SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended March 31, 1996

OR

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

Commission file number 0-12390

QUANTUM CORPORATION
(Exact name of Registrant as specified in its charter)

DELAWARE	94-2665054
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
500 MCCARTHY BLVD., MILPITAS, CALIFORNIA	95035
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (408) 894-4000

Securities registered pursuant to Section 12(b) of the Act: NONE

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

COMMON STOCK
6 3/8% CONVERTIBLE SUBORDINATED DEBENTURES DUE 2002
PREFERRED STOCK
(Title of Class)

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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of May 1, 1996: $949,425,659 based upon the closing price reported for such date on the NASDAQ National Market System. For purposes of this disclosure, shares of Common Stock held by persons who hold more than 5% of the outstanding shares of Common Stock and shares held by officers and directors of the Registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily conclusive. The number of shares outstanding of the Registrant's Common Stock as of May 1, 1996, was 54,293,006.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the Proxy Statement for Registrant's 1996 Annual Meeting of Shareholders (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-K Report.

PART I

ITEM 1.

BUSINESS

Quantum Corporation (the "Company" or "Quantum") was incorporated as a California corporation in February 1980, and reincorporated as a Delaware corporation in April 1987.

Quantum designs, develops and markets information storage products, including high-performance, high quality hard disk drives, recording heads and tape drives. The Company combines its engineering and design expertise with the high volume hard disk drive manufacturing capabilities of its exclusive manufacturing partner, Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE") of Japan, to produce high quality hard disk drives to meet the storage requirements of workstations, servers, disk arrays, entry-level to high-end desktop PCs and minicomputers. In addition, the Company designs and manufactures its linear tape drive products as well as the recording heads which are used in the Company's

disk drive products. The Company's customers include leading OEMs such as Acer, Apple, Compaq, Dell, Digital, Hewlett-Packard, IBM, NEC, Silicon Graphics and Sun Microsystems.

The Company's strategy is to offer a diversified product portfolio which features leading edge technology and high quality manufacturing for a broad range of market applications. The Company's storage business is currently structured into the following four main operating divisions:

DESKTOP AND PORTABLE STORAGE GROUP (DPSG). The Desktop and Portable Storage Group designs, develops and markets hard disk drives designed to meet the storage needs of desktop and portable systems. The Company's DPSG products are designed for entry-level to high-end desktop PCs for use in both home and business environments.

WORKSTATION AND SYSTEMS STORAGE GROUP (WSSG). The Workstation and Systems Storage Group designs, develops and markets the Company's most technologically advanced hard disk drives for the demanding storage needs of servers, workstations, storage subsystems, high-end desktop systems and minicomputers. The Company's WSSG products are designed for storage-intensive applications such as graphics, disk arrays, desktop publishing systems, multimedia computing systems and networked data bases and file servers.

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

RECORDING HEADS GROUP (RHG). The Recording Heads Group designs, develops, and manufacturers both thin film inductive and magnetoresistive ("MR") recording heads used in the Company's products. The Company believes that MR technology, which provides higher capacity per disk than conventional thin film heads, will replace thin film heads as the leading recording head technology. The Company does not currently market thin film or MR heads to other companies.

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

On October 3, 1994, Quantum acquired the Hard Disk Drive, Heads and Tape Drives Businesses of the Storage Business Unit of Digital Equipment Corporation (the "Acquired Businesses") in a transaction (the "Acquisition") accounted for as a purchase. The purchase of the Acquired Businesses was finalized in the second quarter of fiscal 1996, resulting in a $5.7 million reduction to the original contracted purchase price of $355.2 million. Included in the purchase were Digital's interest in Digital Equipment Storage Products (Malaysia) Sdn Bhd. and its 81% interest in Rocky Mountain Magnetics, Inc. ("RMMI"). Subsequently, RMMI's name was changed to Quantum Peripherals Colorado, Inc. ("QPC"). The Acquired Businesses were involved in the design, manufacture and marketing of computer disk drive, tape drive, tape media, solid state memory device and magnetic recording head products and optical storage devices and related technology other than CD-ROM.

On November 8, 1995, the Company announced a plan to reorganize its WSSG high-capacity business. This plan included resizing the infrastructure of the business, focusing development and manufacturing efforts on a more cost-effective product set and reducing the overall expense structure.

On January 30, 1996, the Company announced the transition of manufacturing of its WSSG high-capacity products to MKE, the Company's long-time manufacturing partner for desktop hard disk drives.

EXECUTIVE OFFICERS

The executive officers of the Company, and certain information about them as of March 31, 1996, are as follows:

<TABLE>
<CAPTION>
Name	Age	Position with the company
<S>	<C>	<C>

Stephen M. Berkley	52	Chairman of the Board
Michael A. Brown	37	President and Chief Executive Officer
Kenneth Lee	58	President, Workstation Systems Storage Group and Chief Technical Officer
W.C. Robinette, Jr.	53	President and General Manager, Recording Heads Group
Young K. Sohn	40	President and General Manager, Desktop and Portable Storage Group
Mark Jackson	45	Executive Vice President, Hard Disk Drive Operations
William F. Roach	52	Executive Vice President, Worldwide Sales
Joseph T. Rodgers*	53	Executive Vice President, Finance, Chief Financial Officer and Secretary
Deborah E. Barber	56	Vice President, Human Resources
Gina M. Bornino*	35	Vice President and General Manager, Specialty Storage Products Group
Kenneth R. Pelowski*	36	Vice President, Strategic Planning and Business Development

</TABLE>

* These officers have submitted their resignations since March 31, 1996.

Mr. Berkley joined the Company in 1981 as Vice President of Marketing. In 1983, he became the founding President and CEO of Quantum subsidiary Plus Development Corp., where he helped pioneer the development of Hardcard, the first hard disk expansion board for personal computers. In 1987, he returned to Quantum, serving as Chairman and CEO until 1992. He served as Chairman of Quantum's board until 1993 and became Board Chairman again in 1995. Prior to Quantum, Mr. Berkley was with Qume Corp. from 1977 to 1981 where he served initially as Vice President of Business Development and then General Manager of the Memory Products Division.

Mr. Brown joined the Company's marketing organization in August 1984. He was named Vice President, Marketing, in June 1990 and became Executive Vice President in February 1992. In 1993 he was named President of DPSG and in September 1995 he was appointed President and Chief Executive Officer. Prior to June 1990, Mr. Brown held positions in product and marketing management. Prior to joining the Company, he served in the

marketing organization at Hewlett-Packard Company and provided management consulting services at Braxton Associates.

Mr. Lee joined the Company in 1989 as Director of Advanced Recording Technologies and was promoted to Vice President, Engineering, in 1990. In 1993, he was promoted to Executive Vice President, Technology and Engineering, and Chief Technology Officer. In 1994, he also assumed responsibility for the Recording Heads Group. In October 1995, Mr. Lee was named President of WSSG in addition to his role as Chief Technical Officer. Prior to joining the Company, he served for five years as Vice President, Product Development, for Domain Technology, and previously spent 15 years at the IBM Research Laboratory in San Jose, California, working on advanced magnetic storage devices.

Mr. Robinette joined the Company in August 1995 as President and General Manager of RHG. In October 1995 he was named an Executive Vice President of the Company. Prior to joining the Company, from 1992 to 1995, Mr. Robinette was Co-Founder, Chairman and Chief Operating Officer of MicroModule Systems, Inc. (MMS), a leader in the merchant multichip subsystems business. Previously, he was with Digital Equipment Corporation (DEC) where he was group manager of worldwide semiconductor manufacturing and technology, and group manager of UNIX/VAX-based systems and software manufacturing operations.

Mr. Sohn joined the Company in 1992 as President and Managing Director of Quantum Asia-Pacific. In 1994 he was named Vice President of Marketing for DPSG and in February 1996 was promoted to President and General Manager of DPSG. Prior to joining the Company in 1992, Mr. Sohn spent nine years at Intel Corporation where, most recently, he managed that company's AT chip set business.

Mr. Jackson joined the Company in 1985, serving in a variety of positions in the logistics and operations organizations. In 1993 he was named Vice President of Worldwide Logistics. Mr. Jackson served as President of DPSG from October 1995 to February 1996, when he was named Executive Vice President of Hard Disk Drive Operations, responsible for production planning, logistics, quality and reliability, customer service and materials support for both DPSG and WSSG.

Mr. Roach joined the Company in September 1989 as Vice President, Sales, and was promoted to Executive Vice President, Worldwide Sales, in August 1993. Prior to joining the Company, he spent 12 years in sales at Intel Corporation, last serving as Worldwide Director, Distribution Sales and Marketing.

Mr. Rodgers joined the Company in December 1980 as its Vice President, Finance. He was elected Secretary in May 1981 and Treasurer in September 1981 and promoted to Executive Vice President, Finance in April 1986. From July 1979 to December 1980, he served as Vice President, Finance, of Braegen Corporation, a manufacturer of computer equipment. He also has more than nine years experience with Price Waterhouse, last serving as an audit manager.

Ms. Barber joined the Company in October 1992 as Vice President, Human Resources, Corporate Services, and Business Excellence. Prior to joining the Company, she served five years at Cray Research as Vice President, Human Resources. From June 1978 to January 1988, Ms Barber was employed by Honeywell, Inc., last serving as Director of Human Resources for the military Avionics Division.

Ms. Bornino joined the Company in August 1993 as Vice President, Corporate Development and Planning. In October 1994, Ms. Bornino assumed responsibility for the Specialty Storage Products Group as Vice President and General Manager. Prior to joining the Company, she served as Director of Strategic Planning for Silicon Graphics, Inc., from July 1992 to August 1993. From November 1989 to July 1992, Ms. Bornino was employed by MIPS Computer Systems, Inc., last serving as Director of Engineering. Prior to joining MIPS, she was a general management consultant with the consulting firm of Arthur D. Little, Inc., from June 1988 to November 1989.

Mr. Pelowski joined Quantum in April 1995 as Vice President, Strategic Planning and Business Development. From 1990 to 1995, Mr. Pelowski was Senior Director of Business Development at Sun Microsystems, responsible

for planning, equity investments, corporate deals and mergers and acquisitions. Prior to Sun Microsystems, he was a marketing manager with Intel Corporation from 1987 to 1989.

PRODUCTS

DESKTOP AND PORTABLE STORAGE GROUP:

QUANTUM TRAILBLAZER(TM), QUANTUM FIREBALL, QUANTUM SIROCCO(TM) AND QUANTUM FIREBALL TM SERIES 3.5-INCH DESKTOP PRODUCTS:

Quantum's desktop 3.5-inch hard drives consist of the Quantum Trailblazer, Quantum Fireball, Quantum Sirocco and Quantum Fireball TM Series products. These products are designed to meet the needs of desktop systems.

Quantum Trailblazer 850. Mass production of the Trailblazer 850 began in April 1995. The Quantum Trailblazer provides an industry-leading storage solution for entry-level and mid-range desktop computer systems. The drive features an innovative mechanical platform that results in improved acoustics and lower cost, and a low part-count that increases reliability and lowers power consumption.

Quantum Fireball 640/1280. Mass production of these products began in October 1995. Quantum Fireball hard drives feature leading areal density and innovative technology for capacity-hungry desktop systems and servers. These products incorporate technologies such as advanced read channel, enhanced interfaces to increase data transfer rates and firmware that minimizes command overhead. As of June 1996, Quantum had shipped over 10 million Fireball drives.

Quantum Sirocco 1700/2550. Mass production of these products began in March 1996. Quantum Sirocco hard drives are one of the industry's first desktop storage devices to combine magnetoresistive (MR) heads and a Partial Response Maximum Likelihood (PRML) read channel, two advanced technologies that are driving areal density and performance improvements. Both drives are suited for multimedia, video and information downloading applications.

Quantum Fireball 2.1/3.2 TM Series. Introduced in February 1996, Quantum Fireball TM Series drives are the industry's first hard disk drives to offer 1 gigabyte (GB) per platter storage capacity. Fireball TM Series drives are the latest additions to the award-winning Fireball family and also combine MR and PRML technologies to provide the storage capacities and performance required by commercial personal computer systems.

QUANTUM BIGFOOT(TM) 5.25-INCH DESKTOP PRODUCTS:

Quantum Bigfoot 1.2/2.5. Mass production of Quantum Bigfoot hard drives began in March 1996. These products combine value with high-capacity for consumer-oriented personal computer systems. Quantum 5.25-inch hard drives fit into most modular PCs without any customization to system enclosures.

WORKSTATION AND SYSTEMS STORAGE GROUP:

QUANTUM ATLAS(TM), QUANTUM ATLAS(TM) II AND QUANTUM VIKING(TM) 3.5-INCH HIGH-CAPACITY PRODUCTS:

Quantum's high-capacity 3.5-inch hard drives include the Quantum Atlas, Quantum Atlas II and Quantum Viking products. These disk drives are

Quantum's most technologically advanced products and meet the demanding needs of high-end desktop systems, workstations, RAID subsystems, servers and minicomputers.

Quantum Atlas 2150/4300. Mass production of the Quantum Atlas products began in December 1994. The Company has announced plans to phase out this product line in connection with the transition to MKE of the manufacturing for the Company's high-capacity products. This product line will be replaced by the Atlas II high-capacity products.

Quantum Atlas II 4.5/9.1. Announced in April 1995, Quantum Atlas II hard drives, to be manufactured by MKE, are intended to provide the capacity, performance and fault-tolerance required by high-end systems such as video and database servers, RAID subsystems, mid-range workstations and mini-computers. Atlas II drives feature 7,200 rotations-per-minute (RPM) spin speed and leading-edge technologies such as MR heads, Ultra SCSI-3 and fiber channel interfaces to meet the needs of the high-end marketplace.

Quantum Viking 2.1/4.3. Announced in February 1996, Quantum Viking hard drives combine workstation-class performance with PC-class prices, meeting the needs of one of the fastest-growing segments of the high-end marketplace: workstations and PC-based servers. The drives feature capacities of 2.1 and 4.3 GBs with MR heads and PRML read channels and a high internal data rate of 74 to 120 megabits per second. A wide selection of Ultra SCSI-3 interfaces provide burst data transfer rates as fast as 40 MB per second.

SPECIALTY STORAGE PRODUCTS GROUP:

QUANTUM DLT(TM) 0.5-INCH CARTRIDGE TAPE DRIVES:

Quantum DLT 2000XT. Mass production of the Quantum DLT 2000XT began in September 1995. This device is a 0.5-inch cartridge streaming tape drive designed to perform data back-up for mid-range and high-end computer systems. With advanced linear recording technology, a highly accurate tape guide system, and an adaptive control mechanism, the drive is suited for mid-range systems, network servers, and high-end workstations and systems. Using data compression techniques, the DLT 2000XT features a formatted capacity of 30 GBs per cartridge and a sustained data transfer rate of 2.5 megabytes (MB)/second.

Quantum DLT 4000. Mass production of the Quantum DLT 4000 began in February 1995. This 0.5-inch cartridge streaming tape drive is designed for heavy duty cycle computer applications in the mid-range to high-end of the tape drive market. Assuming data compression, the DLT 4000 features a combination of 40 GBs per cartridge and a sustained data transfer rate of 3 MB/second.

Quantum DLT 7000. Introduced in January 1996, the Quantum DLT 7000 provides data storage and retrieval for demanding data back-up, archive, and on-line storage applications. Assuming data compression, this tape drive achieves a transfer rate of over 10 MBs per second and a formatted capacity of 70 GBs, this tape drive provides significant performance and capacity advantages over other drives in its class.

QUANTUM DLT(TM) AUTOLOADERS:

Quantum DLT 2500XT/2700XT/4500/4700. Quantum DLT Autoloaders are five- and seven-cartridge subsystems designed for high-capacity data backup applications in the computer systems market. Ranging in capacity from 150 to 280 GBs, each autoloader consists of an elevator mechanism that provides random or sequential cartridge access between a tape drive and cartridge magazines. All are appropriate table-top solutions or can be configured into standard 19-inch equipment racks.

QUANTUM DLTstor(TM) TAPE LIBRARY:

Announced in January 1996, the Quantum DLTstor tape library is designed for use with Quantum's family of DLT 7000, 4000 and 2000XT tape drives. Equipped with two seven-cartridge magazines and up to three drives, the DLTstor product family is available in native capacities of 490, 280 and 210 GBs.

QUANTUM ESP5000 SERIES, ESP3000 SERIES AND ESP3000/ESP5000 TABLE TOP SERIES SOLID STATE DISKS:

Quantum's solid state disks (SSDs) significantly improve the execution speed of applications such as imaging, multimedia, video-on-demand, on-line transaction processing, material requirements planning and scientific modeling. In product development environments, the products can substantially shorten time-to-market. Quantum's SSDs are used like magnetic disks, however, they achieve near instantaneous access times

by eliminating the latency associated with disk rotation and head seek. SSD drives include a unique and fully integrated data retention system with continuous back-up to ensure that data is safely stored in the event of a power interruption. The Company currently offers the Quantum ESP5000 Series 5.25-inch form factor SSDs and the Quantum ESP3000 Series 3.5-inch form factor SSDs. Quantum's SSD drives did not represent a significant amount of the Company's revenues in the fiscal years ended March 31, 1996 and 1995.

PRODUCT DEVELOPMENT

Quantum operates in an industry characterized by rapid technological changes and short product life cycles. For these and other reasons, including competitive pressures, gross margins on specific products can decrease rapidly and any delay in introduction of more advanced and more cost effective products can result in significantly lower sales and gross margins. The Company's future is therefore dependent on its ability to develop new products, to qualify these products with its customers, to successfully introduce these products to the market on a timely basis and to commence volume production to meet customer demands. In this regard, the Company expects that sales of new products will account for a significant portion of fiscal 1997 sales and that sales of older products will decline. However, the foregoing is a forward-looking statement and actual results could vary. See "Trends and Uncertainties - New Product Development" in Management's Discussion and Analysis of Financial Condition and Results of Operations. The Company expects sales from its current high-capacity products, presently manufactured by the Company in Milpitas, California and Penang, Malaysia, to decline substantially in the first half of fiscal 1997, as the Company transitions its customers to new high-capacity products to be manufactured by MKE. The Company's new high-capacity products, currently under development, are not expected to achieve volume production and contribute to sales prior to the latter half of fiscal 1997. The Company's inability to successfully manage this transition could have a material adverse effect on the Company. In addition, the Company designs and manufactures other information storage related technologies, including magnetic recording head products and tape media. Any failure of the Company to successfully develop and manufacture new products and manage the transition of customers to these products would adversely affect the Company's results of operations.

For the three fiscal years ended March 31, 1996, 1995 and 1994, the Company's research and development expenses were $239.1 million, $169.3 million, and $89.8 million, respectively. The increase in research and development expenses for the year ended March 31, 1996, is due to the impact of a full year of expenses for the Acquired Businesses and reflects spending for both the vertically integrated heads business and the additional high-capacity disk drive products. The information storage industry, particularly the hard disk drive business, is subject to rapid technological advances, and the future success of the Company is dependent upon continued development and timely introduction of new products and technologies. As a result, the Company expects to continue to make significant expenditures for research and development. See "Trends and Uncertainties," in Management's Discussion and Analysis of Financial Condition and Results of Operations.

MANUFACTURING

The Company believes that its manufacturing strategy is a key to its success. For production of its desktop hard disk drives, Quantum has relied exclusively on MKE and the Company recently announced the transition to MKE of the high-capacity product manufacturing. MKE is a substantial manufacturer of hard disk drives and other electronic components and is a majority-owned subsidiary (57.3%) of Matsushita Electric Industries Company, Ltd., of Japan. MKE produces hard disk drives for Quantum in Japan, Singapore and Ireland. MKE's state-of-the-art manufacturing process is highly automated, employing integrated computer networks and advanced control systems. During fiscal 1996, approximately 75% of the Company's sales were derived from products manufactured by MKE, a decline from 80% of fiscal 1995 sales. The decline in MKE products as a percentage of sales is a result of the increase in consolidated sales due to the products related to the Acquired Businesses and Quantum's manufacturing of those products for a full year. Since the Company's acquisition of Digital's high-capacity disk drive operations in late 1994 (the "Digital Acquisition"), the Company has experienced significant difficulties integrating these operations into its high-capacity business. With the transition of high-capacity product manufacturing to MKE, the Company announced its plans to close its high-capacity disk drive manufacturing plants in Milpitas, California and Penang, Malaysia by September 1996. As a result, the Company's dependency on MKE will increase. Prior to this transition, the Company had also closed its high-capacity disk drive manufacturing operations in Colorado Springs, Colorado. Quantum continues to perform manufacturing for its head operations in Batam, Indonesia, Louisville, Colorado, and Shrewsbury, Massachusetts. Manufacturing for the Company's tape products is performed in Colorado Springs, Colorado.

The Company and its manufacturing partner, MKE, are dependent on suppliers for components and sub-assemblies, including recording heads, media and integrated circuits, which are essential to the manufacture of the Company's products. In connection with certain products, the Company qualifies only a single source for

certain components and subassemblies, which can magnify the risk of shortages. Component shortages have, in the past, constrained the Company's revenue growth. If such shortages occur, or if the Company experiences quality problems with component suppliers, shipment of products could be significantly delayed or costs significantly increased, which would have a material adverse effect on the Company's results of operations. The Company believes that the industry will periodically experience component shortages, and there can be no assurance that these issues will not adversely affect the Company's operating results.

The Company's relationship with MKE, which has been continuous since 1984, is currently governed by a master agreement that, unless extended, will expire in December 1997. The current agreement between the Company and MKE gives MKE the exclusive worldwide right to manufacture, and the Company the exclusive worldwide right to design and market, hard disk drives. The Company provides MKE with forecasts of its requirements and places purchase orders approximately three months prior to delivery. The Company has only a limited right to modify these purchase orders. The Company's transactions with MKE are denominated in U.S. dollars with prices for product purchases negotiated periodically, generally on a semiannual basis. Thus, fluctuations in the exchange rate have no material short term impact on Quantum's results of operations. However, such fluctuations may impact future negotiated prices. The failure of the parties to extend their relationship, or the extension of the relationship on terms unfavorable to the Company, would have a material adverse effect on the Company.

The Company's current product manufacturing relies on both thin film head technology and magnetoresistive ("MR") recording head technology. The Company believes that MR head technology will replace thin film heads as the leading recording head technology. As a result, the Company is currently engaged in a substantial effort to advance the development of its MR recording heads. There can be no assurance as to the timing of the transition from thin film heads to MR recording heads, or the Company's success in its development efforts. See "Trends and Uncertainties", in Management's Discussion and Analysis of Financial Condition and Results of Operations.

SALES AND MARKETING

The Company markets its products directly to desktop personal computer, notebook and workstation manufacturers and to distributors, resellers and systems integrators through its worldwide sales force. Sales to major customers, as a percentage of consolidated sales, for the fiscal years ended 1996, 1995 and 1994 were as follows:

<TABLE>
<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Compaq Computer, Inc.	12%	16%	10%
Apple Computer, Inc.	11%	12%	22%

</TABLE>

As is typical in the information storage industry, the Company's customer base is concentrated with a small number of systems manufacturers. The Company's sales to its customers are generally governed by written agreements. In general, these agreements do not obligate a customer to purchase any minimum volume of the Company's products. Any significant decrease in sales to these customers, or the loss of one or all of these customers, could have a material adverse effect on the Company's results of operations.

Quantum maintains a European regional headquarters in Neuchatel, Switzerland, an Asia-Pacific regional headquarters in Singapore, a Japanese headquarters in Tokyo and sales offices throughout the world. International sales, which include sales to foreign subsidiaries of United States companies, accounted for 52% of sales in fiscal 1995 and 53% in both fiscal 1995 and 1994. See also Note 13 in the Notes to Consolidated Financial Statements.

WARRANTY AND SERVICE

Quantum generally warrants its products against defects in design, materials and workmanship for one to five years. A provision for estimated future warranty costs is recorded when products are shipped. The Company believes its accrual for warranty liability is adequate. However, actual warranty expenditures could have a material unfavorable impact on the Company if the rate of unit failure or the cost to repair a unit is greater than what the Company has assumed in its estimate. The Company maintains in-house service facilities for refurbishment or repair of its products in Milpitas, California, Dundalk, Ireland and Penang, Malaysia.

BACKLOG

The Company's six-month order backlog at June 13, 1996, was approximately $870 million compared to approximately $820 million at May 8, 1995. Backlog increased slightly year-to-year, but reflects a slowdown in demand from the fourth quarter of fiscal 1996. As noted in "Management's Discussion and Analysis of Financial

Condition and Resuts of Operations," under "Trends and Uncertainties," on June 12, 1996, the Company announced that weaker than expected industry demand for drives for the PC market is expected to have an adverse impact on revenue and earnings for the first quarter of fiscal 1997.

Backlog includes only firm orders for which the customers have released a specific purchase order and specified a delivery schedule. Lead time for the release of purchase orders depends upon the scheduling practices of the individual customer, and the rate of new order bookings varies from month to month. For this reason, and the possibility of customer changes in delivery schedules or cancellations of orders, Quantum's backlog as of any particular date may not be representative of actual sales for any succeeding period. In addition, it has been the Company's practice to permit customers to increase or decrease (including canceling) orders for products with relatively short notice to the Company. The Company believes that this practice enables customers to improve the management of their inventory, minimizes the Company's exposure to disputed accounts receivable and improves the Company's relationships with customers.

COMPETITION

The information storage products industry in general, and the disk drive industry in particular, is characterized by intense competition which results in rapid price erosion, short product life cycles, and continuous introduction of new products offering increased levels of capacity and performance. Quantum faces direct competition from a number of companies, including Seagate, Western Digital, IBM and Maxtor and Exabyte. In February 1996, Seagate merged with Conner, a former competitor, creating a company that is the world's largest disk drive manufacturer. There can be no assurance that the Company can compete effectively with these or any other companies, and the Company is unable to predict the effect, if any, that the Seagate/Conner merger may have on the Company's business. In the event that the Company is unable to compete effectively with these or any other companies, the Company's business, financial condition or results of operations would be materially adversely affected.

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

The Company faces competition in the high-capacity disk drive market primarily from Seagate and IBM. Seagate has the largest share of the market for high-capacity disk drives. Although the same competitive factors generally applicable to the overall disk drive industry apply to high-capacity disk drives, the company believes that the performance and quality of its products are more important in this segment than in the desktop market. In connection with the Company's recently announced transition of its manufacturing activities to MKE, the Company has been able to focus its product development efforts more closely on certain key products. The Company's success in the high-capacity market during the foreseeable future is dependent on the successful development, timely introduction and market acceptance of these key products, as to which there can be no assurance.

The Company also competes with companies offering products based on alternative data storage and retrieval technologies. In the market for tape drives, the Company competes with a large number of companies, including Exabyte. During fiscal 1996, the Company experienced increasing market acceptance of its tape drive products. However, a number of competitors have announced or already introduced tape drive product offerings and the market could become significantly more competitive during fiscal 1997. As a result, the Company could experience increased price competition. If price competition occurs, the Company may be forced to lower prices, in which case the Company would be materially adversely affected. Quantum currently does not market thin film or MR heads to outside companies. Technological advances in magnetic, optical or other technologies, or the development of new technologies, could result in the introduction of competitive products with superior performance to and substantially lower prices than the Company's products, which could adversely affect the Company's results of operations.

Finally, 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.

PATENTS AND LICENSES

Quantum has been granted and/or owns by assignment 398 United States patents, including patents originally issued to its former subsidiary Plus Development Corporation, and patents originally issued to Digital Equipment Corporation. As a general rule, these patents have 17-year terms from the date of issuance. Quantum also has certain foreign patents and applications relative to certain of

the products and technologies. Although Quantum believes that its patents and applications have significant value, the rapidly changing technology of the computer industry makes Quantum's future success dependent primarily upon the technical competence and creative skills of its personnel rather than on patent protection. See also "Legal Proceedings."

Several companies and individuals have approached Quantum concerning the need for a license under patented technology that Quantum has assertedly used, or is assertedly using, in the manufacture and sale of one or more of Quantum's products. Quantum conducts ongoing investigations into these assertions and presently believes that any licenses ultimately determined to be required could be obtained on commercially reasonable terms. However, there is no assurance that such licenses are presently obtainable, or if later determined to be required, could be obtained. See also "Legal Proceedings."

Quantum has signed several cross-licensing agreements with IBM, Seagate Technology and Hewlett Packard. These agreements enable Quantum to use certain patents owned by these companies, and it enables these companies to use certain patents owned by Quantum.

EMPLOYEES

At March 31, 1996, the Company had 7,036 regular employees. However, in connection with the transfer of the high-capacity product manufacturing to MKE and the closure of manufacturing operations in Milpitas, California and Malaysia, the Company has given termination notices to approximately 1,800 regular employees.

In the advanced electronics industry, competition for highly skilled employees is intense. Quantum believes that a great part of its future success will depend on its continued ability to attract and retain qualified employees. None of the Company's employees are represented by a trade union, and the Company has experienced no work stoppage. Quantum believes that its employee relations are favorable.

