such Banks; and

(vi) All other payments under this Agreement and the other Credit Documents shall be for the benefit of the Person or Persons specified.

22

(b) Sharing of Payments, Etc. If any Bank 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 shall forthwith purchase from the other Banks entitled to such payments such participations in the Revolving Loans as shall be necessary to cause such purchasing Bank 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, such purchase shall be rescinded and each other Bank shall repay to the purchasing Bank the purchase price to the extent of such recovery together with an amount equal to such other Bank's ratable share (according to the proportion of (i) the amount of such other Bank'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 in respect of the total amount so recovered. Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Subparagraph 2.08(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 were the direct creditor of Borrower in the amount of such participation.

2.09. Change of Circumstances.

(a) Inability to Determine Rates. If, on or before the first day of any Interest Period for any LIBOR Loan, Agent 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, Agent shall immediately give notice of such condition to Borrower and the Banks. After the giving of any such notice and until 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 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

23

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 2.11. After any Bank notifies Agent and Borrower of such a Change of Law and until such Bank notifies 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 2.09(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 determines that (i) any Change of Law affects the amount of capital required or expected to be maintained by such Bank or any Person controlling such Bank (a "Capital Adequacy

24

Requirement") and (ii) the amount of capital maintained by such Bank or such Person which is reasonably attributable to or based upon the Revolving Loans, the Commitments or this Agreement must be increased as a result of such Capital Adequacy Requirement (taking into account such Bank's or such Person's policies with respect to capital adequacy), Borrower shall pay to such Bank or such Person, within five (5) days after demand of such Bank (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 or such Person shall reasonably determine are necessary to compensate such Bank or such Person for the increased costs to such Bank or such Person of such increased capital. A certificate of any Bank setting forth in reasonable detail the computation of any such increased costs delivered by such Bank to Borrower shall constitute prima facie evidence of such increased costs. The obligations of Borrower under this Subparagraph 2.09(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 2.09(c) or Subparagraph 2.09(d), such Bank shall notify Borrower and 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 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 2.09(c) or Subparagraph 2.09(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 2.09(c) or Subparagraph 2.09(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.

#### 2.10. 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 Agent or any Bank by its jurisdiction of incorporation or any jurisdiction in which it maintains a lending office and (ii) withholding taxes required to be paid for Banks who do not comply with Subparagraph 2.10(b) at the time they first become Banks hereunder) (all such non-excluded taxes, levies, imposts, duties, charges, fees, deductions and withholdings being hereinafter called "Taxes"). Subject to Subparagraph 2.10(c), if any Taxes are required to be withheld from any amounts payable to Agent or any Bank hereunder or under the other Credit Documents, the amounts so payable to Agent or such Bank shall be increased to the extent necessary to yield to Agent or such Bank (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 Agent for its own account or for the account of such Bank, 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 Agent the required receipts or other required documentary evidence, Borrower shall indemnify Agent and the Banks for any incremental taxes, interest or penalties that may become payable by Agent or any Bank as a result of any such failure. The obligations of Borrower under this Subparagraph 2.10(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 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 Agent a Form 1001 or 4224 pursuant to the immediately preceding sentence further undertakes to deliver to Borrower and 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 Agent, and such extensions or renewals thereof as may reasonably be requested by Borrower or 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 Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(c) Mitigation. Agent or any Bank claiming any additional amounts payable pursuant to this Paragraph 2.10 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 Agent or such Bank in the case of a change in the jurisdiction of its Applicable Lending Office, such change would not be disadvantageous to Agent or such Bank or contrary to Agent's or such Bank's normal banking practices.

(d) Tax Returns. Nothing contained in this Paragraph 2.10 shall require Agent or any Bank to make available any of its tax returns (or any other information relating to its taxes which it deems to be confidential).

2.11. 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 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 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 2.11 shall deliver to Borrower, with a copy to 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 2.11 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.

2.12. 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 2.09(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 2.09(c), 2.09(d) or 2.10(a) for a reason which is not applicable to the Banks (or a material number of Banks) generally, then Agent may (or upon the written request of Borrower, 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 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 Agent stating that Agent is exercising the replacement right set forth in this Paragraph 2.12, 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.

#### 2.13. Guaranty.

(a) Guaranty. The Obligations shall be secured by a Guaranty in the form of Exhibit E, duly executed by Guarantor (the "Guaranty").

27

(b) Further Assurances. Borrower shall deliver, and shall cause Guarantor to deliver, to Agent such additional guaranties and other instruments, agreements, certificates, opinions and documents as Agent may reasonably request to establish, maintain, protect and evidence the rights provided to Agent, for the benefit of Agent and the Banks, pursuant to the Guaranty. Borrower shall fully cooperate, and shall cause Guarantor to fully cooperate, with Agent and the Banks and perform all additional acts reasonably requested by Agent or any Bank to effect the purposes of this Paragraph 2.13.

### SECTION III. CONDITIONS PRECEDENT.

3.01. Initial Conditions Precedent. The obligations of the Banks to make the Revolving Loans comprising the initial Borrowing are subject to receipt by 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, Agent and each Bank.

3.02. Conditions Precedent to Each Credit Event. The occurrence of each Credit Event (including the initial Borrowing) is subject to the further conditions that:

(a) Borrower shall have delivered to Agent 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 the representations and warranties of Borrower and its Subsidiaries and Guarantor and its Subsidiaries set forth 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 Agent of each Notice of Borrowing 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 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 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 Agent and the Banks to enter into this Agreement, Borrower hereby represents and warranties to Agent and the Banks 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 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. No Event of Default or Default has occurred and is continuing.

(g) Litigation. Except as set forth in the Borrower 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) No Agreements to Sell Assets; Etc. As of the Closing Date, neither Borrower nor any of Borrower's 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 Subsidiaries (other than any sale, lease, transfer or other disposition permitted pursuant to Subparagraph 5.02(c) of the Guarantor Credit Agreement), 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.

(i) 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 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.

(j) No Material Adverse Effect. No event has occurred and no condition exists which could reasonably be expected to have a Material Adverse Effect.

(k) Accuracy of Information Furnished. None of the Credit Documents and none of the other certificates, statements or information furnished to Agent or any Bank by or on behalf of Borrower or any of its Subsidiaries in connection with the Credit Documents or the

30

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 Agent and the Banks 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).

(l) Year 2000 Compliance. Borrower and its Subsidiaries have reviewed or are reviewing the areas within their business and operations which reasonably could be expected to be adversely affected by, and have developed or are developing a program to address on a timely and adequate basis, the Year 2000 Problem and intend to make appropriate inquiry of material suppliers and vendors. Upon the completion of such ongoing review and development of such a program, Borrower and its Subsidiaries believe that they will be able to timely and adequately address the Year 2000 Problem such that it could not reasonably be expected to have a Material Adverse Effect.

4.02. Reaffirmation. Borrower shall be deemed to have reaffirmed, for the benefit of Agent and the Banks, 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.

(i) Borrower shall furnish to Agent (and Agent shall promptly thereupon furnish to each Bank) each of the items Guarantor is required to furnish pursuant to Subparagraph 5.01(a) of the Guarantor Credit Agreement on or before the time each such item is required to be furnished.

(ii) To the extent such materials are prepared in connection with the preparation of the Financial Statements of Guarantor that Borrower is required to deliver pursuant to clause (i) above, Borrower shall furnish to Agent (and Agent shall promptly thereupon furnish to each Bank), as soon as available, a copy of the internally prepared unaudited Financial Statements of Borrower for such quarter of year (as applicable).

(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.



(c) Inspections. Borrower and its Subsidiaries shall permit personnel of Agent to visit and inspect any of the properties and offices of Borrower and its Subsidiaries in

31

accordance with Subparagraph 5.01(c) of the Guarantor Credit Agreement; provided, however, that (a) all references to "Borrower" therein shall be deemed to be references to Borrower, (b) all references to "Subsidiaries" therein shall be deemed to be references to Subsidiaries of Borrower and (c) all references to "Administrative Agent" therein shall be deemed to be references to Agent.

(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 Agent from time to time, as Agent may request, schedules setting forth all insurance then in effect.

(iii) Notwithstanding clauses (i) and (ii) above, Borrower and any of its Subsidiaries, or Guarantor on behalf of 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 and/or Guarantor'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, or Guarantor on behalf of Borrower and any of 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 only for the purposes set forth in Subparagraph 2.01(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 or any Agent in a violation of Regulations 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) of the Guarantor Credit Agreement, 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

32

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 Guarantor, 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 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 Borrower Permitted Indebtedness.

(b) 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.

#### 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 or Guarantor on behalf of Borrower (i) shall fail to pay when due any principal payment on the Revolving Loans, (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 Agent; or

(b) Borrower or any of its Subsidiaries or Guarantor or any of its Subsidiaries shall fail to observe or perform any covenant, obligation, condition or agreement set forth in Paragraph 5.02 of this Agreement or Subparagraph 4.2 of the Guaranty; or

(c) Borrower or any of its Subsidiaries or Guarantor or any of its Subsidiaries 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 Agent gives Borrower notice of such failure; or

(d) Any written representation or warranty by Borrower or Guarantor 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

33

(e) Borrower or any of Borrower's Material Subsidiaries (except with respect to clauses (iv) and (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

(f) 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

(g) Any Credit Document or any material term thereof shall cease to be, or be asserted by Borrower or Guarantor not to be, a legal, valid and binding obligation of Borrower or Guarantor 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 Agent or the Banks under any Credit Documents taken as a whole; or

(h) A Guarantor Credit Agreement Event of Default shall have occurred and be continuing; or

(i) Any Change of Control shall occur.

(Any of the events or conditions set forth in Subparagraphs 6.01(a)-(i), 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(e) or 6.01(f)) and at any time thereafter during the continuance of such Event of Default, 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 Banks to make Revolving Loans and/or (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. Upon the occurrence or existence of any Event of Default described in Subparagraph 6.01(e) or 6.01(f), immediately and without notice, (1) the Commitments and the

34

obligations of the Banks to make Revolving Loans 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, 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, Agent shall notify each Bank of such action.

#### SECTION VII. AGENT AND RELATIONS AMONG BANKS.

7.01. Appointment, Powers and Immunities. Each Bank hereby appoints and authorizes Agent to act as its agent hereunder and under the other Credit Documents with such powers as are expressly delegated to Agent by the terms of this Agreement and the other Credit Documents, together with such other powers as are reasonably incidental thereto. Agent shall not 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 or have any fiduciary duty to any Bank. Notwithstanding anything to the contrary contained herein, Agent shall not be required to take any action which is contrary to this Agreement or any other Credit Document or applicable law. Neither Agent nor any Bank shall be responsible to Agent or any other Bank 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. Agent may employ agents and attorneys-in-fact and shall not be responsible to any Bank for the negligence or misconduct of any such agents or attorneys-in-fact selected by them with reasonable care. None of Agent or its directors, officers, employees or agents shall be responsible to any Bank 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, Agent shall take such action with respect to the Credit Documents as shall be directed by the Majority Banks. Agent shall promptly furnish to each Bank copies of all material documents, reports, certificates, financial statements and notices furnished to Agent by Borrower; provided, however, that Agent shall not be liable to any Bank 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 Agent.

7.02. Reliance by Agent. Agent shall be entitled to rely upon any certificate, notice or other document (including any cable, telegram, facsimile or telex) believed by it 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 Agent with reasonable care. As to any other matters not expressly provided for by this Agreement, Agent shall not be required to take any action or exercise any discretion, but 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 Banks in acting, or in refraining from acting, hereunder or under any other Credit Document in accordance with the instructions of

35

the Majority Banks, and such instructions of the Majority Banks and any action taken or failure to act pursuant thereto shall be binding on Agent and the Banks.

7.03. Defaults. Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default unless Agent has received a notice from a Bank or Borrower, referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "Notice of Default". If Agent receives such a notice of the occurrence of a Default or Event of Default, Agent shall give prompt notice thereof to the Banks. 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

Agent shall have received such directions, 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 Banks.

7.04. Indemnification. Without limiting the Obligations of Borrower hereunder, each Bank agrees to indemnify Agent, 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 Agent 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 Agent's gross negligence or willful misconduct. Agent 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 represents that it has, independently and without reliance on Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of the financial condition and affairs of Borrower, its Subsidiaries and Guarantor and its own decision to enter into this Agreement and agrees that it will, independently and without reliance upon Agent or any Bank, 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 Agent nor any Bank shall be required to keep any other Agent or Bank informed as to the performance or observance by Borrower, its Subsidiaries or Guarantor 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, its Subsidiaries or Guarantor. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by Agent hereunder, neither Agent nor any Bank shall have any duty or responsibility to provide Agent or any Bank with any credit or other information concerning Borrower, its Subsidiaries or Guarantor, which may come into the possession of Agent or any Bank or any of its or their Affiliates.

36

7.06. Resignation or Removal of Agent. Subject to the appointment and acceptance of a successor Agent as provided below, Agent may resign at any time by giving notice thereof to the Banks, and 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 Agent, which Agent shall be reasonably acceptable to Borrower. If no successor Agent shall have been appointed by the Majority Banks and shall have accepted such appointment within thirty (30) days after the retiring Agent's giving of notice of resignation or the Majority Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor 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 Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation or removal hereunder as 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 Agent.

7.07. Authorization. Agent is hereby authorized by the Banks to execute, deliver and perform, each of the Credit Documents to which Agent is or is intended to be a party and each Bank agrees, subject to the terms of this Agreement, to be bound by all of the agreements of Agent contained in the Credit Documents.

7.08. Agent in its Individual Capacity. 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 Agent were not an Agent hereunder. With respect to Revolving Loans made by Fleet as a Bank, Fleet shall have the same rights and powers under this Agreement and the other Credit Documents as any other Bank and may exercise the same as though it was not Agent.

7.09. Agent's Communications Binding Upon Banks. Subject to the terms of this Agreement, the Banks agree that written communications from Agent to Borrower on behalf of the Banks shall be binding upon the Banks.

7.10. 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 Agent of its obligations to the Banks under any provision of this Agreement, and Borrower shall have no liability to Agent or any Bank in respect of any failure by Agent or any Bank 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 Agent for the account of the Banks, Borrower's obligations to the Banks in respect of such payments shall be deemed to be satisfied upon the making of such payments to Agent in the manner provided by this Agreement.

37

#### 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 or Agent under this Agreement or the other Credit Documents shall be in writing and faxed, mailed or delivered, if to Borrower or Agent at its respective facsimile number or address set forth below, or, 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 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 Agent under Section II shall not be effective until received by such Person.

Agent: Fleet National Bank  
Mail Stop MA OF D07A  
One Federal Street  
Boston, MA 02110  
Attn: Mike Barclay  
Telephone: (617) 346-0057  
Facsimile: (617) 346-0151

Borrower: ATL Products, Inc.  
101 Innovation Drive  
Irvine, CA 92612-3040  
Attn: Mark de Raad  
Vice President, Finance & CFO  
Telephone: (949) 856-7805  
Facsimile: (949) 856-7890

Each Notice of Borrowing, Notice of Conversion and Notice of Interest Period Selection shall be given by Borrower to Agent to the office of Agent located at the address referred to above during Agent's normal business hours; provided, however, that any such notice received by Agent after 1:00 P.M. on any Business Day shall be deemed received by Agent on the next Business Day. In any case where this Agreement authorizes notices, requests, demands or other communications by Borrower to Agent or any Bank to be made by telephone or facsimile, Agent or any Bank may conclusively presume that anyone purporting to be a person designated in any incumbency certificate or other similar document received by Agent or such Bank is such a person.

8.02. Expenses. Borrower shall pay within ten (10) days after demand, whether or not any Revolving Loan is made hereunder, (a) all (i) Attorney Costs and (ii) other reasonable fees and expenses payable to third parties incurred by Agent in connection with the preparation,

38

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; (b) all Attorney Costs and other reasonable fees and expenses payable to third parties incurred by Agent in connection with the exercise of its rights or duties under this Agreement and the other Credit Documents; and (c) all Attorney Costs and other reasonable fees and expenses payable to third parties incurred by Agent or any Bank in the enforcement or attempted enforcement of any of the Obligations or in preserving any of Agent's 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, any of its Subsidiaries or Guarantor). 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 Agent, the Banks 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, (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 Agent, the Banks 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 Agent or any Bank believes is covered by this indemnity, Agent or such Bank shall give Borrower prompt written notice of the matter (specifying with reasonable particularity the basis thereof) 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 Agent or such Bank, as the case may be. Any failure or delay of Agent or any Bank 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;

39

(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, or (iv) 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; and

(d) Any amendment, waiver or consent which affects the rights or obligations of Agent must be in writing and signed by Agent.

No failure or delay by Agent or any Bank 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 Banks, Agent, 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 Agent 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 Agent 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) or (iv) 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

40

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 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 2.08(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 2.09, Paragraph 2.10, and Paragraph 2.11, 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 F (an "Assignment Agreement"), executed by each Assignee Bank and such assignor Bank (an "Assignor Bank") and delivered to Agent for its acceptance and recording in the Register; provided, however, that:

(i) Without the written consent of Borrower (which written consent shall not be unreasonably withheld but which written consent shall not be required after the occurrence and during the continuation of an Event of Default), 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 Agent (which consent of Borrower and 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 \$5,000,000 (except that any Bank may make an Assignment which reduces its Commitment to zero without the written consent of Borrower and Agent); and

(iii) 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,

41

(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 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 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 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. 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, Agent and the Banks 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 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 and Agent), together with payment to Agent by Assignor Bank of a registration and processing fee of \$3,500, 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 Banks and

42

Borrower. Agent may, from time to time at its election, prepare and deliver to the Banks 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 Banks provided by law, each Bank shall have the right, with the prior consent of 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, any amount owing from such Bank 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 Agent and each Bank a continuing security interest in any and all deposits, accounts or moneys of Borrower then or thereafter maintained with such Bank, subject in each case to Subparagraph 2.08(b). The aforesaid right of set-off may be exercised by any Bank 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 prior to the occurrence of an Event of Default. Any Bank which exercises its right of setoff agrees promptly to notify Borrower after any such set-off and application made by such Bank, 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, for the benefit of Agent and all Banks, a continuing security interest in any and all deposit accounts or moneys of Borrower now or hereafter maintained with such Bank. Each Bank 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 BANKS AND AGENT, 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 Agent 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 Banks and Agent have caused this Agreement to be executed as of the day and year first above written.

BORROWER: ATL PRODUCTS, INC.

By: /s/ Mark de Raad  
-----  
Name: Mark de Raad  
-----  
Title: Vice President, Finance & CFO  
-----

AGENT: FLEET NATIONAL BANK,  
As Agent

By: /s/ Michael S. Barclay  
-----  
Name: Michael S. Barclay  
-----  
Title: Vice President  
-----

BANKS: FLEET NATIONAL BANK,

As a Bank

By: /s/ Michael S. Barclay

Name: Michael S. Barclay

Title: Vice President

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, As a Bank

By: /s/ Kevin Mc Mahon

Name: Kevin Mc Mahon

Title: Managing Director

45

SCHEDULE I

BANKS

BANK - - - - -	PROPORTIONATE SHARE* -----
FLEET NATIONAL BANK - - - - -	57.14285714%

Applicable Lending Office:

Fleet National Bank  
75 State Street  
Boston, MA 02109

Address for Notices:

Fleet National Bank  
Mail Stop MA OF D07A  
One Federal Street  
Boston, MA 02110  
Attention: Mike Barclay  
Vice President

Telephone: (617) 346-0057  
Fax: (617) 346-0151

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.: 1510351-03156  
Reference: ATL Products, Inc.  
Attention: Commercial Loan Operations/Agent Bank

\*To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

I-1

BANK - - - - -	PROPORTIONATE SHARE* -----
BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION - - - - -	42.85714286%

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: ATL Products, Inc.  
Attention: Julia Young

\* To be expressed as a percentage rounded to the eighth digit to the right of the decimal point.

I-2  
BANK  
- ----  
PROPORTIONATE  
SHARE\*  
-----

I-3

<TABLE>

SCHEDULE II  
PRICING GRID

<CAPTION>

	LEVEL 1 PERIOD -----	LEVEL 2 PERIOD -----	LEVEL 3 PERIOD -----	LEVEL 4 PERIOD -----	LEVEL 5 PERIOD -----
<S>	<C>	<C>	<C>	<C>	<C>
APPLICABLE MARGIN: - -----	0.40%	0.55%	0.70%	0.90%	1.10%
COMMITMENT FEE PERCENTAGES: - -----	.150%	.200%	.250%	.300%	.375%

</TABLE>

EXPLANATION

1. The Applicable Margin for each LIBOR Loan 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 February 28, 1999, will be a Level 5 Period.
3. The second Pricing Period, which commences on March 1, 1999 and ends on June 30, 1999, 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 Guarantor'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 December 31, 1998.
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 Guarantor'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) Guarantor's Total Funded Debt Ratio is 1.00 or less and (ii) Guarantor'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) Guarantor's Total Funded Debt Ratio is more than 1.00 but less than or equal to 1.50, or (ii) Guarantor'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.

II-1

- (c) If, during any Pricing Period, Guarantor'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, Guarantor'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, Guarantor'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 Guarantor's senior long term debt rating from S&P or Moody's is equal to or better than either BBB- or Baa3 or Guarantor's subordinated debt rating from S&P or Moody's is equal to or better than BB+ or Bal.

II-2

SCHEDULE 3.01

INITIAL CONDITIONS PRECEDENT

A. Principal Credit Documents.

(1) The Credit Agreement, duly executed by Borrower, each Bank and Agent;

(2) A Note payable to each Bank, each duly executed by Borrower; and

(3) The Guaranty, duly executed by Guarantor in favor of Agent for the benefit of the Banks.

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 of Borrower; 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. Guarantor Corporate Documents.

(1) The Certificate of Incorporation of Guarantor, 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 Guarantor (or comparable certificate), certified as of a recent date prior to the Closing Date by the Secretary of State of Delaware;

3.01-1

(3) A certificate of the Secretary or an Assistant Secretary of Guarantor, dated the Closing Date, certifying (a) that attached thereto is a true and correct copy of the Bylaws of Guarantor 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 Guarantor and continuing in effect, which authorize the execution, delivery and performance by Guarantor of this Agreement and the other Credit Documents executed or to be executed by Guarantor and the consummation of the transactions contemplated hereby and thereby; (c) that there are no proceedings for the dissolution or liquidation of Guarantor; and (d) the incumbency, signatures and authority of the officers of Guarantor 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 Guarantor and indicating each such officer which is an Executive Officer or Authorized Financial Officer of Guarantor; and

(4) Certificates of Good Standing (or comparable certificate) for Guarantor, 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 Guarantor is qualified to do business.

D. 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 September 30, 1998 and for the fiscal year to such date (prepared on a consolidated basis);

(2) A copy of the unaudited balance sheet, statements of income and cash flows of Guarantor and its Subsidiaries for the fiscal quarter ended September 30, 1998 and for the fiscal year to such date (prepared on a consolidated basis);

(3) A copy of the audited consolidated Financial Statements of Borrower for the fiscal year ended March 31, 1998, prepared by Ernst & Young and a copy of the unqualified opinion delivered by such accountants in connection with such Financial Statements;

(4) A copy of the audited consolidated Financial Statements of Guarantor for the fiscal year ended March 31, 1998, prepared by Ernst & Young and a copy of the unqualified opinion delivered by such accountants in connection with such Financial Statements;

(5) A copy of the 10-Q report filed by Guarantor with the Securities and Exchange Commission for the quarter ended September 30, 1998;

(6) A copy of the 10-K report filed by Guarantor with the Securities and Exchange Commission for the fiscal year ended March 31,

1998; and

(7) Such other financial, business and other information regarding Borrower, any of its Subsidiaries, Guarantor or any of its Subsidiaries as Agent or any Bank may

3.01-2

reasonably request, including information as to possible contingent liabilities, tax matters, environmental matters and obligations for employee benefits and compensation.

E. Opinions. A favorable written opinion from Wilson Sonsini Goodrich & Rosati, counsel for Borrower and Guarantor, dated the Closing Date, addressed to Agent for the benefit of Agent and the Banks, covering such legal matters as Agent may reasonably request and otherwise in form and substance satisfactory to Agent.

F. Other Items.

(1) A duly completed and timely delivered Notice of Borrowing;

(2) The Borrower Disclosure Letter, duly executed by Borrower;

(3) An organization chart for Guarantor, its Subsidiaries, Borrower and its Subsidiaries, setting forth the relationship among such Persons, certified by an Executive Officer of Borrower;

(4) Evidence satisfactory to Agent that since September 30, 1998, (i) no event has occurred and no condition exists which could reasonably be expected to have a Material Adverse Effect and (ii) no change has occurred to the capital structure of Borrower which is unacceptable to Agent in its sole discretion;

(5) A certificate of an Executive Officer of Borrower, addressed to Agent and dated the Closing Date, certifying that:

(a) The representations and warranties of Borrower and its Subsidiaries set forth in Paragraph 4.01 and the representations and warranties of Borrower and its Subsidiaries and Guarantor and its Subsidiaries set forth 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

(b) No Event of Default or Default has occurred and is continuing as of such date;

(6) Evidence satisfactory to 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 Agent and the Banks on or prior to the Closing Date (including all Origination Fees and all fees payable to Agent pursuant to the Agent's Fee Letters);

(8) All fees and expenses of Agent's counsel through the Closing Date; and

3.01-3

(9) Such other evidence as Agent or any Bank 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.

3.01-4

EXHIBIT A

NOTICE OF BORROWING

[Date]

One Federal Street  
Boston, MA 02110  
Attn: Mike Barclay

1. Reference is made to that certain Credit Agreement, dated as of December 18, 1998 (as amended from time to time, the "Credit Agreement"), among ATL Products, Inc. ("Borrower"), the financial institutions listed in Schedule I to the Credit Agreement (the "Banks"), and Fleet National Bank, as agent for the Banks (in such capacity, "Agent"). 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 Agent 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 the representations and warranties of Borrower and its Subsidiaries and Guarantor and its Subsidiaries set forth 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

(b) No Default or Event of Default has occurred and is continuing or will result from the requested Borrowing.

1

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.

ATL PRODUCTS, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

2

EXHIBIT B

NOTICE OF CONVERSION

[Date]

Fleet National Bank,  
as Agent  
Mail Stop MA OF D07A  
One Federal Street  
Boston, MA 02110  
Attn: Mike Barclay

1. Reference is made to that certain Credit Agreement, dated as of December 18, 1998 (as amended from time to time, the "Credit Agreement"), among ATL Products, Inc. ("Borrower"), the financial institutions listed in Schedule I to the Credit Agreement (the "Banks"), and Fleet National Bank, as agent for the Banks (in such capacity, "Agent"). 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 Agent 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.

1

IN WITNESS WHEREOF, Borrower has executed this Notice of Conversion on the date set forth above.

ATL PRODUCTS, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

2

EXHIBIT C

NOTICE OF INTEREST PERIOD SELECTION

[Date]

Fleet National Bank,  
as Agent  
Mail Stop MA OF D07A  
One Federal Street  
Boston, MA 02110  
Attn: Mike Barclay

1. Reference is made to that certain Credit Agreement, dated as of December 18, 1998 (as amended from time to time, the "Credit Agreement"), among ATL Products, Inc. ("Borrower"), the financial institutions listed in Schedule I to the Credit Agreement (the "Banks"), and Fleet National Bank, as agent for the Banks (in such capacity, "Agent"). 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 Agent 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.

ATL PRODUCTS, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT D

REVOLVING LOAN NOTE

\$ 20,000,000

December 18, 1998

FOR VALUE RECEIVED, ATL PRODUCTS, INC., a Delaware corporation ("Borrower"), hereby promises to pay to the order of Fleet National Bank ("Bank"), the principal sum of Twenty Million DOLLARS (\$20,000,000), 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 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 December 18, 1998, among Borrower, Bank and the other financial institutions from time to time parties thereto (collectively, the "Banks"), Fleet National Bank, as 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.

ATL PRODUCTS, INC.

By: /s/ Mark de Raad  
-----  
Name: Mark de Raad  
-----  
Title: Vice President, Finance & CFO  
-----



</TABLE>

EXHIBIT D\_\_  
REVOLVING LOAN NOTE

\$ 15,000,000

December 18, 1998

FOR VALUE RECEIVED, ATL PRODUCTS, INC., a Delaware corporation ("Borrower"), hereby promises to pay to the order of Bank of America National Trust & Savings Association ("Bank"), the principal sum of Fifteen Million DOLLARS (\$15,000,000), 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 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 December 18, 1998, among Borrower, Bank and the other financial institutions from time to time parties thereto (collectively, the "Banks"), Fleet National Bank, as agent for the Banks. This note is subject to the terms of the Credit Agreement, including the rights of prepayment and the rights of



Table with multiple rows and columns, mostly containing dashes and empty cells.

</TABLE>

EXHIBIT E
FORM OF GUARANTY
GUARANTY

THIS GUARANTY, dated as of December 18, 1998, is executed by QUANTUM CORPORATION, a Delaware corporation ("Guarantor"), in favor of FLEET NATIONAL BANK, a national banking association, acting as agent (in such capacity, and each successor thereto in such capacity, "Agent") for the financial institutions which are from time to time parties to the Credit Agreement referred to in Recital A below (collectively, the "Banks").

RECITALS

A. Pursuant to a Credit Agreement dated as of December 18, 1998, (as amended from time to time, the "Credit Agreement"), among ATL Products, Inc., a

Delaware corporation ("Borrower"), the Banks and Agent, the Banks have agreed to extend certain credit facilities to Borrower upon the terms and subject to the conditions set forth therein. Guarantor is the sole shareholder of Borrower.

B. The Banks' obligations to extend the credit facilities to Borrower under the Credit Agreement are subject, among other conditions, to receipt by Agent of this Guaranty, duly executed by Guarantor.

#### AGREEMENT

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Guarantor hereby agrees with Agent, for the ratable benefit of the Banks and Agent, as follows:

1. Definitions and Interpretation.

(a) Definitions. When used in this Guaranty, the following terms shall have the following respective meanings:

"Agent" shall have the meaning given to that term in the introductory paragraph hereof.

"Banks" shall have the meaning given to that term in the introductory paragraph hereof.

"Borrower" shall have the meaning given to that term in the Recital A hereof.

"Credit Agreement" shall have the meaning given to that term in the Recital A hereof.

E-1

"Disallowed Post-Commencement Interest and Expenses" shall mean interest computed at the rate provided in the Credit Agreement and claims for reimbursement, costs, expenses or indemnities under the terms of any of the Credit Documents accruing or claimed at any time after the commencement of any Insolvency Proceeding, if the claim for such interest, reimbursement, costs, expenses or indemnities is not allowable, allowed or enforceable against Borrower in such Insolvency Proceeding.

"Guaranteed Obligations" shall mean all loans, advances, debts, liabilities and obligations, howsoever arising, owed by Borrower to Agent or any Bank 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 the Credit Agreement or any of the other Credit Documents, including, without limitation, all principal, interest, rent, fees, taxes, charges, expenses, attorneys' fees and accountants' fees chargeable to Borrower or payable by Borrower thereunder.

"Guarantor" shall have the meaning given to that term in the introductory paragraph hereof.

"Insolvency Proceeding" shall mean any case or proceeding under the United States Bankruptcy Code or any other similar law, rule or regulation of the United States or any jurisdiction or any other action or proceeding for the reorganization, liquidation, appointment of a receiver, rearrangement of debts, marshalling of assets or similar action relating to Borrower or Guarantor, their respective creditors or any substantial part of their respective assets, whether or not any such case, proceeding or action is voluntary or involuntary.

"Subordinated Obligations" shall have the meaning given to that term in Paragraph 6 hereof.

Unless otherwise defined herein, all other capitalized terms used herein and defined in the Credit Agreement shall have the respective meanings given to those terms in the Credit Agreement.

(b) Other Interpretive Provisions. The rules of construction set forth in Section I of the Credit Agreement shall, to the extent not inconsistent with the terms of this Guaranty, apply to this Guaranty and are hereby incorporated by reference. Guarantor acknowledges receipt of copies of the Credit Agreement and the other Credit Documents.

(c) GAAP. Unless otherwise indicated in this Guaranty, the Credit Agreement or any other Credit Document, all accounting terms used in this Guaranty, the Credit

E-2

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 Guaranty such that any covenants contained herein would then be calculated in a different manner or with different components, Guarantor, the Banks and Agent agree to negotiate in good faith to amend this Guaranty in such respects as are necessary to conform those covenants as criteria for evaluating Guarantor's financial condition to substantially the same criteria as were effective prior to such change in GAAP; provided, however, that, until Guarantor, the Banks and Agent so amend this Guaranty, all such covenants shall be calculated in accordance with GAAP as in effect immediately prior to such change.

2. Guaranty.

(a) Payment Guaranty. Guarantor unconditionally guarantees and promises to pay and perform as and when due, whether at stated maturity, upon acceleration or otherwise, any and all of the Guaranteed Obligations. If any Insolvency Proceeding relating to Borrower is commenced, Guarantor further unconditionally guarantees and promises to pay and perform, upon the demand of Agent, any and all of the Guaranteed Obligations (including any and all Disallowed Post-Commencement Interest and Expenses) in accordance with the terms of the Credit Documents, whether or not such obligations are then due and payable by Borrower and whether or not such obligations are modified, reduced or discharged in such Insolvency Proceeding. This Guaranty is a guaranty of payment and not of collection.

(b) Continuing Guaranty. This Guaranty is an irrevocable continuing guaranty of the Guaranteed Obligations which shall continue in effect until all obligations of the Banks to extend credit to Borrower have terminated and all of the Guaranteed Obligations (other than inchoate indemnity obligations of Borrower) have been fully, finally and indefeasibly paid. If any payment on any Guaranteed Obligation is set aside, avoided or rescinded or otherwise recovered from Agent or any Bank, such recovered payment shall constitute a Guaranteed Obligation hereunder and, if this Guaranty was previously released or terminated, it automatically shall be fully reinstated, as if such payment was never made.

(c) Independent Obligation. The liability of Guarantor hereunder is independent of the Guaranteed Obligations, and a separate action or actions may be brought and prosecuted against Guarantor irrespective of whether action is brought against Borrower or any other guarantor of the Guaranteed Obligations or whether Borrower or any other guarantor of the Guaranteed Obligations is joined in any such action or actions.

(d) Fraudulent Transfer Limitation. If, in any action to enforce this Guaranty, any court of competent jurisdiction determines that enforcement against Guarantor for the full amount of the Guaranteed Obligations is not lawful under or would be subject to avoidance under Section 548 of the United States Bankruptcy Code or any applicable

E-3

provision of any comparable law of any state or other jurisdiction, the liability of Guarantor under this Guaranty shall be limited to the maximum amount lawful and not subject to such avoidance.

3. Representations and Warranties. Guarantor hereby represents and warrants to Agent and the Banks as follows:

(a) Due Incorporation, Qualification, etc. Each of Guarantor and Guarantor'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

Guarantor of each Credit Document executed, or to be executed, by Guarantor and the consummation of the transactions contemplated thereby (i) are within the corporate power of Guarantor; and (ii) have been duly authorized by all necessary corporate actions on the part of Guarantor.

(c) Enforceability. Each Loan Document in the nature of an agreement executed, or to be executed, by Guarantor has been, or will be, duly executed and delivered by Guarantor and constitutes, or will constitute, a legal, valid and binding obligation of Guarantor, enforceable against Guarantor 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 Guarantor of the Loan Documents to which Guarantor is a party and the performance and consummation of the transactions contemplated thereby do not (i) violate any Requirement of Law applicable to Guarantor; (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 Guarantor 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 Guarantor (except such Liens as may be created in favor of Agent pursuant to the Credit Agreement, this Guaranty 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 Guarantor or any of Guarantor's Subsidiaries (including the shareholders of any Person) is required in connection with the execution and delivery of the Loan Documents executed by Guarantor or the performance and consummation of the transactions contemplated thereby except for consents, approvals, orders, authorizations,

E-4

registrations, declarations or filings required to be obtained or made in accordance with the Loan Documents.

(f) Representations and Warranties Under Guarantor Credit Agreement. Each of the representations and warranties of Guarantor and its Subsidiaries set forth in Paragraph 4.01 of the Guarantor Credit Agreement (other than the representations and warranties set forth in Subparagraph 4.01(a) through (e) of the Guarantor Credit Agreement) and in the other Guarantor Credit Documents are true and correct in all material respects (except for representations and warranties expressly made as of a specified date, which are true and correct as of such date).

(g) Accuracy of Information Furnished. None of the Credit Documents and none of the other certificates, statements or information furnished to Agent or any Bank by or on behalf of Guarantor 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 Banks that the projections and forecasts provided by Guarantor 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).

(h) Year 2000 Compliance. Guarantor and its Subsidiaries have reviewed or are reviewing the areas within their business and operations which reasonably could be expected to be adversely affected by, and have developed or are developing a program to address on a timely and adequate basis, the Year 2000 Problem and intend to make appropriate inquiry of material suppliers and vendors. Upon the completion of such ongoing review and development of such a program, Guarantor and its Subsidiaries believe that they will be able to timely and adequately address the Year 2000 Problem such that it could not reasonably be expected to have a Material Adverse Effect.

#### 4. Covenants.

4.1. Affirmative Covenants. Until all obligations of Agent or any Bank to extend credit to Borrower have terminated and all of the Guaranteed Obligations (other than inchoate indemnity obligations of Borrower) have been fully, finally and indefeasibly paid, unless Majority Banks shall otherwise



consent in writing, Guarantor will comply, and will cause compliance, with each of the affirmative covenants set forth in Paragraph 5.01 of the Guarantor Credit Agreement; provided, however, that (a) all references to "Borrower" therein shall be deemed to be references to Guarantor, (b) all references to "Subsidiaries" therein shall be deemed to be references to Subsidiaries of Guarantor and (c) all references to "Administrative Agent" therein shall be deemed to be references to Agent.

4.2. Negative Covenants. Until all obligations of Agent or any Bank to extend credit to Borrower have terminated and all of the Guaranteed Obligations (other than inchoate indemnity

E-5

obligations of Borrower) have been fully, finally and indefeasibly paid, unless Majority Banks shall otherwise consent in writing, Guarantor will comply, and will cause compliance, with each of the negative covenants set forth in Paragraph 5.02 of the Guarantor Credit Agreement; provided, however, that (a) all references to "Borrower" therein shall be deemed to be references to Guarantor, (b) all references to "Subsidiaries" therein shall be deemed to be references to Subsidiaries of Guarantor and (c) all references to "Administrative Agent" therein shall be deemed to be references to Agent.

5. Authorizations, Waivers, Etc.

(a) Authorizations. Guarantor authorizes Agent and the Banks, in their discretion, without notice to Guarantor, irrespective of any change in the financial condition of Borrower, Guarantor or any other guarantor of the Guaranteed Obligations since the date hereof, and without affecting or impairing in any way the liability of Guarantor hereunder, from time to time to:

(i) Create new Guaranteed Obligations and renew, compromise, extend, accelerate or otherwise change the time for payment or performance of, or otherwise amend or modify the Credit Documents or change the terms of the Guaranteed Obligations or any part thereof, including increase or decrease of the rate of interest thereon;

(ii) Take and hold security for the payment or performance of the Guaranteed Obligations and exchange, enforce, waive or release any such security; apply such security and direct the order or manner of sale thereof; and purchase such security at public or private sale;

(iii) Otherwise exercise any right or remedy they may have against Borrower, Guarantor, any other guarantor of the Guaranteed Obligations or any security, including, without limitation, the right to foreclose upon any such security by judicial or nonjudicial sale;

(iv) Settle, compromise with, release or substitute any one or more makers, endorsers or guarantors of the Guaranteed Obligations; and

(v) Assign the Guaranteed Obligations, this Guaranty or the other Credit Documents in whole or in part to the extent provided in the Credit Agreement and the other Credit Documents.

(b) Waivers. Guarantor hereby waives:

(i) Any right to require Agent or any Bank to (A) proceed against Borrower or any other guarantor of the Guaranteed Obligations, (B) proceed against or exhaust any security received from Borrower, Guarantor or any other guarantor of the Guaranteed Obligations or otherwise marshal the assets of

E-6

Borrower, Guarantor or any other guarantor of the Guaranteed Obligations or (C) pursue any other remedy in Agent's or any Bank's power whatsoever;

(ii) Any defense arising by reason of the application by Borrower of the proceeds of any borrowing;

(iii) Any defense resulting from the absence, impairment or loss of any right of reimbursement, subrogation, contribution or other right or remedy of Guarantor against Borrower, any other guarantor of the Guaranteed Obligations or

any security, whether resulting from an election by Agent or any Bank to foreclose upon security by nonjudicial sale, or otherwise;

(iv) Any setoff or counterclaim of Borrower or any defense which results from any disability or other defense of Borrower or the cessation or stay of enforcement from any cause whatsoever of the liability of Borrower (including, without limitation, the lack of validity or enforceability of any of the Credit Documents);

(v) Any defense based upon any law, rule or regulation which provides that the obligation of a surety must not be greater or more burdensome than the obligation of the principal;

(vi) Until all obligations of Agent or any Bank to extend credit to Borrower have terminated and all of the Guaranteed Obligations have been fully, finally and indefeasibly paid, any right of subrogation, reimbursement, indemnification or contribution and other similar right to enforce any remedy which Agent, the Banks or any other Person now has or may hereafter have against Borrower on account of the Guaranteed Obligations, and any benefit of, and any right to participate in, any security now or hereafter received by Agent, any Bank or any other Person on account of the Guaranteed Obligations;

(vii) All presentments, demands for performance, notices of non-performance, notices delivered under the Credit Documents, protests, notice of dishonor, and notices of acceptance of this Guaranty and of the existence, creation or incurring of new or additional Guaranteed Obligations and notices of any public or private foreclosure sale;

(viii) The benefit of any statute of limitations to the extent permitted by law;

(ix) Any appraisalment, valuation, stay, extension, moratorium redemption or similar law or similar rights for marshalling;

(x) Any right to be informed by Agent or any Bank of the financial condition of Borrower or any other guarantor of the Guaranteed Obligations or

E-7

any change therein or any other circumstances bearing upon the risk of nonpayment or nonperformance of the Guaranteed Obligations;

(xi) Until all obligations of Agent or any Bank to extend credit to Borrower have terminated and all of the Guaranteed Obligations have been fully, finally and indefeasibly paid, any right to revoke this Guaranty;

(xii) Any defense arising from an election for the application of Section 1111(b)(2) of the United States Bankruptcy Code which applies to the Guaranteed Obligations;

(xiii) Any defense based upon any borrowing or grant of a security interest under Section 364 of the United States Bankruptcy Code; and

(xiv) Any right it may have to a fair value hearing to determine the size of a deficiency judgment following any foreclosure on any security for the Guaranteed Obligations.

Without limiting the scope of any of the foregoing provisions of this Paragraph 5, Guarantor hereby further waives (A) all rights and defenses arising out of an election of remedies by Agent or any Bank, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a Guaranteed Obligation, has destroyed Guarantor's rights of subrogation and reimbursement against Borrower by the operation of Section 580d of the Code of Civil Procedure or otherwise, (B) all rights and defenses Guarantor may have by reason of protection afforded to Borrower with respect to the Guaranteed Obligations pursuant to the antideficiency or other laws of California limiting or discharging the Guaranteed Obligations, including, without limitation, Section 580a, 580b, 580d, or 726 of the California Code of Civil Procedure, and (C) all other rights and defenses available to Guarantor by reason of Sections 2787 to 2855,

inclusive, to the extent such rights and defenses may be waived by Guarantor pursuant to Section 2856 of the California Civil Code, Section 2899 or Section 3433 of the California Civil Code or Section 3605 of the California Commercial Code.

(c) Financial Condition of Borrower, Etc. Guarantor is fully aware of the financial condition and affairs of Borrower. Guarantor has executed this Guaranty without reliance upon any representation, warranty, statement or information concerning Borrower furnished to Guarantor by Agent or any Bank and has, independently and without reliance on Agent or any Bank, 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 of other circumstances affecting the risk of nonpayment or nonperformance of the Guaranteed Obligations. Guarantor is in a position to obtain, and assumes full responsibility for obtaining, any additional information about the financial condition and affairs of Borrower and of other circumstances affecting the risk of nonpayment or nonperformance of the Guaranteed Obligations and will, independently and without reliance upon Agent or any Bank, and based on such documents and information as it shall

E-8

deem appropriate at the time, continue to make its own appraisals and decisions in taking or not taking action in connection with this Guaranty.