ITEM 2.
PROPERTIES

The Company has its Corporate headquarters and some high-capacity product manufacturing operations in a 37-acre leased campus complex in Milpitas, California, which includes five buildings. The Company owns a repair facility in Malaysia and a repair and distribution facility in Ireland. As part of the Acquisition, the Company acquired two buildings and the associated 72-acre parcel of land in Shrewsbury, Massachusetts, as well as a manufacturing plant in Malaysia. The Shrewsbury facilities are currently utilized for research and development activities, as well as the production of recording heads. In conjunction with the announced plan to transfer its high-capacity disk drive manufacturing to MKE, the Company is shutting down the high-capacity manufacturing operations in California and Malaysia. A buyer is being sought for the manufacturing building in Malaysia; however, the Company cannot predict when a sale might be completed. The Company has committed to purchase a building in Louisville, Colorado, which will be used for recording heads research and development and manufacturing. Additionally, the Company leases office and warehouse space and repair and manufacturing facilities throughout the world, typically on a short-term basis. The Company believes that its configuration and warehouse facilities are adequate to support customer requirements during fiscal 1997. The aggregate lease payments for all facilities in fiscal year 1996 were approximately $30 million.

ITEM 3.

LEGAL PROCEEDINGS

On February 26, 1993, Quantum commenced a declaratory judgment lawsuit against Rodime PLC of Glasgow, Scotland, in the U.S. District Court for the District of Minnesota. Rodime counterclaimed by asserting that certain Quantum 3.5-inch hard disk drive products infringed its U.S. Patent No. 4,638,383 and sought royalty payments under that patent. The United States District Court entered a summary judgment in Quantum's favor, ruling that claims of the Rodime patent were invalid because of impermissible broadening in reexamination proceedings. This summary judgement was affirmed on September 22, 1995, by the U.S. Court of Appeals for the Federal Circuit. On April 29, 1996, the United States Supreme Court declined to review this decision. This ruling, now final, is fully dispositive of Quantum's dispute with Rodime.

The Company is also subject to other legal proceedings and claims which 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 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.

ITEM 4.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5.
MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Quantum Corporation's common stock has been traded in the over-the-counter market under the Nasdaq symbol QNTM since the Company's initial public offering on December 10, 1982.

The prices per share reflected in the table represent the range of high and low closing prices in the Nasdaq National Market System for the quarter indicated.

<TABLE>
<CAPTION>

Fiscal 1996	High	Low
<S>	<C>	<C>
Fourth quarter ended March 31, 1996	19 7/8	16 5/8
Third quarter ended December 31, 1995	20 7/8	16 1/8
Second quarter ended October 1, 1995	27 9/16	20 7/8
First quarter ended July 2, 1995	26 5/16	15
Fiscal 1995	High	Low
Fourth quarter ended March 31, 1995	15 13/16	13 7/8
Third quarter ended January 1, 1995	16 3/4	13 7/8
Second quarter ended October 2, 1994	17 5/8	12 13/16
First quarter ended July 3, 1994	18 3/16	11 3/4

</TABLE>

Historically, the Company has not paid cash dividends on its common stock and the Company's debt agreement currently prohibits the Company from paying dividends while the debt is outstanding.

As of May 1, 1996, there were approximately 2,445 shareholders of record of the Company.

ITEM 6.
SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands except per share amounts, and ratios)

<TABLE>
<CAPTION>

	Year ended March 31 (iv)				
	1996(i)	1995(iii)	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Sales	$ 4,422,726	$ 3,367,984	$ 2,131,054	$ 1,697,240	$ 1,127,733
Research and development	$ 239,116	$ 169,282	$ 89,837	$ 63,019	$ 59,255
Net income (loss)	$ (90,456)	$ 81,591	$ 2,674	$ 93,811	$ 46,845
Net income (loss) per share:					
Primary	$ (1.74)	$ 1.72	$ .06	$ 2.05	$ 1.05
Fully diluted	$ (1.74)	$ 1.52	$ .06	$ 1.77	$ 1.04
Property, plant and equipment, net	$ 364,111	$ 280,099	$ 85,874	$ 74,698	$ 65,831
Total assets	$ 1,975,355	$ 1,481,028	$ 997,438	$ 926,633	$ 550,864
Total long-term debt	$ 598,158	$ 327,500	$ 212,500	$ 212,500	$ -
Return on average shareholders' equity	(17.2)%	17.7%	.7%	26.6%	17.1%
Ratio of earnings to fixed charges	(ii)	6.0	1.2	9.6	8.1

</TABLE>

(i) The results of operations for fiscal 1996 include the effect of a $209 million charge related to the transition of manufacturing for the Company's high-capacity products to MKE. See Note 8 in Notes to Consolidated Financial Statements.

(ii) Earnings (as defined) for fiscal 1996 were insufficient to cover fixed charges by $141.3 million.

(iii) On October 3, 1994, Quantum acquired portions of Digital Equipment's

business. The acquisition is not reflected in the financial statements prior to fiscal 1995, and thus the results for fiscal 1995 and fiscal 1996 are not comparable to the results prior to fiscal 1995. See Note 14 in Notes to Consolidated Financial Statements.

(iv) No cash dividends were paid for the years presented.

ITEM 7.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion 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. These forward-looking statements include the expected benefits of transitioning the manufacturing of the Company's high-capacity hard disk drive products to MKE, as well as management's expectations regarding financial results for fiscal 1997. Actual results could differ materially from those projected in the forward-looking statements as a result of the factors set forth below in "Trends and Uncertainties" and elsewhere in this report.

RESULTS OF OPERATIONS

On November 8, 1995, the Company announced a plan to resize the infrastructure associated with its high-capacity products. Subsequently, the Company recorded a pre-tax charge of $38 million, $36 million of which impacted cost of goods sold. This charge included canceling a certain development program, accelerating end-of-life plans for lower gross margin products and severance costs.

On January 30, 1996, the Company announced its intention to transition the manufacturing of its WSSG high-capacity products to Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE") of Japan. The Company subsequently recorded a charge of $209 million, pre-tax, associated with the closure of the Company's two high-capacity manufacturing facilities in Penang, Malaysia and Milpitas, California. The charge included incremental inventory write-downs and excess purchase commitment accruals resulting directly from the decision to stop manufacturing certain products, capital asset write-downs associated with the closure of the production facilities, and severance for approximately 1,800 regular and 450 temporary employees.

Sales. Quantum's results of operations for fiscal 1996 reflect a significant increase in sales over the prior fiscal year. Sales for the year ended March 31, 1996, grew 31%, to $4.4 billion, compared to sales of $3.4 billion recorded in fiscal 1995. An increase in unit sales and a change in sales mix to newer, larger-capacity products were partially offset by a decline in average unit prices on existing products. The increase in sales was also partially attributable to a full year of sales of the products acquired in the October 3, 1994, purchase of the Disks, Heads and Tapes Businesses of the Storage Business Unit of Digital Equipment Corporation (the "Acquired Businesses"). Unit shipments for fiscal 1996 increased 24% compared to fiscal 1995, reflecting a higher sales level of desktop and portable storage products and the increased product line offerings due to the Acquired Businesses.

Quantum's results of operations for fiscal 1995 reflected a significant increase in sales over the prior fiscal year. Sales for the year ended March 31, 1995, grew 58%, to $3.4 billion, compared to sales of $2.1 billion recorded in fiscal 1994. This increase is attributable to the newly acquired products as well as increased unit shipments of existing Quantum products, offset by a decline in average unit sales prices. On a pro forma basis, Quantum's sales for fiscal 1995 and 1994 would have been $3.8 billion and $3.0 billion, respectively, had the acquisition of the Acquired Businesses occurred at the beginning of fiscal 1994.

Sales to the top five customers represented 44% of sales for fiscal 1996, compared to 46% and 47% for fiscal 1995 and 1994, respectively. Sales to Compaq Computer, Inc. were $522 million, or 12% of sales, in fiscal 1996, compared to $536 million, or 16% of sales, in fiscal 1995 and $220 million, or 10% of sales, in fiscal 1994. Sales to Apple Computer, Inc. were $473 million, or 11% of sales, in fiscal 1996, compared to $404 million, or 12% of sales, in fiscal 1995 and $458 million, or 22% of sales, in fiscal 1994.

Sales to the distribution channel were 29% of consolidated sales or $1.3 billion for fiscal 1996, compared to 25%, or $856 million for fiscal 1995 and 20% or $428 million for fiscal 1994. Sales increased in the distribution channel during fiscal 1996 as the Company widened the customer base.

Gross Margin. The gross margin decreased to 12% for fiscal 1996, compared to 17% and 11% for fiscal 1995 and 1994. The decrease in gross margin in fiscal 1996 is attributable to product qualification issues which were partially responsible for higher costs and lower-than-expected unit volumes in the high-capacity product line. In

addition, the $38 million resizing charge recorded in the third quarter of

fiscal 1996 impacted gross margin by $36 million. Without this resizing charge, gross margin for fiscal 1996 would have been 13%. During fiscal 1995, transition to newer and more cost efficient products, along with stabilizing industry conditions, contributed to an increase in gross margin as compared to fiscal 1994. In the future, gross margin may be affected by pricing and other competitive conditions, as well as the Company's ability to phase out the older, lower gross margin product lines and transition to higher margin products incorporating advances in technology. See "Trends and Uncertainties" below for a discussion of certain other factors that may affect the Company's gross margin.

Research and Development Expenses. During fiscal 1996, the Company invested $239 million, or 5.4% of sales, in research and development, compared to $169 million, or 5.0% of sales, in fiscal 1995 and $90 million, or 4.2% of sales, in fiscal 1994. The increase in fiscal 1996 is due to the impact of a full year of expenses for the Acquired Businesses along with higher expenses related to preproduction activity for a larger number of new products. The increase from fiscal 1994 to fiscal 1995 is due primarily to the Acquired Businesses and reflects spending for both the vertically integrated heads business and the additional high-capacity disk drive products. The information storage industry, particularly the hard disk drive business, is subject to rapid technological advances, and the future success of the Company is dependent upon continued development and timely introduction of new products and technologies. As a result, the Company expects to continue to make significant expenditures for research and development. See "Trends and Uncertainties" below.

Sales and Marketing Expenses. Sales and marketing expenses in fiscal 1996 were $142 million, or 3.2% of sales, compared to $108 million, or 3.2% of sales, in fiscal 1995 and $74 million, or 3.5% of sales, in fiscal 1994. The increase in absolute dollar expenditures in fiscal 1996 is principally due to the costs associated with supporting the Company's higher volume of sales. The increase in absolute dollar expenditures during fiscal 1995 is related to the Digital acquisition and the costs associated with supporting the higher sales volume and the expanded Company infrastructure. Sales and marketing expenses as a percentage of sales declined in fiscal 1995 due to the increase in sales.

General and Administrative Expenses. General and administrative expenses in fiscal 1996 were $65 million, or 1.5% of sales, compared to $52 million, or 1.5% of sales, in fiscal 1995, and $42 million, or 2.0% of sales, in fiscal 1994. The absolute dollar increase in general and administrative expenses between fiscal 1995 and fiscal 1996 is related to the expansion of the Company's infrastructure. The absolute dollar increase between fiscal 1994 and 1995 reflects the infrastructure required to support the Acquired Businesses. The percentage decline in fiscal 1995 is due to the increase in sales.

Other Operating Charges. During fiscal 1996 the Company included in results of operations a charge of $209 million related to the transition of manufacturing for the high-capacity products to MKE. The charge was comprised of: reduction in work force of approximately $10 million; write-down of capital assets of approximately $45 million; incremental inventory write-downs and excess purchase commitment accruals of approximately $144 million; and other charges of approximately $10 million. These amounts reflect the provision for closing the manufacturing facilities in Penang, Malaysia, and Milpitas, California.

As a result of the acquisition of the Acquired Businesses in fiscal 1995, the Company incurred a charge of $73 million, which included $68 million of purchased in-process research and development and $5 million in related merger costs. Merger costs were comprised of incremental integration costs incurred through the end of the quarter in which the acquisition was consummated.

Included in the Company's fiscal 1994 results of operations were restructuring and other charges of $22.8 million, which were comprised of: the write-off of goodwill and certain inventory associated with its former subsidiary, Plus Development, of $7.7 million; the Company's reduction in work force of $1.5 million; accelerated product transitions of $8.0 million; the consolidation of sales offices and other facilities of $5.1 million; and other charges of $0.5 million. Included in the charges for the consolidation of other facilities was the consolidation of repair facilities from three facilities worldwide into a single location in Malaysia. The Company had substantially completed the restructuring as of March 31, 1994.

Other (Income) Expense. Net interest and other income and expense for fiscal 1996 was $28.0 million net expense compared to $15.8 million net expense and $6.7 million net expense for fiscal 1995 and 1994, respectively. The increase in net expense in fiscal 1996 can be attributed to interest expense on higher levels of debt to finance operations. In fiscal 1995, the increase in net expense was due to higher interest expense resulting from the acquisition financing and lower cash balances due to cash used for the acquisition.

Income Taxes. The effective tax rate for fiscal 1996 was 36%, compared to 44% and 27% for the fiscal years 1995 and 1994, respectively. The decrease in the effective tax rate for fiscal 1996, as compared to fiscal 1995, was attributable primarily to the realization of deferred tax assets previously reserved and lower overall state taxes, offset by a reduction in the benefit of foreign earnings taxed at less than the U.S. rate. The increase in the effective tax

rate for fiscal 1995, as compared to fiscal 1994, is attributable primarily to the impact of the purchased research and development write-off as there is minimal tax benefit associated with the acquired technology utilized offshore. For financial reporting purposes, the Company has provided a valuation allowance for certain deferred tax assets that are expected to reverse over a 15 year period. The Company has concluded that taxable income generated over the next 3 years, combined with the reversal of existing taxable temporary differences, will be sufficient to realize the benefits of the recorded deferred tax assets.

Net Income. The Company recorded a net loss for fiscal 1996 of $90.5 million compared to net income of $81.6 million and $2.7 million for fiscal 1995 and 1994, respectively. The change from net income in fiscal 1995 to a loss in fiscal 1996 is primarily a result of the $209 million charge related to the transition of high-capacity product manufacturing to MKE as well as the $38 million resizing charge for the high-capacity business infrastructure in fiscal 1996. The increase in net income from fiscal 1994 to fiscal 1995 is primarily due to higher unit shipments and revenue offset by acquisition related expenditures in fiscal 1995.

During the period covered by the accompanying financial statements, the Company has used derivative financial instruments to manage foreign currency exposure on a limited basis only (See Note 2 in Notes to Consolidated Financial Statements).

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1996, the Company had $165 million in cash and cash equivalents, compared to $188 million at March 31, 1995. Cash was used in operating and investing activities, primarily as a result of increases in accounts receivable and inventories and investing in property and equipment, partially offset by an increase in accounts payable. Cash was provided by financing activities, primarily as a result of borrowing under the senior credit facility and equipment loan facility described below as well as the issuance of convertible subordinated notes.

In October 1994, the Company entered into a three year $350 million senior credit facility structured as a $225 million revolving credit line and a $125 million term loan. As subsequently amended, the revolving credit line has been increased to $325 million and has been extended one year to expire in September 1998. The revolving credit is governed by a borrowing base of eligible accounts receivable and inventory, and the term loan was to amortize in five equal semiannual installments that commenced in October 1995. In February 1996, the remaining outstanding balance on the term loan was paid in full with proceeds of the issuance of the convertible subordinated notes discussed below. The revolving borrowings, at the option of the Company bear interest at either LIBOR plus a margin or a base rate with option periods of one to six months. The facility is secured by all the Company's domestic assets and 66% of the Company's ownership of certain of its subsidiaries. As of March 31, 1996, total borrowings under the senior credit facility were $210 million with a weighted average interest rate of approximately 7.5%.

The Company was not in compliance with three of its financial covenants in connection with its senior credit facility as of March 31, 1996; however, the Company has received a waiver of this non-compliance for the period ended March 31, 1996. In addition, the financial covenant requirements for future periods have been amended.

The Company also has a one-year $85 million unsecured Letter of Credit facility with certain banks to issue standby letters of credit to MKE and its affiliates, which expires in September 1996. As of March 31, 1996, there was no outstanding balance under this letter of credit facility.

In March 1996, the Company entered into an $18 million term loan facility to finance certain capital equipment. The facility amortizes over three years at a fixed interest rate of 7.63% and payments are made on a quarterly basis. The facility is secured by specified capital equipment.

In February 1996, the Company issued approximately $241 million of 5% convertible subordinated notes (the "Notes") in a privately placed offering. The Notes are due March 1, 2003, and are subordinated to all existing and future senior indebtedness of the Company. Each Note is convertible at the option of the holder into the Company's common stock at a conversion price of $22.32 per share. The Notes are redeemable at the Company's option on or after March 3, 1998, and prior to March 3, 2000, under certain conditions related to the price of the Company's common stock. Subsequent to March 3, 2000, the Notes are redeemable at the Company's option at any time. Redemption prices range from 103.571% of the principal to 100% at maturity.

The Company's Convertible Subordinated Debentures due 2002 became redeemable at the Company's option on or after April 2, 1995, at prices ranging from 104.5% of the principal to 100% at maturity. Each debenture is convertible, at the option of the holder, into the Company's common stock at a conversion price of approximately $18.15 per share. During 1996, $79,567,000, or approximately 37%, of the outstanding debentures were converted into the Company's common stock. This conversion resulted in the issuance of 4,383,477 shares.

At this time, the Company expects to spend approximately $180 million for leasehold improvements, capital equipment and expansion of the Company's facilities during fiscal 1997. These capital expenditures will be to support the recording heads and tapes businesses as well as to support general corporate operations. In addition, the Company has committed to purchase, for $15 million, a building currently under construction in Colorado and is seeking alternative financing for that transaction.

The Company announced its intention to transition the manufacturing of its high-capacity products to MKE and subsequently recorded a charge of $209 million, pre-tax, associated with the closure of the Company's two manufacturing facilities in Penang, Malaysia and Milpitas, California (see Note 8 in Notes to Consolidated Financial Statements). The Company anticipates that the cash portion of this charge will be approximately $97 million, to be paid over the first two quarters of fiscal 1997. There were no significant cash expenditures related to this restructuring during fiscal 1996.

In conjunction with the purchase of the Acquired Businesses in October 1994, the Company recorded an accrual for exit costs related to exiting facilities and operations acquired from Digital (see Note 14 in Notes to Consolidated Financial Statements). During fiscal 1996, cash outlays related to the exit activities were $15.6 million. The Company anticipates that cash outlays for the exit activities will be approximately $12 million during fiscal 1997.

The Company believes that its existing capital resources, including its credit facilities and any cash generated from operations, will be sufficient to meet all currently planned expenditures and sustain operations for the next fiscal year. However, this forward-looking statement assumes that operating results and cash flow from operations will meet the Company's expectations, and actual results could vary due to the factors described below. The Company continues to work to identify additional sources of cash and there can be no assurance that if required, the Company will be able to obtain such financing on acceptable terms, or at all.

TRENDS AND UNCERTAINTIES

On January 30, 1996, the Company announced its intention to transition the manufacturing of its high-capacity products to MKE, and, as a result, the Company subsequently recorded a related charge of $209 million, pre-tax. Actual results, however, with regard to the restructuring charge could vary in the event demand for the Company's current high-capacity products declines faster than expected, resulting in additional excess inventory, or in the

event the Company experiences unanticipated problems or incurs greater than expected costs in connection with the closure of its high-capacity manufacturing operations.

On June 12, 1996, the Company announced that due to weaker industry demand for drives for the personal computer market than had been expected and the resulting pressure on pricing, the Company's sales and earnings for the first quarter of fiscal 1997 will be less than the results for the fourth quarter of fiscal 1996 before taking into account the restructuring. Based on the weakened industry demand picture and the preliminary results for the first two months of the quarter, the Company expects revenue for the first quarter of fiscal 1997 to be less than $1.2 billion and earnings per share fully diluted to be in the range of $.05 to $.15. With this uncertainty about the level of demand, the Company has decided to reduce its drive build plan by approximately 1 million units for each of the first and second quarters of fiscal 1997. Contributing factors to the weakened demand picture are lackluster demand in the consumer market for home PCs in the U.S., delays in commercial purchases pending new operating systems and new systems architectures, and weakness in Europe driven by Germany's economic slowdown.

The foregoing estimates regarding the Company's results for the first quarter of fiscal 1997, which are preliminary, constitute forward-looking information, and actual results for the quarter will be impacted by the Company's operating results during the balance of the quarter, which could vary due to the factors described below. In addition, future revenue and earnings growth would be impacted if the weakness in demand for desktop drives continues or intensifies, or if the Company experiences increased price competition as a result.

Fluctuation in Results of Operations. The Company's results of operations are subject to fluctuations from period to period. In this regard, the demand for the Company's hard disk drive products depends on the demand for the computer systems manufactured by its customers, which is affected by computer system product cycles and by prevailing economic conditions. Growth in demand for computer systems, especially in the personal computer ("PC") market segment, where the Company derives a significant amount of its disk drive sales, has historically been subject to significant fluctuations. Such fluctuations in end user demand have in the past and may, in the future, result in the deferral or cancellation of orders for the Company's products, each of which would have a material adverse effect on the Company. During the past several years, there has been significant growth in the demand for PCs, a portion of which represented

sales of PCs for use in the home. However, many analysts predict that future growth may be at a slower rate than the rate experienced in recent years.

As noted above, the Company recently announced that weaker than expected industry demand for drives for the PC market is expected to have an adverse impact on revenue and earnings for the first quarter of fiscal 1997, and the Company has decided to reduce its drive build plan for the first two quarters of fiscal 1997. The Company could experience additional decreases in demand for its products in the near future, and any such additional slowdowns in demand would have a material adverse effect on the Company. The hard disk drive industry has also been subject, from time to time, to seasonal fluctuations in demand. The Company has typically experienced relatively flat demand in the quarter ending September 30 as compared to the quarter ending June 30 and increasing demand throughout the quarters ending December 31 and March 31. The Company's shipments tend to be highest in the third month of each quarter and failure by the Company to complete shipments in the final month could adversely affect the Company's operating results for the quarter.

Transition of High-Capacity Manufacturing Operations to MKE; Introduction of New High-Capacity Products. Since the Company's acquisition of Digital's high-capacity disk drive operations in late 1993, the Company has experienced significant difficulties integrating these operations into its high-capacity business. These difficulties have included problems involving both the development and the manufacturing of its high-capacity products and have resulted in, among other things, significant delays in meeting the qualification standards imposed by certain major customers of the Company's high-capacity disk drive products. As part of its strategy to address these problems, in January 1996, the Company decided to transition its high-capacity disk drive product manufacturing to MKE. As a result, in the Company's fiscal quarter ended March 31, 1996, the Company incurred a charge of $209 million associated with the closure of the Company's two high-capacity disk drive manufacturing facilities in Milpitas, California and Penang, Malaysia. Future results could also be adversely impacted by this transition in the event demand for the Company's current high-capacity products declines faster than expected, resulting in

additional excess inventory, or in the event the Company experiences unanticipated problems or incurs greater than expected costs in connection with the closure of its high-capacity manufacturing operations.

The Company's transition of its high-capacity manufacturing operations to MKE entails several risks, and there can be no assurance that the Company's efforts in this regard will be successful. This transition will require close and continuous collaboration between the Company and MKE in all phases of design, engineering and production of its high-capacity products. Although the Company has had a continuous manufacturing relationship with MKE since 1984, the Company's high-capacity products are more complex to manufacture than its desktop products. MKE has not previously manufactured any significant amount of the Company's high-capacity products and there can be no assurance that the Company's previous difficulties with its high-capacity products will be resolved or that new problems will not arise as a result of the transition of this manufacturing to MKE. Any failure of the Company to successfully manage this transition would have a material adverse effect on the Company.

In addition, the Company's high-capacity manufacturing transition could be adversely affected by the necessity to phase out the Company's current high-capacity products, which are manufactured by the Company, and to simultaneously introduce, during the second half of calendar 1996, two new high-capacity products to be manufactured by MKE. These new products are still in the development and evaluation stage. The Company's product development efforts entail a number of risks, and there can be no assurance that the Company will be successful in these efforts.

Dependence on MKE Relationship. The Company is dependent upon MKE for the manufacture of its disk drive products. During fiscal 1996 and 1995, approximately 75% and 80%, respectively, of the Company's sales were derived from products manufactured by MKE. In January 1996, the Company announced that it will transition the manufacturing of its high-capacity hard disk drive products to MKE. The Company and MKE have agreed that, following this transition, MKE will have the exclusive right to manufacture all of the Company's hard disk drive products.

The Company's relationship with MKE is critical to the Company's business and financial performance. 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. In this respect, the Company's high-capacity product development teams have had limited or no prior experience working with MKE. 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 high volume manufacturing source to meet such demand without substantial delay and disruption of the Company's operations. As a result, the Company would be materially adversely affected.

Extension of Relationship. The Company's relationship with MKE, which has been continuous since 1984, is currently governed by a master agreement, that, unless extended, will expire in December 1997. The failure of the parties to extend their relationship on terms favorable to the Company would have a material adverse effect on the Company.

Volume and Pricing. MKE's production schedule is based on the Company's forecasts of its product purchase requirements and the Company has only limited rights to modify short-term purchase orders issued to MKE. In addition, the Company renegotiates pricing arrangements with MKE on a periodic basis. The failure of the Company to accurately forecast its requirements, which could lead to inventory shortages or surpluses, or the failure to reach agreements reasonable to the Company with regard to pricing would have a material adverse effect on the Company.

Manufacturing Capacity and Capital Commitment. The Company believes that MKE's current and committed manufacturing capacity should be adequate to meet the Company's requirements at least through the end of calendar 1996. 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 in a timely manner or at all. Any such failure to obtain an alternative source would have a material adverse effect on the Company.

Dependence on Suppliers of Components and Sub-Assemblies; Component Shortages. The Company and its manufacturing partner, MKE, are dependent upon suppliers for components and sub-assemblies, including recording heads, media and integrated circuits, which are essential to the manufacture of the Company's 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 in the past constrained the Company's sales growth. If such 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's results of operations. The Company believes that the industry will periodically experience component shortages, and there can be no assurance that these issues will not adversely affect the Company's operating results.

New Product Development. Quantum operates in an industry characterized by increasingly rapid technological changes and short product life cycles. For these and other reasons, including competitive pressures, gross margins on specific products can decrease rapidly and any delay in introduction of more advanced and more cost-effective products can result in significantly lower sales and gross margins. The Company's future is therefore dependent on its ability to develop new products, to qualify these new products with its customers, to successfully introduce these products to the market on a timely basis and to commence volume production to meet customer demands. In this regard, the Company expects that sales of new products, particularly a limited number of products from DPSG, will account for a significant portion of fiscal 1997 sales and that sales of older products will decline. However, there can be no assurance that such products will achieve or sustain market acceptance. The Company expects sales from its current high-capacity products to decline substantially in the first half of fiscal 1997, as the Company transitions customers to new high-capacity products to be manufactured by MKE. The Company's new high-capacity products, currently under development, are not expected to achieve volume production and contribute to sales until at least the latter half of fiscal 1997. The Company's inability to successfully manage this transition could have a material adverse effect on the Company.

The Company is also currently engaged in a substantial effort to advance the development of its MR recording heads. The Company believes that MR head technology, which enables higher capacity per disk than conventional thin film inductive heads, will replace thin film inductive heads as the leading recording head technology. Although MR recording heads comprised a relatively small portion of the recording head market demand for the entire industry in 1995, the Company expects demand to increase significantly by 1998. The Company believes that by establishing its own supply of MR heads it can lower the risk of supply shortages of MR heads that may occur in the future and can create cost advantages for its overall business. However, MR technology is relatively complex, and as is typical of new head technology, manufacturing yields are expected to begin at relatively low levels and then possibly increase throughout the product life of the recording head. While the Company has increased

production yields in its MR recording heads manufacturing in the past, several of the Company's important new disk drive products which are scheduled to commence volume production during fiscal 1997 are dependent on new MR recording heads currently under development, and increases in the current levels of production yields for these new MR recording heads will be required for the Company to meet its manufacturing objectives for these new disk drive products. In the event that yields do not improve, there are limited alternative sources of supply for MR recording heads, and there can be no assurance that the Company will be able to locate and obtain adequate supply from such alternative sources. In such event, the Company will be materially adversely affected.

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

Customer Concentration. As is typical in the information storage industry, the Company's customer base is concentrated with a small number of systems manufacturers. The Company's sales to its customers are generally governed by written agreements. In general, these agreements do not obligate a customer to purchase any minimum volume of the Company's products, and these agreements are generally terminable at will by the customer.

Sales of the Company's desktop products, which comprise a significant majority of its overall sales, were concentrated in several key customers during the fiscal year ended March 31, 1996. Sales to the top five customers of the Company represented 44% of total sales, of which 11% represented sales to Apple and 12% represented sales to Compaq. Apple recently announced a significant layoff of personnel and restructuring of its business. As a result, it could become increasingly difficult for the Company to accurately forecast the demand for its products by Apple. In addition, the Company is unable to predict whether or not there will be any significant change in demand for Apple's or any of its other customers' products in the future. In the event that any such changes result in decreased demand for the Company's products, whether by loss or delays in orders, the Company would be materially adversely affected.

Intensively Competitive Industry. The information storage products industry in general, and the disk drive industry in particular, is characterized by intense competition which 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. In this regard, the Company intends to introduce important new products during the latter half of fiscal 1997, and there can be no assurance that it will be successful in this regard. If this does not occur, the Company would be materially and adversely affected. The hard disk drive industry also tends to experience periods of excess product inventory and intense price competition. If price competition intensifies, the Company may be forced to lower prices further than expected, which could adversely affect its sales and gross margin.