6. Subordination. Guarantor hereby subordinates any and all debts, liabilities and obligations owed to Guarantor by Borrower or any Subsidiary of Borrower (the "Subordinated Obligations") to the Guaranteed Obligations as provided in this Paragraph 6.

(a) Prohibited Payments, Etc. Until the occurrence of an Event of Default or any default by Guarantor hereunder, Guarantor and its Subsidiaries may receive payments from Borrower on account of Subordinated Obligations. After the occurrence and during the continuance of any Default or Event of Default or any default by Guarantor hereunder (including the commencement and continuation of any Insolvency Proceeding relating to Borrower), however, unless Agent otherwise agrees, Guarantor shall not, and shall not permit any of its Subsidiaries (other than Borrower) to, demand, accept or take any action to collect any payment on account of the Subordinated Obligations.

(b) Prior Payment of Guaranteed Obligations. In any Insolvency Proceeding relating to Borrower, Guarantor agrees that Agent and the Banks shall be entitled to receive payment of all Guaranteed Obligations (including any and all Disallowed Post-Commencement Interest and Expenses) before Guarantor or any of its Subsidiaries (other than Borrower) receives payment of any Subordinated Obligations.

(c) Turn-Over. After the occurrence and during the continuance of any Event of Default (including the commencement and continuation of any Insolvency Proceeding relating to Borrower), Guarantor and its Subsidiaries (other than Borrower) shall, if Agent so requests, collect, enforce and receive payments on account of the Subordinated Obligations as trustee for Agent and the Banks and deliver such payments to Agent on account of the Guaranteed Obligations (including any and all Disallowed Post-Commencement Interest and Expenses), together with any necessary endorsements or other instruments of transfer, but without reducing or affecting in any manner the liability of Guarantor under the other provisions of this Guaranty.

(d) Agent Authorization. After the occurrence and during the continuance of any Event of Default or any default by Guarantor hereunder (including the commencement and continuation of any Insolvency Proceeding relating to Borrower), Agent is authorized and empowered (but without any obligation to so do), in its discretion, (i) in the name of Guarantor and its Subsidiaries (other than Borrower), to collect and enforce, and to submit claims in respect of, Subordinated Obligations and to apply any amounts received thereon to the Guaranteed Obligations (including any and all Disallowed Post-Commencement Interest and Expenses), and (ii) to require Guarantor (A) to collect and enforce, and to submit claims in respect of, Subordinated Obligations and (B) to pay any amounts received on such obligations to Agent for application to the Guaranteed Obligations (including any and all Disallowed Post-Commencement Interest and Expenses).

E-9

7. Setoff.

(a) Setoff. In addition to any rights and remedies of the Banks provided by law, each Bank shall have the right, with the prior

consent of Agent, but without prior notice to or consent from Guarantor, any such notice or consent being expressly waived by Guarantor 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 Guarantor 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, Guarantor hereby grants to Agent and each Bank a continuing security interest in any and all deposits, accounts or moneys of Guarantor then or thereafter maintained with such Bank. The aforesaid right of set-off may be exercised by any Bank against Guarantor or against any trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver or execution, judgment or attachment creditor of Guarantor or against anyone else claiming through or against Guarantor 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 prior to the occurrence of an Event of Default. Any Bank which exercises its right of setoff agrees promptly to notify Guarantor after any such set-off and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application.

(b) Nonwaiver. No security interest or right of setoff shall be deemed to have been waived by any act or conduct on the part of Agent or any Bank or by any failure to exercise such right of setoff or to enforce such security interest, or by any delay in so doing; and every right of setoff and security interest shall continue in full force and effect until such right of setoff or security interest is specifically waived or released by an instrument in writing executed by Agent.

8. Miscellaneous.

(a) Notices. Except as otherwise provided herein, all notices, requests, demands, consents, instructions or other communications to or upon Guarantor or Agent under this Guaranty or the other Credit Documents shall be in writing and faxed, mailed or delivered to Guarantor or Agent at its respective facsimile number or address set forth below or (or to such other facsimile number or address for either party as indicated in any notice given by that party to the other party). All such notices and communications shall be effective (i) when sent by any overnight courier service of recognized standing, on the second Business Day following the deposit with such service; (ii) when mailed, first class postage prepaid and addressed as aforesaid through the United States Postal Service, upon receipt; (iii) when delivered by hand, upon delivery; and (iv) when faxed, upon confirmation of receipt.

Guarantor: Quantum Corporation  
E-10  
500 McCarthy Boulevard  
Milpitas, CA 950351  
Attn: Tony Lewis,  
Vice President Finance & Treasurer  
Telephone: (408) 894-4983  
Facsimile: (408) 894-4562

E-11

Agent: Fleet National Bank  
Mail Stop MA OF D07A  
One Federal Street  
Boston, MA 02110  
Attn: Mike Barclay  
Telephone: (617) 346-0057  
Facsimile: (617) 346-0151

(b) Payments. Guarantor shall make all payments required hereunder to Agent, or its order, at Agent's office located at the address set forth in Subparagraph 8(a) hereof, or at such other office as Agent may designate, on demand, in Dollars. If any amounts required to be paid by Guarantor under this Guaranty are not paid when due, Guarantor 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.

(c) Expenses. Guarantor shall pay on demand (i) all reasonable

fees and expenses, including reasonable attorneys' fees and expenses, incurred by Agent in connection with the preparation, execution and delivery of, and the exercise of its duties under, this Guaranty and the preparation, execution and delivery of amendments and waivers hereunder and (ii) all reasonable fees and expenses, including reasonable attorneys' fees and expenses, incurred by Agent and the Banks in connection with the enforcement or attempted enforcement of this Guaranty or any of the Guaranteed Obligations or in preserving any of Agent's or the Banks' rights and remedies (including, without limitation, all such fees and expenses incurred in connection with any "workout" or restructuring affecting the Credit Documents or the Guaranteed Obligations or any bankruptcy or similar proceeding involving Guarantor, Borrower or any of their affiliates).

(d) Waivers; Amendments. This Guaranty may not be amended or modified, nor may any of its terms be waived, except by written instruments signed by Guarantor and Agent. Each waiver or consent under any provision hereof shall be effective only in the specific instances for the purpose for which given. No failure or delay on Agent's or any Bank's part 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.

(e) Assignments. This Guaranty shall be binding upon and inure to the benefit of Agent, the Banks and Guarantor and their respective successors and assigns; provided, however, that Guarantor may not assign or transfer any of its rights and obligations under this Guaranty without the prior written consent of Agent and the Banks, and, provided, further, that Agent or any Bank may sell, assign and delegate their respective rights and obligations hereunder only as permitted by the Credit Agreement. All references in this Guaranty to any Person shall be deemed to include all permitted successors and assigns of such Person.

E-12

(f) Cumulative Rights, etc. The rights, powers and remedies of Agent and the Banks under this Guaranty shall be in addition to all rights, powers and remedies given to Agent and the Banks by virtue of any applicable law, rule or regulation of any Governmental Authority, the Credit Agreement, any other Credit Document or any other agreement, all of which rights, powers, and remedies shall be cumulative and may be exercised successively or concurrently without impairing Agent's or any Bank's rights hereunder. Guarantor waives any right to require Agent or any Bank to proceed against any Person or to exhaust any Collateral or to pursue any remedy in Agent's or such Bank's power.

(g) Payments Free of Taxes, Etc. All payments made by Guarantor under this Guaranty shall be made by Guarantor free and clear of and without deduction for any and all present and future taxes, levies, charges, deductions and withholdings. In addition, Guarantor shall pay upon demand any stamp or other taxes, levies or charges of any jurisdiction with respect to the execution, delivery, registration, performance and enforcement of this Guaranty. If any taxes, levies, charges or other amounts are required to be withheld from any amounts payable to Agent or any Bank hereunder, the amounts so payable to Agent or such Bank shall be increased to the extent necessary to yield to Agent or such Bank (after payment of all such amounts) any such amounts payable hereunder in the amounts specified in this Guaranty. Upon request by Agent or any Bank, Guarantor shall furnish evidence satisfactory to Agent or such Bank that all requisite authorizations and approvals by, and notices to and filings with, governmental authorities and regulatory bodies have been obtained and made and that all requisite taxes, levies and charges have been paid.

(h) Partial Invalidity. If at any time any provision of this Guaranty 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 Guaranty 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.

(i) Governing Law. This Guaranty shall be governed by and construed in accordance with the laws of the State of California without reference to conflicts of law rules.

(j) Jury Trial. EACH OF GUARANTOR, THE BANKS AND AGENT, 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 THIS GUARANTY.

(k) Limitation of Liability. NO CLAIM MAY BE MADE BY GUARANTOR AGAINST AGENT, ANY BANK OR THE AFFILIATES, DIRECTORS, OFFICERS, EMPLOYEES, ATTORNEYS OR AGENTS OF AGENT OR ANY BANK FOR ANY

E-13

SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES IN RESPECT OF ANY CLAIM (WHETHER BASED UPON ANY BREACH OF CONTRACT, TORT, BREACH OF STATUTORY DUTY OR ANY OTHER THEORY OF LIABILITY) ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS GUARANTY, OR ANY ACT, OMISSION OR EVENT OCCURRING IN CONNECTION THEREWITH, AND GUARANTOR HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE UPON ANY CLAIM FOR ANY SUCH DAMAGES, WHETHER OR NOT NOW ACCRUED AND WHETHER OR NOT KNOWN OR SUSPECTED TO EXIST IN ITS FAVOR.

E-14

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be executed as of the day and year first above written.

QUANTUM CORPORATION

By: /s/ Anthony H. Lewis, Jr.

-----  
Name: Anthony H. Lewis, Jr.

-----  
Title: Vice President, Finance & Treasurer  
-----

E-15

EXHIBIT F

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 December 18, 1998, among ATL Products, Inc. ("Borrower"), the financial institutions listed in Schedule I to the Credit Agreement (the "Banks"), and Fleet National Bank, as agent for the Banks (in such capacity, "Agent"). (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 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 and Agent, (b) payment to Agent of the registration and processing fee specified in Subparagraph 8.05(e) by Assignor Bank, Agent will

1

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 Agent shall, and hereby authorize and direct 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 Agent the Note payable to Assignor Bank. On or prior to the Assignment Effective Date, Borrower will deliver to 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, 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.

2

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, Agent 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 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 Agent to take such action as Agent on its behalf and to exercise such powers under the Credit Agreement and the other Credit Documents as are delegated to Agent 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

3

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.

4

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 Assignor 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: \_\_\_\_\_

5

CONSENTED TO AND ACKNOWLEDGED BY:

ATL PRODUCTS, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FLEET NATIONAL BANK,  
As Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ACCEPTED FOR RECORDATION  
IN REGISTER:

FLEET NATIONAL BANK,  
As Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

6

ATTACHMENT 1  
TO ASSIGNMENT AGREEMENT

NAMES, ADDRESSES AND PROPORTIONATE SHARES  
OF ASSIGNOR BANK AND ASSIGNEE BANKS AFTER ASSIGNMENT

-----, ----

		Portionate Share*
		-----
A.	ASSIGNOR BANK	
	-----	-----%
	Applicable Lending Office:	
	-----	
	-----	
	-----	
	Address for notices:	
	-----	
	-----	
	-----	
	Telephone No: _____	

Facsimile No: \_\_\_\_\_

Wiring Instructions:  
-----  
-----

B. ASSIGNEE BANKS

-----%  
Applicable Lending Office:  
-----  
-----  
-----

F[1]-1

\* To be expressed by a percentage rounded to the eighth-digit to the right of the decimal point.

Portionate  
Share\*  
-----

Address for notices:  
-----  
-----  
-----

Telephone No: \_\_\_\_\_  
Facsimile No: \_\_\_\_\_

Wiring Instructions:  
-----%  
-----  
-----

Applicable Lending Office:  
-----  
-----  
-----

Address for notices:  
-----  
-----  
-----

Telephone No: \_\_\_\_\_  
Facsimile No: \_\_\_\_\_

Wiring Instructions:  
-----  
-----

F[1]-2

ATTACHMENT 2  
TO ASSIGNMENT AGREEMENT

FORM OF  
ASSIGNMENT EFFECTIVE NOTICE

The undersigned, as agent for the banks under the Credit Agreement, dated as of December 18, 1998 (as amended from time to time) among ATL Products, Inc. ("Borrower"), the financial institutions parties thereto (the "Banks") and Fleet National Bank, as agent for the Banks (in such capacity, "Agent"), 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 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 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,

FLEET NATIONAL BANK,  
as Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

INDUSTRIAL LEASE  
(Single Tenant; Net)

BETWEEN

THE IRVINE COMPANY

AND

ATL PRODUCTS, INC.

INDEX TO INDUSTRIAL LEASE  
(Single Tenant; Net)

ARTICLE I. BASIC LEASE PROVISIONS

ARTICLE II. PREMISES

- Section 2.1 Leased Premises
- Section 2.2 Acceptance of Premises
- Section 2.3 Building Name and Address
- Section 2.4 Right of First Offer

ARTICLE III. TERM

- Section 3.1 General
- Section 3.2 Delay in Possession
- Section 3.3 Right to Extend this Lease

ARTICLE IV. RENT AND OPERATING EXPENSES

- Section 4.1 Basic Rent
- Section 4.2 Operating Expenses
- Section 4.3 Security Deposit

ARTICLE V. USES

- Section 5.1 Use
- Section 5.2 Signs
- Section 5.3 Hazardous Materials

ARTICLE VI. COMMON AREAS; SERVICES

- Section 6.1 Utilities and Services
- Section 6.2 Operation and Maintenance of Common Areas
- Section 6.3 Use of Common Areas
- Section 6.4 Parking
- Section 6.5 Changes and Additions by Landlord

ARTICLE VII. MAINTAINING THE PREMISES

- Section 7.1 Tenant's Maintenance and Repair
- Section 7.2 Landlord's Maintenance and Repair
- Section 7.3 Alterations
- Section 7.4 Mechanic's Liens
- Section 7.5 Entry and Inspection

ARTICLE VIII. TAXES AND ASSESSMENTS ON TENANT'S PROPERTY

ARTICLE IX. ASSIGNMENT AND SUBLETTING

- Section 9.1 Rights of Parties
- Section 9.2 Effect of Transfer
- Section 9.3 Sublease Requirements
- Section 9.4 Certain Transfers

ARTICLE X. INSURANCE AND INDEMNITY

- Section 10.1 Tenant's Insurance
- Section 10.2 Landlord's Insurance
- Section 10.3 Tenant's Indemnity
- Section 10.4 Landlord's Nonliability
- Section 10.5 Waiver of Subrogation

ARTICLE XI. DAMAGE OR DESTRUCTION

- Section 11.1 Restoration
- Section 11.2 Lease Governs

ARTICLE XII. EMINENT DOMAIN

- Section 12.1 Total or Partial Taking
- Section 12.2 Temporary Taking
- Section 12.3 Taking of Parking Area

ARTICLE XIII. SUBORDINATION; ESTOPPEL CERTIFICATE; FINANCIAL

- Section 13.1 Subordination

Section 13.2 Estoppel Certificate  
Section 13.3 Financials

ARTICLE XIV. DEFAULTS AND REMEDIES

Section 14.1 Tenant's Defaults  
Section 14.2 Landlord's Remedies  
Section 14.3 Late Payments  
Section 14.4 Right of Landlord to Perform  
Section 14.5 Default by Landlord  
Section 14.6 Expenses and Legal Fees  
Section 14.7 Waiver of Jury Trial  
Section 14.8 Satisfaction of Judgment  
Section 14.9 Limitation of Actions Against Landlord

ARTICLE XV. END OF TERM

Section 15.1 Holding Over  
Section 15.2 Merger on Termination  
Section 15.3 Surrender of Premises; Removal of Property

ARTICLE XVI. PAYMENTS AND NOTICES

ARTICLE XVII. RULES AND REGULATIONS

ARTICLE XVIII. BROKER'S COMMISSION

ARTICLE XIX. TRANSFER OF LANDLORD'S INTEREST

ARTICLE XX. INTERPRETATION

Section 20.1 Gender and Number  
Section 20.2 Headings  
Section 20.3 Joint and Several Liability  
Section 20.4 Successors  
Section 20.5 Time of Essence  
Section 20.6 Controlling Law  
Section 20.7 Severability  
Section 20.8 Waiver and Cumulative Remedies  
Section 20.9 Inability to Perform  
Section 20.10 Entire Agreement  
Section 20.11 Quiet Enjoyment  
Section 20.12 Survival

ARTICLE XXI. EXECUTION AND RECORDING

Section 21.1 Counterparts  
Section 21.2 Corporate and Partnership Authority  
Section 21.3 Execution of Lease; No Option or Offer  
Section 21.4 Recording  
Section 21.5 Amendments  
Section 21.6 Executed Copy  
Section 21.7 Attachments

ARTICLE XXII. MISCELLANEOUS

Section 22.1 Nondisclosure of Lease Terms  
Section 22.2 Guaranty  
Section 22.3 Changes Requested by Lender  
Section 22.4 Mortgagee Protection  
Section 22.5 Covenants and Conditions  
Section 22.6 Security Measures

EXHIBITS

Exhibit A Description of the Premises  
Exhibit B Environmental Questionnaire  
Exhibit C Landlord's Disclosures  
Exhibit D Insurance Requirements  
Exhibit E Rules and Regulations  
Exhibit X Work Letter  
Exhibit Y Project Site Plan

INDUSTRIAL LEASE  
-----  
(Single Tenant; Net)

This LEASE is made as of the 17th day of July, 1998, by and between THE IRVINE COMPANY, hereafter called "Landlord," and ATL PRODUCTS, INC., a Delaware corporation, hereinafter called "Tenant."

ARTICLE I. BASIC LEASE PROVISIONS

Each reference in this Lease to the "Basic Lease Provisions" shall mean and refer to the following collective terms, the application of which shall be governed by the provisions in the remaining Articles of this Lease.

1. Premises: The Premises are more particularly described in Section 2.1.  
Address of Building: 101 Innovation, Irvine, CA 92612
  2. Project Description (if applicable): University Research Park
  3. Use of Premises: Research and product development, sales, marketing and general office use.
  4. Estimated Commencement Date: October 15, 1998
  5. Lease Term: Sixty (60) months, plus such additional days as may be required to cause this Lease to terminate on the final day of the calendar month.
  6. Basic Rent: Eighty-Eight Thousand Seven Hundred Seventy-Seven Dollars (\$88,777.00) per month, based on \$1.40 per rentable square foot.  
  
Basic Rent is subject to adjustment as follows:  
  
Commencing twelve (12) months following the Commencement Date, the Basic Rent shall be Ninety-One Thousand Nine Hundred Forty-Seven Dollars (\$91,947.00) per month, based on \$1.45 per rentable square foot.  
  
Commencing twenty-four (24) months following the Commencement Date, the Basic Rent shall be Ninety-Five Thousand One Hundred Eighteen Dollars (\$95,118.00) per month, based on \$1.50 per rentable square foot.  
  
Commencing thirty-six (36) months following the Commencement Date, the Basic Rent shall be Ninety-Eight Thousand Two Hundred Eighty-Eight Dollars (\$98,288.00) per month, based on \$1.55 per rentable square foot.  
  
Commencing forty-eight (48) months following the Commencement Date, the Basic Rent shall be One Hundred One Thousand Four Hundred Fifty-Nine Dollars (\$101,459.00) per month, based on \$1.60 per rentable square foot.
  7. Guarantor(s): N/A
  8. Floor Area of Premises: approximately 63,412 rentable square feet
  9. Security Deposit: \$101,459.00
  10. Broker(s): Grubb & Ellis
  11. Additional Insureds: Insignia / ESG of California, Inc.
- 1
12. Address for Payments and Notices:

LANDLORD INSIGNIA\ESG OF CALIFORNIA, INC. One Technology Drive, Suite F-207 Irvine, CA 92618	TENANT ATL PRODUCTS, INC. 101 Innovation Irvine, CA 92612
-------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------

  
with a copy of notices to:  
IRVINE INDUSTRIAL COMPANY  
P.O. Box 6370  
Newport Beach, CA 92658-6370  
Attn: Vice President, Industrial Operations
  13. Tenant's Liability Insurance Requirement: \$2,000,000.00
  14. Vehicle Parking Spaces: Two Hundred Fifty-Three (253)
  15. Space Plan Approval Date: Concurrently with execution of Lease
  16. Tenant understands and acknowledges that a material consideration for Landlord's entering into this Lease is the nature of Tenant's business and the mutual benefits to be derived as a result of Tenant's business operating in a project located proximate to the University of California at Irvine (the "University"). Accordingly, in the event of any proposed

assignment or sublease, in addition to all the provisions of Section 9.1(b) of this Lease, Landlord may reasonably withhold its consent to any such proposed assignment or sublease if Landlord determines in its sole and absolute discretion that the proposed use of the Premises by such assignee, sublessee or transferee will not derive mutual benefits by operating in a project located proximate to the University.

2

## ARTICLE II. PREMISES

SECTION 2.1. LEASED PREMISES. Landlord leases to Tenant and Tenant leases from Landlord the premises shown in Exhibit A (the "Premises"), including the building identified in Item 1 of the Basic Lease Provisions (which together with the underlying real property, is called the "Building"), and containing approximately the floor area set forth in Item 8 of the Basic Lease Provisions. The Premises is a portion of the project shown in Exhibit Y (the "Project").

SECTION 2.2. ACCEPTANCE OF PREMISES. Tenant acknowledges that except as expressly provided in Section 2.3, below, neither Landlord nor any representative of Landlord has made any representation or warranty with respect to the Premises or the Building or the suitability or fitness of either for any purpose, including without limitation any representations or warranties regarding zoning or other land use matters, and that neither Landlord nor any representative of Landlord has made any representations or warranties regarding (i) what other tenants or uses may be permitted or intended in the Building and the Project, or (ii) any exclusivity of use by Tenant with respect to its permitted use of the Premises as set forth in Item 3 of the Basic Lease Provisions. Tenant further acknowledges that neither Landlord nor any representative of Landlord has agreed to undertake any alterations or additions or construct any improvements to the Premises except as expressly provided in this Lease. The taking of possession or use of the Premises by Tenant for any purpose other than construction shall conclusively establish that the Premises and the Building were in satisfactory condition and in conformity with the provisions of this Lease in all respects, except for those matters which Tenant shall have brought to Landlord's attention on a written punch list. The list shall be limited to any items required to be accomplished by Landlord under the Work Letter attached as Exhibit X, and shall be delivered to Landlord within thirty (30) days after the term ("Term") of this Lease commences as provided in Article III below. Nothing contained in this Section shall affect the commencement of the Term or the obligation of Tenant to pay rent. Landlord shall diligently complete all punch list items of which it is notified as provided above within ninety (90) days after Landlord's receipt of the punch list, except to the extent such completion is delayed as to any punch list item due to the unavailability of materials to complete the same.