Quantum faces direct competition from a number of companies, including Seagate, Western Digital, IBM, Maxtor and Exabyte. In February 1996, Seagate merged with Conner creating a company that is the world's largest disk drive manufacturer. There can be no assurance that the Company can compete effectively with these or any other companies and, in particular, the Company is unable to predict the effect, if any, that the Seagate/Conner merger may have on the Company's business. In the event that the Company is unable to compete effectively with these or any other companies, the Company would be materially adversely affected.

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

WSSG. The Company faces competition in the high-capacity disk drive market primarily from Seagate and IBM. Seagate has the largest share of the market for high-capacity disk drives. Although the same competitive

factors generally applicable to the overall disk drive industry apply to high-capacity disk

drives, the Company believes that the performance and quality of its products are more important to the users in this market than to users in the desktop market. In connection with the Company's recently announced transition of its manufacturing activities to MKE, the Company has been able to focus its product development efforts more closely on certain key products. The Company's success in the high-capacity market during the foreseeable future is dependent on the successful development, timely introduction and market acceptance of these key products, as to which there can be no assurance.

SSPG. In the market for tape drives, the Company competes with a large number of companies, including Exabyte. During 1996, the Company experienced increasing market acceptance of its tape drive products. However, a number of competitors have announced or already introduced tape drive product offerings and the market could become significantly more competitive during the remainder of calendar 1996. As a result, the Company could experience increased price competition. If price competition occurs, the Company may be forced to lower prices, in which case the Company would be materially adversely affected.

Finally, 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.

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

Intellectual Property Matters. The hard disk drive industry has been characterized by significant litigation relating to patent and other intellectual property rights. From time to time, the Company is approached by companies and individuals alleging Quantum's need for a license under patented technology that Quantum assertedly uses. There can be no assurance that licenses to any such technology, if required, could be obtained on commercially reasonable terms or at all. Adverse resolution of any intellectual property litigation could subject the Company to substantial liabilities and require it to refrain from manufacturing certain products. In addition, the costs of engaging in such litigation may be substantial, regardless of the outcome.

Future Capital Needs. The information storage business is capital-intensive and competitive. Although the Company is in the process of transitioning the manufacturing of all of its hard disk drive products to MKE, the Company believes that in order to remain competitive in the information storage business, it will need significant additional financial resources over the next several years for capital expenditures, working capital and research and development. The Company believes that it will be able to fund these capital requirements at least through fiscal 1997. However, in the event that 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 will require additional debt or equity financing. There can be no assurance that such additional funds will be available to the Company or, if available, will be available on favorable terms. In addition, the Company may require additional capital for other purposes not presently contemplated by the Company. If the Company is unable to obtain sufficient capital, it could be required to curtail its capital equipment and research and development expenditures, which could adversely affect the Company.

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

ITEM 8.
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

Page

Financial Statements:
Report of Ernst & Young LLP, Independent Auditors 24

Consolidated Statements of Operations for each of the three years in the period ended March 31, 1996 25

Consolidated Balance Sheets at March 31, 1996 and 1995 26

Consolidated Statements of Cash Flows for each of the three years in the period ended March 31, 1996 27

Consolidated Statements of Shareholders' Equity for each of the three years in the period ended March 31, 1996 28

Notes to Consolidated Financial Statements 29

Financial Statement Schedules:
Schedule II - Valuation and Qualifying Accounts 50

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

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

Not applicable.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS
QUANTUM CORPORATION

We have audited the accompanying consolidated balance sheets of Quantum Corporation as of March 31, 1996 and 1995, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 1996. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Quantum Corporation at March 31, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 1996, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Palo Alto, California
May 3, 1996

Ernst & Young LLP

QUANTUM CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

(In thousands except per share data)	Year ended March 31,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Sales	$4,422,726	$3,367,984	$2,131,054
Cost of sales	3,880,309	2,804,271	1,892,211

	542,417	563,713	238,843
Operating expenses:			
Research and development	239,116	169,282	89,837
Sales and marketing	142,413	108,290	74,015
General and administrative	65,145	52,134	41,910
Restructuring and other charges	209,122	-	22,753
Purchased research and development and in merger costs	-	72,945	-
	655,796	402,651	228,515
Income (loss) from operations	(113,379)	161,062	10,328
Interest and other income	7,945	7,258	8,217
Interest expense	(35,904)	(23,015)	(14,882)
Income (loss) before income taxes	(141,338)	145,305	3,663
Income tax provision (benefit)	(50,882)	63,714	989
Net income (loss)	$ (90,456)	$ 81,591	$ 2,674
Net income (loss) per share:			
Primary	$ (1.74)	$ 1.72	$ .06
Fully diluted	$ (1.74)	$ 1.52	$ .06
Common and common equivalent shares:			
Primary	51,841	47,319	44,967
Fully diluted	51,841	59,038	44,967

</TABLE>

See accompanying notes to consolidated financial statements.

QUANTUM CORPORATION
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

(In thousands except share and per share data)	March 31, 1996	March 31, 1995
<S>	<C>	<C>
Assets		
Current assets:		
Cash and cash equivalents	$ 164,752	$ 187,753
Accounts receivable, net of allowance for doubtful accounts of $10,497 in 1996 and $11,963 in 1995	711,107	497,887
Inventories	459,538	324,650
Deferred taxes	109,625	44,054
Other current assets	81,472	35,580
Total current assets	1,526,494	1,089,924
Property, plant and equipment, less accumulated depreciation	364,111	280,099
Purchased intangibles, net	66,313	95,818
Other assets	18,437	15,187
	$1,975,355	$1,481,028
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 498,829	$ 355,117
Accrued warranty expense	62,289	57,001
Accrued compensation	45,439	54,917
Income taxes payable	40,994	17,566
Accrued restructuring and exit costs	115,537	32,213
Current portion of long-term debt	4,125	50,000
Other accrued liabilities	53,929	77,227
Total current liabilities	821,142	644,041

Deferred taxes	11,232	-
Convertible subordinated debt	374,283	212,500
Long-term debt	223,875	115,000
Commitments and contingencies (Notes 11 and 12)		
Shareholders' equity:		
Preferred stock, $.01 par value; authorized: 4,000,000 shares; issued: none in 1996 and 1995	-	-
Common stock, $.01 par value; authorized: 150,000,000 shares; issued and outstanding: 54,195,672 in 1996 and 46,164,295 in 1995	541	461
Capital in excess of par value	266,405	140,693
Retained earnings	277,877	368,333
Total shareholders' equity	544,823	509,487
	$1,975,355	$1,481,028

</TABLE>

See accompanying notes to consolidated financial statements.

QUANTUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

(In thousands)	Year ended March 31,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income (loss)	$ (90,456)	$ 81,591	$ 2,674
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations:			
Restructuring and other charges	208,571	67,184	6,338
Gain on sale of equity investment	(3,844)	-	-
Depreciation and amortization	97,108	53,312	29,340
Deferred taxes	(54,339)	-	-
Compensation related to stock option plans	1,414	-	-
Changes in assets and liabilities:			
Accounts receivable	(216,499)	(173,511)	(57,382)
Inventories	(188,444)	16,085	29,079
Accounts payable	144,547	87,928	51,744
Income taxes payable	(26,430)	17,566	(19,026)
Accrued warranty expense	5,463	1,384	13,207
Other assets and liabilities	(41,198)	9,517	15,316
Net cash provided by (used in) operating activities	(164,107)	161,056	71,290
Cash flows from investing activities:			
Purchases of marketable securities	-	(105,474)	(134,581)
Proceeds from sales and maturities of marketable securities	-	217,982	192,407
Investment in property and equipment, net	(211,602)	(128,170)	(38,372)
Proceeds from sale of equity investment	5,875	-	-
Proceeds from sale of distribution subsidiary	5,276	-	-
Purchase of Digital Equipment's Data Storage Business	-	(285,171)	-
Net cash provided by (used in) investing activities	(200,451)	(300,833)	19,454
Cash flows from financing activities:			
Proceeds from long-term credit facilities	393,000	220,500	-
Principal payments on short-term note	-	(70,000)	-
Principal payments on long-term credit facilities	(330,000)	(55,500)	-
Repurchase of common stock	-	-	(17,479)
Proceeds from issuance of common stock	37,207	14,999	22,428
Proceeds from issuance of convertible subordinated notes	241,350	-	-
Net cash provided by financing activities	341,557	109,999	4,949

Increase (decrease) in cash and cash equivalents	(23,001)	(29,778)	95,693
Cash and cash equivalents at beginning of year	187,753	217,531	121,838
Cash and cash equivalents at end of year	$ 164,752	$ 187,753	$ 217,531
Supplemental disclosure of cash flow information:			
Conversion of debentures	$ 79,567	-	-
Issuance of note for acquisition of Digital Equipment's Data Storage Business	-	$ 70,000	-
Cash paid during the year for:			
Interest	$ 32,768	$ 21,113	$ 13,707
Income taxes	$ 29,789	$ 47,310	$ 18,100

</TABLE>

See accompanying notes to consolidated financial statements.

QUANTUM CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

(In thousands)	Common Stock Shares	Common Stock Amount	Capital in excess of Par Value	Retained Earnings	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balances at March 31, 1993	43,322	$433	$ 99,616	$298,189	$398,238
Shares repurchased in the open market	(1,500)	(15)	(3,494)	(13,970)	(17,479)
Shares repurchased from employees	(11)	-	(63)	(151)	(214)
Shares issued under employee stock purchase plan	735	7	6,251	-	6,258
Shares issued under employee stock option plans	2,058	21	15,581	-	15,602
Tax benefits related to stock option plans and other	-	-	6,193	-	6,193
Net income for year ended March 31, 1994	-	-	-	2,674	2,674
Balances at March 31, 1994	44,604	446	124,084	286,742	411,272
Shares issued under employee stock purchase plan	869	9	8,275	-	8,284
Shares issued under employee stock option plans, net	691	6	6,709	-	6,715
Tax benefits related to stock option plans	-	-	1,625	-	1,625
Net income for year ended March 31, 1995	-	-	-	81,591	81,591
Balances at March 31, 1995	46,164	461	140,693	368,333	509,487

Conversion of subordinated debentures	4,384	44	77,776	-	77,820
Shares issued under employee stock purchase plan	1,338	13	15,965	-	15,978
Shares issued under employee stock option plans, net	2,310	23	22,011	-	22,034
Compensation expense	-	-	1,414	-	1,414
Tax benefits related to stock option plans	-	-	8,546	-	8,546
Net loss for year ended March 31, 1996	-	-	-	(90,456)	(90,456)
Balances at March 31, 1996	54,196	$541	$266,405	$277,877	$544,823

</TABLE>

See accompanying notes to consolidated financial statements.

QUANTUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies is presented to assist the reader in understanding and evaluating the consolidated financial statements. These policies are in conformity with generally accepted accounting principles.

Nature of business: Quantum Corporation (the "Company") designs, manufactures and markets information storage products, including high-performance, high-quality hard disk drives, as well as solid state disks and tape drives. The Company also manufactures recording heads for use in its products. Quantum's products meet the storage requirements of workstations, servers, disk arrays, high-end to entry-level desktop personal computers and minicomputers. The Company markets its products directly to major OEMs, and through a broad range of distributors, resellers and systems integrators worldwide.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Revenue recognition: Revenue from sales of products is recognized upon shipment to customers with provision made for estimated returns.

Foreign currency transactions and translation: A significant percentage of the Company's sales are made to customers in non-U.S. locations, and a majority of the Company's products are manufactured by Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE") of Japan. However, the majority of the Company's transactions are denominated in U.S. dollars. Accordingly, the application of Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Transactions," to the Company's historical financial statements has not resulted in transaction or translation gains or losses which are material to the Company's consolidated financial statements for any year presented. The effect of foreign currency exchange rate fluctuations on cash flows was also not material for any year presented.

Net income (loss) per share: Net income (loss) per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding. Net income per share computed on a fully diluted basis for fiscal 1995 assumes conversion of the Company's outstanding 6 3/8% convertible subordinated debentures having a principal value of $212.5 million. For fiscal 1996 and 1994, the net income (loss) per share is the same for both primary and fully diluted, as the convertible subordinated debt is anti-dilutive.

Cash equivalents and marketable securities: The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Company has classified its entire investment portfolio as available-for-sale. Available-for-sale securities are carried at fair value, with material unrealized gains and losses reported in shareholder's equity. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income along with interest earned. Realized gains or losses and declines in

value judged to be other-than-temporary on available-for-sale securities are reported as investment income or investment expense. The cost of securities sold is based on the specific identification method.

Concentration of credit risk: The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. The Company maintains reserves for potential credit losses and such losses have historically been within management's expectations.

The Company invests its excess cash in deposits with major banks and in money market and short-term debt securities of companies with strong credit ratings from a variety of industries. These securities generally mature

within 365 days and, therefore, bear minimal risk. The Company has not experienced any material losses on its investments. The Company, by Corporate policy, limits the amount of credit exposure to any one issuer and to any one type of investment.

Inventories: Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Property, plant and equipment: Property, plant and equipment are stated at cost, with plant and equipment depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to twenty-five years. Amortization of leasehold improvements is computed over the useful life of the improvements or the terms of their respective leases, whichever is shorter. Land is not depreciated.

Long-lived assets: Effective April 1, 1995, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The cumulative effect of adopting SFAS 121 as of April 1, 1995, and the impact on results of operations for the year ended March 31, 1996, were immaterial.

Purchased intangibles: Intangible assets were acquired primarily as a result of the Digital acquisition on October 3, 1994. Intangible assets include completed technology, work force in place, a supply agreement and customer lists related to the Digital acquisition. The assets are being amortized over their estimated useful lives, which range from three to ten years. The accumulated amortization at March 31, 1996, and March 31, 1995, was $39.8 million and $13.4 million, respectively. Intangible assets are reviewed for impairment whenever events or circumstances indicate an impairment might exist, or at least annually.

Warranty expense: The Company generally warrants its products against defect for a period of one to five years. A provision for estimated future costs relating to warranty expense is recorded when products are shipped.

Advertising expense: The Company accrues for cooperative advertising as the related revenue is earned, and other advertising expense is recorded as incurred. Advertising expense for the years ended March 31, 1996, 1995 and 1994, was $25.1 million, $19.8 million and $9.3 million, respectively.

Stock-based compensation: SFAS No. 123, "Accounting for Stock-based Compensation," was issued in October 1995. SFAS 123 allows the Company to account for its stock-based employee compensation plans using either a fair value based method or the intrinsic value based method currently followed by the Company. Under the current method, SFAS 123 requires certain additional disclosures regarding the impact which the fair value based method would have on the results of the Company's operations. The Company expects to adopt SFAS 123 in fiscal 1997 through disclosure only and, therefore, the adoption is not expected to have any material impact on the Company's results of operations.

Risks and uncertainties: The Company's business entails a number of risks. As is typical in the disk drive industry, the Company's customer base is concentrated with a small number of systems manufacturers and the Company is not able to predict whether there will be any significant change in the demand for its customers' products. Sales of a limited number of desktop and portable storage products represent a significant majority of the Company's sales, and due to rapid technological change in the industry, the Company's future depends on its ability to develop and successfully introduce new products. Quantum utilizes a third party, Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE"), to manufacture a substantial majority of the products it sells. The Company relies on MKE's ability to bring new products rapidly to volume production and to meet stringent quality standards. If MKE were unable to satisfy Quantum's production requirements, the Company would not have an alternative source to meet the demand for its products without substantial delay and disruption to its operations. In addition, the actual results with regard to warranty expenditures could have a material unfavorable impact on the Company if the actual rate of unit failure or the cost to repair a unit is greater than what the Company has used in estimating the warranty expense accrual.

Accounting estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and

accompanying notes. Actual results could differ materially from those estimates.

NOTE 2: FINANCIAL INSTRUMENTS

AVAILABLE-FOR-SALE SECURITIES

<TABLE>
<CAPTION>
Cost (In thousands)

	March 31,	
	1996	1995
<S>	<C>	<C>
Corporate commercial paper and bank notes	$48,766	$ 31,270
Certificates of deposit	-	85,000
U.S. Treasury securities and obligations of U.S. government agencies	2,499	9,995
Other	175	149
	$51,440	$126,414

</TABLE>

The gross unrealized gains and gross unrealized losses at March 31, 1996, and March 31, 1995, were immaterial to the Company and, therefore, no amounts were recorded to shareholders' equity. There were no sales of available-for-sale securities during fiscal 1996. Proceeds from sales of available-for-sale securities during fiscal 1995 were $6.2 million and gross realized gains and losses were immaterial. At March 31, 1996, the average available-for-sale portfolio duration was approximately 15 days and the securities had maturities of 90 days or less.

DERIVATIVE FINANCIAL INSTRUMENTS

During the period covered by the financial statements, the Company has not used any derivative instrument for trading purposes.

The Company invests its excess cash in various interest bearing instruments and also has various borrowings which bear interest. During the period covered by the financial statements, the Company has not used derivative instruments to manage interest rate fluctuations.

Although the majority of the Company's transactions are denominated in U.S. dollars, its global operations have resulted in some foreign currency exchange rate fluctuation exposure. The Company utilizes foreign currency forward exchange contracts to minimize the effects of exchange rate fluctuations arising from certain intercompany receivable/payable transactions. The gains and losses from market rate changes on these contracts, which are intended to offset the gains and losses on the underlying recorded receivables/payables, are recorded currently in the statement of operations. During the period covered by the financial statements, the Company has not utilized derivative instruments to manage either foreign currency firm commitments or foreign currency anticipated transactions.

At March 31, 1996, the Company held foreign currency forward contracts with maturities between April 5, 1996, and May 31, 1996, to sell 3.7 billion yen for $36.2 million. The fair value of the yen underlying these instruments at March 31, 1996, totaled $34.5 million. At March 31, 1995, the Company held foreign currency forward contracts to sell 2.5 billion yen for $26.2 million. The fair value of the yen underlying these instruments at March 31, 1995, totaled $28.9 million.

CARRYING AMOUNT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

<TABLE>
<CAPTION>

	March 31,			
(In millions)	1996		1995	
	Carrying amount	Fair value	Carrying amount	Fair value
<S>	<C>	<C>	<C>	<C>
Cash and cash equivalents	$164.8	$164.8	$187.8	$187.8

Foreign currency contracts gain (loss)	$ 1.7	$ 1.7	$ (2.7)	$ (2.7)
Borrowings:				
Convertible subordinated debt	$374.3	$387.7	$212.5	$207.2
Revolving credit line	$210.0	$210.0	$ 40.0	$ 40.0
Term loan	--	--	$125.0	$125.0
Equipment loan	$ 18.0	$ 18.0	--	--

The fair values for cash equivalents and marketable securities represent the quoted market prices at the balance sheet dates. The fair values for foreign currency forward contracts represent the difference between the contracted forward rate and the quoted fair value of the underlying yen at the balance sheet dates. Fair values for the convertible subordinated debt are based on the quoted market price at the balance sheet dates. Fair values for the revolving credit agreement and term loan approximate their carrying amounts since interest rates on these borrowings are adjusted periodically to reflect market interest rates. The equipment loan was entered into shortly before March 31, 1996, at a market interest rate.

NOTE 3: INVENTORIES

Inventories consisted of:

(In thousands)	March 31, 1996	March 31, 1995
Materials and purchased parts	$ 119,984	$ 116,732
Work in process	98,591	42,091
Finished goods	240,963	165,827
	$ 459,538	$ 324,650

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of:

(In thousands)	March 31, 1996	March 31, 1995
Machinery and equipment	$ 309,717	$ 241,926
Furniture and fixtures	55,505	43,347
Buildings and leasehold improvements	152,749	107,433
Land	7,474	7,224
	525,445	399,930
Less accumulated depreciation and amortization	(161,334)	(119,831)
	$ 364,111	$ 280,099

NOTE 5: CREDIT AGREEMENTS

The Company has a one-year $85 million unsecured Letter of Credit facility with certain banks to issue standby letters of credit to MKE and its affiliates, which expires in September 1996. As of March 31, 1996, there was no outstanding balance under this letter of credit facility.

NOTE 6: LONG-TERM DEBT

In October 1994, the Company entered into a three year $350 million senior credit facility structured as a $225 million revolving credit line and a $125 million term loan. As subsequently amended, the revolving credit line has been increased to $325 million and has been extended one year to expire in September 1998. The revolving credit is governed by a borrowing base of eligible accounts receivable and inventory, and the term loan was to amortize in five equal

semiannual installments that commenced in October 1995. In February 1996, the remaining outstanding balance on the term loan was paid in full with proceeds of the issuance of the convertible subordinated notes discussed below. The revolving borrowings, at the option of the Company, bear interest at either LIBOR plus a margin or a base rate with option periods of one to six months. The facility is secured by all the Company's domestic assets and 66% of the Company's ownership of certain of its subsidiaries.

As of March 31, 1996, total borrowings under the revolving credit line were $210 million with a weighted average interest rate of approximately 7.5%. The maximum amount outstanding during the year under the senior credit facility was $405 million and the average amount outstanding for the year was approximately $275 million. The total weighted average interest rates on the bank debt for the years ended March 31, 1996 and 1995, were 8.3% and 8.0%, respectively. Financial covenants related to the senior credit facility include but are not limited to the following ratios: fixed charge coverage ratio, debt service coverage ratio and quick ratio. The Company's debt agreement currently prohibits the Company from paying dividends while the debt is outstanding. The Company was not in compliance with three of the financial covenants in connection with its senior credit facility as of March 31, 1996; however, the company has received a waiver of this non-compliance for the period ended March 31, 1996. In addition, the financial covenant requirements for future periods have been amended.

In March 1996, the Company entered into an $18 million term loan facility to finance certain capital equipment. The facility amortizes over three years at a fixed interest rate of 7.63% and payments are made on a quarterly basis. The facility is secured by specified capital equipment.

In February 1996, the Company issued approximately $241 million of 5% convertible subordinated notes (the "Notes") in a privately placed offering. The Notes are due March 1, 2003, and are subordinated to all existing and future senior indebtedness of the Company. Each Note is convertible at the option of the holder into the Company's common stock at a conversion price of $22.32 per share. The Notes are redeemable at the Company's option on or after March 3, 1998, and prior to March 3, 2000, under certain conditions related to the price of the Company's common stock. Subsequent to March 3, 2000, the Notes are redeemable at the Company's option at any time. Redemption prices range from 103.571% of the principal to 100% at maturity.

In April 1992, the Company issued $212.5 million of 6 3/8% convertible subordinated debentures. Each debenture is convertible, at the option of the holder, into the Company's common stock at a conversion price of $18.15 per share. The debentures became redeemable at the Company's option on April 2, 1995, at prices ranging from 104.5% of the principal to 100% at maturity. The debentures are due April 1, 2002, and are subordinated to all existing and future senior indebtedness of the Company. During fiscal 1996, $79,567,000, or approximately 37%, of the outstanding debentures were converted into the Company's common stock. This conversion resulted in the issuance of 4,383,477 shares.

Payments required on long-term debt outstanding at March 31, 1996, are: $4.1 million in fiscal 1997, $5.9 million in fiscal 1998, $216.3 million in fiscal 1999 and $1.7 million in fiscal 2000.

NOTE 7: SHAREHOLDERS' EQUITY

1993 Long-Term Incentive Plan: The Company has a Long-Term Incentive Plan (the "Plan") which provides for the issuance of stock options, stock appreciation rights, stock purchase rights and long-term performance awards. The Plan has available and reserved for issuance 4.8 million shares and allows for an annual increase in the number of shares available for issuance, subject to a limitation. Available for grant as of March 31, 1996, were 488,000 shares. During fiscal 1996, the Company recorded compensation expense of $889,000 related to 298,000 shares of restricted stock granted pursuant to stock purchase rights under the Plan. No grants of restricted stock were made under the Plan prior to fiscal 1996. During fiscal 1996, additional compensation expense of $370,000 was recorded in relation to accelerated stock options under the Plan.

A summary of transactions relating to the 1993 Long-Term Incentive Plan follows:

<TABLE>
<CAPTION>

(In thousands)	Year ended March 31,			
	1996		1995	
	Options	Price	Options	Price
<S>	<C>	<C>	<C>	<C>
Outstanding beginning of period	3,086	$ 9.875 - 15.50	1,012	$ 9.875 - 15.50
Granted	2,444	$ .01 - 22.875	2,294	$ 12.875 - 14.25

Canceled	(475)	$ 9.875 - 22.875	(158)	$ 9.875 - 15.50
Exercised	(722)	$ .01 - 15.625	(62)	$ 9.875 - 12.875
Outstanding end of period	4,333	$ .01 - 22.875	3,086	$ 9.875 - 15.50
Exercisable end of period	1,270		764	

</TABLE>

Stock Option Plans: The Company has Stock Option Plans (the "Plans") under which an aggregate of 4.1 million shares of common stock have been reserved for future issuance. Options under the Plans are granted at prices determined by the Board of Directors, but at not less than the fair market value, and expire ten years from the date of grant; accordingly no compensation accounting has been required at the original date of grant. Compensation expense of $155,000 was recorded in fiscal 1996 on accelerated stock options under the Plans. Options generally vest ratably over one to four years. At March 31, 1996, options with respect to 81,000 shares were available for grant.

A summary of transactions relating to the Plans' outstanding stock options follows:

<TABLE>
<CAPTION>

(In thousands)	Year ended March 31,			
	1996		1995	
	Options	Price	Options	Price
<S>	<C>	<C>	<C>	<C>
Outstanding beginning of period	4,966	$ .82 - 16.00	5,914	$ .82 - 16.00
Granted	820	$16.875 - 24.50	38	$ 15.6875
Canceled	(151)	$ 8.50 - 17.50	(353)	$ 8.50 - 12.50
Exercised	(1,595)	$ .82 - 16.00	(633)	$ 2.00 - 13.75
Outstanding end of period	4,040	$ 2.00 - 24.50	4,966	$ .82 - 16.00
Exercisable end of period	2,837		2,934	

</TABLE>

Stock Purchase Plan: The Company has an employee stock purchase plan (the "Purchase Plan") under which 8.5 million shares of common stock have been reserved for issuance. The Purchase Plan is qualified under Section 423 of the Internal Revenue Code. The plan allows for the purchase of stock at 85% of the fair market value at the date of grant or the exercise date, whichever is less.

During fiscal 1996, 1995 and 1994, 1,338,000, 869,000 and 735,000 shares, respectively, were issued under this plan.

Shareholder Rights Plan: The Company has a shareholder rights plan (the "Rights Plan") which provides existing shareholders with the right to purchase 1/100 preferred share for each common share held in the event of certain changes in the Company's ownership. The Rights Plan may serve as a deterrent to takeover tactics which are not in the best interests of shareholders.

NOTE 8: RESTRUCTURING AND OTHER EXPENSES

On January 30, 1996, the Company committed to transition manufacturing of its high-capacity products to MKE. The Company's intention is to cease its manufacturing of these products and complete the shut-down of the related facilities by September 1996. The Company plans to continue manufacturing certain of the high-capacity products until that time in order to utilize components either on-hand or under firm committed orders. When the planned production is completed, related manufacturing work forces will be reduced. The Company intends to sell or dispose of certain facilities and equipment carried at a fair value of approximately $30 million, net of estimated cost to dispose, which are associated with the high-capacity manufacturing facilities located in Penang, Malaysia and Milpitas, California. A buyer is being sought for the manufacturing building in Malaysia; however, the Company cannot predict when a sale might be completed. The fair value of the building was estimated based on a market study.

In connection with the plan, the Company recorded a restructuring charge of $209

million, pre-tax, in the fourth quarter of fiscal 1996. Among other things, the charge provides for costs associated with: employee termination benefits for approximately 2,250 employees associated with the high-capacity product manufacturing process; the difference between the carrying value and estimated current fair value on disposal of high-capacity manufacturing property and equipment; and incremental impairments in the carrying value of certain high-capacity product inventories and losses on supplier commitments arising directly from the decision to stop manufacturing, as follows:

<TABLE>
<CAPTION>

(In millions)

<S>	<C>
Employee termination benefits	$ 10
Write-down of capital assets to fair value	45
Write-down of inventories to net realizable value and losses on supplier commitments	144
Other exit costs	10
	$209

</TABLE>

The restructuring accrual at March 31, 1996, is comprised of approximately $83 million related to product transition costs, such as excess purchase commitments and costs to complete existing inventory in excess of recoverable value, approximately $10 million related to employee termination benefits, and approximately $10 million in other estimated exit costs. There were no significant cash expenditures associated with the exit plan in fiscal 1996. It is expected that approximately $97 million of cash expenditures related to the restructuring will occur during the first half of fiscal 1997.

The actual results with regard to this restructuring charge could vary in the event that demand for the current high-capacity products declines faster than expected, resulting in additional excess inventory, or if greater than expected costs are incurred in closing the Company's high-capacity manufacturing operations. In addition, the transition of the high-capacity manufacturing operations to MKE entails several risks. The high-capacity products are more complex to manufacture than the desktop products and MKE has not previously manufactured any significant amount of the high-capacity products. This transition also requires the successful introduction of new products during fiscal 1997 which are currently still in development.