SECTION 2.3. LANDLORD'S REPRESENTATIONS. Landlord hereby makes the following representations and warranties to Tenant, which representations and warranties are made effective as of the date hereof and not as continuing representations and warranties:

(a) The Building, including the foundation and the roof thereof, has been constructed in a good and workmanlike manner in accordance with all building codes and other governmental laws, rules, regulations and ordinances in effect as of the date of issuance of building permits for the Building (the "Permits"), including, without limitation, the Americans With Disabilities Act and Title 24 requirements.

(b) All Building systems and equipment, including heating, ventilation and air conditioning, plumbing, electrical, mechanical equipment and communication facilities serving the Building and installed by Landlord are in good condition and working order and are in compliance with all governmental codes and requirements in effect as of the date of issuance of the Permits.

(c) The number of parking spaces allocated to the Building is in compliance with the codes and requirements of the City of Irvine, and the parking lot is in good condition and repair.

(d) The Premises are currently zoned to allow the use of the Premises for general office use, research and development and light manufacturing, provided, however, that Tenant shall be solely responsible for confirming that the zoning applicable to the Premises is satisfactory for Tenant's particular intended use of the Premises.

(e) Landlord has good and marketable fee title to the Premises and has the legal power, right and authority to enter into this Lease, and Landlord has taken all requisite corporate action in connection with the entering into of this Lease so that when executed this Lease shall be the valid and legally binding obligation of Landlord in accordance with its terms.

(f) Neither the execution of this Lease nor the performance of the obligations herein by Landlord conflict with or result in the material breach of any terms, conditions or provisions, or constitute a default under any evidence of indebtedness, contract, mortgage or deed of trust, loan, partnership agreement, lease, covenant, condition or restriction or other agreements to which Landlord is a party or which affect the Premises.

(g) Landlord has received no notice of any pending or threatened actions, suits, claims or proceedings affecting the Premises or Landlord's ownership thereof, including, without limitation, any actions in eminent domain or condemnation of all or any portion of the Premises.

(h) Water, sewer, gas, electric, telephonic communication facilities and all utilities required by law, for the normal use and operation of a building substantially similar to the Building, have been installed in the Building and will be connected to the Premises as part of the Tenant Improvements to be constructed pursuant to the Work Letter, provided, however, that Tenant shall be solely responsible for determining whether the utilities

3

shown in any Preliminary Plan or any Working Drawings and Specifications prepared by Landlord pursuant to the Work Letter will be adequate to service Tenant's usage of the Premises.

(i) As of the date of this Lease there are no mortgages or deeds of trust encumbering the Premises.

SECTION 2.4. TENANT'S REPRESENTATIONS AND WARRANTIES. Tenant hereby makes the following representations and warranties to Landlord, which representations and warranties are made effective as of the date of this Lease:

(a) Tenant has the legal power, right and authority to enter into this Lease, and Tenant has taken all requisite corporate action in connection with the entering into of this Lease so that when executed this Lease shall be the valid and legally binding obligation of Tenant in accordance with its terms.

(b) Neither the execution of this Lease nor the performance of the obligations herein by Tenant conflict with or result in the material breach of any terms, conditions or provisions, or constitute a default under any evidence of indebtedness, contract, mortgage or deed of trust, loan, partnership agreement, lease, covenant, condition or restriction or other agreements to which Tenant is a party.

(c) Tenant has received no notice of any pending or threatened actions, suits, claims or proceedings affecting Tenant which would adversely affect the right of Tenant to enter into this Lease or Tenant's business to be operated upon the Premises.

SECTION 2.5. BUILDING NAME AND ADDRESS. Tenant shall not utilize any name selected by Landlord from time to time for the Building and/or the Project as any part of Tenant's corporate or trade name. Landlord shall have the right to change the name, address, number or designation of the Building or Project without liability to Tenant.

SECTION 2.6. RIGHT OF FIRST OFFER. Provided Tenant is not then in default hereunder, Landlord hereby grants Tenant a one-time right ("First Right") to lease the second floor of the building located in the Project at 111 Innovation ("First Right Space") in accordance with and subject to the provisions of this Section 2.4. Following receipt of a bona fide third party offer or request for proposal to lease the First Right Space, or any portion thereof, and prior to leasing same to such third party, Landlord shall notify Tenant in writing of Landlord's intention to lease the First Right Space. Landlord's notice shall set forth the basic economic terms including but not limited to the Basic Rent, term, security deposit, and tenant improvement allowance (collectively, the "Economic Terms"), upon which Landlord is willing to lease such particular First Right Space to Tenant or to said third party; provided that the Economic Terms shall exclude brokerage commissions and other Landlord payments that do not directly inure to the tenant's benefit. It is understood that should Landlord intend to lease other space in addition to the First Right Space as part of a single transaction, then Landlord's notice shall so provide and all such space shall collectively be subject to the following provisions. Within five (5) business days after receipt of Landlord's notice, Tenant must give Landlord written notice pursuant to which Tenant shall elect to (i) lease all, but not less than all, of the space specified in Landlord's notice (the "Designated Space") upon such Economic Terms and the same non-Economic Terms as set forth in this Lease; (ii) refuse to lease the Designated Space, specifying that such refusal is not based upon the Economic Terms, but upon Tenant's lack of need for the Designated Space, in which event Tenant's First Right as to the Designated Space shall be terminated and of no further force and effect and Landlord may lease the Designated Space upon any terms it deems appropriate; or (iii) refuse to lease the Designated Space, specifying that such refusal is based upon said Economic Terms, in which event Tenant shall also specify revised Economic Terms upon which Tenant shall be willing to lease the Designated Space. In the event that Tenant does not so respond in writing to Landlord's notice within said period, Tenant shall be deemed to have elected clause (ii) above. In the event Tenant gives Landlord notice pursuant to clause (iii) above, Landlord may elect to either (x) lease the Designated Space to Tenant upon such revised Economic Terms and the same other non-Economic Terms as set forth in this Lease, or (y) lease the Designated Space to any third party upon Economic Terms which are not materially more favorable to such party than those Economic Terms proposed by



Tenant. Should Landlord so elect to lease the Designated Space to Tenant, then Landlord shall promptly prepare and deliver to Tenant an amendment to this Lease consistent with the foregoing, and Tenant shall execute and return same to Landlord within ten (10) days. Tenant's failure to timely return the amendment shall entitle Landlord to specifically enforce Tenant's commitment to lease the Designated Space, to lease such space to a third party, and/or to pursue any other available legal remedy. Notwithstanding the foregoing, it is understood that Tenant's First Right shall be subordinate to any pre-existing extension or expansion rights granted by Landlord to any third party tenant leasing, or with the right to lease, the First Right Space or any portion thereof, and in no event shall any such First Right Space be subject to the provisions of this First Right unless and until such extension or expansion rights are waived and/or not exercised by said third party tenant. Tenant's rights under this Section 2.4 shall belong solely to ATL Products, Inc., a Delaware corporation and may not be assigned or transferred by it. Any attempted assignment or transfer shall be void and of no force or effect.

4

#### ARTICLE III. TERM

SECTION 3.1. GENERAL. The Term shall be for the period shown in Item 5 of the Basic Lease Provisions. Subject to the provisions of Section 3.2 below, the Term shall commence ("Commencement Date") on the later of (a) October 1, 1998, or (b) the date which is the earlier of (i) the date upon which all relevant governmental authorities have approved the Tenant Improvements in accordance with applicable building codes, as evidenced by written approval thereof in accordance with the building permits issued for the Tenant Improvements or issuance of a final certificate of occupancy for the Premises or temporary certificate of occupancy for the Premises which does not contain conditions to issuance of a final certificate of occupancy which would prohibit Tenant's substantial use of the Premises for the purposes specified in Item 3 of the Basic Lease Provisions, or (ii) the date Tenant acquires possession or commences use of the Premises for any purpose other than construction of Tenant Improvements by Tenant under the Work Letter. Within ten (10) days after possession of the Premises is tendered to Tenant, the parties shall memorialize on a form provided by Landlord the actual Commencement Date and the expiration date ("Expiration Date") of this Lease. Tenant's failure to execute that form shall not affect the validity of Landlord's determination of those dates.

SECTION 3.2. DELAY IN POSSESSION. If Landlord, for any reason whatsoever, cannot deliver possession of the Premises to Tenant on or before the Estimated Commencement Date, this Lease shall not be void or voidable nor shall Landlord be liable to Tenant for any resulting loss or damage. However, Tenant shall not be liable for any rent and the Commencement Date shall not occur until Landlord delivers possession of the Premises and the Premises are in fact available for Tenant's occupancy with any Tenant Improvements that have been approved as per Section 3.1(a) above, except that if Landlord's failure to so deliver possession on the Estimated Commencement Date is attributable to any action or inaction by Tenant (including without limitation any Tenant Delay described in the Work Letter, if any, attached to this Lease), then the Commencement Date shall not be advanced to the date on which possession of the Premises is tendered to Tenant, and Landlord shall be entitled to full performance by Tenant (including the payment of rent) from the date Landlord would have been able to deliver the Premises to Tenant but for Tenant's delay(s). If Landlord, for any reason other than Landlord's inability to perform as contemplated under Section 20.9, below, cannot deliver possession of the Premises to Tenant on or before a date six (6) months following the Estimated Commencement Date, Tenant shall have the right to terminate this Lease by giving written notice to Landlord at any time after such date but prior to Landlord's delivering possession of the Premises to Tenant.

SECTION 3.3. RIGHT TO EXTEND THIS LEASE. Provided that Tenant is not in default under any provision of this Lease beyond any applicable cure period, either at the time of exercise of the extension right granted herein or at the time of the commencement of such extension, and provided further that Tenant is occupying the entire Premises and has not assigned or sublet any of its interest in this Lease, Tenant may extend the Term of this Lease for one (1) period of sixty (60) months and, so long as Tenant exercises its first extension right, one (1) additional period of sixty (60) months. Tenant shall exercise its rights to extend the Term by and only by delivering to Landlord, in the case of the first such extension right not less than nine (9) months or more than twelve (12) months prior to the expiration date of the Term, and in the case of the second extension right not less than nine (9) months or more than twelve (12) months prior to the expiration of the Term as extended by the first extension right, Tenant's irrevocable written notice of its commitment to extend (the "Commitment Notice"). The Basic Rent payable under the Lease during any extension of the Term shall be at the fair market rental, including subsequent adjustments, for comparable industrial space being leased by Landlord in the Project; provided that such rate shall in no event be less than the rate payable by Tenant during the final month of the Term or any prior extension thereof. In the event that the parties are not able to agree on the fair market rental within one hundred twenty (120) days prior to the expiration date of the Term or any prior extension thereof, then either party may elect, by written notice to the other party, to cause said rental, including subsequent adjustments, to be

determined by appraisal as follows.

Within ten (10) days following receipt of such appraisal election, the parties shall attempt to agree on an appraiser to determine the fair market rental. If the parties are unable to agree in that time, then each party shall designate an appraiser within ten (10) days thereafter. Should either party fail to so designate an appraiser within that time, then the appraiser designated by the other party shall determine the fair rental value. Should each of the parties timely designate an appraiser, then the two appraisers so designated shall appoint a third appraiser who shall, acting alone, determine the fair rental value of the Premises. Any appraiser designated hereunder shall have an M.A.I. certification with not less than five (5) years experience in the valuation of commercial industrial buildings in Orange County, California.

Within thirty (30) days following the selection of the appraiser, such appraiser shall determine the fair market rental value, including subsequent adjustments of the Premises. In determining such value, the appraiser shall first consider rental comparables for the Project, provided that if adequate comparables do not exist then the appraiser may consider transactions involving similarly improved space in the John

5

Wayne airport area with appropriate adjustments for differences in location and quality of project. In no event shall the appraiser attribute factors for brokerage commissions or for tenant improvement allowances in excess of renovation allowances then being typically provided by landlords for second generation space to reduce said fair market rental. The fees of the appraiser(s) shall be shared equally by both parties.

Within twenty (20) days after the determination of the fair market rental, Landlord shall prepare a reasonably appropriate amendment to this Lease for the extension period and Tenant shall execute and return same to Landlord within ten (10) days. Should the fair market rental not be established by the commencement of the extension period, then Tenant shall continue paying rent at the rate in effect during the last month of the initial Term, and a lump sum adjustment shall be made promptly upon the determination of such new rental.

If Tenant fails to timely comply with any of the provisions of this paragraph, Tenant's right to extend the Term shall be extinguished and the Lease shall automatically terminate as of the expiration date of the Term, without any extension and without any liability to Landlord. Any attempt to assign or transfer any right or interest created by this paragraph shall be void from its inception. Tenant shall have no other right to extend the Term beyond the two sixty (60) month extensions created by this paragraph. Unless agreed to in a writing signed by Landlord and Tenant, any extension of the Term, whether created by an amendment to this Lease or by a holdover of the Premises by Tenant, or otherwise, shall be deemed a part of, and not in addition to, any duly exercised extension period permitted by this paragraph.

#### ARTICLE IV. RENT AND OPERATING EXPENSES

SECTION 4.1. BASIC RENT. From and after the Commencement Date, Tenant shall pay to Landlord without deduction or offset, Basic Rent for the Premises in the total amount shown (including subsequent adjustments, if any) in Item 6 of the Basic Lease Provisions. Any rental adjustment shown in Item 6 shall be deemed to occur on the specified monthly anniversary of the Commencement Date, whether or not that date occurs at the end of a calendar month. The rent shall be due and payable in advance commencing on the Commencement Date (as prorated for any partial month) and continuing thereafter on the first day of each successive calendar month of the Term. No demand, notice or invoice shall be required for the payment of Basic Rent. An installment of rent in the amount of one (1) full month's Basic Rent at the initial rate specified in Item 6 of the Basic Lease Provisions shall be delivered to Landlord concurrently with Tenant's execution of this Lease and shall be applied against the Basic Rent first due hereunder.

#### SECTION 4.2. OPERATING EXPENSES.

(a) Tenant shall pay to Landlord, as additional rent, "Building Costs" and "Property Taxes," as those terms are defined below, incurred by Landlord in the operation of the Building and Project. For convenience of reference, Property Taxes and Building Costs shall be referred to collectively as "Operating Expenses".

(b) Commencing prior to the start of the first full "Expense Recovery Period" (as defined below) of the Lease, and prior to the start of each full or partial Expense Recovery Period thereafter, Landlord shall give Tenant a written estimate of the amount of Operating Expenses for the Expense Recovery Period. Tenant shall pay the estimated amounts to Landlord in equal monthly installments, in advance, with Basic Rent. If Landlord has not furnished its written estimate for any Expense Recovery Period by the time set forth above, Tenant shall continue to pay cost reimbursements at the rates established for the prior Expense Recovery Period, if any; provided that when the new estimate

is delivered to Tenant, Tenant shall, at the next monthly payment date, pay any accrued cost reimbursements based upon the new estimate. For purposes hereof, "Expense Recovery Period" shall mean every twelve month period during the Term (or portion thereof for the first and last lease years) commencing July 1 and ending June 30.

(c) Within one hundred twenty (120) days after the end of each Expense Recovery Period, Landlord shall furnish to Tenant a statement showing in reasonable detail the actual or prorated Operating Expenses incurred by Landlord during the period, and the parties shall within thirty (30) days thereafter make any payment or allowance necessary to adjust Tenant's estimated payments, if any, to Tenant's actual owed amounts as shown by the annual statement. Any delay or failure by Landlord in delivering any statement hereunder shall not constitute a waiver of Landlord's right to require Tenant to pay Operating Expenses pursuant hereto. Any amount due Tenant shall be credited against installments next coming due under this Section 4.2, and any deficiency shall be paid by Tenant together with the next installment. If Tenant has not made estimated payments during the Expense Recovery Period, any amount owing by Tenant pursuant to subsection (a) above shall be paid to Landlord in accordance with Article XVI. Should Tenant fail to object in writing to Landlord's determination of actual Operating Expenses within thirteen (13) months following delivery of Landlord's expense statement, Landlord's determination of actual

6

Operating Expenses for the applicable Expense Recovery Period shall be conclusive and binding on the parties and any future claims to the contrary shall be barred. Upon Tenant's request made after Landlord furnishes Tenant a statement pursuant to this Section 4.3(c), Landlord shall make available to Tenant reasonable information regarding the Operating Expenses for the Expense Recovery Period as to which such statement was furnished. If Tenant determines that it believes there is an error in the Operating Expenses Tenant shall so notify Landlord and Landlord and Tenant shall endeavor to resolve the same prior to the performance of any audit by Tenant. If Landlord and Tenant are unable to resolve the matters as to which Tenant has so provided Landlord notice, and Tenant timely objects to Landlord's determination of Operating Expenses, Tenant shall have the right to audit Landlord's books and records relating to the Operating Expenses at Landlord's or its property manager's offices upon reasonable notice to Landlord. Any such audit shall be performed by a certified public accountant and shall not be permitted to be performed by any party whose compensation in connection with such audit is based upon a percentage of Tenant's savings on account of such audit. In any such event Tenant shall make any payments required based upon Landlord's determination of Tenant's Share of Operating Expenses when the same are due, and any adjustment to be made based upon the parties' resolution of any audit by Tenant shall be made after the audit is performed and any disagreements as to Operating Expenses based upon such audit are resolved between the parties. If upon the resolution of any audit for an Expense Recovery Period by Tenant it is determined that Landlord overstated Operating Expenses for such Expense Recovery Period by more than four (4) percent, then Landlord shall reimburse Tenant for the reasonable costs and accountant's fees incurred by Tenant in performing such audit. If Landlord and Tenant are unable to resolve any disputes as to Operating Expenses resulting from a timely audit by Tenant, the parties shall resolve the same by arbitration with the Judicial Arbitration and Mediation Service of Orange County, California.

(d) Even though the Lease has terminated and the Tenant has vacated the Premises, when the final determination is made of Operating Expenses for the Expense Recovery Period in which the Lease terminates, Tenant shall upon notice pay the entire increase due for the period Tenant was entitled to occupy the Premises pursuant to this Lease over the estimated expenses paid. Conversely, any overpayment made in the event expenses decrease shall be rebated by Landlord to Tenant.

(e) If, at any time during any Expense Recovery Period, any one or more of the Operating Expenses are increased to a rate(s) or amount(s) in excess of the rate(s) or amount(s) used in calculating the estimated expenses for the year, then the estimate of Operating Expenses shall be increased for the month in which such rate(s) or amount(s) becomes effective and for all succeeding months by an amount equal to the increase. Landlord shall give Tenant written notice of the amount or estimated amount of the increase, the month in which the increase will become effective, and the month for which the payments are due. Tenant shall pay the increase to Landlord as a part of Tenant's monthly payments of estimated expenses as provided in paragraph (b) above, commencing with the month in which effective.

(f) The term "Building Costs" shall include all expenses of operation and maintenance of the Building and of the Building's proportionate share of the Project, if applicable (determined as the rentable square footage of the Building divided by the rentable square footage of all space in the Project), to the extent such expenses are not billed to and paid directly by Tenant, and shall include the following charges by way of illustration but not limitation: water and sewer charges; insurance premiums or reasonable premium equivalents should Landlord elect to self-insure any risk that Landlord is authorized to insure hereunder; license, permit, and inspection fees other than those incurred

for tenant improvements for other tenants of the Project; heat; light; power; air conditioning; supplies; materials; equipment; tools; the cost of any insurance, tax or other consultant utilized by Landlord in connection with the Building and/or Project establishment of reasonable reserves for replacements and/or repair of Common Area improvements (if applicable), equipment and supplies; costs incurred in connection with compliance of any laws or changes in laws applicable to the Building or the Project to the extent of the amortized amount thereof over the useful life of any improvements undertaken for such compliance calculated at a market cost of funds all as determined by Landlord, for each such year of useful life during the Term; the cost of any capital investments (other than tenant improvements for specific tenants) to the extent of the amortized amount thereof over the useful life of such capital investments calculated at a market cost of funds, all as determined by Landlord, for each such year of useful life during the Term; costs associated with the procurement and maintenance of an intrabuilding network cable service agreement for any intrabuilding network cable telecommunications lines within the Project, and any other installation, maintenance, repair and replacement costs associated with such lines (except that if such costs are of a capital nature the same shall be treated as capital investments under the foregoing clause); labor; reasonably allocated wages and salaries, fringe benefits, and payroll taxes for personnel directly applicable to the Building and/or Project, including both Landlord's personnel and outside personnel; any expense incurred pursuant to Sections 6.1, 6.2, 6.4, 7.2, and 10.2; and a reasonable overhead/management fee for the professional operation of the Building and Project which management fee shall not in any event exceed competitive management fees negotiated in arms-length agreements between first-class property managers and owners of buildings similar to the Building in Orange County, California. It is understood that Building Costs shall include competitive charges for direct services provided by any subsidiary or division of Landlord. Building Costs shall not, however, include expenses of operation and maintenance of hallways, interior stairwells, common electrical rooms and roof access entries, common entrances and lobbies, elevators, and restrooms all to the extent located in other buildings in the Project.

(g) The term "Property Taxes" as used herein shall include, to the extent applicable to the Building and the Building's proportionate share of the Project (determined as the rentable square footage of the

7

Building divided by the rentable square footage of all space in the Project), all of the following: (i) all real estate taxes or personal property taxes, as such property taxes may be reassessed from time to time; and (ii) other taxes, charges and assessments which are levied with respect to this Lease or to the Building and/or the Project, and any improvements, fixtures and equipment and other property of Landlord located in the Building and/or the Project, except that general net income and franchise taxes imposed against Landlord shall be excluded; and (iii) all assessments and fees for public improvements, services, and facilities and impacts thereon, including without limitation arising out of any Community Facilities Districts, "Mello Roos" districts, similar assessment districts, and any traffic impact mitigation assessments or fees; (iv) any tax, surcharge or assessment which shall be levied in addition to or in lieu of real estate or personal property taxes, other than taxes covered by Article VIII; and (v) costs and expenses incurred in contesting the amount or validity of any Property Tax by appropriate proceedings.