During fiscal 1994, the Company recorded $22.8 million in restructuring and other charges to operations. The charge was comprised of the following components:

<TABLE>
<CAPTION>

(In millions)

<S>	<C>
Write-off of Plus Development goodwill and certain Plus Development inventory	$ 7.7
Reduction in force	1.5
Accelerated product transitions	8.0
Consolidation of sales offices and other facilities	5.1
Other	0.5
	$22.8

</TABLE>

At March 31, 1994, all of the activities contemplated in the $22.8 million of restructuring and other charges had been completed and no material amount of the accrual remained.

NOTE 9: SAVINGS AND INVESTMENT PLAN

Substantially all of the regular domestic employees are eligible to make contributions to the Company's 401(k) savings and investment plan. The Company matches a percentage of the employee's contributions and may also make additional discretionary contributions to the plan. Prior to October 1, 1994, all of the Company's matching contributions were discretionary. Company contributions were $4.0 million in fiscal 1996, $1.1 million in fiscal 1995, and $.3 million in fiscal 1994.

NOTE 10: INCOME TAXES

The income tax provision computed under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," consists of the following:

<TABLE>
<CAPTION>

(In thousands)		Year ended March 31,		
		1996	1995	1994
<S>		<C>	<C>	<C>
Federal:	Current	$(31,160)	$31,896	$(10,396)
	Deferred	(44,686)	(751)	4,805
		(75,846)	31,145	(5,591)
State:	Current	9,691	19,386	3,965
	Deferred	(9,691)	(5,571)	(3,219)
		-	13,815	746
Foreign:	Current	24,926	23,528	1,244
	Deferred	38	(4,774)	4,590
		24,964	18,754	5,834
Income tax provision		$(50,882)	$ 63,714	$ 989

</TABLE>

The tax benefits associated with nonqualified stock options, disqualifying dispositions of stock options and employee stock purchase plan shares reduce taxes currently payable as shown above by $8.5 million, $1.6 million and $5.4 million in fiscal 1996, 1995 and 1994, respectively. Such benefits are credited to capital in excess of par value when realized.

The Company's income tax provision differs from the amount computed by applying the Federal statutory rates of 35% to income before income taxes as follows:

<TABLE>
<CAPTION>

(In thousands)	Year ended March 31,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Tax at federal statutory rate	$(49,468)	$50,857	$ 1,282
State income tax, net of federal benefit	-	8,980	485
Amortization and write-off of goodwill	-	68	2,386
Foreign earnings taxed at less than U.S. rates	(3,545)	(9,447)	(3,007)
Federal valuation allowance	(4,855)	13,286	-
Other	6,986	(30)	(157)
	$(50,882)	$63,714	$ 989
Effective tax rate	36%	44%	27%

</TABLE>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax assets and liabilities are as follows:

<TABLE>
<CAPTION>

(In thousands)	Year ended March 31,	
	1996	1995
<S>	<C>	<C>
Deferred tax assets		
Inventory valuation methods	$ 56,728	$ 30,009
Accrued warranty expense	8,768	10,514

Allowance for doubtful accounts	3,610	4,163
Distribution reserves	6,283	5,439
Restructuring reserve	35,776	--
Other accruals and reserves not currently deductible for tax purposes	11,470	5,868
Depreciation methods	21,819	5,750
Amortization methods	20,597	18,415
Federal and state valuation allowance	(15,224)	(16,347)
	149,827	63,811
Deferred tax liabilities		
Tax on unremitted foreign earnings net of foreign tax credits and foreign deferred taxes	(36,619)	(12,836)
Other	(14,815)	(6,921)
	(51,434)	(19,757)
Net deferred tax asset	$ 98,393	$ 44,054

</TABLE>

For financial reporting purposes, the Company has provided a valuation allowance for certain deferred tax assets that are expected to reverse over a 15 year period. The Company believes that the valuation allowance is needed to reduce the deferred tax asset to an amount that is more likely than not to be realized. The valuation allowance increased (decreased) by $(1.1) million and $16.3 million for the years ended March 31, 1996 and 1995, respectively.

Pretax income from foreign operations was $124.3 million, $113.6 million and $49.2 million for the years ended March 31, 1996, 1995 and 1994, respectively. U.S. taxes have not been provided for unremitted foreign earnings of $156.9 million. The residual U.S. tax liability if such amounts were remitted would be approximately $39 million.

NOTE 11: LITIGATION

On February 26, 1993, Quantum commenced a declaratory judgment lawsuit against Rodime PLC of Glasgow, Scotland, in the U.S. District Court for the District of Minnesota. Rodime counterclaimed by asserting that certain Quantum 3.5-inch hard disk drive products infringed its U.S. Patent No. 4,638,383 and sought royalty payments under that patent. The United States District Court entered a summary judgment in Quantum's favor, ruling that claims of the Rodime patent were invalid because of impermissible broadening in reexamination proceedings. This summary judgement was affirmed on September 22, 1995, by the U.S. Court of Appeals for the Federal Circuit. On April 29, 1996, the United States Supreme Court declined to review this decision. This ruling, now final, is fully dispositive of Quantum's dispute with Rodime.

The Company is also subject to other legal proceedings and claims which 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 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.

NOTE 12: COMMITMENTS

The Company leases its present facilities under non-cancelable operating lease agreements for periods of up to fifteen years. Some of the leases have renewal options ranging from one to ten years and contain provisions for maintenance, taxes or insurance.

Rent expense was $29.7 million, $18.8 million and $12.1 million for the years ended March 31, 1996, 1995 and 1994, respectively.

Future minimum lease payments under operating leases are as follows:

<TABLE>
<CAPTION>
(In thousands)
Year ended March 31,

1997	$ 19,914
1998	17,994
1999	17,085
2000	14,540
2001	12,627
Thereafter	64,256
Total future minimum lease payments	$146,416

========

</TABLE>

The amounts above include $11.4 million for payments due on a lease in Louisville, Colorado which were provided for in the Digital exit accrual (see Note 14). In addition, the Company has committed to purchase for $15 million a building currently under construction in Louisville. The Company expects to occupy the building in August 1996.

NOTE 13: BUSINESS SEGMENT AND FOREIGN OPERATIONS

The Company is engaged in a single business segment consisting of the design, manufacture and marketing of information storage products, including high-performance, high-quality 3.5-inch hard disk drives; economical, high-capacity 5.25-inch hard disk drives; high-capacity, high-performance DLT(TM) tape drive products; and solid state disk drives. The Company also manufactures recording heads for use in its products.

A significant percentage of the Company's sales are made to customers in non-U.S. locations and a majority of the Company's products are manufactured by MKE in Japan, Singapore and Ireland. Quantum also operates a repair facility in Malaysia, a repair and distribution center in Ireland, and manufacturing plants in Malaysia and Indonesia.

As a result, the Company is subject to risks associated with foreign operations, such as obtaining governmental permits and approvals, currency exchange fluctuations, currency restrictions, political instability, labor problems, trade restrictions and changes in tariff and freight rates.

During fiscal 1994, the Company began operations in its European headquarters. Prior to fiscal 1994, export sales from domestic operations accounted for a significant portion of the Company's sales. Export sales for fiscal 1996 and 1995 were less than 10% of consolidated sales. Following is a table that summarizes U.S. export sales to certain geographic areas for the year ended March 31, 1994:

<TABLE>
<CAPTION>
(In thousands)

<S>	<C>
Europe	$140,000
Asia-Pacific	59,000
Other	21,000
	$220,000

</TABLE>

Information on operations by geographic area is presented in the tables below. Transfers between geographic areas are accounted for at amounts which are generally above cost and are eliminated in the consolidated financial statements. Identifiable assets are those assets that can be directly associated with a particular geographic location. Operating income (loss) by geographic area does not include an allocation of general corporate expenses.

FISCAL 1996

<TABLE>
<CAPTION>

	Geographic Area					
(In millions)	U.S.	Europe	Rest of World	Corp.	Eliminations	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from unaffiliated customers	$ 2,141	$ 2,121	$ 161	-	-	$ 4,423
Transfers between geographic locations	461	66	-	-	$ (527)	-
Total net sales	$ 2,602	$ 2,187	$ 161	-	$ (527)	$ 4,423
Operating income (loss)	$ (167)	$ 337	$ (117)	$ (166)	-	$ (113)

Identifiable assets	$ 1,163	$ 578	$ 189	$ 45	-	$ 1,975

</TABLE>

FISCAL 1995

<TABLE>
<CAPTION>

	Geographic Area					
(In millions)	U.S.	Europe	Rest of World	Corp.	Eliminations	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from unaffiliated customers	$1,596	$1,663	$ 109	-	-	$3,368
Transfers between geographic locations	312	75	-	-	$ (387)	-
Total net sales	$1,908	$1,738	$ 109	-	$ (387)	$3,368
Operating income (loss)	$ 56	$ 294	$ (3)	$ (186)	-	$ 161
Identifiable assets	$ 917	$ 429	$ 100	$ 35	-	$1,481

</TABLE>

FISCAL 1994

<TABLE>
<CAPTION>

	Geographic Area					
(In millions)	U.S.	Europe	Rest of World	Corp.	Eliminations	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from unaffiliated customers	$1,218	$ 837	$ 76	-	-	$2,131
Transfers between geographic locations	261	77	-	-	$(338)	-
Total net sales	$1,479	$ 914	$ 76	-	$(338)	$2,131
Operating income (loss)	$ 4	$ 120	$ (4)	$(110)	-	$ 10
Identifiable assets	$ 666	$ 252	$ 53	$ 26	-	$ 997

</TABLE>

One major customer accounted for 12%, 16%, and 10% of consolidated sales in 1996, 1995 and 1994, respectively. In addition, another customer accounted for 11%, 12% and 22% of consolidated sales in 1996, 1995 and 1994, respectively.

NOTE 14: ACQUISITION OF BUSINESSES FROM DIGITAL EQUIPMENT CORPORATION

On October 3, 1994, Quantum Corporation ("Quantum" or "the Company") acquired the Hard Disk Drive, Heads and Tape Drives Businesses of the Storage Business Unit of Digital Equipment Corporation ("the Acquired Businesses"), in a transaction accounted for as a purchase. The operating results of the Acquired Businesses have been included in the consolidated statement of operations from the date of acquisition.

The purchase price was finalized during the second quarter of fiscal 1996, resulting in a $5.7 million reduction to the original contracted purchase price of $355.2 million. The original price included direct costs of $4.7 million incurred for investment banker and professional fees and other direct incremental transaction costs. The purchase price reduction is reflected as a $4.6 million reduction in inventories and a $1.1 million reduction in property and equipment.

Recap of finalized purchase price allocation (in millions)

<TABLE>
<CAPTION>

<S>	<C>
Inventories	$142.1
Property and equipment	103.2
Intangible assets	106.1

Accrual for exit costs	(34.9)
Other assets/liabilities, net	(34.2)
Purchased research and development	67.2
	$349.5

</TABLE>

Intangible assets include $79.5 million of completed technology and an aggregate of $26.6 million for work force in place, a supply agreement and customer lists. Completed technology and work force in place were assigned four year lives, while the customer base was assigned a ten year life. The supply agreement was assigned a life equal to the terms of the contractual agreement. Intangible asset amortization totaled $26.5 million and $13.4 million in fiscal 1996 and 1995, respectively.

The accrual for exit costs included only those direct costs related to exiting facilities and operations in Colorado acquired from Digital and did not include any costs related to modifications of the previous Quantum business. The components of the exit activities were as follows:

<TABLE>
<CAPTION>
(In millions)

Non-cancelable lease commitments after closure and costs to "make new" as required by the lease	$11.4
Reduction in force	7.7
Retention bonuses	4.5
Write-off of capital assets resulting from closures	9.3
Other	2.0
	$34.9

</TABLE>

Except for approximately $12 million to exit the QPC lease arrangement assumed in the Acquisition and termination benefits related to a small remaining work force, the activities contemplated in the $34.9 million accrual for exit costs have been completed at March 31, 1996, without a material change in the estimated cost of such activities. During fiscal 1996, cash outlays related to exit activity were $15.6 million. The future cash outlays related to the exit accrual are estimated to be approximately $12 million and are expected to be incurred in calendar 1996.

The $67.2 million allocated to purchased research and development was expensed in fiscal 1995 as required under generally accepted accounting principles.

The unaudited pro forma combined condensed results of operations of the Company for the twelve months ended March 31, 1995, and March 31, 1994, had the Acquisition occurred at the beginning of the period and which eliminate the non-recurring charges, are as follows:

<TABLE>
<CAPTION>

(In thousands except per share data)	Twelve Months Ended	
	March 31, 1995 Pro Forma	March 31, 1994 Pro Forma
Net sales	$ 3,790,769	$ 2,956,307
Net income (loss)	$ 75,877	$ (40,696)
Net income (loss) per share:		
Primary	$ 1.60	$ (0.94)
Fully diluted	$ 1.29	$ (0.94)

</TABLE>

The unaudited pro forma results for the twelve months ended March 31, 1995, and March 31, 1994, exclude the effects of the charge for purchased research and development and other in merger costs of $73 million, as such amounts are non-recurring. The pro forma results for the twelve months ended March 31, 1995, and March 31, 1994, reflect intangible asset amortization, depreciation of acquired fixed assets, amortization of loan fees and interest expense on the new debt related to the Acquisition.

The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred had the transaction been completed at the beginning of the period indicated, nor is it necessarily indicative of future operating results.

NOTE 15: UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL DATA

<TABLE>
<CAPTION>

	Fiscal 1996			
(In thousands except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter(i)
<S>	<C>	<C>	<C>	<C>
Sales	$ 941,316	$ 1,033,048	$ 1,215,872	$ 1,232,491
Gross margin	$ 124,489	$ 142,426	$ 113,955	$ 161,548
Net income (loss)	$ 12,942	$ 22,025	$ (2,481)	$ (122,942)
Net income (loss) per share				
Primary	$ 0.25	$ 0.39	$ (0.05)	$ (2.28)
Fully diluted	$ 0.24	$ 0.37	$ (0.05)	$ (2.28)

</TABLE>

<TABLE>
<CAPTION>

	Fiscal 1995(ii)			
(In thousands except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<S>	<C>	<C>	<C>	<C>
Sales	$ 725,304	$ 726,169	$ 932,702	$ 983,809
Gross margin	$ 146,077	$ 132,730	$ 135,255	$ 149,651
Net income (loss)	$ 58,241	$ 48,603	$ (48,310)	$ 23,057
Net income (loss) per share				
Primary	$ 1.24	$ 1.03	$ (1.06)	$ .48
Fully diluted	$ 1.03	$ .85	$ (1.06)	$ .42

</TABLE>

(i) The results of operations for the fourth quarter of fiscal 1996 include the effect of a $209 million charge related to the transition of manufacturing for the Company's high-capacity products to MKE. See Note 8.

(ii) On October 3, 1994, Quantum acquired portions of Digital Equipment's business. The acquisition is not reflected in the financial statements prior to the third quarter of fiscal 1995, and thus the results for the first and second quarters of fiscal 1995 are not comparable to the later results. See Note 14.

PART III

ITEM 10.

DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is incorporated by reference to Part I, Item 1 of this document and to the Company's Proxy Statement.

ITEM 11.

EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the Company's Proxy Statement.

ITEM 12.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference to the Company's Proxy Statement.

ITEM 13.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to the Company's Proxy Statement.

With the exception of the information incorporated in Items 10, 11, 12 and 13 of this Form 10-K Annual Report, the Company's definitive Proxy Statement for its 1996 Annual Meeting of Shareholders is not deemed "filed" as part of this Form 10-K Annual Report.

PART IV

ITEM 14.

EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this Report:

1. FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES - See Index to Consolidated Financial Statements at Item 8 on page 23 of this report.

2. EXHIBITS

Exhibit Number	
2.1(a) (1)	Stock and Asset Purchase Agreement by and among Quantum Corporation, Quantum Peripherals (Europe) S.A. and Digital Equipment Corporation, dated as of July 18, 1994
2.1(b) (1)	Amendment No. 1 dated as of October 3, 1994, to the Stock and Asset Purchase Agreement by and among Quantum Corporation, Quantum Peripherals (Europe) S.A. and Digital Equipment Corporation, dated as of July 18, 1994
2.1(c) (1)	Supplemental agreement to the Stock and Asset Purchase Agreement by and among Quantum Corporation, Quantum Peripherals (Europe) S.A. and Digital Equipment Corporation, dated as of July 18, 1994
2.2 (1)	RMMI Stock Purchase Agreement, dated as of July 18, 1994, among Quantum Corporation, Digital Equipment Corporation and Rocky Mountain Magnetics, Inc
3.1(a) (2)	Certificate of Incorporation of Registrant
3.1(b) (3)	Certificate of Amendment of Certificate of Incorporation of Registrant
3.2 (3)	By-laws of Registrant, as amended
4.1 (4)	Indenture between Registrant and LaSalle National Bank, Trustee, covering $212.5 million of 6 3/8% Convertible Subordinated Debentures due 2002 (including form of Debenture)
4.2 (5)	Shareholder Rights Plan
10.7 (2)	Registrant's 1984 Incentive Stock Option Plan and Agreement
10.8 (6)	Registrant's 1986 Stock Option Plan and Agreement, as amended
10.9 (7)	Registrant's Employee Stock Purchase Plan and form of Subscription Agreement, as amended

10.10 (8)	Form of Indemnification Agreement between Registrant and Certain Officers and Directors
10.11 (9)	Agreement between Registrant and MKE
10.12 (10) (11)	Purchase Agreement between Registrant and MKE
10.13 (12)	Lease (dated October 13, 1989) between Registrant and John Arrillaga and Richard T. Perry, Separate Property Trusts
10.14 (13)	Lease (dated September 17, 1990) between Registrant and John Arrillaga and Richard T. Perry, Separate Property Trusts
10.15 (3)	Lease (dated April 10, 1992) between Registrant and John Arrillaga and Richard T. Perry, Separate Property Trusts
10.17 (14)	Form of Statement of Employment Terms executed by Stephen M. Berkley, David A. Brown and William J. Miller, directors of Registrant, and Joseph T. Rodgers, William F. Roach and Michael A. Brown, executive officers of Registrant
10.18 (9)	Lease (dated November 13, 1992) and First Amendment to Lease (dated November 17, 1992) between Registrant and Milpitas Realty Delaware, Inc.
10.20 (15)	Third Amendment to the Purchase Agreement between Registrant

	and MKE dated December 31, 1992
10.21 (16)	1993 Long-Term Incentive Plan
10.23 (17)	Second Amendment (dated April 15, 1993) to Lease (dated November 13, 1992) between Registrant and Milpitas Realty Delaware, Inc.
10.24 (17)	Lease (dated April 14, 1993) between Registrant and Milpitas Realty Delaware, Inc.
10.25 (1)	Patent Assignment and License Agreement, dated as of October 3, 1994, by and between Digital Equipment Corporation and Quantum Corporation
10.27 (10)(18)	Supply Agreement between Digital Equipment Corporation (Buyer) and Quantum Corporation (Seller) for Storage Devices, as dated as of October 3, 1994
10.28 (18)	Credit Agreement among Quantum Corporation and The Banks named herein and ABN AMRO BANK N.V., San Francisco International Branch, BARCLAYS BANK PLC and CIBC INC. as Managing Agents for the Banks, and CANADIAN IMPERIAL BANK OF COMMERCE as Administrative Agent and Collateral Agent for the Banks dated as of October 3, 1994
10.29 (19)	First Amendment dated February 15, 1995, to Credit Agreement (dated October 3, 1994), among Quantum Corporation and The Banks named herein and ABN AMRO BANK N.V., San Francisco International

	Branch, BARCLAYS BANK PLC and CIBC INC. as Managing Agents for the Banks, and CANADIAN IMPERIAL BANK OF COMMERCE as Administrative Agent and Collateral Agent for the Banks
10.30 (20)	Second Amendment dated June 26, 1995 to Credit Agreement (dated October 3, 1994), among Quantum Corporation and The Banks named herein and ABN AMRO BANK N.V., San Francisco International Branch, BARCLAYS BANK PLC and CIBC INC. as Managing Agents for the Banks, and CANADIAN IMPERIAL BANK OF COMMERCE as Administrative Agent and Collateral Agent for the Banks
10.31(21)	Third Amendment, dated September 29, 1995, to Credit Agreement (dated October 3, 1994) among Quantum Corporation and The Banks named herein and ABN AMRO BANK N.V., San Francisco International Branch, BARCLAYS BANK PLC and CIBC INC. as Managing Agents for the Banks, and CANADIAN IMPERIAL BANK OF COMMERCE as Administrative Agent and Collateral Agent for the Banks.
10.32 (21)	Credit Agreement dated September 22, 1995, among Quantum Corporation and the Banks named therein and THE SUMITOMO BANK, LIMITED, acting through its San Francisco branch, as Agent for the Banks and as Issuer
10.33 (21)	Lease Agreement, dated August 31, 1995, between CRAY COMPUTER CORPORATION, as Landlord, and QUANTUM CORPORATION, as Tenant
10.34 (22)	Lease Agreement, dated August 22, 1995, between QD INVESTORS, as Landlord, and QUANTUM CORPORATION, as Tenant
10.35	Fourth Amendment, dated January 29, 1996, to Credit Agreement (dated October 3, 1994) among Quantum Corporation and The Banks named herein and ABN AMRO BANK N.V., San Francisco International Branch, BARCLAYS BANK PLC and CIBC INC. as Managing Agents for the Banks, and CANADIAN IMPERIAL BANK OF COMMERCE as Administrative Agent and Collateral Agent for the Banks
10.36	Indenture dated as of February 15, 1996, between Quantum Corporation and LaSalle National Bank, as trustee, covering 5% Convertible Subordinated Notes due 2003.
10.37	Fifth Amendment, dated May 29, 1996, to Credit Agreement (dated October 3, 1994) among Quantum Corporation and The Banks named herein and ABN AMRO BANK N.V., San Francisco International Branch, BARCLAYS BANK PLC and CIBC INC. as Managing Agents for the Banks, and CANADIAN IMPERIAL BANK OF COMMERCE as Administrative Agent and Collateral Agent for the Banks

10.38	Consulting and Release Agreement dated as of November 1, 1995, between William J. Miller and Quantum Corporation	
11	Statement of Computation of Earnings Per Share	

12	Statement of Computation of Ratios of Earnings to Fixed Charges	
21	Subsidiaries of Registrant	
23	Consent of Ernst & Young LLP, Independent Auditors	
24	Power of Attorney. See page 49.	
27	Financial Data Schedule	

- ---

(1) Incorporated by reference from Form 8-K filed with the Securities and Exchange Commission on October 17, 1994.

(2) Incorporated by reference from Annual Report on Form 10-K for Registrant's fiscal year ended March 31, 1987.

(3) Incorporated by reference from exhibits filed with Registrant's Annual Report on Form 10-K for fiscal year ended March 31, 1992.

(4) Incorporated by reference from Registration Statement No. 33-46387 on Form S-3.

(5) Incorporated by reference from Form 8-A filed with the Securities and Exchange Commission on August 5, 1988.

(6) Incorporated by reference from exhibits filed with Registrant's Form S-8, No. 33-52190 filed with the Securities and Exchange Commission on September 21, 1992.

(7) Incorporated by reference from exhibits filed with Registrant's Form S-8, No. 33-52192 filed with the Securities and Exchange Commission on September 21, 1992.

(8) Incorporated by reference to the Registrant's Definitive Special Meeting Proxy Statement filed with the Securities and Exchange Commission on March 24, 1987.

(9) Incorporated by reference from exhibits filed with Registrant's Form 10-Q for the quarterly period ended December 27, 1989, filed with the Securities and Exchange Commission on February 10, 1993.

(10) Confidential Treatment Requested. Granted by the Securities and Exchange Commission.

(11) Incorporated by reference from Annual Report on Form 10-K for Registrant's fiscal year ended March 31, 1988.

(12) Incorporated by reference from exhibits filed with Registrant's Form 10-Q for the quarterly period ended December 31, 1989, filed with the Securities and Exchange Commission on February 14, 1990.

(13) Incorporated by reference from exhibits filed with Registrant's Form 10-Q for the quarterly period ended December 30, 1990, filed with the Securities and Exchange Commission on February 13, 1991.

(14) Incorporated by reference to the Registrant's Amendment No. 1 to Form 10-Q for the quarter ended June 30, 1991.

(15) Incorporated by reference from Annual Report on Form 10-K for Registrant's fiscal year ended March 31, 1993.

(16) Incorporated by reference from Registration Statement No. 33-72222 on Form S-8 filed with the Securities and Exchange Commission on November 30, 1993.

(17) Incorporated by reference from exhibits filed with

Registrant's Annual Report on Form 10-K for fiscal year ended March 31, 1994.

(18) Incorporated by reference from Form 8-K/A-1 filed with the Securities and Exchange Commission on January 31, 1995.

(19) Incorporated by reference from exhibits filed with Registrant's Annual Report on Form 10-K for fiscal year ended March 31, 1995.

(20) Incorporated by reference from exhibits filed with Registrant's Form 10-Q for the quarterly period ended July 2, 1995, filed with the Securities and Exchange Commission on August 17, 1995.

(21) Incorporated by reference from exhibits filed with Registrant's Form 10-Q for the quarterly period ended October 1, 1995, filed with the Securities and Exchange Commission on November 20, 1995.

(22) Incorporated by reference from exhibits filed with Registrant's Form 10-Q for the quarterly period ended December 31, 1995, filed with the Securities and Exchange Commission on February 5, 1996.

(b) Reports on Form 8-K

(1) Form 8-K dated February 5, 1996, filed on February 8, 1996.

(2) Form 8-K dated February 15, 1996, filed on March 22, 1996.

(3) Form 8-K dated May 7, 1996, filed on May 8, 1996.

(c) Exhibits
See Item 14(a) above.

(d) Financial Statement Schedules
See Item 14(a) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

QUANTUM CORPORATION

Dated: June 21, 1996

\s\ JOSEPH T. RODGERS

Joseph T. Rodgers
Executive Vice President, Finance
Chief Financial Officer and Secretary

POWER OF ATTORNEY

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons in the capacities and on June 21, 1996.

<TABLE>
<CAPTION>

Signature	Title
<S>	<C>
\s\ MICHAEL A. BROWN (Michael A. Brown)	President, Chief Executive Officer and Director (Principal Executive Officer)
\s\ JOSEPH T. RODGERS (Joseph T. Rodgers)	Executive Vice President, Finance, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)
\s\ STEPHEN M. BERKLEY	Chairman of the Board

- ----------
(Stephen M. Berkley)

\s\ DAVID A. BROWN Director
- ----------
(David A. Brown)

\s\ ROBERT J. CASALE Director
- ----------
(Robert J. Casale)

\s\ EDWARD M. ESBER, JR. Director
- ----------
(Edward M. Esber, Jr.)

\s\ STEVEN C. WHEELWRIGHT Director
- ----------
(Steven C. Wheelwright)
</TABLE>

QUANTUM CORPORATION
SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

Classification (In thousands)	Balance at beginning of period	Additions (reductions) charged to expense	Deductions(i)	Balance at end of period
<S>	<C>	<C>	<C>	<C>
Allowance for doubtful accounts year ended:				
March 31, 1996	$ 11,962	$ (813)	$ (652)	$ 10,497
March 31, 1995	$ 9,391	$ 4,142	$ (1,571)	$ 11,962
March 31, 1994	$ 8,118	$ 6,296	$ (5,023)	$ 9,391
Accrued restructuring and exit costs year ended: (ii)				
March 31, 1996	$ 32,213	$ 116,187	$ (32,863)	$ 115,537
March 31, 1995	$ 34,937	-	$ (2,724)	$ 32,213

</TABLE>

(i) For the allowance for doubtful accounts, deductions represent write-offs, and for the accrued restructuring and exit costs, deductions represent usage of the accrual.

(ii) Established October 3, 1994, when recording the Digital acquisition. Additions in fiscal 1996 were related to the restructuring charge resulting from the transition of the high-capacity product manufacturing to MKE.

EXHIBIT 10.35

EXECUTION COPY

FOURTH AMENDMENT TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of January 29, 1996, 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, (such financial institutions to be referred to herein collectively as the "Banks");

(3) ABN AMRO BANK N.V., San Francisco International Branch ("ABN"), BARCLAYS BANK PLC ("Barclays") and CIBC INC. ("CIBC"), as managing agents for the Banks (collectively in such capacity, the "Managing Agents");

(4) BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, THE FIRST NATIONAL BANK OF BOSTON, CHEMICAL BANK and THE INDUSTRIAL BANK OF JAPAN, LIMITED, as co-agents for the Banks; and

(5) CANADIAN IMPERIAL BANK OF COMMERCE, as administrative and collateral agent for the Banks (in such capacities, the "Administrative Agent"); ABN, as syndication agent for the Banks; and Barclays, as documentation agent for the Banks.

RECITALS

A. Borrower, the Banks, Managing Agents and Administrative Agent are parties to a Credit Agreement dated as of October 3, 1994, as amended by a First Amendment to Credit Agreement dated as of February 15, 1995, a Second Amendment to Credit Agreement dated as of June 26, 1995 and a Third Amendment to Credit Agreement dated as of September 29, 1995 (as so amended, the "Credit Agreement"), pursuant to which the Banks have provided certain credit facilities to Borrower.

B. Borrower has requested the Banks, Managing Agents and Administrative Agent to amend the Credit Agreement in certain respects and to waive an Event of Default which has occurred under the Credit Agreement.