SECTION 4.3. SECURITY DEPOSIT. Concurrently with Tenant's delivery of this Lease, Tenant shall deposit with Landlord the sum, if any, stated in Item 9 of the Basic Lease Provisions, to be held by Landlord as security for the full and faithful performance of Tenant's obligations under this Lease (the "Security Deposit"). Subject to the last sentence of this Section, the Security Deposit shall be understood and agreed to be the property of Landlord upon Landlord's receipt thereof, and may be utilized by Landlord in its discretion towards the payment of all prepaid expenses by Landlord for which Tenant would be required to reimburse Landlord under this Lease, including without limitation brokerage commissions and Tenant Improvement costs to the extent otherwise recoverable under this Lease. Upon any default by Tenant, including specifically Tenant's failure to pay rent or to abide by its obligations under Sections 7.1 and 15.3 below, whether or not Landlord is informed of or has knowledge of the default, the Security Deposit shall be deemed to be automatically and immediately applied, without waiver of any rights Landlord may have under this Lease or at law or in equity as a result of the default, as a setoff for full or partial compensation for that default. If any portion of the Security Deposit is applied after a default by Tenant, Tenant shall within five (5) days after written demand by Landlord deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount. Landlord shall not be required to keep this Security Deposit separate from its general funds, and Tenant shall not be entitled to interest on the Security Deposit. If Tenant fully performs its obligations under this Lease, 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 in this Lease) after the expiration of the Term, provided that Landlord may retain a reasonable portion of the Security Deposit to the extent and until such time as all amounts due from Tenant in accordance with this Lease have been determined and paid in full.

## ARTICLE V. USES

SECTION 5.1. USE. Tenant shall use the Premises only for the purposes stated in Item 3 of the Basic Lease Provisions, all in accordance with applicable laws and restrictions and pursuant to approvals to be obtained by Tenant from all relevant and required governmental agencies and authorities. The parties agree that any contrary use shall be deemed to cause material and irreparable harm to Landlord and shall entitle Landlord to injunctive relief in addition to any other available remedy. Tenant, at its expense, shall procure, maintain and make available for Landlord's inspection throughout the Term, all governmental approvals, licenses and permits required for the proper and lawful conduct of Tenant's permitted use of the Premises. Tenant shall not do or permit anything to be done in or about the Premises which will in any way interfere with the rights of other occupants of the Building or the Project, or use or allow the Premises to be used for any unlawful purpose, nor shall Tenant permit any nuisance or commit any waste in the Premises or the Project. Tenant shall not do or permit to be done anything which will invalidate or increase the cost of any insurance policy(ies) covering the Building, the Project and/or their contents, and shall comply with all applicable insurance underwriters rules and the requirements of the Pacific Fire Rating Bureau or any other organization performing a similar function. Tenant shall comply at its expense with all present and future laws, ordinances, restrictions, regulations, orders, rules and requirements of all governmental authorities that pertain to Tenant or its use of the Premises, including without limitation all federal and state occupational health and safety requirements, whether or not Tenant's compliance will necessitate expenditures or interfere with its use and enjoyment of the Premises. Tenant shall comply at its expense with all present and future covenants, conditions, easements or restrictions now or hereafter affecting or encumbering the Building and/or Project, and any amendments or modifications thereto, including without limitation the payment by Tenant of any periodic or special dues or assessments charged against the Premises or Tenant which may be allocated to the Premises or Tenant in accordance with the provisions thereof provided that any future covenants, conditions, easements or restrictions, or any amendments or modifications, shall not unreasonably interfere with Tenant's use of the Premises or result in a material increase in cost to Tenant. Tenant shall promptly upon demand reimburse Landlord for any additional insurance premium charged by reason of Tenant's failure to comply with the provisions of this Section, and shall indemnify Landlord from any liability and/or expense resulting from Tenant's noncompliance.

SECTION 5.2 SIGNS. Provided Tenant continues to occupy the entire Premises Tenant shall have the exclusive right to install one (1) building top exterior sign at a location agreed to by Landlord and Tenant on the facade of the Building, and one (1) monument sign in front of the Building between the Building and California Avenue, in each case subject to Landlord's prior approval that such signage is in compliance with the Signage Criteria (defined below). Tenant acknowledges that its rights to install the one (1) monument sign shall also be subject to Tenant's obtaining at its expense the approval of and all necessary permits from the City of Irvine with regard to the same. Except as provided in the foregoing, or as approved in writing by Landlord, in its sole discretion, Tenant shall have no right to maintain identification signs in any location in, on or about the Premises,

8

the Building or the Project and shall not place or erect any signs, displays or other advertising materials that are visible from the exterior of the Building. The size, design, graphics, material, style, color and other physical aspects of any permitted sign shall be subject to Landlord's written approval prior to installation (which approval may be withheld in Landlord's discretion), any covenants, conditions or restrictions encumbering the Premises, Landlord's signage program for the Project, as in effect from time to time and approved by the City of Irvine ("Signage Criteria"), and any applicable municipal or other governmental permits and approvals. Tenant acknowledges having received and reviewed a copy of the current Signage Criteria for the Project. Tenant shall be responsible for the cost of any permitted sign, including the fabrication, installation, maintenance and removal thereof. If Tenant fails to maintain its sign, or if Tenant fails to remove same upon termination of this Lease and repair any damage caused by such removal, Landlord may do so at Tenant's expense.

### SECTION 5.3 HAZARDOUS MATERIALS.

(a) For purposes of this Lease, the term "Hazardous Materials" includes (i) any "hazardous materials" as defined in Section 25501(n) of the California Health and Safety Code, (ii) any other substance or matter which results in liability to any person or entity from exposure to such substance or matter under any statutory or common law theory, and (iii) any substance or matter which is in excess of permitted levels set forth in any federal, California or local law or regulation pertaining to any hazardous or toxic substance, material or waste.

(b) Tenant shall not cause or permit any Hazardous Materials to be

brought upon, stored, used, generated, released or disposed of on, under, from or about the Premises (including without limitation the soil and groundwater thereunder) without the prior written consent of Landlord. Notwithstanding the foregoing, Tenant shall have the right, without obtaining prior written consent of Landlord, to utilize within the Premises standard office products and cleaning materials that may contain Hazardous Materials (such as photocopy toner, "White Out", and the like), provided however, that (i) Tenant shall maintain such products in their original retail packaging, shall follow all instructions on such packaging with respect to the storage, use and disposal of such products, and shall otherwise comply with all applicable laws with respect to such products, and (ii) all of the other terms and provisions of this Section 5.3 shall apply with respect to Tenant's storage, use and disposal of all such products. Landlord may, in its sole discretion, place such conditions as Landlord deems appropriate with respect to any such Hazardous Materials, and may further require that Tenant demonstrate that any such Hazardous Materials are necessary or useful to Tenant's business and will be generated, stored, used and disposed of in a manner that complies with all applicable laws and regulations pertaining thereto and with good business practices. Tenant understands that Landlord may utilize an environmental consultant to assist in determining conditions of approval in connection with the storage, generation, release, disposal or use of Hazardous Materials by Tenant on or about the Premises, and/or to conduct periodic inspections of the storage, generation, use, release and/or disposal of such Hazardous Materials by Tenant on and from the Premises, and Tenant agrees that any reasonable costs incurred by Landlord in connection therewith shall be reimbursed by Tenant to Landlord as additional rent hereunder upon demand.

(c) Prior to the execution of this Lease, Tenant shall complete, execute and deliver to Landlord an Environmental Questionnaire and Disclosure Statement (the "Environmental Questionnaire") in the form of Exhibit B attached hereto. The completed Environmental Questionnaire shall be deemed incorporated into this Lease for all purposes, and Landlord shall be entitled to rely fully on the information contained therein. On each anniversary of the Commencement Date until the expiration or sooner termination of this Lease, Tenant shall disclose to Landlord in writing the names and amounts of all Hazardous Materials which were stored, generated, used, released and/or disposed of on, under or about the Premises for the twelve-month period prior thereto, and which Tenant desires to store, generate, use, release and/or dispose of on, under or about the Premises for the succeeding twelve-month period. In addition, to the extent Tenant is permitted to utilize Hazardous Materials upon the Premises, Tenant shall promptly provide Landlord with complete and legible copies of all the following environmental documents relating thereto: reports filed pursuant to any self-reporting requirements; permit applications, permits, monitoring reports, workplace exposure and community exposure warnings or notices and all other reports, disclosures, plans or documents (even those which may be characterized as confidential) relating to water discharges, air pollution, waste generation or disposal, and underground storage tanks for Hazardous Materials; orders, reports, notices, listings and correspondence (even those which may be considered confidential) of or concerning the release, investigation of, compliance, cleanup, remedial and corrective actions, and abatement of Hazardous Materials; and all complaints, pleadings and other legal documents filed by or against Tenant related to Tenant's use, handling, storage, release and/or disposal of Hazardous Materials.

(d) Landlord and its agents shall have the right, but not the obligation, to inspect, sample and/or monitor the Premises and/or the soil or groundwater thereunder at any time to determine whether Tenant is complying with the terms of this Section 5.3, and in connection therewith Tenant shall provide Landlord with full access to all relevant facilities, records and personnel. If Tenant is not in compliance with any of the provisions of this Section 5.3, or in the event of a release of any Hazardous Material on, under or about the Premises caused or permitted by Tenant, its agents, employees, contractors, licensees or invitees, and affecting the Premises or any adjacent Property, Landlord and its agents shall have the right, but not the obligation (without limitation upon any of Landlord's other rights and remedies under this Lease), after notice to Tenant and Tenant's failure to discharge its obligations under this Section 5.3 after such notice (provided that no notice shall be required in the case of any emergency), to immediately enter upon the Premises without notice and to discharge Tenant's obligations under this

9

Section 5.3 at Tenant's expense, including without limitation the taking of emergency or long-term remedial action. Landlord and its agents shall endeavor to minimize interference with Tenant's business in connection therewith, but shall not be liable for any such interference. In addition, Landlord, at Tenant's expense, shall have the right, but not the obligation, to join and participate in any legal proceedings or actions initiated in connection with any claims arising out of the storage, generation, use, release and/or disposal by Tenant or its agents, employees, contractors, licensees or invitees of Hazardous Materials on, under, from or about the Premises.

(e) If the presence of any Hazardous Materials on, under, from or about the Premises or the Project caused or permitted by Tenant or its agents, employees, contractors, licensees or invitees results in (i) injury to any

person, (ii) injury to or any contamination of the Premises or the Project, or (iii) injury to or contamination of any real or personal property wherever situated, Tenant, at its expense, shall promptly take all actions necessary to return the Premises and the Project and any other affected real or personal property owned by Landlord to the condition existing prior to the introduction of such Hazardous Materials and to remedy or repair any such injury or contamination, including without limitation, any cleanup, remediation, removal, disposal, neutralization or other treatment of any such Hazardous Materials. Notwithstanding the foregoing, Tenant shall not, without Landlord's prior written consent, take any remedial action in response to the presence of any Hazardous Materials on, under or about the Premises or the Project or any other affected real or personal property owned by Landlord or enter into any similar agreement, consent, decree or other compromise with any governmental agency with respect to any Hazardous Materials claims; provided however, Landlord's prior written consent shall not be necessary in the event that the presence of Hazardous Materials on, under or about the Premises or the Project or any other affected real or personal property owned by Landlord (i) imposes an immediate threat to the health, safety or welfare of any individual or (ii) is of such a nature that an immediate remedial response is necessary and it is not possible to obtain Landlord's consent before taking such action. To the fullest extent permitted by law, Tenant shall indemnify, hold harmless, protect and defend (with attorneys acceptable to Landlord) Landlord and any successors to all or any portion of Landlord's interest in the Premises and the Project and any other real or personal property owned by Landlord from and against any and all liabilities, losses, damages, diminution in value, judgments, fines, demands, claims, recoveries, deficiencies, costs and expenses (including without limitation attorneys' fees, court costs and other professional expenses), whether foreseeable or unforeseeable, arising directly or indirectly out of the use, generation, storage, treatment, release, on- or off-site disposal or transportation of Hazardous Materials on, into, from, under or about the Premises, the Building and the Project and any other real or personal property owned by Landlord caused or permitted by Tenant, its agents, employees, contractors, licensees or invitees, specifically including without limitation the cost of any required or necessary repair, restoration, cleanup or detoxification of the Premises, the Building and the Project and any other real or personal property owned by Landlord, and the preparation of any closure or other required plans, whether or not such action is required or necessary during the Term or after the expiration of this Lease. If Landlord at any time discovers that Tenant or its agents, employees, contractors, licensees or invitees may have caused or permitted the release of a Hazardous Material on, under, from or about the Premises or the Project or any other real or personal property owned by Landlord, Tenant shall, at Landlord's request, immediately prepare and submit to Landlord a comprehensive plan, subject to Landlord's approval, specifying the actions to be taken by Tenant to return the Premises or the Project or any other real or personal property owned by Landlord to the condition existing prior to the introduction of such Hazardous Materials. Upon Landlord's approval of such cleanup plan, Tenant shall, at its expense, and without limitation of any rights and remedies of Landlord under this Lease or at law or in equity, immediately implement such plan and proceed to cleanup such Hazardous Materials in accordance with all applicable laws and as required by such plan and this Lease. The provisions of this subsection (e) shall expressly survive the expiration or sooner termination of this Lease.

(f) Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, certain facts relating to Hazardous Materials at the Project known by Landlord to exist as of the date of this Lease, as more particularly described in Exhibit C attached hereto. Except for the matters disclosed in Exhibit C, Landlord has no actual current knowledge that Hazardous Materials have been released and currently exist on or under the Project. Tenant shall have no liability or responsibility with respect to the Hazardous Materials facts described in Exhibit C, or otherwise subsequently discovered to have affected the Premises prior to the date of this Lease, nor with respect to any Hazardous Materials which were not caused or permitted by Tenant, its agents, employees, contractors, licensees or invitees. Notwithstanding the preceding two sentences, Tenant agrees to notify its agents, employees, contractors, licensees, and invitees of any exposure or potential exposure to Hazardous Materials at the Premises that Landlord brings to Tenant's attention.

(g) If Tenant is named as a party in any action brought by any governmental agency or authority regarding the presence and removal or remediation of Hazardous Materials on, under or about the Premises caused by Landlord, its agents, employees, contractors, and through no fault of Tenant, its agents, employees, contractors, licensees or invitees, Landlord shall defend Tenant in such action with counsel selected by Landlord and reasonably satisfactory to Tenant and pay all costs, expenses and attorneys' fees incurred in connection with defending such litigation, provided, however, that if it is discovered after Landlord initiates such defense that the presence of such Hazardous Materials was caused or permitted by Tenant, its agents, employees, contractors, licensees or invitees, the foregoing defense obligation shall terminate, Tenant shall obtain its own counsel in such action, and, if the counsel initially selected by Landlord was defending both Landlord and Tenant, Landlord shall be permitted to continue to use the counsel selected by Landlord as its counsel in such action.

## ARTICLE VI. COMMON AREAS; SERVICES

SECTION 6.1. UTILITIES AND SERVICES. Tenant shall be responsible for and shall pay promptly, directly to the appropriate supplier, all charges for water, gas, electricity, sewer, heat, light, power, telephone, refuse pickup, janitorial service, interior landscape maintenance and all other utilities, materials and services furnished directly to Tenant or the Premises or used by Tenant in, on or about the Premises during the Term, together with any taxes thereon. Landlord shall not be liable for damages or otherwise for any failure or interruption of any utility or other service furnished to the Premises, and no such failure or interruption shall be deemed an eviction or entitle Tenant to terminate this Lease or withhold or abate any rent due hereunder. Landlord shall at all reasonable times have free access to all electrical and mechanical installations of Landlord. Notwithstanding the foregoing sentence, if utility service to the Premises is interrupted for a continuous period of more than five (5) consecutive business days after written notice of such interruption is given from Tenant to Landlord solely as a result of Landlord's actions, and such interruption renders a portion of the Premises unusable, then Basic Rent for such portion of the Premises shall be abated for the period from Landlord's receipt of notice of the interruption of utility service until the restoration of utility service to an extent which causes such portion of the Premises to no longer be unusable. Landlord's failure to cause any third party, including any provider of utility services, to correct any interruption of utility service to the Premises shall not be construed to constitute an interruption resulting from Landlord's actions.

SECTION 6.2. OPERATION AND MAINTENANCE OF COMMON AREAS. During the Term, Landlord shall operate all Common Areas within the Project. The term "Common Areas" shall mean all areas which are not held for exclusive use by persons entitled to occupy space, and all other appurtenant areas and improvements provided by Landlord for the common use of Landlord and tenants and their respective employees and invitees, including without limitation parking areas and structures, driveways, sidewalks, landscaped and planted areas, hallways and interior stairwells not located within the premises of any tenant, common electrical rooms and roof access entries, common entrances and lobbies, elevators, and restrooms not located within the premises of any tenant.

SECTION 6.3. USE OF COMMON AREAS. The occupancy by Tenant of the Premises shall include the use of the Common Areas in common with Landlord and with all others for whose convenience and use the Common Areas may be provided by Landlord, subject, however, to compliance with all rules and regulations as are prescribed from time to time by Landlord. Landlord shall operate and maintain the Common Areas in a first class manner and condition as Landlord may determine to be appropriate. All costs incurred by Landlord for the maintenance and operation of the Common Areas shall be included in Building Costs unless any particular cost incurred can be charged to a specific tenant of the Project. Landlord shall at all times during the Term have exclusive control of the Common Areas, and may restrain any use or occupancy, except as authorized by Landlord's rules and regulations. Tenant shall keep the Common Areas clear of any obstruction or unauthorized use related to Tenant's operations. Nothing in this Lease shall be deemed to impose liability upon Landlord for any damage to or loss of the property of, or for any injury to, Tenant, its invitees or employees. Landlord may temporarily close any portion of the Common Areas for repairs, remodeling and/or alterations, to prevent a public dedication or the accrual of prescriptive rights, or for any other reason deemed sufficient by Landlord, without liability to Landlord.

SECTION 6.4. PARKING. Tenant shall be entitled to use free of charge during the initial Term the number of vehicle parking spaces set forth in Item 14 of the Basic Lease Provisions, which spaces shall be located in the parking area surrounding the buildings at 101 and 111 Innovation, and shall be unreserved and unassigned, on those portions of the Common Areas designated by Landlord for parking. Tenant shall not use more parking spaces than such number. All parking spaces shall be used only for parking by vehicles no larger than full size passenger automobiles or pickup trucks. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers or invitees to be loaded, unloaded or parked in areas other than those designated by Landlord for such activities. If Tenant permits or allows any of the prohibited activities described above, then Landlord shall have the right, without notice, in addition to such other rights and remedies that Landlord may have, to remove or tow away the vehicle involved and charge the costs to Tenant. Parking within the Common Areas shall be limited to striped parking stalls, and no parking shall be permitted in any driveways, access ways or in any area which would prohibit or impede the free flow of traffic within the Common Areas. There shall be no overnight parking of any vehicles of any kind unless otherwise authorized by Landlord, and vehicles which have been abandoned or parked in violation of the terms hereof may be towed away at the owner's expense. Nothing contained in this Lease shall be deemed to create liability upon Landlord for any damage to motor vehicles of visitors or employees, for any loss of property from within those motor vehicles, or for any injury to Tenant, its visitors or employees, unless ultimately determined to be caused by the active negligence or willful misconduct of Landlord, its agents, servants and employees. Landlord shall have the right to establish, and from



time to time amend, and to enforce against all users all reasonable rules and regulations (including the designation of areas for employee parking) that Landlord may deem necessary and advisable for the proper and efficient operation and maintenance of parking within the Common Areas so long as Landlord does not designate any portion of the parking area surrounding the buildings at 101 and 111 Innovation as being for the exclusive use of any tenants of the building at 111 Innovation or any other building within the Project or their customers or invitees, provided that the foregoing prohibition shall not be construed to prohibit

11

Landlord's allocating the spaces in the parking area surrounding the buildings at 101 and 111 Innovation between or among the tenants of 101 and 111 Innovation in a manner which is deemed reasonable by Landlord and which provides Tenant at least the number of parking spaces set forth in Item 14 of the Basic Lease Provisions to assure that no such Tenant is utilizing more than its allocable share of spaces within such parking area. Landlord shall have the right to construct, maintain and operate lighting facilities within the parking areas; to change the area, level, location and arrangement of the parking areas and improvements therein; to restrict parking by tenants, their officers, agents and employees to employee parking areas; to enforce parking charges (by operation of meters or otherwise); and to do and perform such other acts in and to the parking areas and improvements therein as, in the use of good business judgment, Landlord shall determine to be advisable. Any person using the parking area shall observe all directional signs and arrows and any posted speed limits. In no event shall Tenant interfere with the use and enjoyment of the parking area by other tenants of the Project or their employees or invitees. Parking areas shall be used only for parking vehicles. Washing, waxing, cleaning or servicing of vehicles, or the storage of vehicles for 24-hour periods, is prohibited unless otherwise authorized by Landlord. Tenant shall be liable for any damage to the parking areas caused by Tenant or Tenant's employees, suppliers, shippers, customers or invitees, including without limitation damage from excess oil leakage. Tenant shall have no right to install any fixtures, equipment or personal property in the parking areas.

SECTION 6.5. CHANGES AND ADDITIONS BY LANDLORD. Landlord reserves the right to make alterations or additions to the Project, or to the attendant fixtures, equipment and Common Areas. Landlord may at any time relocate or remove any of the various buildings (other than the Building), parking areas, and other Common Areas, and may add buildings and areas to the Project from time to time. No change shall entitle Tenant to any abatement of rent or other claim against Landlord, provided that the change does not deprive Tenant of reasonable access to or use of the Premises. Notwithstanding the foregoing no such alteration, addition or modification shall unreasonably interfere with Tenant's access to or use of the Premises.