C. The Banks, Managing Agents and Administrative Agent are willing so to amend the Credit Agreement and to provide such waiver 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, Managing Agents and Administrative Agent hereby agree as follows:

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 6 below, the Credit Agreement is hereby amended as follows:

(a) Paragraph 1.01 is amended by changing the definitions of the following terms set forth therein to read in their entirety as follows:

"Debt Service Coverage Ratio" shall mean, with respect to any Person for any period, the ratio, determined on a consolidated basis in accordance with GAAP where applicable, of;

(a) The Adjusted Net Income of such Person and its Subsidiaries for such period;

to

(b) The sum of (i) all principal payments on Indebtedness for borrowed money of such Person and its Subsidiaries scheduled for payment

during the period of comparable length immediately succeeding such period, (ii) fifty percent (50%) of all Capital Expenditures of such Person and its Subsidiaries for such period, and (iii) all dividends paid by such Person and its Subsidiaries during such period (excluding any dividends paid to such Person);

Provided, however, that:

(A) In calculating the Debt Service Coverage Ratio of Borrower for the period January 1, 1995 through December 31, 1995, (1) the amount utilized

in clause (b)(i) above shall be the principal payments on Indebtedness for borrowed money of Borrower and its Subsidiaries scheduled for payment during 1995, rather than 1996, and (2) the principal payments on the Term Loans scheduled for payment during 1995 shall be deemed to be the principal payment due on the Term Loans on September 30, 1995 and one-half of the principal payment due on the Term Loans on March 31, 1996; and

(B) In calculating the Debt Service Coverage Ratio of Borrower for the consecutive four-quarter periods ending on March 31, 1996, June 30, 1996 and September 29, 1996 for purposes of clause (ii) of Subparagraph 5.02(m), the amount calculated under clause (a) above for each such period shall be increased by an amount equal to the lesser of (1) the MKE Restructuring Charges and (2) $175,000,000.

"Fixed Charge Coverage Ratio" shall mean, with respect to any Person for any period, the ratio, determined on a consolidated basis in accordance with GAAP where applicable, of;

(a) The remainder of (i) EBITDA of such Person and its Subsidiaries for such period, minus (ii) fifty percent (50%) of all Capital Expenditures of such Person and its Subsidiaries for such period;

to

(b) All Interest Expenses of such Person and its Subsidiaries for such period;

Provided, however, that, in calculating the Fixed Charge Coverage Ratio of Borrower for the consecutive four-quarter periods ending on March 31, 1996, June 30, 1996 and September 29, 1996 for purposes of clause (i) of Subparagraph 5.02(m), the amount calculated under clause (a) above for each such period shall be increased by an amount equal to the lesser of (A) the MKE Restructuring Charges and (B) $175,000,000.

(b) Paragraph 1.01 is further amended by adding thereto, in the appropriate alphabetical order, the following definitions to read in their entirety as follows:

"MKE Restructuring Charges" shall mean the charges incurred by Borrower in the quarter ending March 31, 1996 in connection with the subcontracting by Borrower to MKE of the manufacture of high capacity disk drives.

"Subordinated Debt Limit" shall mean, as of any date of determination, the sum of the following:

(a) $600,000,000; and

(b) Fifty percent (50%) of the sum of Borrower's consolidated quarterly net income (ignoring any quarterly losses) for each quarter after March 31, 1996 through and including the quarter ending immediately prior to the determination date.

(c) Subparagraph 5.02(a) is amended by changing clauses (iii), (viii) and (xvii) thereof and the proviso after clause (xviii) thereof to read in their entirety as follows:

(iii) Indebtedness under:

(A) Loans and Capital Leases incurred by Borrower or any of its Subsidiaries to finance real property, fixtures or equipment acquired by such Person not more than forty-five (45) days prior to such loans and Capital Leases, provided that (1) in each case, such Indebtedness does not exceed the purchase price of the property so financed and (2) the aggregate amount of such Indebtedness outstanding under this clause (A) at any time does not exceed $40,000,000; and

(B) Loans and Capital Leases incurred by Borrower or any of its Subsidiaries to finance equipment acquired by such Person more than forty-five (45) days prior to such loans and Capital Leases, provided that (1) in each case, such Indebtedness equals or exceeds the net book value of the equipment so financed and (2) the aggregate amount of such Indebtedness outstanding under this clause (B) at any time does not exceed $40,000,000;

(viii) Indebtedness of Borrower to MKE, provided that (A) such Indebtedness is subordinated to the Obligations on terms and conditions no less favorable to the Agents and Banks than those set forth on Exhibit R or as otherwise approved by the Required Banks; (B) the Net Proceeds of such Indebtedness are applied to prepay the Term Loans to the extent required by Subparagraph 2.05(c); and (C) the aggregate principal amount of all Subordinated Debt of Borrower (including MKE Subordinated Debt) outstanding at any time does not exceed the Subordinated Debt Limit at such time;

(xvii) Indebtedness of Borrower (other than MKE Subordinated Debt) which is subordinated to the Obligations, provided that (A) the payment terms, interest rate, subordination provisions and other terms of such Indebtedness are approved by the Required Banks; (B) the Net Proceeds of such Indebtedness are applied to prepay the Term Loans to the extent required by Subparagraph 2.05(c); and (C) the aggregate principal amount of all Subordinated Debt of Borrower (including MKE Subordinated Debt) outstanding at any time does not exceed the Subordinated Debt Limit at such time; and

Provided, however, that:

(1) The aggregate amount of Indebtedness outstanding under clauses (iii)(A), (iii)(B) and (xviii) above at any time does not exceed $80,000,000; and

(2) Notwithstanding the Permitted Indebtedness set forth in clauses (i)-(xviii) above, Quantum Holdings shall not create, incur, assume or permit to exist any Indebtedness, any Guaranty Obligations or any other material liabilities except for Indebtedness of Quantum Holdings to Borrower or any of Borrower's other Subsidiaries to the extent permitted by clause (xv) above.

(d) Subparagraph 5.02(b) is amended by changing clause (vii) thereof to read in its entirety as follows:

(vii) Liens securing Indebtedness which constitutes Permitted Indebtedness under clause (iii) of Subparagraph 5.02(a) provided that, (A) in each case under clause (A) thereof, such Lien covers only those assets, the acquisition of which was financed by such Permitted Indebtedness, (B) in each case under clause (B) thereof, such Lien covers only the equipment which was financed by such Permitted Indebtedness, and (C) in each case under both clauses (A) and (B) thereof, such Lien secures only such Permitted Indebtedness;

(e) Subparagraph 5.02(b) is further amended by adding thereto, immediately following clause (xvi) thereof, a new sentence to read in its entirety as follows:

If Borrower finances any equipment through a secured loan permitted by clause (iii)(A) or (iii)(B) of Subparagraph 5.02(a) and clause (vii) of this Subparagraph 5.02(b), Administrative Agent shall execute such reasonable subordination, intercreditor and other agreements as Borrower may request to subordinate the security interest of Administrative

Agent in the financed equipment to the security interest of the new lender in such equipment.

(f) Subparagraph 5.02(c) is amended by changing clause (ix) thereof to read in its entirety as follows:

(ix) Sales by Borrower and its Subsidiaries of equipment or the property covered by the Borrower Mortgage in sale and leaseback transactions, provided that, in the case of equipment, such equipment is leased back by Borrower or its Subsidiary, as the case may be, in a Capital Lease permitted by clause (iii) of Subparagraph 5.02(a);

(g) Subparagraph 5.02(c) is further amended by (i) changing the designation of clause (x) thereof to clause (xi) and (ii) adding, immediately following clause (ix), a new clause (x) to read in its entirety as follows:

(x) Sales, leases, transfers and other disposals by Borrower and its Subsidiaries of assets and property in connection with the subcontracting by Borrower to MKE of the manufacture of high capacity disk drives, provided that all charges relating to such sales, leases, transfers and disposals are taken in the quarter ending March 31, 1996; and

(h) Subparagraph 5.02(g) is amended to read in its entirety as follows:

(g) Capital Expenditures. Borrower and its Subsidiaries shall not pay or incur (without duplication) in any of the periods set forth below Capital Expenditures in an aggregate amount which exceeds the amount set forth opposite such period below (plus, during the first sixty (60) days of any such period, any portion of such permitted amounts of Capital Expenditures not paid or incurred during the immediately preceding period):

<TABLE>
<S> <C>

Closing Date -
March 31, 1995..... $100,000,000;

April 1, 1995 -
March 31, 1996..... $225,000,000;

April 1, 1996 -
March 31, 1997..... $175,000,000;

April 1, 1997 -
March 31, 1998..... $175,000,000;

April 1, 1998 -
Revolving Loan Maturity Date..... $ 87,500,000.
</TABLE>

(i) Subparagraph 5.02(i) is amended by adding thereto, immediately following clause (iii)(b) thereof, a new sentence to read in its entirety as follows:

Borrower shall not cause or permit the holders of any of its obligations, except the holders of its Obligations under the Credit Documents and its obligations under the Sumitomo LC Agreement (and its obligations under any refinancings of either upon the termination and repayment thereof), to have the right to block payments under any of its Subordinated Debt upon the occurrence of a non-payment default in connection with such obligations. (Without limiting the generality of the preceding sentence, Borrower shall not cause or permit any of its obligations, except the obligations specifically excepted in such sentence, to constitute "Designated Senior Indebtedness" under the Indenture governing the convertible subordinated debt which Borrower proposes to issue in the quarter ending March 31, 1996.)

(j) Subparagraph 5.02(m) is amended by changing clauses (iii), (iv), (v) and (vi) thereof to read in their entirety as follows:

(iii) Borrower shall not permit its Net Worth on any date of determination (such date to be referred to herein as a "determination date") which occurs after March 31, 1996 (such date to be referred to herein as the "base date") to be less than the sum on such determination date of the following:

(A) Ninety-five percent (95%) of Borrower's Net Worth on the base date;

(B) Seventy-five percent (75%) of the sum of Borrower's consolidated quarterly net income (ignoring any quarterly losses) for each quarter after the base date through and including the quarter ending immediately prior to the determination date;

(C) One hundred percent (100%) of the Net Proceeds of all Equity Securities issued by Borrower and its Subsidiaries (excluding any issuance where the total proceeds are less than $10,000,000) during the period commencing on the base date and ending on the determination date; and

(D) One hundred percent (100%) of the Net Proceeds derived from the conversion of the Convertible Subordinated Debentures.

(iv) Borrower shall not permit its Leverage Ratio during any period set forth below to be more than the ratio set forth opposite such period below:

<TABLE>
<S> <C>

From the Closing Date to
March 30, 1996 ..... 1.35;

Thereafter..... 1.10.
</TABLE>

(v) Borrower shall not permit (A) its EBIT for more than two quarters in any consecutive four-quarter period to be losses or (B) its cumulative EBIT quarterly losses (ignoring any EBIT quarterly profits) for any consecutive four-quarter period to exceed $25,000,000; provided, however, that, for the purposes of clause (B) of this sentence only, any quarterly loss for the quarter ending March 31, 1996 shall be ignored.

(vi) Borrower shall not permit its Quick Ratio during any period set forth below to be less than the ratio set forth opposite such period below:

<TABLE>
<S> <C>

From the Closing Date to
March 30, 1996 ..... 0.85;

Thereafter..... 1.10.
</TABLE>

(k) Subparagraph 6.01((e) is amended to read in its entirety as follows:

(e) (i) Borrower or any of Borrower's Subsidiaries (A) shall fail to make a payment or payments in an aggregate amount of $1,000,000 or more when due under the terms of any bond, debenture, note or other evidence of indebtedness to be paid by such Person (excluding this Agreement and the other Credit Documents or any intercompany Indebtedness between Borrower and any of its Subsidiaries, but including any other evidence of indebtedness of Borrower or any of its Subsidiaries to any Bank) and such failure shall continue beyond any period of grace provided with respect thereto, or (B) shall fail to make any other payment or payments when due under or otherwise default in the observance or performance of any other agreement, term or condition contained in any such bond, debenture, note or other evidence of indebtedness, and the effect of such failure or default is to cause, or permit the holder or holders thereof to cause, indebtedness in an aggregate amount of $5,000,000 or more to become due prior to its stated date of maturity; (ii) there shall occur or exist any other event or condition which causes, or permits the holder or holders of such indebtedness to cause, indebtedness in an aggregate amount of $5,000,000 or more to become due prior to its stated date of maturity (whether through holder puts, mandatory redemptions or prepayments or otherwise); or (iii) the beneficiaries of any letters of credit issued under the Sumitomo LC

Agreement shall make a drawing or drawings under such letters of credit, Borrower or any of its Subsidiaries shall provide cash collateral or any other security for Borrower's obligations under the Sumitomo LC Agreement, any of the Sumitomo LC Banks or any agent therefor shall demand any such cash collateral or other security or any event of default shall occur under the Sumitomo LC Agreement; or

3. WAIVER. The Banks hereby waive any Event of Default under Subparagraph 6.01(b) of the Credit Agreement arising from Borrower's failure to observe the Leverage Ratio requirement set forth in clause (iv) of Subparagraph 5.02(m) of the Credit Agreement during the quarter ending December 31, 1995.

4. REPRESENTATIONS AND WARRANTIES. Borrower hereby represents and warrants to the Banks and the Agents 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 and the waiver set forth in paragraph 3 above, the following also 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 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 4 that, on and after the date hereof, such term includes this Amendment.)

5. AMENDMENT FEE. Borrower shall pay to Administrative Agent, for the ratable benefit of the Banks in accordance with their respective Proportionate Shares on the Effective Date (as defined below), a nonrefundable amendment fee (the "Amendment Fee") equal to one-half of one percent (0.50%) of the sum of the Total Revolving Loan Commitment and the total Term Loans outstanding on the Effective Date, with one-fourth of the Amendment Fee to be payable on or prior to the Effective Date and the balance to be payable on or prior to March 31, 1996;

provided, however, that Borrower shall not be obligated to pay the portion of the Amendment Fee payable on March 31, 1996 if, between the date of this Amendment and March 31, 1996, Borrower (a) receives aggregate Net Proceeds of $200,000,000 or more from Subordinated Debt or Equity Securities issued or sold by Borrower in accordance with the Credit Agreement and (b) prepays the Term Loans from such Net Proceeds to the extent required by the Credit Agreement.

6. EFFECTIVE DATE. The amendments effected by paragraph 2 above and the waiver set forth in paragraph 3 above shall become effective on January 29, 1996 (such date, if the conditions set forth in this paragraph are satisfied, to be referred to herein as 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 Required Banks and their respective counsel:

(a) This Amendment duly executed by Borrower and the Required Banks;

(b) A letter in the form of Exhibit A hereto, dated the Effective Date and duly executed by Quantum Europe and Quantum Holdings;

(c) A Certificate of the Secretary of Borrower, dated the Effective Date, certifying that the Certificate of Incorporation, Bylaws and Board resolutions of Borrower, in the forms delivered to Agent on the Effective Date, are in full force and effect and have not been amended, supplemented, revoked or repealed since such date;

(d) A favorable written opinion of Cooley, Godward, Castro, Huddleson & Tatum, counsel to Borrower, dated the Effective Date, addressed to the Administrative Agent for the benefit of the Agents and the Banks, covering such legal matters as Agents may reasonably request and otherwise in form and substance satisfactory to the Agents;

(e) The portion of the Amendment Fee payable on or prior to the Effective Date; and

(f) Such other evidence as any 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 Amendment and the other Credit Documents.

7. 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 any Bank or Agent, nor constitute a waiver of any provision of the Credit Agreement or any other Credit Document.

8. EXPENSES. Pursuant to Paragraph 8.02 of the Credit Agreement, Borrower shall pay to Agents all reasonable Attorney Costs and other reasonable fees and expenses payable to third parties incurred by Agents in connection with the preparation, negotiation, execution and delivery of this Amendment and the additional Credit Documents.

9. 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.

[The next page is the first signature page.]

IN WITNESS WHEREOF, Borrower, the Banks and Agents have caused this Amendment to be executed as of the day and year first above written.

BORROWER: QUANTUM CORPORATION

By:/s/Joseph T. Rodgers

Name: Joseph T. Rodgers

Title: Executive Vice President, Finance and Secretary

MANAGING AGENTS: ABN AMRO BANK N.V., San Francisco International Branch,
As a Managing Agent
By: ABN AMRO North America, Inc., as agent

By:/s/Robin S. Yim

Name: Robin S. Yim

Title: VP & Director

By:/s/Robert N. Hartinger

Name: Robert N. Hartinger

Title: GVP & Director

BARCLAYS BANK PLC,
As a Managing Agent

By:/s/James Tan

Name: James Tan

Title: Associate Director

CIBC INC.,
As a Managing Agent

By: SAKAI

Name: SAKAI

Title: Vice President

ADMINISTRATIVE AGENT:

CANADIAN IMPERIAL BANK OF COMMERCE,
As Administrative Agent

By: SAKAI

Name: SAKAI

Title: Director

BANKS:

ABN AMRO BANK N.V., San Francisco
International Branch,
As a Bank
By: ABN AMRO North America, Inc.,
as agent

By:/s/Robin S. Yim

Name: Robin S. Yim

Title: VP & Director

By:/s/Robert N. Hartinger

Name: Robert N. Hartinger

Title: GVP & Director

BARCLAYS BANK PLC,
As a Bank

By:/s/James Tan

Name: James Tan

Title: Associate Director

CIBC INC.,
As a Bank

By: SAKAI

Name: SAKAI

Title: Director

BANK OF AMERICA NATIONAL TRUST &
SAVINGS ASSOCIATION,
As a co-agent and as a Bank

By:/s/Kevin McMahon

Name: Kevin McMahon

Title: Vice President

CHEMICAL BANK,
As a co-agent and as a Bank

By:/s/Ann B. Kerns

Name: Ann B. Kerns

Title: Vice President

THE FIRST NATIONAL BANK OF BOSTON,
As a co-agent and as a Bank

By:/s/Elizabeth C. Everett

Name: Elizabeth C. Everett

Title: Vice President

THE INDUSTRIAL BANK OF JAPAN,
LIMITED,
As a co-agent and as a Bank

By:/s/Makoto Masuda

Name: Makoto Masuda

Title: Joint General Manager

THE BANK OF NOVA SCOTIA,
As a Bank

By:/s/Chris Johnson

Name: Chris Johnson

Title: Sr. Relationship Manager

FLEET BANK OF MASSACHUSETTS, N.A.,
As a Bank

By:/s/Thomas W. Davies

Name: Thomas W. Davies

Title: Vice President

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

By:/s/Motokazu Uematsu

Name: Motokazu Uematsu

Title: Deputy General Manager

THE NIPPON CREDIT BANK, LTD.,
As a Bank

By:/s/Kenneth W. McNerney

Name: Kenneth W. McNerney

Title: VP & Sr. Mgr.

By:/s/Masaki Iwataki

Name: Masaki Iwataki

Title: VP & Mgr.

SANWA BANK CALIFORNIA,
As a Bank

By:/s/Robert R. Shutt

Name: Robert R. Shutt

Title: Vice President

Fleet National Bank of Massachusetts,
formerly known as
SHAWMUT BANK, N.A.,
As a Bank

By:/s/Thomas W. Davies

Name: Thomas W. Davies

Title: Vice President

THE SUMITOMO BANK, LIMITED,
As a Bank

By:/s/Yuji Harada

Name: Yuji Harada

Title: General Manager

By:/s/Herman White Jr.

Name: Herman White Jr.

Title: Vice President

UNION BANK,
As a Bank

By:/s/John P. Baier

Name: John P. Baier

Title: Vice President

THE FUJI BANK, LIMITED,
As a Bank

By:/s/Kazuo Kamio

Name: Kazuo Kamio

Title: General Manager

EXHIBIT 10.36

==========

QUANTUM CORPORATION

TO

LASALLE NATIONAL BANK
TRUSTEE

INDENTURE

DATED AS OF FEBRUARY 15, 1996

5% CONVERTIBLE SUBORDINATED NOTES DUE 2003

==========

TABLE OF CONTENTS

<TABLE>
<CAPTION>

PAGE

<S>
<C>
ARTICLE I DEFINITIONS.....
1

Section 1.1

Definitions.....
1
Affiliate.....
2
Applicable Price.....
2
Board of Directors.....
2
Business Day.....
2
Commission.....
2
Common Stock.....
3
Company.....
3
Conversion Price.....
3
Corporate Trust Office.....
3
Credit Agreement.....
3
Custodian.....
4
default.....
4
Depositary.....
4
Designated Senior Indebtedness.....
4
Exchange Act.....
4
Event of Default.....
4
Fundamental Change.....
5
Indebtedness.....
5
Indenture.....
6
Initial Purchaser.....
6
Note or Notes.....
6
Noteholder or holder.....
6
Note register.....
6

Officers' Certificate.....
6
Opinion of Counsel.....
6
outstanding.....
6
Payment Blockage Notice.....
7
Person.....
7
PORTAL Market.....
7
Predecessor Note.....
7
QIB.....
7
Reference Market Price.....
7
Registration Rights Agreement.....
7
Regulation S.....
8
Representative.....
8
Responsible Officer.....
8
Restricted Securities.....
8
Rights Agreement.....
8
</TABLE>

TABLE OF CONTENTS

<TABLE>
<CAPTION>
(CONTINUED)

PAGE

<S>
<C>
Rights.....
8
Rule 144A.....
8
Securities Act.....
8
Senior Indebtedness.....
8
Subsidiary:.....
9
Sumitomo Credit Agreement.....
9
Trading Day.....
9
Trigger Event.....
9
Trust Indenture Act.....
9
Trustee.....
10

ARTICLE II ISSUE, DESCRIPTION, EXECUTION, REGISTRATION AND EXCHANGE OF NOTES.....
10

Section 2.1 Designation, Amount and Issue of Notes.....
10
Section 2.2 Form of Notes.....
10
Section 2.3 Date and Denomination of Notes; Payments of Interest.....
11
Section 2.4 Execution of Notes.....
13
Section 2.5 Exchange and Registration of Transfer of Notes:

Restrictions on Transfer: Depositary.....

13
Section 2.6 Mutilated, Destroyed, Lost or Stolen Notes.....
23
Section 2.7 Temporary Notes.....
24
Section 2.8 Cancellation of Notes Paid, Etc.....
24

ARTICLE III REDEMPTION OF NOTES.....
25

Section 3.1 Redemption Prices.....
25
Section 3.2 Notice of Redemption: Selection of Notes.....
25
Section 3.3 Payment of Notes Called for Redemption.....
27
Section 3.4 Conversion Arrangement on Call for Redemption.....
28
Section 3.5 Redemption at Option of Holders.....
28

ARTICLE IV SUBORDINATION OF NOTES.....
31

Section 4.1 Agreement of Subordination.....
31
Section 4.2 Payments to Noteholders.....
31
Section 4.3 Subrogation of Notes.....
34
Section 4.4 Authorization to Effect Subordination.....
35
Section 4.5 Notice to Trustee.....
35
Section 4.6 Trustee's Relation to Senior Indebtedness.....
36
Section 4.7 No Impairment of Subordination.....
37
Section 4.8 Certain Conversions Deemed Payment.....
37

TABLE OF CONTENTS

(CONTINUED)

PAGE

Section 4.9 Article Applicable to Paying Agents.....
37
Section 4.10 Senior Indebtedness Entitled to Rely. .....
38

ARTICLE V PARTICULAR COVENANTS OF THE COMPANY .....
38

Section 5.1 Payment of Principal, Premium and Interest.....
38
Section 5.2 Maintenance of Office or Agency.....
38
Section 5.3 Appointments to Fill Vacancies in Trustee's Office.....
39
Section 5.4 Provisions as to Paying Agent.....
39
Section 5.5 Corporate Existence.....
40
Section 5.6 Rule 144A Information Requirement.....
40
Section 5.7 Stay, Extension and Usury Laws.....
41

ARTICLE VI NOTEHOLDERS' LISTS AND REPORTS BY THE
COMPANY AND THE TRUSTEE .....
41

Section 6.1 Noteholders' Lists.....

41
Section 6.2 Preservation and Disclosure of Lists.....
41
Section 6.3 Reports by Trustee.....
42
Section 6.4 Reports by Company.....
42

ARTICLE VII REMEDIES OF THE TRUSTEE AND NOTEHOLDERS
ON AN EVENT OF DEFAULT.....
43

Section 7.1 Events of Default.....
43
Section 7.2 Payments of Notes on Default: Suit Therefor.....
45
Section 7.3 Application of Monies Collected by Trustee.....
46
Section 7.4 Proceedings by Noteholder.....
47
Section 7.5 Proceedings by Trustee.....
48
Section 7.6 Remedies Cumulative and Continuing.....
48
Section 7.7 Direction of Proceedings and Waiver of Defaults by
Majority of Noteholders.....
48
Section 7.8 Notice of Defaults.....
49
Section 7.9 Undertaking to Pay Costs.....
49

ARTICLE VIII CONCERNING THE TRUSTEE .....
50

Section 8.1 Duties and Responsibilities of Trustee.....
50
Section 8.2 Reliance on Documents, Opinions. Etc.....
51
Section 8.3 No Responsibility for Recitals, Etc.....
52
Section 8.4 Trustee, Paying Agents, Conversion Agents or Registrar
May Own Notes.....
52

TABLE OF CONTENTS

(CONTINUED)
PAGE

Section 8.5 Monies to Be Held in Trust.....
52
Section 8.6 Compensation and Expenses of Trustee.....
53
Section 8.7 Officers' Certificate as Evidence.....
53
Section 8.8 Conflicting Interests of Trustee.....
53
Section 8.9 Eligibility of Trustee.....
54
Section 8.10 Resignation or Removal of Trustee. .....
54
Section 8.11 Acceptance by Successor Trustee.....
55
Section 8.12 Succession by Merger, Etc.....
56
Section 8.13 Limitation on Rights of Trustee as Creditor.....
56

ARTICLE IX CONCERNING THE NOTEHOLDERS .....
57

Section 9.1 Action by Noteholders.....

57
Section 9.2 Proof of Execution by Noteholders.....
57
Section 9.3 Who Are Deemed Absolute Owners.....
57
Section 9.4 Company-Owned Notes Disregarded.....
58
Section 9.5 Revocation of Consents: Future Holders Bound.....
58

ARTICLE X NOTEHOLDERS' MEETINGS.....
59

Section 10.1 Purpose of Meetings.....
59
Section 10.2 Call of Meetings by Trustee.....
59
Section 10.3 Call of Meetings by Company or Noteholders.....
60
Section 10.4 Qualifications for Voting.....
60
Section 10.5 Regulations.....
60
Section 10.6 Voting.....
61
Section 10.7 No Delay of Rights by Meeting.....
61

ARTICLE XI SUPPLEMENTAL INDENTURES.....
61

Section 11.1 Supplemental Indentures Without Consent of Noteholders.....
61
Section 11.2 Supplemental Indentures with Consent of Noteholders.....
63
Section 11.3 Effect of Supplemental Indenture.....
64
Section 11.4 Notation on Notes.....
64
Section 11.5 Evidence of Compliance of Supplemental Indenture to Be Furnished Trustee.....
64

ARTICLE XII CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE .....
65

Section 12.1 Company May Consolidate Etc. on Certain Terms.....
65
Section 12.2 Successor Corporation to Be Substituted.....
65
</TABLE>

TABLE OF CONTENTS

<TABLE>
<CAPTION>

(CONTINUED)

PAGE

<S>
<C>
Section 12.3 Opinion of Counsel to Be Given Trustee.....
66

ARTICLE XIII SATISFACTION AND DISCHARGE OF INDENTURE.....
66

Section 13.1 Discharge of Indenture.....
66
Section 13.2 Deposited Monies to Be Held in Trust by Trustee.....
67
Section 13.3 Paying Agent to Repay Monies Held.....
67
Section 13.4 Return of Unclaimed Monies.....
67
Section 13.5 Reinstatement.....
67
</TABLE>

ARTICLE XIV IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS..... 68

Section 14.1 Indenture and Notes Solely Corporate Obligations..... 68

ARTICLE XV CONVERSION OF NOTES..... 68

Section 15.1 Right to Convert..... 68

Section 15.2 Exercise of Conversion Privilege; Issuance of Common Stock on Conversion; No Adjustment for Interest or Dividends..... 69

Section 15.3 Cash Payments in Lieu of Fractional Shares..... 70

Section 15.4 Conversion Price..... 71

Section 15.5 Adjustment of Conversion Price..... 71

Section 15.6 Effect of Reclassification, Consolidation, Merger or Sale..... 81

Section 15.7 Taxes on Shares Issued..... 82

Section 15.8 Reservation of Shares; Shares to Be Fully Paid; Compliance with Governmental Requirements; Listing of Common Stock..... 82

Section 15.9 Responsibility of Trustee..... 83

Section 15.10 Notice to Holders Prior to Certain Actions..... 83

ARTICLE XVI MISCELLANEOUS PROVISIONS..... 84

Section 16.1 Provisions Binding on Company's Successors..... 84

Section 16.2 Official Acts by Successor Corporation..... 84

Section 16.3 Addresses for Notices, Etc. 85

Section 16.4 Governing Law..... 85

Section 16.5 Evidence of Compliance with Conditions Precedent; Certificates to Trustee..... 85

Section 16.6 Legal Holidays..... 86

Section 16.7 Trust Indenture Act..... 86

Section 16.8 No Security Interest Created..... 86

Section 16.9 Benefits of Indenture..... 86

TABLE OF CONTENTS

(CONTINUED) PAGE

Section 16.10 Table of Contents, Headings, Etc. 86
Section 16.11 Authenticating Agent..... 87
Section 16.12 Execution in Counterparts..... 88

INDENTURE dated as of February 15, 1996, between Quantum Corporation, a

Delaware corporation (hereinafter sometimes called the "Company", as more fully set forth in Section 1.1), and LaSalle National Bank, a national banking association duly organized and existing under the laws of the United States, as trustee hereunder (hereinafter sometimes called the "Trustee", as more fully set forth in Section 1.1).

W I T N E S S E T H:

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the issue of its 5% Convertible Subordinated Notes due 2003 (hereinafter sometimes called the "Notes"), in an aggregate principal amount not to exceed $258,750,000 and, to provide the terms and conditions upon which the Notes are to be authenticated, issued and delivered, the Company has duly authorized the execution and delivery of this Indenture; and

WHEREAS, the Notes, the certificate of authentication to be borne by the Notes, a form of assignment, a form of option to elect repayment upon a Fundamental Change, a form of conversion notice and a certificate of transfer to be borne by the Notes are to be substantially in the forms hereinafter provided for; and

WHEREAS, all acts and things necessary to make the Notes, when executed by the Company and authenticated and delivered by the Trustee or a duly authorized authenticating agent, as in this Indenture provided, the valid, binding and legal obligations of the Company, and to constitute these presents a valid agreement according to its terms, have been done and performed, and the execution of this Indenture and the issue hereunder of the Notes have in all respects been duly authorized.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which the Notes are, and are to be, authenticated, issued and delivered, and in consideration of the premises and of the purchase and acceptance of the Notes by the holders thereof, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective holders from time to time of the Notes (except as otherwise provided below), as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The terms defined in this Section 1.1 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.1. All other terms used in this Indenture that are defined in the Trust Indenture Act or which are by reference therein defined in the Securities Act (except as herein otherwise expressly provided or unless the context otherwise requires) shall have the meanings assigned to such terms in said Trust Indenture Act and in said Securities Act as in force at the date of the execution of this Indenture. The words "herein," "hereof," "hereunder," and words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other Subdivision. The terms defined in this Article include the plural as well as the singular.

Affiliate: The term "Affiliate" of any specified Person shall mean any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control," when used with respect to any specified Person means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

Applicable Price: The term "Applicable Price" shall mean (i) in the event of a Fundamental Change in which the holders of the Company's Common Stock receive only cash, the amount of cash received by the holder of one share of Common Stock and (ii) in the event of any other Fundamental Change, the arithmetic average of the Closing Price for the Company's Common Stock (determined as set forth in Section 15.5(h)) during the ten Trading Days (as defined in Section 15.5(h)) prior to the record date for the determination of the holders of Common Stock entitled to receive cash, securities, property or other assets in connection with such Fundamental Change, or, if there is no such record date, the date upon which the holders of the Common Stock shall have the

right to receive such cash, securities, property or other assets in connection with the Fundamental Change.

Board of Directors: The term "Board of Directors" shall mean the Board of Directors of the Company or a committee of such Board duly authorized to act for it hereunder.

Business Day: The term "Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which the banking institutions in The City of New York, San Jose, California or the city in which the Corporate Trust Office is located are authorized or obligated by law or executive order to close or be closed.

Closing Price: The term "Closing Price" shall have the meaning specified in Section 15.5(h)(1).

Commission: The term "Commission" shall mean the Securities and Exchange Commission.

Common Stock: The term "Common Stock" shall mean any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which is not subject to redemption by the Company. Subject to the provisions of Section 15.6, however, shares issuable on conversion of Notes shall include only shares of the class designated as common stock of the Company at the date of this Indenture or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which are not subject to redemption by the Company; provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

Company: The term "Company" shall mean Quantum Corporation, a Delaware corporation, and subject to the provisions of Article XII, shall include its successors and assigns.

Conversion Price: The term "Conversion Price" shall have the meaning specified in Section 15.4.

Corporate Trust Office: The term "Corporate Trust Office" or other similar term, shall mean the principal office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office is, at the date as of which this Indenture is dated, located at 135 South LaSalle Street, Chicago, Illinois 60674-9135, Attention: Corporate Trust Division (Quantum Corporation, 5% Convertible Subordinated Notes due 2003).

Credit Agreement: The term "Credit Agreement" means that certain Credit Agreement, dated as of October 3, 1994 by and among the Company, each of the financial institutions listed in Schedule I to the Credit Agreement (the "Banks"), ABN Amro N.V., San Francisco International Branch ("ABN"), Barclays Bank PLC ("Barclays") and CIBC Inc. ("CIBC"), as managing agents for the Banks (collectively, in such capacity, the "Managing Agents"), Bank of America Trust and Savings Association, The First National Bank of Boston, Chemical Bank and The Industrial Bank of Japan Limited, as co-agents for the Banks ("Co-Agents"), and Canadian Imperial Bank of Commerce, as administrative and collateral agent for the Banks (in such capacity, the "Administrative Agent"), ABN, as syndicated agent for the Banks, and Barclays, as documentation agent for the Banks, as amended by that certain First Amendment to Credit Agreement, dated as of February 15, 1995 by and among the Banks, the Managing Agents, the Administrative Agent and the Co-Agents, as amended by that certain Second Amendment to Credit Agreement, dated as of June 26, 1995 by and among the Banks, the Managing Agents, the Administrative

Agent and the Co-Agents, as amended by that certain Third Amendment to Credit Agreement, as of dated June 26, 1995 by and among the Banks, the Managing Agents, the Administrative Agent and the Co-Agents, as amended by that certain Fourth Amendment to Credit Agreement, dated as of January 29, 1996 by and among the Banks, the Managing Agents, the Administrative Agent and the Co-Agents, as amended, amended and restated, supplemented or otherwise modified from time to time.

Custodian: The term "Custodian" shall mean LaSalle National Bank, as custodian with respect to the Notes in global form, or any successor entity thereto.

default: The term "default" shall mean any event that is, or after notice or passage of time, or both, would be, an Event of Default.

Depositary: The term "Depositary" means, with respect to the Notes issuable or issued in whole or in part in global form, the person specified in Section 2.5(d) as the Depositary with respect to such Notes, until a successor shall have been appointed and become such pursuant to the applicable provisions of this Indenture, and thereafter, "Depositary" shall mean or include such successor.

Designated Senior Indebtedness: The term "Designated Senior Indebtedness" means the Credit Agreement, the Sumitomo Credit Agreement and any particular Senior Indebtedness in which the instrument creating or evidencing the same or the assumption or guarantee thereof (or related agreements or documents to which the Company is a party) expressly provides that such Indebtedness shall be "Designated Senior Indebtedness" for purposes of the Indenture (provided that such instrument, agreement or other document may place limitations and conditions on the right of such Senior Indebtedness to exercise the rights of Designated Senior Indebtedness). If any payment made to any holder of any Designated Senior Indebtedness or its Representative with respect to such Designated Senior Indebtedness is rescinded or must otherwise be returned by such holder or Representative upon the insolvency, bankruptcy or reorganization of the Company or otherwise, the reinstated Indebtedness of the Company arising as a result of such rescission or return shall constitute Designated Senior Indebtedness effective as of the date of such rescission or return.

Exchange Act: The term "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, as in effect from time to time.

Event of Default: The term "Event of Default" shall mean any event specified in Section 7.1(a), (b), (c), (d) or (e).

Fundamental Change: The term "Fundamental Change" means the occurrence of any transaction or event in connection with which all or substantially all the Common Stock shall be exchanged for, converted into, acquired for or constitute the right to receive consideration (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise) which is not all or substantially all common stock which is (or, upon consummation of or immediately following such transaction or event, will be) listed on a United States national securities exchange or approved for quotation in the Nasdaq National Market or any similar United States system of automated dissemination of quotations of securities prices.

Indebtedness: The term "Indebtedness" means, with respect to any Person, and without duplication, (a) all indebtedness, obligations and other liabilities (contingent or otherwise) of such Person for borrowed money (including obligations of the Company in respect of overdrafts, foreign exchange contracts, currency exchange agreements, interest rate protection agreements, and any loans or advances from banks, whether or not evidenced by notes or similar instruments) or evidenced by bonds, debentures, notes or similar instruments (whether or not the recourse of the lender is to the whole of the assets of such Person or to only a portion thereof) (other than any account payable or other accrued current liability or obligation incurred in the ordinary course of business in connection with the obtaining of materials or services), (b) all reimbursement obligations and other liabilities (contingent or otherwise) of such Person with respect to letters of credit, bank guarantees or bankers' acceptances, (c) all obligations and liabilities (contingent or otherwise) in respect of leases of such Person required, in conformity with generally accepted accounting principles, to be accounted for as capitalized lease obligations on the balance sheet of such Person and all obligation and other liabilities (contingent or otherwise) under any lease or related document (including a purchase agreement) in connection with the lease of real property

which provides that such Person is contractually obligated to purchase or cause a third party to purchase the leased property and thereby guarantee a minimum residual value of the leased property to the lessor and the obligations of such Person under such lease or related document to purchase or to cause a third party to purchase such leased property, (d) all obligations of such Person (contingent or otherwise) with respect to an interest rate or other swap, cap or collar agreement or other similar instrument or agreement or foreign currency hedge, exchange, purchase or similar instrument or agreement, (e) all direct or indirect guaranties or similar agreements by such Person in respect of, and obligations or liabilities (contingent or otherwise) of such Person to purchase or otherwise acquire or otherwise assure a creditor against loss in respect of indebtedness, obligations or liabilities of another Person of the kind described in clauses (a) through (d), (f) any indebtedness or other obligations described in clauses (a) through (d) secured by any mortgage, pledge, lien or other encumbrance existing on property which is owned or held by such Person, regardless of whether the indebtedness or other obligation secured thereby shall have been assumed by such Person and (g) any and all deferrals, renewals, extensions and refundings of, or

amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (a) through (f).

Indenture: The term "Indenture" shall mean this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented.

Initial Purchaser: The term "Initial Purchaser" means Morgan Stanley & Co. Incorporated.

Note or Notes: The terms "Note" or "Notes" shall mean any Note or Notes, as the case may be, authenticated and delivered under this Indenture.

Noteholder or holder: The terms "Noteholder" or "holder" as applied to any Note, or other similar terms (but excluding the term "beneficial holder"), shall mean any person in whose name at the time a particular Note is registered on the Note registrar's books.

Note register: The term "Note register" shall have the meaning specified in Section 2.5.

Officers' Certificate: The term "Officers' Certificate," when used with respect to the Company, shall mean a certificate signed by both (a) the President, the Chief Executive Officer, Executive or Senior Vice President or any Vice President (whether or not designated by a number or numbers or word or words added before or after the title "Vice President") and (b) by the Treasurer or any Assistant Treasurer or Secretary or any Assistant Secretary of the Company.

Opinion of Counsel: The term "Opinion of Counsel" shall mean an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company, or other counsel acceptable to the Trustee.

outstanding: The term "outstanding," when used with reference to Notes, shall, subject to the provisions of Section 9.4, mean, as of any particular time, all Notes authenticated and delivered by the Trustee under this Indenture, except

(a) Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Notes, or portions thereof, for the redemption of which monies in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own paying agent); provided that if such Notes are to be redeemed prior to the maturity thereof, notice

of such redemption shall have been given as in Article III provided, or provision satisfactory to the Trustee shall have been made for giving such notice;

(c) Notes in lieu of which, or in substitution for which, other Notes shall have been authenticated and delivered pursuant to the terms of Section 2.6 unless proof satisfactory to the Trustee is presented that any such Notes are held by bona fide holders in due course; and

(d) Notes converted into Common Stock pursuant to Article XV and Notes deemed not outstanding pursuant to Article III.

Payment Blockage Notice: The term "Payment Blockage Notice" has the meaning specified in Section 4.2.

Person: The term "Person" shall mean a corporation, an association, a partnership, an individual, a joint venture, a joint stock company, a trust, an unincorporated organization or a government or an agency or a political subdivision thereof.

PORTAL Market: The term "PORTAL Market" shall mean the Private Offerings, Resales and Trading through Automated Linkages Market operated by the National Association of Securities Dealers, Inc. or any successor thereto.

Predecessor Note: The term "Predecessor Note" of any particular Note shall mean every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 2.6 in lieu of a lost, destroyed or stolen Note shall be deemed to evidence the same debt as the lost, destroyed or stolen Note that it replaces.

QIB: The term "QIB" shall mean a "qualified institutional buyer" as defined in Rule 144A.

Reference Market Price: The term "Reference Market Price" shall initially mean $12.00 and in the event of any adjustment to the Conversion Price pursuant to Sections 15.5(a), (b), (c), (d), (e), (f) or (g), the Reference Market Price shall also be adjusted so that the ratio of the Reference Market Price to the Conversion Price after giving effect to any such adjustment shall always be the same as the ratio of $12.00 to the initial Conversion Price specified in the form of Note attached hereto (without regard to any adjustment thereto).

Registration Rights Agreement: The term "Registration Rights Agreement" means that certain Registration Rights Agreement, dated as of February 15, 1996, between the Company and the Initial Purchaser.

Regulation S: The term "Regulation S" shall mean Regulation S as promulgated under the Securities Act.

Representative: The term "Representative" means the (a) indenture trustee or other trustee, agent or representative for any Senior Indebtedness or (b) with respect to any Senior Indebtedness that does not have any such trustee, agent or other representative, (i) in the case of such Senior Indebtedness issued pursuant to an agreement providing for voting arrangements as among the holders or owners of such Senior Indebtedness, any holder or owner of such Senior Indebtedness acting with the consent of the required persons necessary to bind such holders or owners of such Senior Indebtedness and (ii) in the case of all other such Senior Indebtedness, the holder or owner of such Senior Indebtedness.

Responsible Officer: The term "Responsible Officer," when used with respect to the Trustee, shall mean an officer of the Trustee in the Corporate Trust Office assigned and duly authorized by the Trustee to administer its corporate trust matters.

Restricted Securities: The term "Restricted Securities" has the meaning specified in Section 2.5.

Rights Agreement: The term "Rights Agreement" means that certain Preferred Shares Rights Agreement, dated as of August 3, 1988, between the Company and Bank of America National Trust & Savings Association, as amended from time to time.

Rights: The term "Rights" shall mean "Rights" as such term is defined

in the Rights Agreement.

Rule 144A: The term "Rule 144A" shall mean Rule 144A as promulgated under the Securities Act.

Securities Act: The term "Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

Senior Indebtedness: The term "Senior Indebtedness" means the principal of, premium, if any, interest (including all interest accruing subsequent to the commencement of any bankruptcy or similar proceeding, whether or not a claim for post-petition interest is allowable as a claim in any such proceeding) and rent payable on or in connection with, and all fees, costs, expenses and other amounts accrued or due on or in connection with, Indebtedness of the Company, whether outstanding on the date of this Indenture or thereafter created, incurred, assumed, guaranteed or in effect guaranteed by the Company (including all deferrals, renewals, extensions or refundings of, or amendments, modifications or supplements to, the foregoing), unless in the case of any particular Indebtedness the instrument creating or evidencing the same or the assumption or

guarantee thereof expressly provides that such Indebtedness shall not be senior in right of payment to the Notes or expressly provides that such Indebtedness is "pari passu" or "junior" to the Notes. Notwithstanding the foregoing, the term Senior Indebtedness shall not include any Indebtedness of the Company to any subsidiary of the Company, a majority of the voting stock of which is owned, directly or indirectly, by the Company or the Company's 6 3/8% Convertible Subordinated Debentures due April 1, 2002. If any payment made to any holder of any Senior Indebtedness or its Representative with respect to such Senior Indebtedness is rescinded or must otherwise be returned by such holder or Representative upon the insolvency, bankruptcy or reorganization of the Company or otherwise, the reinstated Indebtedness of the Company arising as a result of such rescission or return shall constitute Senior Indebtedness effective as of the date of such rescission or return.

Subsidiary: The term "Subsidiary" means, with respect to any person, (i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of capital stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such person or one or more of the other subsidiaries of that person (or a combination thereof) and (ii) any partnership (a) the sole general partner or managing general partner of which is such person or a subsidiary of such person or (b) the only general partners of which are such person or of one or more subsidiaries of such person (or any combination thereof).

Sumitomo Credit Agreement: The term "Sumitomo Credit Agreement" means that certain Credit Agreement, dated as of September 22, 1995 by and among the Company, the several financial institutions listed on the signature pages thereto (collectively, the "Banks"), and The Sumitomo Bank, Limited, acting through its San Francisco Branch, as agent for the Banks (the "Agent") and as Issuer, as amended, amended and restated, supplemented or otherwise modified from time to time.

Trading Day: The term "Trading Day" shall have the meaning specified in Section 15.5(h)(5).

Trigger Event: The term "Trigger Event" shall have the meaning specified in Section 15.5(d).

Trust Indenture Act: The term "Trust Indenture Act" shall mean the Trust Indenture Act of 1939, as amended, as it was in force at the date of execution of this Indenture, except as provided in Sections 11.3 and 15.6; provided, however, that in the event the Trust Indenture Act of 1939 is amended after the date hereof, the term "Trust Indenture Act" shall mean, to the extent required by such amendment, the Trust Indenture Act of 1939 as so amended.

Trustee: The term "Trustee" shall mean LaSalle National Bank and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee hereunder.

The definitions of certain other terms are as specified in Sections 2.5 and 3.5 and Article XV.

ARTICLE II

ISSUE, DESCRIPTION, EXECUTION, REGISTRATION

AND EXCHANGE OF NOTES

Section 2.1 Designation, Amount and Issue of Notes. The Notes shall be designated as "5% Convertible Subordinated Notes due 2003." Notes not to exceed the aggregate principal amount of $225,000,000 (or $258,750,000 if the over-allotment option set forth in Section 7 of the Placement Agreement dated February 12, 1996 (as amended from time to time by the parties thereto) by and between the Company and the Initial Purchaser is exercised in full) (except pursuant to Sections 2.5, 2.6, 3.3, 3.5 and 15.2 hereof) upon the execution of this Indenture, or from time to time thereafter, may be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Notes to or upon the written order of the Company, signed by its (a) President, Executive or Senior Vice President or any Vice President (whether or not designated by a number or numbers or word or words added before or after the title "Vice President") and (b) Treasurer or Assistant Treasurer or its Secretary or any Assistant Secretary, without any further action by the Company hereunder.

Section 2.2 Form of Notes. The Notes and the Trustee's certificate of authentication to be borne by such Notes shall be substantially in the form set forth in Exhibit A, which is incorporated in and made a part of this Indenture.

Any of the Notes may have such letters, numbers or other marks of identification and such notations, legends and endorsements as the officers executing the same may approve (execution thereof to be conclusive evidence of such approval) and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange or automated quotation system on which the Notes may be listed, or to conform to usage.

Any Note in global form shall represent such of the outstanding Notes as shall be specified therein and shall provide that it shall represent the aggregate amount of

outstanding Notes from time to time endorsed thereon and that the aggregate amount of outstanding Notes represented thereby may from time to time be increased or reduced to reflect transfers or exchanges permitted hereby. Any endorsement of a Note in global form to reflect the amount of any increase or decrease in the amount of outstanding Notes represented thereby shall be made by the Trustee or the Custodian, at the direction of the Trustee, in such manner and upon instructions given by the holder of such Notes in accordance with this Indenture. Payment of principal of and interest and premium, if any, on any Note in global form shall be made to the holder of such Note.

The terms and provisions contained in the form of Note attached as Exhibit A hereto shall constitute, and are hereby expressly made, a part of this Indenture and, to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Section 2.3 Date and Denomination of Notes; Payments of Interest. The Notes shall be issuable in registered form without coupons in denominations of $1,000 principal amount and integral multiples thereof. Every Note shall be dated the date of its authentication and shall bear interest from the applicable date in each case as specified on the face of the form of Note attached as Exhibit A hereto. Interest on the Notes shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

The person in whose name any Note (or its Predecessor Note) is registered at the close of business on any record date with respect to any interest payment date (including any Note that is converted after the record date and on or before the interest payment date) shall be entitled to receive the interest payable on such interest payment date notwithstanding the

cancellation of such Note upon any transfer, exchange or conversion subsequent to the record date and on or prior to such interest payment date; provided, that in the case of any Note, or portion thereof, called for redemption on a redemption date or redeemed in connection with a Fundamental Change on a Repurchase Date that is after a record date and prior to (but excluding) the next succeeding interest payment date, interest shall not be paid to the person in whose name the Note, or portion thereof, is registered on the close of business on such record date and the Company shall have no obligation to pay interest on such Note or such portion except to the extent required to be paid upon redemption of such Note or portion thereof pursuant to Section 3.3 or 3.5 hereof. Interest may, at the option of the Company, be paid by check mailed to the address of such person on the Note register; provided that, with respect to any holder of Notes with an aggregate principal amount equal to or in excess of $5,000,000, at the request of such holder in writing to the Company (who shall then furnish written notice to such effect to the Trustee), interest on such holder's Notes shall be paid by wire transfer in immediately available funds in accordance with the wire transfer instructions supplied by such holder to the Trustee and paying agent (if different from the Trustee). The term "record date" with respect to any interest payment date shall mean the February 15 or August 15 preceding said March 1 or September 1, respectively.

Any interest on any Note which is payable, but is not punctually paid or duly provided for, on any said March 1 or September 1 (herein called "Defaulted Interest") shall forthwith cease to be payable to the Noteholder on the relevant record date by virtue of his having been such Noteholder; and such Defaulted Interest shall be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a special record date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest to be paid on each Note and the date of the payment (which shall be not less than twenty-five (25) days after the receipt by the Trustee of such notice, unless the Trustee shall consent to an earlier date), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a special record date for the payment of such Defaulted Interest which shall be not more than fifteen (15) days and not less than ten (10) days prior to the date of the proposed payment and not less than ten (10) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such special record date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the special record date therefor to be mailed, first-class postage prepaid, to each Noteholder at his address as it appears in the Note register, not less than ten (10) days prior to such special record date. Notice of the proposed payment of such Defaulted Interest and the special record date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) were registered at the close of business on such special record date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange and automated quotation system on which the Notes may be listed or designated for issuance, and upon such notice as may be required by such exchange and automated quotation system, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Section 2.4 Execution of Notes. The Notes shall be signed in the name and on behalf of the Company by the facsimile signature of its President, any Executive or Senior Vice President or any Vice President (whether or not designated by a number or numbers or word or words added before or after the title "Vice President") and attested by the facsimile signature of its Secretary or any of its Assistant Secretaries (which may be printed, engraved or otherwise reproduced thereon, by facsimile or otherwise). Only such Notes as shall bear thereon a certificate of authentication substantially in the form set forth on the form of Note attached as Exhibit A hereto, manually executed by the Trustee (or an authenticating agent appointed by the Trustee as provided by Section 16.11), shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee (or such an authenticating agent) upon any Note executed by the Company shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Indenture.

In case any officer of the Company who shall have signed any of the Notes shall cease to be such officer before the Notes so signed shall have been authenticated and delivered by the Trustee, or disposed of by the Company, such Notes nevertheless may be authenticated and delivered or disposed of as though the person who signed such Notes had not ceased to be such officer of the Company; and any Note may be signed on behalf of the Company by such persons as, at the actual date of the execution of such Note, shall be the proper officers of the Company, although at the date of the execution of this Indenture any such person was not such an officer.

Section 2.5 Exchange and Registration of Transfer of Notes: Restrictions on Transfer: Depositary.

(a) The Company shall cause to be kept at the Corporate Trust Office a register (the register maintained in such office and in any other office or agency of the Company designated pursuant to Section 5.2 being herein sometimes collectively referred to as the "Note register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. The Note register shall be in written form or in any form capable of being converted into written form within a reasonably prompt period of time. The Trustee is hereby appointed "Note registrar" for the purpose of registering Notes and transfers of Notes as herein provided. The Company may appoint one or more co-registrars in accordance with Section 5.2.

Upon surrender for registration of transfer of any Note to the Note registrar or any co-registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.5, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new

Notes of any authorized denominations and of a like aggregate principal amount and bearing such restrictive legends as may be required by this Indenture.

Notes may be exchanged for other Notes of any authorized denominations and of a like aggregate principal amount, upon surrender of the Notes to be exchanged at any such office or agency maintained by the Company pursuant to Section 5.2. Whenever any Notes are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Notes which the Noteholder making the exchange is entitled to receive bearing registration numbers not contemporaneously outstanding.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

All Notes presented or surrendered for registration of transfer or for exchange, redemption or conversion shall (if so required by the Company or the Note registrar) be duly endorsed, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company, and the Notes shall be duly executed by the Noteholder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax, assessment or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Notes.

Neither the Company nor the Trustee nor any Note registrar or any Company-registrar shall be required to exchange or register a transfer of (a) any Notes for a period of fifteen (15) days next preceding any selection of Notes to be redeemed or (b) any Notes or portions thereof called for redemption pursuant to Article III or (c) any Notes or portion thereof surrendered for conversion pursuant to Article XV.

(b) So long as the Notes are eligible for book-entry settlement with the Depositary, unless otherwise required by law, all Notes to be traded on the PORTAL Market or to a Person who is not a U.S. Person (as defined in Regulation S) who is acquiring the Note in an offshore transaction (a "Non-U.S. Person") in accordance with Regulation S shall be represented by a Note in global form registered in the name of the Depositary or the nominee of the Depositary. The transfer and exchange of beneficial interests in such Note in global form, which does not involve the issuance of a Note in certificated form, shall be effected through the

Depositary, in accordance with this Indenture (including the restrictions on transfer set forth herein) and the procedures of the Depositary therefor.

At any time at the request of the beneficial holder of an interest in a Note in global form to obtain a Note in certificated form, such beneficial holder shall be entitled to obtain a Note in certificated form upon written request to the Trustee and the Custodian in accordance with the standing instructions and procedures existing between the Custodian and Depositary for the issuance thereof. Upon receipt of any such request, the Trustee, or the Custodian at the direction of the Trustee, will cause, in accordance with the standing instructions and procedures existing between the Depositary and the Custodian, the aggregate principal amount of the Note in global form to be reduced by the principal amount of the Note in certificated form issued upon such request to such beneficial holder and, following such reduction, the Company will execute and the Trustee will authenticate and deliver to such beneficial holder (or its nominee) a Note or Notes in certificated form in the appropriate aggregate principal amount in the name of such beneficial holder (or its nominee) and bearing such restrictive legends as may be required by this Indenture.

Any transfer of a beneficial interest in a Note in global form which cannot be effected through book-entry settlement must be effected by the delivery to the transferee (or its nominee) of a Note or Notes in certificated form registered in the name of the transferee (or its nominee) on the books maintained by the Note registrar in accordance with the transfer restrictions set forth herein. With respect to any such transfer, the Trustee, or the Custodian at the direction of the Trustee, will cause, in accordance with the standing instructions and procedures existing between the Depositary and the Custodian, the aggregate principal amount of the Note in global form to be reduced by the principal amount of the beneficial interest in the Note in global form being transferred and, following such reduction, the Company will execute and the Trustee will authenticate and deliver to the transferee (or such transferee's nominee, as the case may be), a Note or Notes in certificated form in the appropriate aggregate principal amount in the name of such transferee (or its nominee) and bearing such restrictive legends as may be required by this Indenture.

(c) So long as the Notes are eligible for book-entry settlement, or unless otherwise required by law, upon any transfer of a Note in certificated form to a QIB in accordance with Rule 144A or a Non-U.S. Person in accordance with Regulation S, and upon receipt of the Note or Notes in certificated form being so transferred, together with a certification from the transferor that the transferee is a QIB or a Non-U.S. Person (or other evidence satisfactory to the Trustee), the Trustee shall make, or direct the Custodian to make, an endorsement on the Note in global form to reflect an increase in the aggregate principal amount of the Notes represented by

the Note in global form, and the Trustee shall cancel such Note or Notes in certificated form and cause, or direct the Custodian to cause, in accordance with the standing instructions and procedures existing between the Depositary and the Custodian, the aggregate principal amount of Notes represented by the Note in global form to be increased accordingly; provided that no Note in certificated form, or portion thereof, in respect of which the Company or an Affiliate of the Company held any beneficial interest shall be included in such Note in global form until such Note in certificated form is freely tradable in accordance with Rule 144(k); provided further that the Trustee shall issue Notes in certificated form upon any transfer of a beneficial interest in the Note in global form to the Company or an Affiliate of the Company.

Any Note in global form may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Indenture as may be required by the Custodian, the Depositary or by the National Association of Securities Dealers, Inc. in order for the Notes to be tradeable on the PORTAL Market or as may be required for the Notes to be tradeable on any other market developed for trading of securities pursuant to Rule 144A or Regulation S under the Securities Act or required to comply with any applicable law or any regulation thereunder or with the rules and regulations of any securities exchange or automated quotation system upon which the Notes may be listed or traded or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Notes are subject.