#### ARTICLE VII. MAINTAINING THE PREMISES

SECTION 7.1. TENANT'S MAINTENANCE AND REPAIR. Tenant at its sole expense shall comply with all applicable laws and governmental regulations governing the Premises to the extent the same can be performed within the Premises and do not affect portions of the Building with regard to which Landlord is obligated to provide service, maintenance and repair under Section 7.2, and make all repairs necessary to keep the Premises in the condition as existed on the Commencement Date (or on any later date that the improvements may have been installed), excepting ordinary wear and tear and casualty damage, including without limitation the electrical and mechanical systems, any air conditioning, ventilating or heating equipment which serves the Premises, all walls, glass, windows, doors, door closures, hardware, fixtures, electrical, plumbing, fire extinguisher equipment and other equipment, except that Landlord at its expense shall make all repairs which are the result of the negligence or willful misconduct of Landlord or its agents, employees or contractors. Any damage or deterioration of the Premises shall not be deemed ordinary wear and tear if the same could have been prevented by good maintenance practices by Tenant. As part of its maintenance obligations hereunder, Tenant shall, at Landlord's request, provide Landlord with copies of all maintenance schedules, reports and notices prepared by, for or on behalf of Tenant. Tenant shall obtain preventive maintenance contracts from a licensed heating and air conditioning contractor to provide for regular inspection and maintenance of the heating, ventilating and air conditioning systems servicing the Premises, all subject to Landlord's approval. All repairs shall be at least equal in quality to the original work, and except as to emergency repairs shall be made only by a licensed contractor reasonably approved in writing in advance by Landlord and shall be made only at the time or times approved by Landlord. Any contractor utilized by Tenant shall be subject to Landlord's reasonable standard requirements for contractors, as modified from time to time. Landlord shall have the right at all times to inspect Tenant's maintenance of all equipment (including without limitation air conditioning, ventilating and heating equipment), and may impose reasonable restrictions and requirements with respect to repairs, as provided in Section 7.3, and the provisions of Section 7.4 shall apply to all repairs. Alternatively, Landlord may after notice to Tenant elect to make any repair or maintenance required hereunder on behalf of Tenant and at Tenant's expense, and

Tenant shall promptly reimburse Landlord for all costs incurred upon submission of an invoice, provided that Landlord shall perform the same or cause the same to be performed at a competitive cost.

SECTION 7.2. LANDLORD'S MAINTENANCE AND REPAIR. Subject to Section 7.1 and Article XI, Landlord shall provide service, maintenance and repair with respect to the roof, foundations, and footings of the Building, all landscaping, walkways, parking areas, Common Areas, exterior lighting, and the exterior surfaces of the exterior walls of the Building, except that Tenant at its expense shall make all repairs which Landlord deems reasonably necessary as a result of the act or negligence of Tenant, its agents, employees, invitees, subtenants or contractors. Landlord shall have the right to employ or designate any reputable person or firm, including any employee or agent of Landlord or any of Landlord's affiliates or divisions, to perform any service, repair or maintenance function. Landlord need not make any other improvements or repairs except as specifically required under this Lease, and nothing contained in this Section shall limit Landlord's right to reimbursement from Tenant for maintenance, repair costs and replacement costs as provided elsewhere in this Lease. Tenant understands that it shall not make repairs at Landlord's expense or by rental offset. Tenant further understands that Landlord shall not be required to make any repairs to the roof, foundations or footings unless and until Tenant has notified Landlord in writing of the need for such repair and Landlord shall have a reasonable period of time thereafter to

12

commence and complete said repair, if warranted. All costs of any maintenance and repairs on the part of Landlord provided hereunder shall be considered part of Building Costs.

SECTION 7.3. ALTERATIONS. Tenant shall make no alterations, additions or improvements to the Premises which cost in excess of \$50,000 in the aggregate per year without the prior written consent of Landlord, which consent shall not be unreasonably withheld, delayed or conditioned. Notwithstanding the foregoing, it shall be reasonable for Landlord to withhold its consent to any alterations, additions or improvements to the Premises (i) affect the exterior of the Building or outside areas (or be visible from adjoining sites), or (ii) affect or penetrate any of the structural portions of the Building, including but not limited to the roof, or (iii) require any change to the basic floor plan of the Premises, any change to any structural or mechanical systems of the Premises, or any governmental permit as a prerequisite to the construction thereof, or (iv) interfere in any manner with the proper functioning of or Landlord's access to any mechanical, electrical, plumbing or HVAC systems, facilities or equipment located in or serving the Building, or (v) diminish the value of the Premises. Landlord may impose, as a condition to its consent, any requirements that Landlord in its discretion may deem reasonable or desirable, including but not limited to a requirement that all work for which a permit is required from the City of Irvine be covered by a lien and completion bond satisfactory to Landlord and requirements as to the manner, time, and contractor for performance of the work. Tenant shall obtain all required permits for the work and shall perform the work in compliance with all applicable laws, regulations and ordinances, all covenants, conditions and restrictions affecting the Project, and the Rules and Regulations (hereafter defined). Tenant understands and agrees that Landlord shall be entitled to a supervision fee in the amount of five percent (5%) of the cost of the work as to any work for which a permit is required from the City of Irvine. If any governmental entity requires, as a condition to any proposed alterations, additions or improvements to the Premises by Tenant, that improvements be made to the Common Areas, and if Landlord consents to such improvements to the Common Areas, then Tenant shall, at Tenant's sole expense, make such required improvements to the Common Areas in such manner, utilizing such materials, and with such contractors (including, if required by Landlord, Landlord's contractors) as Landlord may require in its sole discretion. Under no circumstances shall Tenant make any improvement which incorporates any Hazardous Materials, including without limitation asbestos-containing construction materials into the Premises. Any request for Landlord's consent shall be made in writing and shall contain architectural plans describing the work in detail reasonably satisfactory to Landlord. Unless Landlord otherwise agrees in writing, all alterations, additions or improvements affixed to the Premises (excluding trade fixtures and furniture whether or not affixed) shall become the property of Landlord and shall be surrendered with the Premises at the end of the Term, except that, unless Landlord has otherwise agreed upon Tenant's request at the time of Landlord's approval of any proposed alterations, additions or improvements, Landlord may, by notice to Tenant, require Tenant to remove by the Expiration Date, or sooner termination date of this Lease, all or any alterations, decorations, fixtures, additions, improvements and the like installed either by Tenant or by Landlord at Tenant's request and to repair any damage to the Premises arising from that removal. Except as otherwise provided in this Lease or in any Exhibit to this Lease, should Landlord make any alteration or improvement to the Premises for Tenant, Landlord shall be entitled to prompt reimbursement from Tenant for all costs incurred.

SECTION 7.4. MECHANIC'S LIENS. Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished, or obligations incurred by or for Tenant. Upon request by Landlord, Tenant shall promptly cause any such lien to be released by posting a bond in accordance with California

Civil Code Section 3143 or any successor statute. In the event that Tenant shall not, within thirty (30) days following the imposition of any lien, cause the lien to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other available remedies, the right to cause the lien to be released fifteen (15) days after notice to Tenant by any means Landlord deems proper, including payment of or defense against the claim giving rise to the lien. All expenses so incurred by Landlord, including Landlord's attorneys' fees, and any consequential or other damages incurred by Landlord arising out of such lien, shall be reimbursed by Tenant promptly following Landlord's demand, together with interest from the date of payment by Landlord at the maximum rate permitted by law until paid. Tenant shall give Landlord no less than twenty (20) days' prior notice in writing before commencing construction of any kind on the Premises so that Landlord may post and maintain notices of nonresponsibility on the Premises.

SECTION 7.5. ENTRY AND INSPECTION. Landlord shall at all reasonable times, upon 48 hours written notice (except in emergencies, when no notice shall be required) have the right to enter the Premises to inspect them, to supply services in accordance with this Lease, to protect the interests of Landlord in the Premises, and to submit the Premises to prospective or actual purchasers or encumbrance holders (or, during the last one hundred and eighty (180) days of the Term or when an uncured Tenant default exists, to prospective tenants), all without being deemed to have caused an eviction of Tenant and without abatement of rent except as provided elsewhere in this Lease, provided that Tenant may restrict access of prospective purchasers or tenants who are competitors of Tenant as to portions of the Premises as reasonably necessary to protect Tenant from disclosure of its proprietary processes or operations. Tenant may provide an escort for any non-emergency entry upon the Premises by Landlord. Landlord shall have the right, if desired, to retain a key which unlocks all of the doors in the Premises, excluding Tenant's vaults and safes, and Landlord shall have the right to use any and all means which Landlord may deem proper to open the doors in an emergency in order to obtain entry to the Premises, and any entry to the Premises obtained by Landlord shall not under any circumstances be deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or any eviction of Tenant from the Premises.

13

#### ARTICLE VIII. TAXES AND ASSESSMENTS ON TENANT'S PROPERTY

Tenant shall be liable for and shall pay, at least ten (10) days before delinquency, all taxes and assessments levied against all personal property of Tenant located in the Premises, against all improvements to the Premises made by Landlord or Tenant which are above Landlord's Project standard in quality and/or quantity for comparable space within the Project ("Above Standard Improvements"), and against any alterations, additions or like improvements made to the Premises by or on behalf of Tenant. When possible Tenant shall cause its personal property, Above Standard Improvements and alterations to be assessed and billed separately from the real property of which the Premises form a part. If any taxes on Tenant's personal property, Above Standard Improvements and/or alterations are levied against Landlord or Landlord's property and if Landlord pays the same, or if the assessed value of Landlord's property is increased by the inclusion of a value placed upon the personal property, Above Standard Improvements and/or alterations of Tenant and if Landlord pays the taxes based upon the increased assessment, Tenant shall pay to Landlord the taxes so levied against Landlord or the proportion of the taxes resulting from the increase in the assessment. In calculating what portion of any tax bill which is assessed against Landlord separately, or Landlord and Tenant jointly, is attributable to Tenant's Above Standard Improvements, alterations and personal property, Landlord's reasonable determination shall be conclusive.

#### ARTICLE IX. ASSIGNMENT AND SUBLETTING

##### SECTION 9.1. RIGHTS OF PARTIES.

(a) Notwithstanding any provision of this Lease to the contrary other than the provisions of Section 9.4, Tenant will not, either voluntarily or by operation of law, assign, sublet, encumber, or otherwise transfer all or any part of Tenant's interest in this lease, or permit the Premises to be occupied by anyone other than Tenant, without Landlord's prior written consent, which consent shall not unreasonably be withheld in accordance with the provisions of Section 9.1.(b). No assignment (whether voluntary, involuntary or by operation of law) and no subletting shall be valid or effective without Landlord's prior written consent and, at Landlord's election, any such assignment or subletting or attempted assignment or subletting shall constitute a material default of this Lease. Landlord shall not be deemed to have given its consent to any assignment or subletting by any other course of action, including its acceptance of any name for listing in the Building directory. To the extent not prohibited by provisions of the Bankruptcy Code, 11 U.S.C. Section 101 et seq. (the "Bankruptcy Code"), including Section 365(f)(1), Tenant on behalf of itself and its creditors, administrators and assigns waives the applicability of Section 365(e) of the Bankruptcy Code unless the proposed assignee of the Trustee for the estate of the bankrupt meets Landlord's standard for consent as set forth in

Section 9.1(b) of this Lease. If this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, any and all monies or other considerations to be delivered in connection with the assignment shall be delivered to Landlord, shall be and remain the exclusive property of Landlord and shall not constitute property of Tenant or of the estate of Tenant within the meaning of the Bankruptcy Code. Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code shall be deemed to have assumed all of the obligations arising under this Lease on and after the date of the assignment, and shall upon demand execute and deliver to Landlord an instrument confirming that assumption.

(b) If Tenant desires to transfer an interest in this Lease, it shall first notify Landlord of its desire and shall submit in writing to Landlord: (i) the name and address of the proposed transferee; (ii) the nature of any proposed subtenant's or assignee's business to be carried on in the Premises; (iii) the terms and provisions of any proposed sublease or assignment, including a copy of the proposed assignment or sublease form; (iv) evidence of insurance of the proposed assignee or subtenant complying with the requirements of Exhibit D hereto; (v) a completed Environmental Questionnaire from the proposed assignee or subtenant; and (vi) any other information requested by Landlord and reasonably related to the transfer. Except as provided in Subsection (e) of this Section, Landlord shall not unreasonably withhold its consent, provided: (1) the use of the Premises will be consistent with the provisions of this Lease and with Landlord's commitment to other tenants of the Project; (2) the proposed assignee or subtenant has not been required by any prior landlord, lender or governmental authority to take remedial action in connection with Hazardous Materials contaminating a property arising out of the proposed assignee's or subtenant's actions or use of the property in question and is not subject to any enforcement order issued by any governmental authority in connection with the use, disposal or storage of a Hazardous Material; (3) at Landlord's election, insurance requirements shall be brought into conformity with Landlord's then current leasing practice; (4) any proposed subtenant or assignee demonstrates that it is financially responsible by submission to Landlord of all reasonable information as Landlord may request concerning the proposed subtenant or assignee, including, but not limited to, a balance sheet of the proposed subtenant or assignee as of a date within ninety (90) days of the request for Landlord's consent and statements of income or profit and loss of the proposed subtenant or assignee for the two-year period preceding the request for Landlord's consent, and/or a certification signed by the proposed subtenant or assignee that it has not been evicted or been in arrears in rent at any other leased premises for the 3-year period preceding the request for Landlord's consent; (5) any proposed subtenant or assignee demonstrates to Landlord's reasonable satisfaction a record of successful experience in business; (6) the proposed assignee or subtenant is not an existing tenant of the Project or a prospect with whom Landlord is negotiating to become a tenant at the Project; and (7) the proposed transfer will not impose additional burdens or adverse tax

14

effects on Landlord. If Tenant has any exterior sign rights under this Lease, such rights are personal to Tenant and may not be assigned or transferred to any assignee of this Lease or subtenant of the Premises without Landlord's prior written consent, which may be withheld in Landlord's sole and absolute discretion.

If Landlord consents to the proposed transfer, Tenant may within ninety (90) days after the date of the consent effect the transfer upon the terms described in the information furnished to Landlord; provided that any material change in the terms shall be subject to Landlord's consent as set forth in this Section. Landlord shall approve or disapprove any requested transfer within thirty (30) days following receipt of Tenant's written request, the information set forth above, and the fee set forth below.

(c) Notwithstanding the provisions of Subsection (b) above, in lieu of consenting to a proposed assignment or subletting, Landlord may elect to (i) sublease the Premises (or the portion proposed to be subleased), or take an assignment of Tenant's interest in this Lease, upon the same terms as offered to the proposed subtenant or assignee (excluding terms relating to the purchase of personal property, the use of Tenant's name or the continuation of Tenant's business), or (ii) terminate this Lease as to the portion of the Premises proposed to be subleased or assigned with a proportionate abatement in the rent payable under this Lease, effective on the date that the proposed sublease or assignment would have become effective. Landlord may thereafter, at its option, assign or re-let any space so recaptured to any third party, including without limitation the proposed transferee of Tenant.

(d) Tenant agrees that fifty percent (50%) of any amounts paid by the assignee or subtenant, however described, in excess of (i) the Basic Rent payable by Tenant hereunder, or in the case of a sublease of a portion of the Premises, in excess of the Basic Rent reasonably allocable to such portion, plus (ii) Tenant's direct out-of-pocket costs which Tenant certifies to Landlord have been paid in connection with such assignment or sublet including, without limitation, reasonable competitive brokerage and tenant improvement costs and other tenant concessions to the extent then being typically provided in connection with arm's-length leasing and subleasing transactions in Orange

County, California, and other costs to provide occupancy related services to such assignee or subtenant of a nature commonly provided by landlords of similar space, shall be the property of Landlord and such amounts shall be payable directly to Landlord by the assignee or subtenant or, at Landlord's option, by Tenant. At Landlord's request, a written agreement shall be entered into by and among Tenant, Landlord and the proposed assignee or subtenant confirming the requirements of this subsection.

(e) Tenant shall pay to Landlord a fee of Five Hundred Dollars (\$500.00) if and when any transfer hereunder is requested by Tenant. Such fee is hereby acknowledged as a reasonable amount to reimburse Landlord for its costs of review and evaluation of a proposed assignee/sublessee, and Landlord shall not be obligated to commence such review and evaluation unless and until such fee is paid.

SECTION 9.2. EFFECT OF TRANSFER. No subletting or assignment, even with the consent of Landlord, shall relieve Tenant of its obligation to pay rent and to perform all its other obligations under this Lease. Moreover, Tenant shall indemnify and hold Landlord harmless, as provided in Section 10.3, for any act or omission by an assignee or subtenant. Each assignee, other than Landlord, shall be deemed to assume all obligations of Tenant under this Lease and shall be liable jointly and severally with Tenant for the payment of all rent, and for the due performance of all of Tenant's obligations, under this Lease. No transfer shall be binding on Landlord unless any document memorializing the transfer is delivered to Landlord and both the assignee/subtenant and Tenant deliver to Landlord an executed consent to transfer instrument prepared by Landlord and consistent with the requirements of this Article. The acceptance by Landlord of any payment due under this Lease from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any transfer. Consent by Landlord to one or more transfers shall not operate as a waiver or estoppel to the future enforcement by Landlord of its rights under this Lease.

SECTION 9.3. SUBLEASE REQUIREMENTS. The following terms and conditions shall apply to any subletting by Tenant of all or any part of the Premises and shall be deemed included in each sublease:

(a) Each and every provision contained in this Lease (other than with respect to the payment of rent hereunder) is incorporated by reference into and made a part of such sublease, with "Landlord" hereunder meaning the sublandlord therein and "Tenant" hereunder meaning the subtenant therein.

(b) Tenant hereby irrevocably assigns to Landlord all of Tenant's interest in all rentals and income arising from any sublease of the Premises, and Landlord may collect such rent and income and apply same toward Tenant's obligations under this Lease; provided, however, that until a default occurs in the performance of Tenant's obligations under this Lease, Tenant shall have the right to receive and collect the sublease rentals. Landlord shall not, by reason of this assignment or the collection of sublease rentals, be deemed liable to the subtenant for the performance of any of Tenant's obligations under the sublease. Tenant hereby irrevocably authorizes and directs any subtenant, upon receipt of a written notice from Landlord stating that an uncured default exists in the performance of Tenant's obligations under this Lease, to pay to Landlord all sums then and thereafter due under the sublease. Tenant agrees that the subtenant may rely on that notice without any duty of further inquiry and notwithstanding any notice or claim by Tenant to the contrary. Tenant shall have no right or claim against the subtenant or Landlord for any rentals so paid to Landlord.

(c) In the event of the termination of this Lease, Landlord may, at its sole option, take over Tenant's entire interest in any sublease and, upon notice from Landlord, the subtenant shall attorn to Landlord. In

15

no event, however, shall Landlord be liable for any previous act or omission by Tenant under the sublease or for the return of any advance rental payments or deposits under the sublease that have not been actually delivered to Landlord, nor shall Landlord be bound by any sublease modification executed without Landlord's consent or for any advance rental payment by the subtenant in excess of one month's rent. The general provisions of this Lease, including without limitation those pertaining to insurance and indemnification, shall be deemed incorporated by reference into the sublease despite the termination of this Lease.

SECTION 9.4. CERTAIN TRANSFERS. The sale of all or substantially all of Tenant's assets (other than bulk sales in the ordinary course of business) or, if Tenant is a corporation, an unincorporated association, or a partnership, the transfer, assignment or hypothecation of any stock or interest in such corporation, association, or partnership in the aggregate of twenty-five percent (25%) (except for publicly traded shares of stock constituting a transfer of twenty-five percent (25%) or more in the aggregate) shall be deemed an assignment within the meaning and provisions of this Article. Notwithstanding the foregoing, Landlord's consent shall not be required for the assignment of this Lease as a result of a merger by Tenant with or into another entity, the

purchase of all or substantially all of Tenant's assets, or the sale or other transfer of stock constituting a controlling interest in Tenant, so long as (i) the net worth of the successor entity after such merger is at least equal to the greater of the net worth of Tenant as of the execution of this Lease by Landlord or the net worth of Tenant immediately prior to the date of such merger, evidence of which, satisfactory to Landlord, shall be presented to Landlord prior to such merger, (ii) Tenant shall provide to Landlord, prior to such merger or other transaction, written notice of such merger and such assignment documentation and other information as Landlord may request in connection therewith, and (iii) all of the other terms and requirements of this Article shall apply with respect to such assignment.

#### ARTICLE X. INSURANCE AND INDEMNITY

SECTION 10.1. TENANT'S INSURANCE. Tenant, at its sole cost and expense, shall provide and maintain in effect the insurance described in Exhibit D. Evidence of that insurance must be delivered to Landlord prior to the Commencement Date.

SECTION 10.2. LANDLORD'S INSURANCE. Landlord may, at its election, provide any or all of the following types of insurance, with or without deductible and in amounts and coverages as may be determined by Landlord in its discretion: "all risk" property insurance, subject to standard exclusions, covering the Building or Project, and such other risks as Landlord or its mortgagees may from time to time deem appropriate, including leasehold improvements made by Landlord, and commercial general liability coverage. Landlord shall not be required to carry insurance of any kind on Tenant's property, including leasehold improvements, trade fixtures, furnishings, equipment, plate glass, signs and all other items of personal property, and shall not be obligated to repair or replace that property should damage occur. All proceeds of insurance maintained by Landlord upon the Building and Project shall be the property of Landlord, whether or not Landlord is obligated to or elects to make any repairs. At Landlord's option, Landlord may self-insure all or any portion of the risks for which Landlord elects to provide insurance hereunder, and any failure by Landlord to carry "all risk" property insurance, subject to standard exclusions, covering the Building or Project shall be deemed to be an election by Landlord to self-insure the risks which would be covered by such policy.