(d) Every Note that bears or is required under this Section 2.5(d) to bear the legend set forth in this Section 2.5(d) (together with any Common Stock issued upon conversion of the Notes and required to bear the legend set forth in Section 2.5(e), collectively, the "Restricted Securities") shall be subject to the restrictions on transfer set forth in this Section 2.5(d) (including those set forth in the legend set forth below) unless such restrictions on transfer shall be waived by written consent of the Company, and the holder of each such Restricted Note, by such Noteholder's acceptance thereof, agrees to be bound by all such restrictions on transfer. As used in Sections 2.5(d) and 2.5(e), the term "transfer" encompasses any sale, pledge, transfer or other disposition whatsoever of any Restricted Security.

Until three (3) years after the original issuance date of any Note, any certificate evidencing such Note (and all securities issued in exchange therefor or substitution thereof, other than Common Stock, if any, issued upon conversion thereof, which shall bear the legend set forth in Section 2.5(e), if applicable) shall bear a legend in substantially the following form, unless otherwise agreed by the Company in writing, with written notice thereof to the Trustee:

THE NOTE EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER: (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) ("INSTITUTIONAL ACCREDITED INVESTOR") OR (C) IT IS NOT A U.S. PERSON AND IS ACQUIRING THE NOTE EVIDENCED HEREBY IN AN OFFSHORE TRANSACTION; (2) AGREES THAT IT WILL NOT WITHIN THREE YEARS AFTER THE ORIGINAL ISSUANCE OF THE NOTE EVIDENCED HEREBY RESELL OR OTHERWISE TRANSFER THE NOTE EVIDENCED HEREBY OR THE COMMON STOCK

ISSUABLE UPON CONVERSION OF SUCH NOTE EXCEPT (A) TO QUANTUM CORPORATION OR ANY SUBSIDIARY THEREOF, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) INSIDE THE UNITED STATES TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO LASALLE NATIONAL BANK, AS TRUSTEE (OR A SUCCESSOR TRUSTEE, AS APPLICABLE), A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE COMPANY), (D) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, OR (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THE NOTE EVIDENCED HEREBY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THE NOTE EVIDENCED HEREBY WITHIN THREE YEARS AFTER THE ORIGINAL ISSUANCE OF SUCH NOTE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO LASALLE NATIONAL BANK, AS TRUSTEE (OR A SUCCESSOR TRUSTEE, AS APPLICABLE). IF THE PROPOSED TRANSFEREE IS AN INSTITUTIONAL ACCREDITED INVESTOR OR A PURCHASER WHO IS NOT A U.S. PERSON, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO LASALLE NATIONAL BANK, AS

TRUSTEE (OR A SUCCESSOR TRUSTEE, AS APPLICABLE), SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS IT MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND WILL BE REMOVED UPON ANY TRANSFER OF THE NOTE EVIDENCED HEREBY AFTER THE EXPIRATION OF THREE YEARS FROM THE ORIGINAL ISSUANCE OF THE NOTE EVIDENCED HEREBY. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

Any Note (or security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms or as to the conditions for removal of the foregoing legend set forth therein have been satisfied may, upon surrender of such Note for exchange to the Note registrar in accordance with the provisions of this Section 2.5, be exchanged for a new Note or Notes, of like tenor and aggregate principal amount, which shall not bear the restrictive legend required by this Section 2.5(d).

Notwithstanding any other provisions of this Indenture (other than the provisions set forth in the second paragraph of Section 2.5(b) and in this Section 2.5(d)), a Note in global form may not be transferred as a whole or in part except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

The Depositary shall be a clearing agency registered under the Exchange Act. The Company initially appoints The Depository Trust Company to act as Depositary with respect to the Notes in global form. Initially, the global Note shall be issued to the Depositary, registered in the name of Cede & Co., as the nominee of the Depositary, and deposited with the Custodian for Cede & Co.

If at any time the Depositary for the Note in global form notifies the Company that it is unwilling or unable to continue as Depositary for the Note, the Company may appoint a successor Depositary with respect to such Note. If a successor Depositary is not appointed by the Company within ninety (90) days after the Company receives such notice, the Company will execute, and the Trustee, upon receipt of an Officers' Certificate for the authentication and delivery of Notes, will authenticate and deliver, Notes in certificated form, in an aggregate principal

amount equal to the principal amount of the Note in global form, in exchange for such Note in global form.

If a Note in certificated form is issued in exchange for any portion of a Note in global form after the close of business at the office or agency where such exchange occurs on any record date and before the opening of business at such office or agency on the next succeeding interest payment date, interest will not be payable on such interest payment date in respect of such Note, but will be payable on such interest payment date only to the person to whom interest in respect of such portion of such Note in global form is payable in accordance with the provisions of this Indenture.

Notes in certificated form issued in exchange for all or a part of a Note in global form pursuant to this Section 2.5 shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. Upon execution and authentication, the Trustee shall deliver such Notes in certificated form to the persons in whose names such Notes in certificated form are so registered.

At such time as all interests in a Note in global form have been redeemed, converted, canceled, exchanged for Notes in certificated form, or transferred to a transferee who receives Notes in certificated form thereof, such Note in global form shall, upon receipt thereof, be canceled by the Trustee in accordance with standing procedures and instructions existing between the Depositary and the Custodian. At any time prior to such cancellation, if any interest in a global Note is exchanged for Notes in certificated form, redeemed, converted, repurchased or canceled, exchanged for Notes in certificated form or transferred to a transferee who receives Notes in certificated form therefor or any Note in certificated form is exchanged or transferred for part of a Note in global form, the principal amount of such Note in global form shall, in accordance with the standing procedures and instructions existing between the Depositary and the Custodian, be appropriately reduced or increased, as the case may be, and an endorsement shall be made on such Note in global form, by the Trustee or the Custodian, at the direction of the Trustee, to reflect such reduction or increase.

(e) Until three (3) years after the original issuance date of any Note, any stock certificate representing Common Stock issued upon conversion of such Note shall bear a legend in substantially the following form, unless such Common Stock has been sold pursuant to a registration statement that has been declared effective under the Securities Act (and which continues to be effective at the time of such transfer) or such Common Stock has been issued upon conversion of Notes that have been transferred pursuant to a registration statement that has been declared

effective under the Securities Act, or unless otherwise agreed by the Company in writing with written notice thereof to the transfer agent:

> THE COMMON STOCK EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. THE HOLDER HEREOF AGREES THAT UNTIL THE EXPIRATION OF THREE YEARS AFTER THE ORIGINAL ISSUANCE OF THE NOTE UPON THE CONVERSION OF WHICH THE COMMON STOCK EVIDENCED HEREBY WAS ISSUED: (1) IT WILL NOT RESELL OR OTHERWISE TRANSFER THE COMMON STOCK EVIDENCED HEREBY EXCEPT (A) TO QUANTUM CORPORATION OR ANY SUBSIDIARY THEREOF, (B) INSIDE THE UNITED STATES TO A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN COMPLIANCE WITH RULE 144A, (C) INSIDE THE UNITED STATES TO AN

INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO HARRIS TRUST COMPANY OF CALIFORNIA, AS TRANSFER AGENT (OR A SUCCESSOR TRANSFER AGENT, AS APPLICABLE), A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE COMMON STOCK EVIDENCED HEREBY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM SUCH TRANSFER AGENT (OR A SUCCESSOR TRANSFER AGENT, AS APPLICABLE)), (D) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (F) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT (AND WHICH CONTINUES TO BE EFFECTIVE AT THE TIME OF SUCH TRANSFER); (2) PRIOR TO SUCH TRANSFER (OTHER THAN A TRANSFER PURSUANT TO CLAUSE 1(F) ABOVE), IT WILL FURNISH HARRIS TRUST COMPANY OF CALIFORNIA, AS TRANSFER AGENT (OR A SUCCESSOR TRANSFER AGENT, AS APPLICABLE), SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS IT MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH

TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (3) IT WILL DELIVER TO EACH PERSON TO WHOM THE COMMON STOCK EVIDENCED HEREBY IS TRANSFERRED (OTHER THAN A TRANSFER PURSUANT TO CLAUSE 1(F) ABOVE) A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THIS LEGEND WILL BE REMOVED UPON THE EARLIER OF THE TRANSFER OF THE COMMON STOCK EVIDENCED HEREBY PURSUANT TO CLAUSE 1(F) ABOVE OR UPON ANY TRANSFER OF THE COMMON STOCK EVIDENCED HEREBY AFTER THE EXPIRATION OF THREE YEARS FROM THE ORIGINAL ISSUANCE OF THE NOTE UPON THE CONVERSION OF WHICH THE COMMON STOCK EVIDENCED HEREBY WAS ISSUED OR UPON THE EARLIER SATISFACTION OF HARRIS TRUST COMPANY OF CALIFORNIA, AS TRANSFER AGENT (OR A SUCCESSOR TRANSFER AGENT, AS APPLICABLE), THAT THE COMMON STOCK HAS BEEN OR IS BEING OFFERED AND SOLD IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT. AS USED HEREIN, THE TERMS "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

Any such Common Stock as to which such restrictions on transfer shall have expired in accordance with their terms or as to which the conditions for removal of the foregoing legend set forth therein have been satisfied may, upon surrender of the certificates representing such shares of Common Stock for exchange in accordance with the procedures of the transfer agent for the Common Stock, be exchanged for a new certificate or certificates for a like number of shares of Common Stock, which shall not bear the restrictive legend required by this Section 2.5(e).

(f) Any certificate evidencing a Note that has been transferred to an Affiliate of the Company within three years after the original issuance date of the Note, as evidenced by a notation on the Assignment Form for such transfer or in the representation letter delivered in respect thereof, shall, until three years after the last date on which the Company or any Affiliate of the Company was an owner of such Note, bear a legend in substantially the following form, unless otherwise agreed by the Company (with written notice thereof to the Trustee):

THE NOTE EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE

UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS

ACQUISITION HEREOF, THE HOLDER AGREES (1) THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE NOTE EVIDENCED HEREBY OR THE COMMON STOCK ISSUABLE UPON CONVERSION OF SUCH NOTE EXCEPT (A) TO QUANTUM CORPORATION OR ANY SUBSIDIARY THEREOF, (B) IN A TRANSACTION REGISTERED UNDER THE SECURITIES ACT OR (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THE NOTE EVIDENCED HEREBY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THIS LEGEND SHALL BE REMOVED UPON THE TRANSFER OF THE NOTE EVIDENCED HEREBY OR THE COMMON STOCK ISSUABLE UPON CONVERSION OF SUCH NOTE PURSUANT TO THE IMMEDIATELY PRECEDING SENTENCE. IF THE PROPOSED TRANSFER IS PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH LASALLE NATIONAL BANK, AS TRUSTEE (OR A SUCCESSOR TRUSTEE, AS APPLICABLE), SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE COMPANY MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. AS USED HEREIN, THE TERMS "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

Any stock certificate representing Common Stock issued upon conversion of such Note shall also bear a legend in substantially the form indicated above, unless otherwise agreed by the Company (with written notice thereof to the Trustee).

(g) Notwithstanding any provision of Section 2.5 to the contrary, in the event Rule 144(k) as promulgated under the Securities Act (or any successor rule) is amended to shorten the three-year period under Rule 144(k) (or the corresponding period under any successor rule), from and after receipt by the Trustee of the Officers' Certificate and Opinion of Counsel provided for in this Section 2.5(g), (i) the references in the first sentence of the second paragraph of Section 2.5(d) to "three (3) years" and in the restrictive legend set forth in such paragraph to "THREE YEARS" shall be deemed for all purposes hereof to be references to such shorter period, (ii) the references in the first paragraph of

Section 2.5(e) to "three (3) years" and in the restrictive legend set forth in such paragraph to "THREE YEARS" shall be deemed for all purposes hereof to be references to such shorter period and (iii) all corresponding references in the Notes and the restrictive legends on the Restricted Securities shall be deemed for all purposes hereof to be references to such shorter period, provided that such changes shall not become effective if they are otherwise prohibited by, or would otherwise cause a violation of, the then-applicable federal securities laws. As soon as practicable after the Company has knowledge of the effectiveness of any such amendment to shorten the three-year period under Rule 144(k) (or the corresponding period under any successor rule), unless such changes would otherwise be prohibited by, or would otherwise cause a violation of, the then-applicable securities laws, the Company shall provide to the Trustee an Officers' Certificate and Opinion of Counsel informing the Trustee of the effectiveness of such amendment and the effectiveness of the foregoing changes to Sections 2.5(d) and 2.5(e) and the restrictive legends on the Restricted Securities. This Section 2.5(g) shall apply to successive amendments to Rule 144(k) (or any successor rule) shortening the holding period thereunder.

Section 2.6 Mutilated, Destroyed, Lost or Stolen Notes. In case any Note shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon its request the Trustee or an authenticating agent appointed by the Trustee shall authenticate and deliver, a new Note, bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. In every case the applicant for a substituted Note shall furnish to the Company, to the Trustee and, if appli cable, to such authenticating agent such security or indemnity as may be required by them to save each of them harmless for any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company, to the Trustee and, if

applicable, to such authenticating agent evidence to their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

The Trustee or such authenticating agent may authenticate any such substituted Note and deliver the same upon the receipt of such security or indemnity as the Trustee, the Company and, if applicable, such authenticating agent may require. Upon the issuance of any substituted Note, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. In case any Note which has matured or is about to mature or has been called for redemption or is about to be converted into Common Stock shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substitute Note, pay or authorize the payment of or convert or authorize the conversion of the same (without surrender thereof except in the case of a mutilated Note), as the case may be, if the applicant for such payment or conversion shall

furnish to the Company, to the Trustee and, if applicable, to such authenticating agent such security or indemnity as may be required by them to save each of them harmless for any loss, liability, cost or expense caused by or connected with such substitution, and, in case of destruction, loss or theft, evidence satisfactory to the Company, the Trustee and, if applicable, any paying agent or conversion agent of the destruction, loss or theft of such Note and of the ownership thereof.

Every substitute Note issued pursuant to the provisions of this Section 2.6 by virtue of the fact that any Note is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Note shall be found at any time, and shall be entitled to all the benefits of (but shall be subject to all the limitations set forth in) this Indenture equally and proportionately with any and all other Notes duly issued hereunder. To the extent permitted by law, all Notes shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment or conversion of mutilated, destroyed, lost or stolen Notes and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment or conversion of negotiable instruments or other securities without their surrender.

Section 2.7 Temporary Notes. Pending the preparation of Note in certificated forms, the Company may execute and the Trustee or an authenticating agent appointed by the Trustee shall, upon the written request of the Company, authenticate and deliver temporary Notes (printed or lithographed). Temporary Notes shall be issuable in any authorized denomination, and substantially in the form of the Notes in certificated form, but with such omissions, insertions and variations as may be appropriate for temporary Notes, all as may be determined by the Company. Every such temporary Note shall be executed by the Company and authenticated by the Trustee or such authenticating agent upon the same conditions and in substantially the same manner, and with the same effect, as the Notes in certificated form. Without unreasonable delay the Company will execute and deliver to the Trustee or such authenticating agent Notes in certificated form (other than in the case of Notes in global form) and thereupon any or all temporary Notes (other than any such Note in global form) may be surrendered in exchange therefor, at each office or agency maintained by the Company pursuant to Section 5.2 and the Trustee or such authenticating agent shall authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of Notes in certificated form. Such exchange shall be made by the Company at its own expense and without any charge therefor. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits and subject to the same limitations under this Indenture as Notes in certificated form authenticated and delivered hereunder.

Section 2.8 Cancellation of Notes Paid, Etc. All Notes surrendered for the purpose of payment, redemption, conversion, exchange or registration of transfer, shall, if

surrendered to the Company or any paying agent or any Note registrar or any conversion agent, be surrendered to the Trustee and promptly canceled by it, or, if surrendered to the Trustee, shall be promptly canceled by it, and no Notes shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall destroy canceled Notes (unless the Company directs it to do otherwise) and, after such destruction, shall, if requested by the Company, deliver a certificate of such destruction to the Company. If the Company shall acquire any of the Notes, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Notes unless and until the same are delivered to the Trustee for cancellation.

ARTICLE III

REDEMPTION OF NOTES

Section 3.1 Redemption Prices. The Company may not redeem the Notes prior to March 3, 1998. At any time on or after March 3, 1998, the Company may, at its option, redeem all or from time to time any part of the Notes on any date prior to maturity, upon notice as set forth in Section 3.2, and at the optional redemption prices set forth in the form of Note attached as Exhibit A hereto, together with accrued interest to, but excluding, the date fixed for redemption, except that prior to March 3, 2000 the Notes will not be redeemable at the option of the Company unless the Closing Price of the Common Stock shall have exceeded the product of the Conversion Price then in effect times 125% (rounded to the nearest cent) for 20 Trading Days within a period of 30 consecutive Trading Days ending within five Trading Days prior to the notice of redemption.

Section 3.2 Notice of Redemption: Selection of Notes. In case the Company shall desire to exercise the right to redeem all or, as the case may be, any part of the Notes pursuant to Section 3.1, it shall fix a date for redemption and it or, at its request, the Trustee in the name of and at the expense of the Company, shall mail or cause to be mailed a notice of such redemption at least 15 and not more than 60 days prior to the date fixed for redemption to the holders of Notes so to be redeemed as a whole or in part at their last addresses as the same appear on the Note register (provided that if the Company shall give such notice, it shall also give written notice, and written notice of the Notes to be redeemed, to the Trustee). Such mailing shall be by first class mail. The notice if mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the holder of any Note designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Note.

Each such notice of redemption shall specify the aggregate principal amount of Notes to be redeemed, the date fixed for redemption, the redemption price at which Notes are to be redeemed, the place or places of payment, that payment will be made upon presentation and surrender of such Notes, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon or on the portion thereof to be redeemed will cease to accrue. Such notice shall also state the current Conversion Price and the date on which the right to convert such Notes or portions thereof into Common Stock will expire. If fewer than all the Notes are to be redeemed, the notice of redemption shall identify the Notes to be redeemed. In case any Note is to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the date fixed for redemption, upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion thereof will be issued.

On or prior to the redemption date specified in the notice of redemption given as provided in this Section 3.2, the Company will deposit with the Trustee or with one or more paying agents (or, if the Company is acting as its own paying agent, set aside, segregate and hold in trust as provided in Section 5.4) an amount of money sufficient to redeem on the redemption date all the Notes (or portions thereof) so called for redemption (other than those theretofore surrendered for conversion into Common Stock) at the appropriate redemption price, together with accrued interest to, but excluding, the date fixed for redemption; provided that if such payment is made on the redemption date it must be received by the Trustee or paying agent, as the case may be, by 10:00 a.m. New York City time, on such date. If any Note called for redemption is converted pursuant hereto, any money deposited with the Trustee or any paying agent or so segregated and held in trust for the redemption of such Note shall

be paid to the Company upon its written request, or, if then held by the Company shall be discharged from such trust. If fewer than all the Notes are to be redeemed, the Company will give the Trustee written notice in the form of an Officers' Certificate not fewer than forty-five (45) days (or such shorter period of time as may be acceptable to the Trustee) prior to the redemption date as to the aggregate principal amount of Notes to be redeemed.

If fewer than all the Notes are to be redeemed, the Trustee shall select the Notes or portions thereof to be redeemed (in principal amounts of $1,000 or integral multiples thereof), by lot or, in its discretion, on a pro rata basis. If any Note selected for partial redemption is converted in part after such selection, the converted portion of such Note shall be deemed (so far as may be) to be the portion to be selected for redemption. The Notes (or portions thereof) so selected shall be deemed duly selected for redemption for all purposes hereof, notwithstanding that any such Note is converted as a whole or in part before the mailing of the notice of redemption.

Upon any redemption of less than all Notes, the Company and the Trustee may (but need not) treat as outstanding any Notes surrendered for conversion during the

period of fifteen (15) days next preceding the mailing of a notice of redemption and may (but need not) treat as outstanding any Note authenticated and delivered during such period in exchange for the unconverted portion of any Note converted in part during such period.

Section 3.3 Payment of Notes Called for Redemption. If notice of redemption has been given as above provided, the Notes or portion of Notes with respect to which such notice has been given shall, unless converted into Common Stock pursuant to the terms hereof, become due and payable on the (but excluding) date and at the place or places stated in such notice at the applicable redemption price, together with interest accrued to (but excluding) the date fixed for redemption, and on and after said date (unless the Company shall default in the payment of such Notes at the redemption price, together with interest accrued to said date) interest on the Notes or portion of Notes so called for redemption shall cease to accrue and such Notes shall cease after the close of business on the Business Day next preceding the date fixed for redemption to be convertible into Common Stock and, except as provided in Sections 8.5 and 13.4, to be entitled to any benefit or security under this Indenture, and the holders thereof shall have no right in respect of such Notes except the right to receive the redemption price thereof and unpaid interest to (but excluding) the date fixed for redemption. On presentation and surrender of such Notes at a place of payment in said notice specified, the said Notes or the specified portions thereof shall be paid and redeemed by the Company at the appli cable redemption price, together with interest accrued thereon to (but excluding) the date fixed for redemption; provided that, if the applicable redemption date is an interest payment date, the semi-annual payment of interest becoming due on such date shall be payable to the holders of such Notes registered as such on the relevant record date instead of the holders surrendering such Notes for redemption on such date.

Upon presentation of any Note redeemed in part only, the Company shall execute and the Trustee shall authenticate and deliver to the holder thereof, at the expense of the Company, a new Note or Notes, of authorized denominations, in principal amount equal to the unredeemed portion of the Notes so presented.

Notwithstanding the foregoing, the Trustee shall not redeem any Notes or mail any notice of optional redemption during the continuance of a default in payment of interest or premium on the Notes or of any Event of Default of which, in the case of any Event of Default other than under Sections 7.1(a) or 7.1(b), a Responsible Officer of the Trustee has knowledge. If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal and premium, if any, shall, until paid or duly provided for, bear interest from the date fixed for redemption at the rate borne by the Note and such Note shall remain convertible into Common Stock until the principal and premium, if any, shall have been paid or duly provided for.

Section 3.4 Conversion Arrangement on Call for Redemption. In connection with any redemption of Notes, the Company may arrange for the purchase and conversion of any Notes by an agreement with one or more investment bankers or other purchasers to purchase such Notes by paying to the Trustee in trust for the Noteholders, on or before the date fixed for redemption, an amount not less than the applicable redemption price, together with interest accrued to (but excluding) the date fixed for redemption, of such Notes. Notwithstanding anything to the contrary contained in this Article III, the obligation of the Company to pay the redemption price of such Notes, together with interest accrued to (but excluding) the date fixed for redemption, shall be deemed to be satisfied and discharged to the extent such amount is so paid by such purchasers. If such an agreement is entered into, a copy of which will be filed with the Trustee prior to the date fixed for redemption, any Notes not duly surrendered for conversion by the holders thereof may, at the option of the Company, be deemed, to the fullest extent permitted by law, acquired by such purchasers from such holders and (notwithstanding anything to the contrary contained in Article XV) surrendered by such purchasers for conversion, all as of immediately prior to the close of business on the date fixed for redemption (and the right to convert any such Notes shall be extended through such time), subject to payment of the above amount as aforesaid. At the direction of the Company, the Trustee shall hold and dispose of any such amount paid to it in the same manner as it would monies deposited with it by the Company for the redemption of Notes. Without the Trustee's prior written consent, no arrangement between the Company and such purchasers for the purchase and conversion of any Notes shall increase or otherwise affect any of the powers, duties, responsibilities or obligations of the Trustee as set forth in this Indenture, and the Company agrees to indemnify the Trustee from, and hold it harmless against, any loss, liability or expense arising out of or in connection with any such arrangement for the purchase and conversion of any Notes between the Company and such purchasers to which the Trustee has not consented in writing, including the costs and expenses, including reasonable legal fees, incurred by the Trustee in the defense of any claim or liability arising out of or in connection with the exercise or performance of any of its powers, duties, responsibilities or obligations under this Indenture.

Section 3.5 Redemption at Option of Holders.

(a) If there shall occur a Fundamental Change, then each Noteholder shall have the right, at such holder's option, to require the Company to redeem all of such holder's Notes, or any portion thereof that is an integral multiple of $1,000 principal amount, on the date (the "Repurchase Date") that is 30 days after the date of the Company Notice (as defined in Section 3.5(b) below) of such Fundamental Change (or, if such 30th day is not a Business Day, the next succeeding Business Day). Such repayment shall be made at the following prices (expressed as percentages of the principal amount) in the event of a Fundamental Change occurring during the 12-month period beginning November 1:

<TABLE>
<CAPTION>

Year	Percentage	Year	Percentage
<S>	<C>	<C>	<C>
1996	105.000%	2000	102.143%
1997	104.286	2001	101.429
1998	103.571	2002	100.714
1999	102.857		

</TABLE>

and 100% at March 1, 2003; provided that if the Applicable Price with respect to the Fundamental Change is less than the Reference Market Price, the Company shall redeem such Notes at a price equal to the foregoing redemption price multiplied by the fraction obtained by dividing the Applicable Price by the Reference Market Price; provided that if such repayment date is March 1 or September 1, then the interest payable on such date shall be paid to the holder of record of the Note on the next preceding February 15 or August 15. In each case, the Company shall also pay to such holders accrued interest to, but

excluding, the Repurchase Date on the redeemed Notes.

Upon presentation of any Note redeemed in part only, the Company shall execute and the Trustee shall authenticate and deliver to the holder thereof, at the expense of the Company, a new Note or Notes, of authorized denominations, in principal amount equal to the unredeemed portion of the Notes so presented.

(b) On or before the tenth day after the occurrence of a Fundamental Change, the Company, or, at its request (which must be received by the Trustee at least five Business Days prior to the date the Trustee is requested to give notice as described below), the Trustee in the name of and at the expense of the Company, shall mail or cause to be mailed to all holders of record on the date of the Fundamental Change a notice (the "Company Notice") of the occurrence of such Fundamental Change and of the redemption right at the option of the holders arising as a result thereof. Such notice shall be mailed in the manner and with the effect set forth in the first paragraph of Section 3.2. The Company shall also deliver a copy of the Company Notice to the Trustee at such time as it is mailed to Noteholders.

Each Company Notice shall specify the circumstances constituting the Fundamental Change, the Repurchase Date, the price at which the Company shall be obligated to redeem Notes, the latest time on the Repurchase Date by which the holder must exercise the redemption right (the "Fundamental Change Expiration Time"), that the holder shall have the right to withdraw any Notes surrendered prior to the Fundamental Change Expiration Time, a description of the procedure which a Noteholder must follow to exercise such redemption right and to withdraw any surrendered Notes, the place or places where the holder is to surrender such

holder's Notes, and the amount of interest accrued on each Note to the Repurchase Date.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Noteholders' redemption rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 3.5.

(c) For a Note to be so repaid at the option of the holder, the Company must receive at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York or, at the option of such holder, the Corporate Trust Office, such Note with the form entitled "Option to Elect Repayment Upon A Fundamental Change" on the reverse thereof duly completed, together with such Notes duly endorsed for transfer, on or before the Fundamental Change Expiration Time. All questions as to the validity, eligibility (including time of receipt) and acceptance of any Note for repayment shall be determined by the Company, whose determination shall be final and binding absent manifest error.

(d) On or prior to the Repurchase Date, the Company will deposit with the Trustee or with one or more paying agents (or, if the Company is acting as its own paying agent, set aside, segregate and hold in trust as provided in Section 5.4) an amount of money sufficient to repay on the Repurchase Date all the Notes to be repaid on such date at the appropriate redemption price, together with accrued interest to (but excluding) the Repurchase Date; provided that if such payment is made on the Repurchase Date it must be received by the Trustee or paying agent, as the case may be, by 10:00 a.m. New York City time, on such date. Payment for Notes surrendered for redemption (and not withdrawn) prior to the Fundamental Change Expiration Time will be made promptly (but in no event more than three Business Days) following the Repurchase Date by mailing checks for the amount payable to the holders of such Notes entitled thereto as they shall appear on the registry books of the Company.

(e) In the case of consolidation, merger, conveyance, transfer or lease to which Section 15.6 applies, in which the Common Stock of the Company is changed or exchanged as a result into the right to receive securities, cash or other property which includes shares of Common Stock of the Company or another person that are, or upon issuance will be, traded on a United States national securities exchange or approved for trading on an established automated

over-the-counter trading market in the United States and such shares constitute at the time such change or exchange becomes effective in excess of 50% of the aggregate fair market value of such securities, cash and other property (as determined by the Company, which determination shall be conclusive and binding), then the person formed by such consolidation or resulting from such merger or which acquires such assets, as the case may be, shall execute and deliver to the Trustee a supplemental

indenture (which shall comply with the Trust Indenture Act as in force at the date of execution of such supplemental indenture) modifying the provisions of this Indenture relating to the right of holders of the Notes to cause the Company to repurchase the Notes following a Fundamental Change, including without limitation the applicable provisions of this Section 3.5 and the definitions of the Applicable Price, Common Stock, Fundamental Change and Reference Market Price, as appropriate, as determined in good faith by the Company (which determination shall be conclusive and binding), to make such provisions apply to the common stock and the issuer thereof if different from the Company and Common Stock of the Company (in lieu of the Company and the Common Stock of the Company).

ARTICLE IV

SUBORDINATION OF NOTES

Section 4.1 Agreement of Subordination. The Company covenants and agrees, and each holder of Notes issued hereunder by his acceptance thereof likewise covenants and agrees, that all Notes shall be issued subject to the provisions of this Article IV; and each Person holding any Note, whether upon original issue or upon transfer, assignment or exchange thereof, accepts and agrees to be bound by such provisions.