#### SECTION 10.3. TENANT'S INDEMNITY.

(a) To the fullest extent permitted by law, Tenant shall defend, indemnify, protect, save and hold harmless Landlord, its agents, and any and all affiliates of Landlord, including, without limitation, any corporations or other entities controlling, controlled by or under common control with Landlord, from and against any and all claims, liabilities, costs or expenses arising either before or after the Commencement Date from Tenant's use or occupancy of the Premises, the Building or the Common Areas, or from the conduct of its business, or from any activity, work, or thing done, permitted or suffered by Tenant or its agents, employees, invitees or licensees in or about the Premises, the Building or the Common Areas, or from any default in the performance of any obligation on Tenant's part to be performed under this Lease, or from any act or negligence or willful misconduct of Tenant or its agents, employees, visitors, patrons, guests, invitees or licensees, except to the extent caused by the active negligence or willful misconduct of Landlord. In cases of alleged negligence asserted by third parties against Landlord which arise out of, are occasioned by, or in any way attributable to Tenant, its agents, employees, contractors, licensees or invitees use and occupancy of the Premises, the Building or the Common Areas, or from the conduct of its business or from any activity, work or thing done, permitted or suffered by Tenant or its agents, employees, invitees or licensees on Tenant's part to be performed under this Lease, or from any act or negligence or willful misconduct of Tenant, its agents, employees, licensees or invitees, Tenant shall accept any tender of defense for Landlord and shall, notwithstanding any allegation of negligence or willful misconduct on the part of the Landlord, defend Landlord with counsel reasonably satisfactory to Landlord and protect and hold Landlord harmless and pay all costs, expenses and attorneys' fees incurred in connection with such litigation, provided that Tenant shall not be liable for any such injury or damage, and Landlord shall reimburse Tenant for the attorneys' fees and costs for the attorney representing both parties (except to the extent such fees and costs are proved by Landlord to be unreasonable), all to the extent and in the proportion that such injury or damage is ultimately determined by a court of competent jurisdiction (or in connection with any negotiated settlement agreed to by Landlord) to be attributable to the active negligence or willful misconduct of Landlord. Upon Landlord's request, Tenant shall at Tenant's sole cost and expense, retain a separate attorney reasonably selected by Landlord to

represent landlord in any such suit if Landlord reasonably determines that the representation of both Tenant and Landlord by the same attorney would cause a conflict of interest; provided, however, that to the extent and in the proportion that the injury or damage which is the subject of the suit is ultimately determined by a court of competent jurisdiction (or in connection

with any negotiated settlement agreed to by Landlord) to be attributable to the active negligence or willful misconduct of Landlord, Landlord shall reimburse Tenant for the legal fees and costs of the separate attorney retained by Tenant. The provisions of this subsection 10.3(a) shall expressly survive the expiration or sooner termination of this Lease.

(b) To the fullest extent permitted by law, but subject to the express limitations on liability contained in this Lease (including, without limitation, the provisions of Sections 10.4, 10.5 and 14.8 of this Lease), Landlord shall defend, indemnify, protect, save and hold harmless Tenant, its agents and any and all affiliates of Tenant, including without limitation, any corporations, or other entities controlling, controlled by or under common control with Tenant, from and against any and all claims, liabilities, costs or expenses arising either before or after the Commencement Date from the active negligence or willful misconduct of Landlord, its employees or authorized agents in connection with the operation, maintenance or repair of the Building or the Common Areas of the Project. The provisions of this Subsection 10.3(b) shall expressly survive the expiration or sooner termination of this Lease.

SECTION 10.4. LANDLORD'S NONLIABILITY. Landlord shall not be liable to Tenant, its employees, agents and invitees, and Tenant hereby waives all claims against Landlord for loss of or damage to any property, or any injury to any person, or any other loss, cost, damage, injury or liability whatsoever resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak or flow from or into any part of the Building or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning, electrical works or other fixtures in the Building, whether the damage or injury results from conditions arising in the Premises or in other portions of the Project, except to the extent caused by the active negligence or willful misconduct of Landlord or its agents, employees or contractors. Notwithstanding any provision of this Lease to the contrary, including, without limitation, the provisions of Section 10.3(b) of this Lease, and the foregoing provisions of this Section 10.4, Landlord shall in no event be liable to Tenant, its employees, agents and invitees, and Tenant hereby waives all claims against Landlord, for loss or interruption of Tenant's business or income (including, without limitation, any consequential damages and lost profit or opportunity costs), or any other loss, cost, damage, injury or liability resulting from, but not limited to, acts of God, acts of civil disobedience or insurrection, acts or omissions (criminal or otherwise) of any third parties (other than Landlord's employees authorized agents or contractors), including without limitation, any other tenants within the Project or their agents, employees, contractors, guests or invitees. It is understood that any such condition may require the temporary evacuation or closure of all or a portion of the Building. Except as provided in Sections 11.1 and 12.1 below, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business (including without limitation consequential damages and lost profit or opportunity costs) arising from the making of any repairs, alterations or improvements to any portion of the Building, including repairs to the Premises, nor shall any related activity by Landlord constitute an actual or constructive eviction; provided, however, that in making repairs, alterations or improvements, Landlord shall interfere as little as reasonably practicable with the conduct of Tenant's business in the Premises. Neither Landlord nor its agents shall be liable for interference with light or other similar intangible interests. Tenant shall immediately notify Landlord in case of fire or accident in the Premises, the Building or the Project and of defects in any improvements or equipment.

SECTION 10.5. WAIVER OF SUBROGATION. Landlord and Tenant each hereby waives all rights of recovery against the other and the other's agents on account of loss and damage occasioned to the property of such waiving party to the extent only that such loss or damage is required to be insured against under any "all risk" property insurance policies required by this Article X; provided however, that (i) the foregoing waiver shall not apply to the extent of Tenant's obligations to pay deductibles under any such policies and this Lease, and (ii) if any loss is due to the act, omission or negligence or willful misconduct of Tenant or its agents, employees, contractors guests or invitees, Tenant's liability insurance shall be primary and shall cover all losses and damages prior to any other insurance hereunder. By this waiver it is the intent of the parties that neither Landlord nor Tenant shall be liable to any insurance company (by way of subrogation or otherwise) insuring the other party for any loss of damage insured against under any "all-risk" property insurance policies required by this Article, even though such loss or damage might be occasioned by the negligence of such party, its agents, employees, contractors, guests or invitees. The provisions of this Section shall not limit the indemnification provisions elsewhere contained in this Lease.

#### ARTICLE XI. DAMAGE OR DESTRUCTION

##### SECTION 11.1. RESTORATION.

(a) If the Building is damaged, Landlord shall repair that damage as soon as reasonably possible, at its expense, unless: (i) Landlord reasonably determines that the cost of repair is not covered by Landlord's fire and extended coverage insurance plus such additional amounts Tenant elects, at its option, to contribute, excluding however the deductible (for which Tenant shall

be responsible for Tenant's proportionate share) and would exceed twenty-five percent (25%) of Landlord's reasonable estimate of the then value of the Building; (ii) Landlord and Tenant reasonably determine that the Premises cannot, with reasonable diligence, be

17

fully repaired by Landlord (or cannot be safely repaired because of the presence of hazardous factors, including without limitation Hazardous Materials, earthquake faults, and other similar dangers) within two hundred seventy (270) days after the date of the damage; (iii) a material event of default by Tenant has occurred and is continuing at the time of such damage; or (iv) the damage occurs during the final twelve (12) months of the Term. Should Landlord elect not to repair the damage for one of the preceding reasons, Landlord shall so notify Tenant in writing within sixty (60) days after the damage occurs and this Lease shall terminate as of the date of that notice.

(b) Unless Landlord elects to terminate this Lease in accordance with subsection (a) above, this Lease shall continue in effect for the remainder of the Term; provided that so long as Tenant is not in default under this Lease, (i) if the damage is so extensive that Landlord reasonably determines that the Premises cannot, with reasonable diligence, be repaired by Landlord (or cannot be safely repaired because of the presence of hazardous factors, earthquake faults, and other similar dangers) so as to allow Tenant's substantial use and enjoyment of the Premises within two hundred seventy (270) days after the date of damage, or (ii) Landlord determines that the Premises can be repaired so as to allow Tenant's substantial use and enjoyment of the Premises within two hundred seventy (270) days after the date of the damage and thereafter Landlord fails to so repair the Premises so as to allow Tenant's substantial use and enjoyment of the Premises within twelve (12) months after the date of the damage, or (iii) the damage occurs during the last twelve (12) months of the Term, then Tenant may elect to terminate this Lease by written notice to Landlord within the sixty (60) day period stated in subsection (a).

(c) Commencing on the date of any damage to the Building, and ending on the sooner of the date the damage is repaired or the date this Lease is terminated, the rental to be paid under this Lease shall be abated in the same proportion that the floor area of the Building that is rendered unusable by the damage from time to time bears to the total floor area of the Building, but only to the extent that any business interruption insurance proceeds are received by Landlord therefor from Tenant's insurance described in Exhibit D.

(d) Notwithstanding the provisions of subsections (a), (b) and (c) of this Section, and subject to the provisions of Section 10.5 above, the cost of any repairs shall be borne by Tenant, and Tenant shall not be entitled to rental abatement or termination rights, if the damage is due to the fault or neglect of Tenant or its employees, subtenants, invitees or representatives. In addition, the provisions of this Section shall not be deemed to require Landlord to repair any improvements or fixtures that Tenant is obligated to repair or insure pursuant to any other provision of this Lease.

(e) Tenant shall fully cooperate with Landlord in removing Tenant's personal property and any debris from the Premises to facilitate all inspections of the Premises and the making of any repairs. Notwithstanding anything to the contrary contained in this Lease, if Landlord in good faith believes there is a risk of injury to persons or damage to property from entry into the Building or Premises following any damage or destruction thereto, Landlord may restrict entry into the Building or the Premises by Tenant, its employees, agents and contractors in a non-discriminatory manner, without being deemed to have violated Tenant's rights of quiet enjoyment to, or made an unlawful detainer of, or evicted Tenant from, the Premises. Upon request, Landlord shall consult with Tenant to determine if there are safe methods of entry into the Building or the Premises solely in order to allow Tenant to retrieve files, data in computers, and necessary inventory, subject however to all indemnities and waivers of liability from Tenant to Landlord contained in this Lease and any additional indemnities and waivers of liability which Landlord may require.

SECTION 11.2. LEASE GOVERNS. Tenant agrees that the provisions of this Lease, including without limitation Section 11.1, shall govern any damage or destruction and shall accordingly supersede any contrary statute or rule of law.

## ARTICLE XII. EMINENT DOMAIN

SECTION 12.1. TOTAL OR PARTIAL TAKING. If all or a material portion of the Premises is taken by any lawful authority by exercise of the right of eminent domain, or sold to prevent a taking, either Tenant or Landlord may terminate this Lease effective as of the date possession is required to be surrendered to the authority. In the event title to a portion of the Premises is taken or sold in lieu of taking, and if Landlord elects to restore the Premises in such a way as to alter the Premises materially, either party may terminate this Lease, by written notice to the other party, effective on the date of vesting of title. In the event neither party has elected to terminate this Lease as provided above, then Landlord shall promptly, after receipt of a sufficient condemnation award, proceed to restore the Premises to substantially their condition prior to the



taking, and a proportionate allowance shall be made to Tenant for the rent corresponding to the time during which, and to the part of the Premises of which, Tenant is deprived on account of the taking and restoration. In the event of a taking, Landlord shall be entitled to the entire amount of the condemnation award without deduction for any estate or interest of Tenant; provided that nothing in this Section shall be deemed to give Landlord any interest in, or prevent Tenant from seeking any award against the taking authority for, the taking of personal property and fixtures belonging to Tenant or for relocation or business interruption expenses recoverable from the taking authority.

SECTION 12.2. TEMPORARY TAKING. No temporary taking of the Premises shall terminate this Lease or give Tenant any right to abatement of rent, and any award specifically attributable to a temporary

18

taking of the Premises shall belong entirely to Tenant. A temporary taking shall be deemed to be a taking of the use or occupancy of the Premises for a period of not to exceed one hundred eighty (180) days.

SECTION 12.3. TAKING OF PARKING AREA. In the event there shall be a taking of the parking area such that Landlord can no longer provide sufficient parking to comply with this Lease, Landlord may substitute reasonably equivalent parking in a location reasonably close to the Building; provided that if Landlord fails to make that substitution within sixty (60) days following the taking and if the taking materially impairs Tenant's use and enjoyment of the Premises, Tenant may, at its option, terminate this Lease by written notice to Landlord. If this Lease is not so terminated by Tenant, there shall be no abatement of rent and this Lease shall continue in effect.

#### ARTICLE XIII. SUBORDINATION; ESTOPPEL CERTIFICATE; FINANCIALS

SECTION 13.1. SUBORDINATION. At the option of Landlord, this Lease shall be either superior or subordinate to all ground or underlying leases, mortgages and deeds of trust, if any, which may hereafter affect the Premises, and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, that so long as Tenant is not in default under this Lease, this Lease shall not be terminated or Tenant's quiet enjoyment of the Premises disturbed in the event of termination of any such ground or underlying lease, or the foreclosure of any such mortgage or deed of trust, to which Tenant has subordinated this Lease pursuant to this Section. In the event of a termination or foreclosure, Tenant shall become a tenant of and attorn to the successor-in-interest to Landlord upon the same terms and conditions as are contained in this Lease, and shall execute any instrument reasonably required by Landlord's successor for that purpose. Tenant shall also, upon written request of Landlord, execute and deliver all instruments as may be required from time to time to subordinate the rights of Tenant under this Lease to any ground or underlying lease or to the lien of any mortgage or deed of trust (provided that such instruments include the nondisturbance and attornment provisions set forth above), or, if requested by Landlord, to subordinate, in whole or in part, any ground or underlying lease or the lien of any mortgage or deed of trust to this Lease.

#### SECTION 13.2. ESTOPPEL CERTIFICATE.

(a) Each 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 in such form as the requesting party may reasonably require, a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of the modification and certifying that this Lease, as modified, is in full force and effect) and the dates to which the rental, additional rent and other charges have been paid in advance, if any, and (ii) acknowledging that, to such party's knowledge, there are no uncured defaults on the part of the requesting party, or specifying each default if any are claimed, and (iii) setting forth all further information that the requesting party may reasonably require. Such statement may be relied upon by any prospective purchaser or encumbrancer of the Premises.

(b) Notwithstanding any other rights and remedies of the parties hereunder, any party's failure to deliver any estoppel statement within the provided time shall be conclusive upon such party that (i) this Lease is in full force and effect, without modification, (ii) there are no uncured defaults in such party's performance, and (iii) not more than one month's rental has been paid in advance.

#### SECTION 13.3 FINANCIALS.

(a) Tenant shall deliver to Landlord, prior to the execution of this Lease and thereafter at any time upon Landlord's request, Tenant's current tax returns and financial statements, certified true, accurate and complete by the chief financial officer of Tenant, including a balance sheet and profit and loss statement for the most recent prior year (collectively, the "Statements"), which Statements shall accurately and completely reflect the financial condition of Tenant. Landlord agrees that it will keep the Statements confidential, except

that Landlord shall have the right to deliver the same to any proposed purchaser or encumbrancer of the Premises.

(b) Tenant acknowledges that Landlord is relying on the Statements in its determination to enter into this Lease, and Tenant represents to Landlord, which representation shall be deemed made on the date of this Lease and again on the Commencement Date, that no material change in the financial condition of Tenant, as reflected in the Statements, has occurred since the date Tenant delivered the Statements to Landlord. The Statements are represented and warranted by Tenant to be correct and to accurately and fully reflect Tenant's true financial condition as of the date of submission by any Statements to Landlord.

#### ARTICLE XIV. DEFAULTS AND REMEDIES

SECTION 14.1. TENANT'S DEFAULTS. In addition to any other event of default set forth in his Lease, the occurrence of any one or more of the following events shall constitute a default by Tenant:

19

(a) The failure by Tenant to make any payment of rent or additional rent required to be made by Tenant, as and when due, where the failure continues for a period of five (5) days after written notice from Landlord to Tenant; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161 and 1161(a) as amended. For purposes of these default and remedies provisions, the term "additional rent" shall be deemed to include all amounts of any type whatsoever other than Basic Rent to be paid by Tenant pursuant to the terms of this Lease.

(b) Assignment, sublease, encumbrance or other transfer of the Lease by Tenant in violation of this Lease, either voluntarily or by operation of law, whether by judgment, execution, transfer by intestacy or testacy, or other means.

(c) The discovery by Landlord that any financial statement provided by Tenant, or by any affiliate, successor or guarantor of Tenant, was materially false.

(d) The failure of Tenant to timely and fully provide any subordination agreement or estoppel certificate in accordance with the requirements of Article XIII when the failure continues for a period of ten (10) days after written notice from Landlord to Tenant.

(e) The failure or inability by Tenant to observe or perform any of the express or implied covenants or provisions of this Lease to be observed or performed by Tenant, other than as specified in any other subsection of this Section, where the failure continues for a period of thirty (30) days after written notice from Landlord to Tenant or such shorter period as is specified in any other provision of this Lease; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161 and 1161(a) as amended. However, if the nature of the failure is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences the cure within thirty (30) days, and thereafter diligently pursues the cure to completion.

(f) (i) The making by Tenant of any general assignment for the benefit of creditors; (ii) the filing by or against Tenant of a petition to have Tenant adjudged a Chapter 7 debtor under the Bankruptcy Code or to have debts discharged or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, if possession is not restored to Tenant within sixty (60) days; (iv) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where the seizure is not discharged within sixty (60) days; or (v) Tenant's convening of a meeting of its creditors for the purpose of effecting a moratorium upon or composition of its debts. Landlord shall not be deemed to have knowledge of any event described in this subsection unless notification in writing is received by Landlord, nor shall there be any presumption attributable to Landlord of Tenant's insolvency. In the event that any provision of this subsection is contrary to applicable law, the provision shall be of no force or effect.

#### SECTION 14.2. LANDLORD'S REMEDIES.

(a) In the event of any default by Tenant, or in the event of the abandonment of the Premises by Tenant, then in addition to any other remedies available to Landlord, Landlord may exercise the following remedies:

(i) Landlord may terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and

Tenant shall immediately surrender possession of the Premises to Landlord. Such termination shall not affect any accrued obligations of Tenant under this Lease. Upon termination, Landlord shall have the right to reenter the Premises and remove all persons and property. Landlord shall also be entitled to recover from Tenant:

(1) The worth at the time of award of the unpaid rent and additional rent which had been earned at the time of termination;

(2) The worth at the time of award of the amount by which the unpaid rent and additional rent which would have been earned after termination until the time of award exceeds the amount of such loss that Tenant proves could have been reasonably avoided;

(3) The worth at the time of award of the amount by which the unpaid rent and additional rent for the balance of the Term after the time of award exceeds the amount of such loss that Tenant proves could be reasonably avoided;

(4) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result from Tenant's default, including, but not limited to, the cost of recovering possession of the Premises, refurbishment of the Premises, marketing costs, commissions and other expenses of reletting, including necessary repair, reasonable attorneys' fees, and any other reasonable costs; and

20

(5) At Landlord's election, all other amounts in addition to or in lieu of the foregoing as may be permitted by law. The term "rent" as used in this Lease shall be deemed to mean the Basic Rent and all other sums required to be paid by Tenant to Landlord pursuant to the terms of this Lease. Any sum, other than Basic Rent, shall be computed on the basis of the average monthly amount accruing during the twenty-four (24) month period immediately prior to default, except that if it becomes necessary to compute such rental before the twenty-four (24) month period has occurred, then the computation shall be on the basis of the average monthly amount during the shorter period. As used in subparagraphs (1) and (2) above, the "worth at the time of award" shall be computed by allowing interest at the rate of ten percent (10%) per annum. As used in subparagraph (3) above, the "worth at the time of award" shall be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(ii) Landlord may elect not to terminate Tenant's right to possession of the Premises, in which event Landlord may continue to enforce all of its rights and remedies under this Lease, including the right to collect all rent as it becomes due. Efforts by the Landlord to maintain, preserve or relet the Premises, or the appointment of a receiver to protect the Landlord's interests under this Lease, shall not constitute a termination of the Tenant's right to possession of the Premises. In the event that Landlord elects to avail itself of the remedy provided by this subsection (ii), Landlord shall not unreasonably withhold its consent to an assignment or subletting of the Premises subject to the reasonable standards for Landlord's consent as are contained in this Lease.

For purposes of this Section 14.2(a), Tenant shall not be deemed to have abandoned the Premises during the last twelve (12) months of the Term if Tenant ceases the operation of its business upon the Premises so long as after ceasing operation of its business upon the Premises and throughout the remainder of the Term: (i) Tenant continues to make all payments due hereunder; (ii) Tenant continues to perform all of its other obligations under this Lease including, without limitation, its obligations for maintenance and repair of the Premises; and (iii) Tenant at its expense provides adequate security for the Premises to assure the continued safety of the Premises from vandalism or other damage or harm to the Premises.

(b) Landlord shall be under no obligation to observe or perform any covenant of this Lease on its part to be observed or performed which accrues after the date of any default by Tenant unless and until the default is cured by Tenant, it being understood and agreed that the performance by Landlord of its obligations under this Lease are expressly conditioned upon Tenant's full and timely performance of its obligations under this Lease. The various rights and remedies reserved to Landlord in this Lease or otherwise shall be cumulative and, except as otherwise provided by California law, Landlord may pursue any or all of its rights and remedies at the same time.

(c) No delay or omission of Landlord to exercise any right or remedy shall be construed as a waiver of the right or remedy or of any default by Tenant. The acceptance by Landlord of rent shall not be a (i) waiver of any preceding breach or default by Tenant of any provision of this Lease, other than the failure of Tenant to pay the particular rent accepted, regardless of Landlord's knowledge of the preceding breach or default at the time of

acceptance of rent, or (ii) a waiver of Landlord's right to exercise any remedy available to Landlord by virtue of the breach or default. The acceptance of any payment from a debtor in possession, a trustee, a receiver or any other person acting on behalf of Tenant or Tenant's estate shall not waive or cure a default under Section 14.1. No payment by Tenant or receipt by Landlord of a lesser amount than the rent required by this Lease shall be deemed to be other than a partial payment on account of the earliest due stipulated rent, nor shall any endorsement or statement on any check or letter be deemed an accord and satisfaction and Landlord shall accept the check or payment without prejudice to Landlord's right to recover the balance of the rent or pursue any other remedy available to it. No act or thing done by Landlord or Landlord's agents during the Term shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender shall be valid unless in writing and signed by Landlord. No employee of Landlord or of Landlord's agents shall have any power to accept the keys to the Premises prior to the termination of this Lease, and the delivery of the keys to any employee shall not operate as a termination of the Lease or a surrender of the Premises.

#### SECTION 14.3. LATE PAYMENTS.

(a) Any rent due under this Lease that is not received by Landlord within six (6) months of the date when due shall bear interest at the maximum rate permitted by law from the date which is five (5) days after the date due until fully paid. The payment of interest shall not cure any default by Tenant under this Lease. In addition, Tenant acknowledges that the late payment by Tenant to Landlord of rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult and impracticable to ascertain. Those costs may include, but are not limited to, administrative, processing and accounting charges, and late charges which may be imposed on Landlord by the terms of any ground lease, mortgage or trust deed covering the Premises. Accordingly, if any rent due from Tenant shall not be received by Landlord or Landlord's designee within five (5) days after the date due, then Tenant shall pay to Landlord, in addition to any interest which may become due as provided above, a late charge in a sum equal to the greater of five percent (5 %) of the amount overdue or Two Hundred Fifty Dollars (\$250.00) for each delinquent payment. Acceptance of a late charge by Landlord shall not constitute a waiver of Tenant's default with respect to the overdue amount, nor shall it prevent Landlord from exercising any of its other rights and remedies.

(b) Following each third consecutive installment of rent that is not paid within five (5) days following notice of nonpayment from Landlord, Landlord shall have the option (i) to require that beginning with

21

the first payment of rent next due, rent shall no longer be paid in monthly installments but shall be payable quarterly three (3) months in advance and/or (ii) to require that Tenant increase the amount, if any, of the Security Deposit by one hundred percent (100%). Should Tenant deliver to Landlord, at any time during the Term, two (2) or more insufficient checks, the Landlord may require that all monies then and thereafter due from Tenant be paid to Landlord by cashier's check.

SECTION 14.4. RIGHT OF LANDLORD TO PERFORM. All covenants and agreements to be performed by Tenant under this Lease shall be performed at Tenant's sole cost and expense and without any abatement of rent or right of set-off. If Tenant fails to pay any sum of money, other than rent, or fails to perform any other act on its part to be performed under this Lease, and the failure continues beyond any applicable grace period set forth in Section 14.1, then in addition to any other available remedies, Landlord may, at its election make the payment or perform the other act on Tenant's part. Landlord's election to make the payment or perform the act on Tenant's part shall not give rise to any responsibility of Landlord to continue making the same or similar payments or performing the same or similar acts. Tenant shall, promptly upon demand by Landlord, reimburse Landlord for all sums paid by Landlord and all necessary incidental costs, together with interest at the maximum rate permitted by law from the date of the payment by Landlord. Landlord shall have the same rights and remedies if Tenant fails to pay those amounts as Landlord would have in the event of a default by Tenant in the payment of rent.

SECTION 14.5. DEFAULT BY LANDLORD. Landlord shall not be deemed to be in default in the performance of any obligation under this Lease unless and until it has failed to perform the obligation within thirty (30) days after written notice by Tenant to Landlord specifying in reasonable detail the nature and extent of the failure; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be deemed to be in default if it commences performance within the thirty (30) day period and thereafter diligently pursues the cure to completion.

SECTION 14.6. EXPENSES AND LEGAL FEES. All sums reasonably incurred by Landlord in connection with any event of default by Tenant under this Lease or holding over of possession by Tenant after the expiration or earlier termination of this Lease, including without limitation all costs, expenses and actual

accountants, appraisers, attorneys and other professional fees, and any collection agency or other collection charges, shall be due and payable by Tenant to Landlord on demand, and shall bear interest at the rate of ten percent (10%) per annum. Should either Landlord or Tenant bring any action in connection with this Lease, the prevailing party shall be entitled to recover as a part of the action its reasonable attorneys' fees, and all other costs. The prevailing party for the purpose of this paragraph shall be determined by the trier of the facts.

SECTION 14.7. WAIVER OF JURY TRIAL. LANDLORD AND TENANT EACH ACKNOWLEDGES THAT IT IS AWARE OF AND HAS HAD THE ADVICE OF COUNSEL OF ITS CHOICE WITH RESPECT TO ITS RIGHTS TO TRIAL BY JURY, AND EACH PARTY DOES HEREBY EXPRESSLY AND KNOWINGLY WAIVE AND RELEASE ALL SUCH RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER (AND/OR AGAINST ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR SUBSIDIARY OR AFFILIATED ENTITIES) ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM OF INJURY OR DAMAGE.

SECTION 14.8. SATISFACTION OF JUDGMENT. The obligations of Landlord do not constitute the personal obligations of the individual partners, trustees, directors, officers or shareholders of Landlord or its constituent partners. Should Tenant recover a money judgment against Landlord, such judgment shall be satisfied only out of the proceeds of sale received upon execution of such judgment and levied thereon against the right, title and interest of Landlord in the Project and out of the rent or other income from such property receivable by Landlord or out of consideration received by Landlord from the sale or other disposition of all or any part of Landlord's right, title or interest in the Project, and no action for any deficiency may be sought or obtained by Tenant.

SECTION 14.9. LIMITATION OF ACTIONS AGAINST LANDLORD. Any claim, demand or right of any kind by Tenant which is based upon or arises in connection with this Lease shall be barred unless Tenant commences an action thereon within six (6) months after the date that the act, omission, event or default upon which the claim, demand or right arises, has occurred.

#### ARTICLE XV. END OF TERM

SECTION 15.1. HOLDING OVER. This Lease shall terminate without further notice upon the expiration of the Term, and any holding over by Tenant after the expiration shall not constitute a renewal or extension of this Lease, or give Tenant any rights under this Lease, except when in writing signed by both parties. If Tenant holds over for any period after the expiration (or earlier termination) of the Term without the prior written consent of Landlord, such possession shall constitute a tenancy at sufferance only; such holding over with the prior written consent of Landlord shall constitute a month-to-month tenancy commencing on the first (1st) day following the termination of this Lease. In either of such events, possession shall be subject to all of the terms of this Lease,

22

except that the monthly Basic Rent shall be the greater of (a) for the first month of any such holdover period one hundred fifty percent (150%), and thereafter, one hundred seventy-five percent (175%), of the Basic Rent for the month immediately preceding the date of termination or (b) the then currently scheduled Basic Rent for comparable space in the Building. If Tenant fails to surrender the Premises upon the expiration of this Lease despite demand to do so by Landlord, Tenant shall indemnify and hold Landlord harmless from all loss or liability, including without limitation, any claims made by any succeeding tenant relating to such failure to surrender. Acceptance by Landlord of rent after the termination shall not constitute a consent to a holdover or result in a renewal of this Lease. The foregoing provisions of this Section are in addition to and do not affect Landlord's right of re-entry or any other rights of Landlord under this Lease or at law.

SECTION 15.2. MERGER ON TERMINATION. The voluntary or other surrender of this Lease by Tenant, or a mutual termination of this Lease, shall terminate any or all existing subleases unless Landlord, at its option, elects in writing to treat the surrender or termination as an assignment to it of any or all subleases affecting the Premises.

SECTION 15.3. SURRENDER OF PREMISES; REMOVAL OF PROPERTY. Upon the Expiration Date or upon any earlier termination of this Lease, Tenant shall quit and surrender possession of the Premises to Landlord in as good order, condition and repair as when received or as hereafter may be improved by Landlord or Tenant, reasonable wear and tear, repairs which are Landlord's obligation and casualty (except to the extent Tenant is obligated to repair casualty damage pursuant to this Lease) excepted, and shall, without expense to Landlord, remove or cause to be removed from the Premises all personal property and debris, except for any items that Landlord may by written authorization allow to remain. Tenant shall repair all damage to the Premises resulting from the removal, which repair shall include the patching and filling of holes and repair of structural damage, provided that Landlord may instead after notice to Tenant elect to repair any structural damage at Tenant's expense. If Tenant shall fail to comply

with the provisions of this Section, Landlord may effect the removal and/or make any repairs, and the cost to Landlord shall be additional rent payable by Tenant upon demand. If Tenant fails to remove Tenant's personal property from the Premises upon the expiration of the Term, Landlord may remove, store, dispose of and/or retain such personal property, at Landlord's option, in accordance with then applicable laws, all at the expense of Tenant. If requested by Landlord, Tenant shall execute, acknowledge and deliver to Landlord an instrument in writing releasing and quitclaiming to Landlord all right, title and interest of Tenant in the Premises.

#### ARTICLE XVI. PAYMENTS AND NOTICES

All sums payable by Tenant to Landlord shall be paid, without deduction or offset, in lawful money of the United States to Landlord at its address set forth in Item 12 of the Basic Lease Provisions, or at any other place as Landlord may designate in writing. Unless this Lease expressly provides otherwise, as for example in the payment of rent pursuant to Section 4.1, all payments shall be due and payable within five (5) days after demand. All payments requiring proration shall be prorated on the basis of a thirty (30) day month and a three hundred sixty (360) day year. Any notice, election, demand, consent, approval or other communication to be given or other document to be delivered by either party to the other may be delivered in person or by courier or overnight delivery service to the other party, or may be deposited in the United States mail, duly registered or certified, postage prepaid, return receipt requested, and addressed to the other party at the address set forth in Item 12 of the Basic Lease Provisions, or if to Tenant, at that address or, from and after the Commencement Date, at the Premises (whether or not Tenant has departed from, abandoned or vacated the Premises), or may be delivered by telegram, telex or telecopy, provided that receipt thereof is telephonically confirmed. Either party may, by written notice to the other, served in the manner provided in this Article, designate a different address. If any notice or other document is sent by mail, it shall be deemed served or delivered twenty-four (24) hours after mailing. If more than one person or entity is named as Tenant under this Lease, service of any notice upon any one of them shall be deemed as service upon all of them.

#### ARTICLE XVII. RULES AND REGULATIONS

Tenant agrees to observe faithfully and comply strictly with the Rules and Regulations, attached as Exhibit E, and any reasonable and nondiscriminatory amendments, modifications and/or additions as may be adopted and published by written notice to tenants by Landlord for the safety, care, security, good order, or cleanliness of the Premises, and Project and Common Areas (if applicable). Landlord shall not be liable to Tenant for any violation of the Rules and Regulations or the breach of any covenant or condition in any lease by any other tenant or such tenant's agents, employees, contractors, guests or invitees. One or more waivers by Landlord of any breach of the Rules and Regulations by Tenant or by any other tenant(s) shall not be a waiver of any subsequent breach of that rule or any other. Tenant's failure to keep and observe the Rules and Regulations shall constitute a default under this Lease. In the case of any conflict between the Rules and Regulations and this Lease, this Lease shall be controlling.

23

#### ARTICLE XVIII. BROKER'S COMMISSION

The parties recognize as the broker(s) who negotiated this Lease the firm(s), if any, whose name(s) is (are) stated in Item 10 of the Basic Lease Provisions, and agree that Landlord shall be responsible for the payment of brokerage commissions to those broker(s) unless otherwise provided in this Lease. Tenant warrants that it has had no dealings with any other real estate broker or agent in connection with the negotiation of this Lease, and Tenant agrees to indemnify and hold Landlord harmless from any cost, expense or liability (including reasonable attorneys' fees) for any compensation, commissions or charges claimed by any other real estate broker or agent employed or claiming to represent or to have been employed by Tenant in connection with the negotiation of this Lease. The foregoing agreement shall survive the termination of this Lease. If Tenant fails to take possession of the Premises or if this Lease otherwise terminates prior to the Expiration Date as the result of failure of performance by Tenant, Landlord shall be entitled to recover from Tenant the unamortized portion of any brokerage commission funded by Landlord in addition to any other damages to which Landlord may be entitled.

#### ARTICLE XIX. TRANSFER OF LANDLORD'S INTEREST

In the event of any transfer of Landlord's interest in the Premises, the transferor shall be automatically relieved of all obligations on the part of Landlord accruing under this Lease from and after the date of the transfer, provided that any funds held by the transferor in which Tenant has an interest shall be turned over, subject to that interest, to the transferee and Tenant is

notified of the transfer as required by law. No holder of a mortgage and/or deed of trust to which this Lease is or may be subordinate, and no landlord under a so-called sale-leaseback, shall be responsible in connection with the Security Deposit, unless the mortgagee or holder of the deed of trust or the landlord actually receives the Security Deposit. It is intended that the covenants and obligations contained in this Lease on the part of Landlord shall, subject to the foregoing, be binding on Landlord, its successors and assigns, only during and in respect to their respective successive periods of ownership.

#### ARTICLE XX. INTERPRETATION

SECTION 20.1. GENDER AND NUMBER. Whenever the context of this Lease requires, the words "Landlord" and "Tenant" shall include the plural as well as the singular, and words used in neuter, masculine or feminine genders shall include the others.

SECTION 20.2. HEADINGS. The captions and headings of the articles and sections of this Lease are for convenience only, are not a part of this Lease and shall have no effect upon its construction or interpretation.

SECTION 20.3. JOINT AND SEVERAL LIABILITY. If more than one person or entity is named as Tenant, the obligations imposed upon each shall be joint and several and the act of or notice from, or notice or refund to, or the signature of, any one or more of them shall be binding on all of them with respect to the tenancy of this Lease, including, but not limited to, any renewal, extension, termination or modification of this Lease.

SECTION 20.4. SUCCESSORS. Subject to Articles IX and XIX, all rights and liabilities given to or imposed upon Landlord and Tenant shall extend to and bind their respective heirs, executors, administrators, successors and assigns. Nothing contained in this Section is intended, or shall be construed, to grant to any person other than Landlord and Tenant and their successors and assigns any rights or remedies under this Lease.

SECTION 20.5. TIME OF ESSENCE. Time is of the essence with respect to the performance of every provision of this Lease.

SECTION 20.6. CONTROLLING LAW. This Lease shall be governed by and interpreted in accordance with the laws of the State of California.

SECTION 20.7. SEVERABILITY. If any term or provision of this Lease, the deletion of which would not adversely affect the receipt of any material benefit by either party or the deletion of which is consented to by the party adversely affected, shall be held invalid or unenforceable to any extent, the remainder of this Lease shall not be affected and each term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

SECTION 20.8. WAIVER AND CUMULATIVE REMEDIES. One or more waivers by Landlord or Tenant of any breach of any term, covenant or condition contained in this Lease shall not be a waiver of any subsequent breach of the same or any other term, covenant or condition. Consent to any act by one of the parties shall not be deemed to render unnecessary the obtaining of that party's consent to any subsequent act. No breach by Tenant of this Lease shall be deemed to have been waived by Landlord unless the waiver is in a writing

24

signed by Landlord. The rights and remedies of Landlord under this Lease shall be cumulative and in addition to any and all other rights and remedies which Landlord may have.

SECTION 20.9. INABILITY TO PERFORM. In the event that either party shall be delayed or hindered in or prevented from the performance of any work or in performing any act required under this Lease by reason of any cause beyond the reasonable control of that party, then the performance of the work or the doing of the act shall be excused for the period of the delay and the time for performance shall be extended for a period equivalent to the period of the delay. The provisions of this Section shall not operate to excuse Tenant from the prompt payment of rent or from the timely performance of any other obligation under this Lease within Tenant's reasonable control.

SECTION 20.10. ENTIRE AGREEMENT. This Lease and its exhibits and other attachments cover in full each and every agreement of every kind between the parties concerning the Premises, the Building, and the Project, and all preliminary negotiations, oral agreements, understandings and/or practices, except those contained in this Lease, are superseded and of no further effect. Tenant waives its rights to rely on any representations or promises made by Landlord or others which are not contained in this Lease. No verbal agreement or implied covenant shall be held to modify the provisions of this Lease, any statute, law, or custom to the contrary notwithstanding.

SECTION 20.11. QUIET ENJOYMENT. Upon the observance and performance of

all the covenants, terms and conditions on Tenant's part to be observed and performed, and subject to the other provisions of this Lease, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term without hindrance or interruption by Landlord or any other person claiming by or through Landlord.

SECTION 20.12. SURVIVAL. All covenants of Landlord or Tenant which reasonably would be intended to survive the expiration or sooner termination of this Lease, including without limitation any warranty or indemnity hereunder, shall so survive and continue to be binding upon and inure to the benefit of the respective parties and their successors and assigns.

#### ARTICLE XXI. EXECUTION AND RECORDING

SECTION 21.1. COUNTERPARTS. This Lease may be executed in one or more counterparts, each of which shall constitute an original and all of which shall be one and the same agreement.

SECTION 21.2. CORPORATE AND PARTNERSHIP AUTHORITY. If Tenant is a corporation or partnership, each individual executing this Lease on behalf of the corporation or partnership represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of the corporation or partnership, and that this Lease is binding upon the corporation or partnership in accordance with its terms. Tenant shall, at Landlord's request, deliver a certified copy of its board of directors' resolution or partnership agreement or certificate authorizing or evidencing the execution of this Lease.

SECTION 21.3. EXECUTION OF LEASE; NO OPTION OR OFFER. The submission of this Lease to Tenant shall be for examination purposes only, and shall not constitute an offer to or option for Tenant to lease the Premises. Execution of this Lease by Tenant and its return to Landlord shall not be binding upon Landlord, notwithstanding any time interval, until Landlord has in fact executed and delivered this Lease to Tenant, it being intended that this Lease shall only become effective upon execution by Landlord and delivery of a fully executed counterpart to Tenant.

SECTION 21.4. RECORDING. Tenant shall not record this Lease without the prior written consent of Landlord. Tenant, upon the request of Landlord, shall execute and acknowledge a "short form" memorandum of this Lease for recording purposes.

SECTION 21.5. AMENDMENTS. No amendment or termination of this Lease shall be effective unless in writing signed by authorized signatories of Tenant and Landlord, or by their respective successors in interest. No actions, policies, oral or informal arrangements, business dealings or other course of conduct by or between the parties shall be deemed to modify this Lease in any respect.

SECTION 21.6. EXECUTED COPY. Any fully executed photocopy or similar reproduction of this Lease shall be deemed an original for all purposes.

SECTION 21.7. ATTACHMENTS. All exhibits, amendments, riders and addenda attached to this Lease are hereby incorporated into and made a part of this Lease.

25

#### ARTICLE XXII. MISCELLANEOUS

SECTION 22.1. NONDISCLOSURE OF LEASE TERMS. Tenant acknowledges and agrees that the terms of this Lease are confidential and constitute proprietary information of Landlord. Disclosure of the terms could adversely affect the ability of Landlord to negotiate other leases and impair Landlord's relationship with other tenants. Accordingly, Tenant agrees that it, and its partners, officers, directors, employees and attorneys, shall not intentionally and voluntarily disclose the terms and conditions of this Lease to any other tenant or apparent prospective tenant of the Project, either directly or indirectly, without the prior written consent of Landlord, provided, however, that Tenant may disclose the terms to prospective subtenants or assignees under this Lease, or to the extent required in any legal proceedings or to comply with Securities and Exchange Commission reporting requirements.

SECTION 22.2. GUARANTY. As a condition to the execution of this Lease by Landlord, the obligations, covenants and performance of the Tenant as herein provided shall be guaranteed in writing by the Guarantor(s) listed in Item 7 of the Basic Lease Provisions, if any, on a form of guaranty provided by Landlord.

SECTION 22.3. CHANGES REQUESTED BY LENDER. If, in connection with obtaining financing for the Project, the lender shall request reasonable modifications in this Lease as a condition to the financing, Tenant will not unreasonably withhold or delay its consent, provided that the modifications do not materially increase the obligations of Tenant or materially and adversely



affect the leasehold interest created by this Lease.

SECTION 22.4. MORTGAGEE PROTECTION. No act or failure to act on the part of Landlord which would otherwise entitle Tenant to be relieved of its obligations hereunder or to terminate this Lease shall result in such a release or termination unless (a) Tenant has given notice by registered or certified mail to any beneficiary of a deed of trust or mortgage covering the Premises whose address has been furnished to Tenant and (b) such beneficiary is afforded a reasonable opportunity to cure the default by Landlord (which in no event shall be less than sixty (60) days), including, if necessary to effect the cure, time to obtain possession of the Premises by power of sale or judicial foreclosure provided that such foreclosure remedy is diligently pursued. Tenant agrees that each beneficiary of a deed of trust or mortgage covering the Premises is an express third party beneficiary hereof, Tenant shall have no right or claim for the collection of any deposit from such beneficiary or from any purchaser at a foreclosure sale unless such beneficiary or purchaser shall have actually received and not refunded the deposit, and Tenant shall comply with any written directions by any beneficiary to pay rent due hereunder directly to such beneficiary without determining whether an event of default exists under such beneficiary's deed of trust.

SECTION 22.5. COVENANTS AND CONDITIONS. All of the provisions of this Lease shall be construed to be conditions as well as covenants as though the words specifically expressing or imparting covenants and conditions were used in each separate provision.

SECTION 22.6. SECURITY MEASURES. Tenant hereby acknowledges that Landlord shall have no obligation whatsoever to provide guard service or other security measures for the benefit of the Premises or the Project. Tenant assumes all responsibility for the protection of Tenant, its agents, invitees and property from acts of third parties. Nothing herein contained shall prevent Landlord, at its sole option, from providing security protection for the Project or any part thereof, in which event the cost thereof shall be included within the definition of Building Costs.

LANDLORD:

THE IRVINE COMPANY

[SEAL]

TENANT:

ATL PRODUCTS, INC.,  
a Delaware corporation

By: /s/ Richard G. Sim

-----  
Richard G. Sim  
Group President  
Investment Properties

By: /s/ Kevin C. Daly

-----  
Name: Kevin C. Daly  
-----  
Title: President/CEO  
-----

By: /s/ David A. Patty

-----  
David A. Patty  
Senior Vice President &  
Chief Investment Officer

By: /s/ Mark P. de Raad

-----  
Name: Mark P. de Raad  
-----  
Title: V/P, Finance & CFO  
-----

EXHIBIT A

[GRAPHIC OMITTED]

EXHIBIT A

[GRAPHIC OMITTED]

<TABLE> <S> <C>

<ARTICLE>

5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE  
FINANCIAL STATEMENTS OF QUANTUM CORPORATION FOR THE QUARTER ENDED  
DECEMBER 27, 1998

</LEGEND>

<MULTIPLIER>	1,000
<S>	<C>
<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	MAR-31-1999
<PERIOD-START>	APR-1-1998
<PERIOD-END>	DEC-27-1998
<CASH>	683,011
<SECURITIES>	24,425
<RECEIVABLES>	676,061
<ALLOWANCES>	11,823
<INVENTORY>	259,042
<CURRENT-ASSETS>	1,855,446
<PP&E>	545,707
<DEPRECIATION>	278,922
<TOTAL-ASSETS>	2,393,568
<CURRENT-LIABILITIES>	663,711
<BONDS>	351,725
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	855,946
<OTHER-SE>	448,241
<TOTAL-LIABILITY-AND-EQUITY>	2,393,568
<SALES>	3,593,315
<TOTAL-REVENUES>	3,593,315
<CGS>	2,995,964
<TOTAL-COSTS>	2,995,964
<OTHER-EXPENSES>	540,000
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	20,136
<INCOME-PRETAX>	(84,873)
<INCOME-TAX>	1,403
<INCOME-CONTINUING>	(86,276)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(86,276)
<EPS-PRIMARY>	(0.54)
<EPS-DILUTED>	(0.54)

</TABLE>