The payment of the principal of, premium, if any, and interest on all Notes (including, but not limited to, the redemption price with respect to the Notes called for redemption in accordance with Section 3.2 or submitted for redemption in accordance with Section 3.5, as the case may be, as provided in the Indenture) issued hereunder shall, to the extent and in the manner hereinafter set forth, be subordinated and subject in right of payment to the prior payment in full of all Senior Indebtedness, whether outstanding at the date of this Indenture or thereafter incurred.

No provision of this Article IV shall prevent the occurrence of any default or Event of Default hereunder.

Section 4.2 Payments to Noteholders. No payment shall be made with respect to the principal of, or premium, if any, or interest on the Notes (including, but not limited to, the redemption price with respect to the Notes to be called for redemption in accordance with Section 3.2 or submitted for redemption in accordance with Section 3.5, as the case may be, as provided in the Indenture), except payments and distributions made by the Trustee as permitted by the first or second paragraph of Section 4.5, if:

(i) a default in the payment of principal, premium, interest, rent or other obligations due on any Senior Indebtedness occurs and is continuing (or, in the case

of Senior Indebtedness for which there is a period of grace, in the event of such a default that continues beyond the period of grace, if any, specified in the instrument or lease evidencing such Senior Indebtedness), unless and until such default shall have been cured or waived or shall have ceased to exist; or

(ii) a default, other than a payment default, on a Designated Senior Indebtedness occurs and is continuing that then permits holders

of such Designated Senior Indebtedness to accelerate its maturity and the Trustee receives a notice of the default (a "Payment Blockage Notice") from a Representative or the Company.

If the Trustee receives any Payment Blockage Notice pursuant to clause (ii) above, no subsequent Payment Blockage Notice shall be effective for purposes of this Section unless and until (A) at least 365 days shall have elapsed since the initial effectiveness of the immediately prior Payment Blockage Notice, and (B) all scheduled payments of principal, premium, if any, and interest on the Notes that have come due have been paid in full in cash. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice.

The Company may and shall resume payments on and distributions in respect of the Notes upon the earlier of:

(1) the date upon which the default is cured or waived or ceases to exist, or

(2) in the case of a default referred to in clause (ii) above, 179 days pass after notice is received if the maturity of such Designated Senior Indebtedness has not been accelerated, unless this Article IV otherwise prohibits the payment or distribution at the time of such payment or distribution.

Upon any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all amounts due or to become due upon all Senior Indebtedness shall first be paid in full in cash or other payment satisfactory to the holders of such Senior Indebtedness, or payment thereof in accordance with its terms provided for in cash or other payment satisfactory to the holders of such Senior Indebtedness before any payment is made on account of the principal of, premium, if any, or interest on the Notes (except payments made pursuant to Article XIII from monies deposited with the Trustee pursuant thereto prior to commencement of proceedings for such dissolution, winding-up, liquidation or reorganization); and upon any such dissolution or winding-up or liquidation or

reorganization of the Company or bankruptcy, insolvency, receivership or other proceeding, any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the holders of the Notes or the Trustee would be entitled, except for the provision of this Article IV, shall (except as aforesaid) be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the holders of the Notes or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior Indebtedness (pro rata to such holders on the basis of the respective amounts of Senior Indebtedness held by such holders, or as otherwise required by law or a court order) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Senior Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay all Senior Indebtedness in full, in cash or other payment satisfactory to the holders of such Senior Indebtedness, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness, before any payment or distribution is made to the holders of the Notes or to the Trustee.

For purposes of this Article IV, the words, "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article IV with respect to the Notes to the payment of all Senior Indebtedness which may at the time be outstanding; provided that (i) the Senior Indebtedness is assumed by the new corporation, if any, resulting from any reorganization or readjustment, and (ii) the rights of the holders of Senior Indebtedness (other than leases which are not assumed by the Company or the new corporation, as the case may be) are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article XII shall not be deemed a dissolution,

winding-up, liquidation or reorganization for the purposes of this Section 4.2 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article XII.

In the event of the acceleration of the Notes because of an Event of Default, no payment or distribution shall be made to the Trustee or any holder of Notes in respect of the principal of, premium, if any, or interest on the Notes (including, but not limited to, the redemption price with respect to the Notes called for redemption in accordance with Section 3.2 or submitted for redemption in accordance with Section 3.5, as the case may be, as provided in the Indenture), except payments and distributions made by the Trustee as permitted by the first or second paragraph of Section 4.5, until all Senior Indebtedness has been paid in full in cash or other payment satisfactory to the holders of Senior

Indebtedness or such acceleration is rescinded in accordance with the terms of this Indenture. If payment of the Notes is accelerated because of an Event of Default, the Company shall promptly notify holders of Senior Indebtedness of the acceleration.

In the event that, notwithstanding the foregoing provisions, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (including, without limitation, by way of setoff or otherwise), prohibited by the foregoing, shall be received by the Trustee or the holders of the Notes before all Senior Indebtedness is paid in full in cash or other payment satisfactory to the holders of such Senior Indebtedness, or provision is made for such payment thereof in accordance with its terms in cash or other payment satisfactory to the holders of such Senior Indebtedness, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Senior Indebtedness may have been issued, as their respective interests may appear, as calculated by the Company, for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all Senior Indebtedness in full in cash or other payment satisfactory to the holders of such Senior Indebtedness, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness.

Nothing in this Section 4.2 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 8.6. This Section 4.2 shall be subject to the further provisions of Section 4.5.

Section 4.3 Subrogation of Notes. Subject to the payment in full of all Senior Indebtedness, the rights of the holders of the Notes shall be subrogated to the extent of the payments or distributions made to the holders of such Senior Indebtedness pursuant to the provisions of this Article IV (equally and ratably with the holders of all indebtedness of the Company which by its express terms is subordinated to other indebtedness of the Company to substantially the same extent as the Notes are subordinated and is entitled to like rights of subrogation) to the rights of the holders of Senior Indebtedness to receive payments or distributions of cash, property or securities of the Company applicable to the Senior Indebtedness until the principal, premium, if any, and interest on the Notes shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of the Senior Indebtedness of any cash, property or securities to which the holders of the Notes or the Trustee would be entitled except for the provisions of this Article IV, and no payment over pursuant to the provisions of this Article IV, to or for the benefit of the holders of Senior Indebtedness by holders of the Notes or the Trustee, shall, as between the Company, its creditors other than holders of Senior Indebtedness, and the holders of the Notes, be deemed to be a payment by the Company to or on account of the Senior Indebtedness; and no payments or distributions of cash, property or securities to or for the benefit of the holders of the Notes pursuant to the subrogation provisions of this

Article IV, which would otherwise have been paid to the holders of Senior Indebtedness shall be deemed to be a payment by the Company to or for the

account of the Notes. It is understood that the provisions of this Article IV are and are intended solely for the purposes of defining the relative rights of the holders of the Notes, on the one hand, and the holders of the Senior Indebtedness, on the other hand.

Nothing contained in this Article IV or elsewhere in this Indenture or in the Notes is intended to or shall impair, as among the Company, its creditors other than the holders of Senior Indebtedness, and the holders of the Notes, the obligation of the Company, which is absolute and unconditional, to pay to the holders of the Notes the principal of (and premium, if any) and interest on the Notes as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the holders of the Notes and creditors of the Company other than the holders of the Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or the holder of any Note from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article IV of the holders of Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Company referred to in this Article IV, the Trustee, subject to the provisions of Section 8.1, and the holders of the Notes shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such bankruptcy, dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, delivered to the Trustee or to the holders of the Notes, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon and all other facts pertinent thereto or to this Article IV.

Section 4.4 Authorization to Effect Subordination. Each holder of a Note by the holder's acceptance thereof authorizes and directs the Trustee on the holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article IV and appoints the Trustee to act as the holder's attorney-in-fact for any and all such purposes. If the Trustee does not file a proper proof of claim or proof of debt in the form required in any proceeding referred to in the third paragraph of Section 7.2 hereof at least 30 days before the expiration of the time to file such claim, the holders of any Senior Indebtedness or their representatives are hereby authorized to file an appropriate claim for and on behalf of the holders of the Notes.

Section 4.5 Notice to Trustee. The Company shall give prompt written notice in the form of an Officers' Certificate to a Responsible Officer of the Trustee and to any paying agent of any fact known to the Company which would prohibit the making of any

payment of monies to or by the Trustee or any paying agent in respect of the Notes pursuant to the provisions of this Article IV. Notwithstanding the provisions of this Article IV or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of monies to or by the Trustee in respect of the Notes pursuant to the provisions of this Article IV, unless and until a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office from the Company (in the form of an Officers' Certificate) or a Representative or a holder or holders of Senior Indebtedness or from any trustee thereof; and before the receipt of any such written notice, the Trustee, subject to the provisions of Section 8.1, shall be entitled in all respects to assume that no such facts exist; provided that if on a date not fewer than one Business Day prior to the date upon which by the terms hereof any such monies may become payable for any purpose (including, without limitation, the payment of the principal of, or premium, if any, or interest on any Note) the Trustee shall not have received, with respect to such monies, the notice provided for in this Section 4.5, then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such monies and to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such prior date.

Notwithstanding anything in this Article IV to the contrary, nothing shall prevent any payment by the Trustee to the Noteholders of monies deposited with it pursuant to Section 13.1, and any such payment shall not be subject to the provisions of Section 4.1 or 4.2.

The Trustee, subject to the provisions of Section 8.1, shall be entitled to rely on the delivery to it of a written notice by a Representative or a person representing himself to be a holder of Senior Indebtedness (or a trustee on behalf of such holder) to establish that such notice has been given by a Representative or a holder of Senior Indebtedness or a trustee on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article IV, the Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such person, the extent to which such person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such person under this Article IV, and if such evidence is not furnished the Trustee may defer any payment to such person pending judicial determination as to the right of such person to receive such payment.

Section 4.6 Trustee's Relation to Senior Indebtedness. The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article IV in respect of any Senior Indebtedness at any time held by it, to the same extent as any other holder of

Senior Indebtedness, and nothing in Section 8.13 or elsewhere in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article IV, and no implied covenants or obligations with respect to the holders of Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and, subject to the provisions of Section 8.1, the Trustee shall not be liable to any holder of Senior Indebtedness if it shall pay over or deliver to holders of Notes, the Company or any other person money or assets to which any holder of Senior Indebtedness shall be entitled by virtue of this Article IV or otherwise.

Section 4.7 No Impairment of Subordination. No right of any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

Section 4.8 Certain Conversions Deemed Payment. For the purposes of this Article IV only, (1) the issuance and delivery of junior securities upon conversion of Notes in accordance with Article XV shall not be deemed to constitute a payment or distribution on account of the principal of (or premium, if any) or interest on Notes or on account of the purchase or other acquisition of Notes, and (2) the payment, issuance or delivery of cash (except in satisfaction of fractional shares pursuant to Section 15.2), property or securities (other than junior securities) upon conversion of a Note shall be deemed to constitute payment on account of the principal of such Note. For the purposes of this Section 4.8, the term "junior securities" means (a) shares of any stock of any class of the Company, or (b) securities of the Company which are subordinated in right of payment to all Senior Indebtedness which may be outstanding at the time of issuance or delivery of such securities to substantially the same extent as, or to a greater extent than, the Notes are so subordinated as provided in this Article. Nothing contained in this Article IV or elsewhere in this Indenture or in the Notes is intended to or shall impair, as among the Company, its creditors other than holders of Senior Indebtedness and the Noteholders, the right, which is absolute and unconditional, of the Holder of any Note to convert such Note in accordance with Article XV.

Section 4.9 Article Applicable to Paying Agents. If at any time any paying agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article shall (unless the context otherwise requires) be construed as extending to and including such paying agent within its meaning

as fully for all intents and purposes as if such paying agent were named in this Article in addition to or in place of the Trustee; provided, however, that the first paragraph of Section 4.5 shall not apply to the Company or any Affiliate of the Company if it or such Affiliate acts as paying agent.

Section 4.10 Senior Indebtedness Entitled to Rely. The holders of Senior Indebtedness (including, without limitation, Designated Senior Indebtedness) shall have the right to rely upon this Article IV, and no amendment or modification of the provisions contained herein shall diminish the rights of such holders unless such holders shall have agreed in writing thereto.

ARTICLE V

PARTICULAR COVENANTS OF THE COMPANY

Section 5.1 Payment of Principal, Premium and Interest. The Company covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and premium, if any, and interest on each of the Notes at the places, at the respective times and in the manner provided herein and in the Notes. Each installment of interest on the Notes due on any semi-annual interest payment date may be paid by mailing checks for the interest payable to or upon the written order of the holders of Notes entitled thereto as they shall appear on the Note register; provided, that; with respect to any holder of Notes with an aggregate principal amount equal to or in excess of $5,000,000, at the request of such holder in writing to the Company (who shall then furnish notice to such effect to the Trustee), interest on such holder's Notes shall be paid by wire transfer in immediately available funds in accordance with the wire transfer instructions supplied by such holder to the Trustee and paying agent (if different from the Trustee).

Section 5.2 Maintenance of Office or Agency. The Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where the Notes may be surrendered for registration of transfer or exchange or for presentation for payment or for conversion or redemption and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency not designated or appointed by the Trustee. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office or the office or agency of the Trustee in the Borough of Manhattan, The City of New York.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and

may from time to time rescind such designations; provided that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes. The Company will give prompt written notice to any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby initially designates the Trustee as paying agent, Note registrar, Custodian and conversion agent, and each of the Corporate Trust Office of the Trustee and the office of the Trustee in the Borough of Manhattan, The City of New York (which shall initially be IBJ Schroder Bank & Trust Company, an agent of the Trustee located at One State Street, New York, New York, 10004, Attn: Reorganization Department), one such office or agency of the Company for each of the aforesaid purposes.

So long as the Trustee is the Note registrar, the Trustee agrees to mail, or cause to be mailed, the notices set forth in Section 8.10(a) and the third paragraph of Section 8.11.

Section 5.3 Appointments to Fill Vacancies in Trustee's Office. The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 8.10, a Trustee, so that there shall at all times be a Trustee hereunder.

Section 5.4 Provisions as to Paying Agent.

(a) If the Company shall appoint a paying agent other than the Trustee, or if the Trustee shall appoint such a paying agent, it will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 5.4:

(1) that it will hold all sums held by it as such agent for the payment of the principal of and premium, if any, or interest on the Notes (whether such sums have been paid to it by the Company or by any other obligor on the Notes) in trust for the benefit of the holders of the Notes;

(2) that it will give the Trustee notice of any failure by the Company (or by any other obligor on the Notes) to make any payment of the principal of and premium, if any, or interest on the Notes when the same shall be due and payable; and

(3) that at any time during the continuance of an Event of Default, upon request of the Trustee, it will forthwith pay to the Trustee all sums so held in trust.

The Company shall, on or before each due date of the principal of, premium, if any, or interest on the Notes, deposit with the paying agent a sum sufficient to pay such principal, premium, if any, or interest, and (unless such paying agent is the Trustee) the Company will promptly notify the Trustee of any failure to take such action; provided that if such deposit is made on the due date, such deposit shall be received by the paying agent by 10:00 a.m. New York City time, on such date.

(b) If the Company shall act as its own paying agent, it will, on or before each due date of the principal of, premium, if any, or interest on the Notes, set aside, segregate and hold in trust for the benefit of the holders of the Notes a sum sufficient to pay such principal, premium, if any, or interest so becoming due and will notify the Trustee of any failure to take such action and of any failure by the Company (or any other obligor under the Notes) to make any payment of the principal of, premium, if any, or interest on the Notes when the same shall become due and payable.

(c) Anything in this Section 5.4 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by the Company or any paying agent hereunder as required by this Section 5.4, such sums to be held by the Trustee upon the trusts herein contained and upon such payment by the Company or any paying agent to the Trustee, the Company or such paying agent shall be released from all further liability with respect to such sums.

(d) Anything in this Section 5.4 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 5.4 is subject to Sections 13.3 and 13.4.

Section 5.5 Corporate Existence. Subject to Article XII, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

Section 5.6 Rule 144A Information Requirement. During the period beginning on the latest date of the original issuance of the Notes and ending on the date that is three years from such date, the Company covenants and agrees that it shall, during any period in which it is not subject to Section 13 or 15(d) under the Exchange Act, make available to any holder or beneficial holder of Notes or any Common Stock issued upon conversion thereof which continue to be Restricted Securities in connection with any sale thereof and any prospective purchaser of Notes or such Common Stock from such holder or beneficial holder, the information required pursuant to Rule 144A(d)(4) under the Securities Act upon the request of any holder or beneficial holder of the Notes or such Common Stock and it will take such further action as any holder or beneficial holder of such Notes or such

Common Stock may reasonably request, all to the extent required from time to time to enable such holder or beneficial holder to sell its Notes or Common Stock without registration under the Securities Act within the limitation of the exemption provided by Rule 144A, as such Rule may be amended from time to time. Upon the request of any holder or any beneficial holder of the Notes or such Common Stock, the Company will deliver to such holder a written statement as to whether it has complied with such requirements.

Section 5.7 Stay, Extension and Usury Laws. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

ARTICLE VI

NOTEHOLDERS' LISTS AND REPORTS BY

THE COMPANY AND THE TRUSTEE

Section 6.1 Noteholders' Lists. The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee, semiannually, not more than fifteen (15) days after each February 15 and August 15 in each year beginning with August 15, 1996, and at such other times as the Trustee may request in writing, within thirty (30) days after receipt by the Company of any such request (or such lesser time as the Trustee may reasonably request in order to enable it to timely provide any notice to be provided by it hereunder), a list in such form as the Trustee may reasonably require of the names and addresses of the holders of Notes as of a date not more than fifteen (15) days (or such other date as the Trustee may reasonably request in order to so provide any such notices) prior to the time such information is furnished, except that no such list need be furnished so long as the Trustee is acting as Note registrar.

Section 6.2 Preservation and Disclosure of Lists.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the holders of Notes contained in the most recent list furnished to it as provided in Section 6.1 or

maintained by the Trustee in its capacity as Note registrar, if so acting. The Trustee may destroy any list furnished to it as provided in Section 6.1 upon receipt of a new list so furnished.

(b) The rights of Noteholders to communicate with other holders of Notes with respect to their rights under this Indenture or under the Notes, and the corresponding rights and duties of the Trustee, shall be as provided by the Trust Indenture Act.

(c) Every Noteholder, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of holders of Notes made pursuant to the Trust Indenture Act.

Section 6.3 Reports by Trustee.

(a) Within 60 days after May 15 of each year commencing with the year 1996, the Trustee shall transmit to holders of Notes such reports dated as of May 15 of the year in which such reports are made concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto.

(b) A copy of such report shall, at the time of such transmission to holders of Notes, be filed by the Trustee with each stock exchange and automated quotation system upon which the Notes are listed and with the Company. The Company will notify the Trustee within a reasonable time when the Notes are listed on any stock exchange and automated quotation system.

Section 6.4 Reports by Company. The Company shall file with the Trustee (and the Commission if at any time after the Indenture becomes qualified under the Trust Indenture Act), and transmit to holders of Notes, such information, documents and other reports and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; provided that any such information, documents or reports required to be filed with the Commission pursuant to Section 13 or 15(d) of the Exchange Act shall be filed with the Trustee within 15 days after the same is so required to be filed with the Commission.

ARTICLE VII

REMEDIES OF THE TRUSTEE AND NOTEHOLDERS ON AN EVENT OF DEFAULT

Section 7.1 Events of Default. In case one or more of the following Events of Default (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) shall have occurred and be continuing:

(a) default in the payment of any installment of interest upon any of the Notes as and when the same shall become due and payable, and continuance of such default for a period of thirty (30) days, whether or not such payment is permitted under Article IV hereof; or

(b) default in the payment of the principal of and premium, if any, on any of the Notes as and when the same shall become due and payable either at maturity or in connection with any redemption pursuant to Article III, by acceleration or otherwise, whether or not such payment is permitted under Article IV hereof; or

(c) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company in the Notes or in this Indenture (other than a covenant or agreement a default in whose performance or whose breach is elsewhere in this Section 7.1 specifically dealt with) continued for a period of sixty (60) days after the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Trustee, or to the Company and a Responsible Officer of the Trustee by the holders of at least 25 percent in aggregate principal amount of the Notes at the time outstanding determined in accordance with Section 9.4; or

(d) the Company shall 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 seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due; or

(e) an involuntary case or other proceeding shall be commenced against the Company seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a

period of ninety (90) consecutive days;

then, and in each and every such case (other than an Event of Default specified in Section 7.1(d) or (e)), unless the principal of all of the Notes shall have already become due and payable, either the Trustee or the holders of not less than 25 percent in aggregate principal amount of the Notes then outstanding hereunder determined in accordance with Section 9.4, by notice in writing to the Company (and to the Trustee if given by Noteholders), may declare the principal of all the Notes and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Notes contained to the contrary notwithstanding. If an Event of Default specified in Section 7.1(d) or (e) occurs, the principal of all the Notes and the interest accrued thereon shall be immediately and automatically due and payable without necessity of further action. This provision, however, is subject to the conditions that if, at any time after the principal of the Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all Notes and the principal of and premium, if any, on any and all Notes which shall have become due otherwise than by acceleration (with interest on overdue installments of interest (to the extent that payment of such interest is enforceable under applicable law) and on such principal and premium, if any, at the rate borne by the Notes, to the date of such payment or deposit) and amounts due to the Trustee pursuant to Section 8.6, and if any and all defaults under this Indenture, other than the nonpayment of principal of and premium, if any, and accrued interest on Notes which shall have become due by acceleration, shall have been cured or waived pursuant to Section 7.7 -- then and in every such case the holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Company and to the Trustee, may waive all defaults or Events of Default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or Event of Default, or shall impair any right consequent thereon. The Company shall notify a Responsible Officer of the Trustee, promptly upon becoming aware thereof, of any Event of Default.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such waiver or rescission and annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the holders of Notes, and the

Trustee shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the holders of Notes, and the Trustee shall continue as though no such proceeding had been taken.

Section 7.2 Payments of Notes on Default: Suit Therefor. The Company covenants that (a) in case default shall be made in the payment of any installment of interest upon any of the Notes as and when the same shall become due and payable, and such default shall have continued for a period of thirty (30) days, or (b) in case default shall be made in the payment of the principal of or premium, if any, on any of the Notes as and when the same shall have become due and payable, whether at maturity of the Notes or in connection with any redemption, by or under this Indenture declaration or otherwise -- then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the holders of the Notes, the whole amount that then shall have become due and payable on all such Notes for principal and premium, if any, or interest, or both, as the case may be, with interest upon the overdue principal and premium, if any, and (to the extent that payment of such interest is enforceable under applicable law) upon the overdue installments of interest at the rate borne by the Notes; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any expenses or liabilities incurred by the Trustee hereunder other than through its negligence or bad faith. Until such demand by the Trustee, the Company may pay the principal of and premium, if any, and interest on the Notes to the registered holders, whether or not the Notes are overdue.

In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company or any other obligor on the Notes

and collect in the manner provided by law out of the property of the Company or any other obligor on the Notes wherever situated the monies adjudged or decreed to be payable.

In the case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Notes under Title 11 of the United States Code, or any other applicable law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Company or such other obligor, the property of the Company or such other obligor, or in the case of any other judicial proceedings relative to the Company or such other obligor upon the Notes, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or other wise and irrespective of whether the Trustee shall have made any demand pursuant to the

provisions of this Section 7.2, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of the Notes, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and of the Noteholders allowed in such judicial proceedings relative to the Company or any other obligor on the Notes, its or their creditors, or its or their property, and to collect and receive any monies or other property payable or deliverable on any such claims, and to distribute the same after the deduction of any amounts due the Trustee under Section 8.6; and any receiver, assignee or trustee in bankruptcy or reorganization, liquidator, custodian or similar official is hereby authorized by each of the Noteholders to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Noteholders, to pay to the Trustee any amount due it for reasonable compensation, expenses, advances and disbursements, including counsel fees incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses, advances and disbursements out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, monies, securities and other property which the holders of the Notes may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the holders of the Notes.

In any proceedings brought by the Trustee (and in any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the holders of the Notes, and it shall not be necessary to make any holders of the Notes parties to any such proceedings.

Section 7.3 Application of Monies Collected by Trustee. Any monies collected by the Trustee pursuant to this Article VII shall be applied in the order following, at the date or dates fixed by the Trustee for the distribution of such monies, upon presentation of the several Notes, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: To the payment of all amounts due the Trustee under Section 8.6;

Second: Subject to the provisions of Article IV, in case the principal of the outstanding Notes shall not have become due and be

unpaid, to the payment of interest on the Notes in default in the order of the maturity of the installments of such interest, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest at the rate borne by the Notes, such payments to be made ratably to the persons entitled thereto;

Third: Subject to the provisions of Article IV, in case the principal of the outstanding Notes shall have become due, by declaration or otherwise, and be unpaid to the payment of the whole amount then owing and unpaid upon the Notes for principal and premium, if any, and interest, with interest on the overdue principal and premium, if any, and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest at the rate borne by the Notes; and in case such monies shall be insufficient to pay in full the whole amounts so due and unpaid upon the Notes, then to the payment of such principal and premium, if any, and interest without preference or priority of principal and premium, if any, over interest, or of interest over principal and premium, if any, or of any installment of interest over any other installment of interest, or of any Note over any other Note, ratably to the aggregate of such principal and premium, if any, and accrued and unpaid interest; and

Fourth: Subject to the provisions of Article IV, to the payment of the remainder, if any, to the Company or any other person lawfully entitled thereto.

Section 7.4 Proceedings by Noteholder. No holder of any Note shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture, or for the appointment of a receiver, trustee, liquidator, custodian or other similar official, or for any other remedy hereunder, unless such holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof, as hereinbefore provided, and unless also the holders of not less than 25 percent in aggregate principal amount of the Notes then outstanding shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 7.7; it being understood and intended, and being expressly covenanted by the taker and holder of every Note with every other taker and holder and the Trustee, that no one or more holders of Notes shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other holder of Notes, or to obtain or seek to obtain priority over or preference to any

other such holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all holders of Notes (except as otherwise provided herein). For the protection and enforcement of this Section 7.4, each and every Noteholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provision of this Indenture and any provision of any Note, the right of any holder of any Note to receive payment of the principal of and premium, if any, and interest on such Note, on or after the respective due dates expressed in such Note, or to institute suit for the enforcement of any such payment on or after such respective dates against the Company shall not be impaired or affected without the consent of such holder.

Anything in this Indenture or the Notes to the contrary notwithstanding, the holder of any Note, without the consent of either the Trustee or the holder of any other Note, in his own behalf and for his own benefit, may enforce, and may institute and maintain any proceeding suitable to enforce, his rights of conversion as provided herein.

Section 7.5 Proceedings by Trustee. In case of an Event of Default the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this

Indenture or by law.

Section 7.6 Remedies Cumulative and Continuing. Except as provided in Section 2.6, all powers and remedies given by this Article VII to the Trustee or to the Noteholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the holders of the Notes, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any holder of any of the Notes to exercise any right or power accruing upon any default or Event of Default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or any acquiescence therein; and, subject to the provisions of Section 7.4, every power and remedy given by this Article VII or by law to the Trustee or to the Noteholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Noteholders.

Section 7.7 Direction of Proceedings and Waiver of Defaults by Majority of Noteholders. The holders of a majority in aggregate principal amount of the Notes at the

time outstanding determined in accordance with Section 9.4 shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; provided, however, that (a) such direction shall not be in conflict with any rule of law or with this Indenture, and (b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction. The holders of a majority in aggregate principal amount of the Notes at the time outstanding determined in accordance with Section 9.4 may on behalf of the holders of all of the Notes waive any past default or Event of Default hereunder and its consequences except (i) a default in the payment of interest or premium, if any, on, or the principal of, the Notes, (ii) a failure by the Company to convert any Notes into Common Stock, (iii) a default in the payment of redemption price pursuant to Article III or (iv) a default in respect of a covenant or provisions hereof which under Article XI cannot be modified or amended without the consent of the holders of all Notes then outstanding. Upon any such waiver the Company, the Trustee and the holders of the Notes shall be restored to their former positions and rights hereunder; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon. Whenever any default or Event of Default hereunder shall have been waived as permitted by this Section 7.7, said default or Event of Default shall for all purposes of the Notes and this Indenture be deemed to have been cured and to be not continuing; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 7.8 Notice of Defaults. The Trustee shall, within ninety (90) days after it has knowledge of the occurrence of a default, mail to all Noteholders, as the names and addresses of such holders appear upon the Note register, notice of all defaults known to a Responsible Officer, unless such defaults shall have been cured or waived before the giving of such notice; and provided that, except in the case of default in the payment of the principal of, or premium, if any, or interest on any of the Notes, the Trustee shall be protected in withholding such notice if and so long as a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Noteholders.

Section 7.9 Undertaking to Pay Costs. All parties to this Indenture agree, and each holder of any Note by his acceptance thereof shall be deemed to have agreed, that any court may, in its discretion, require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; provided that the provisions of this Section 7.9 (to the extent permitted by law) shall not apply to any suit instituted by the Trustee, to any suit instituted by any Noteholder, or group of Noteholders, holding in the aggregate more than ten percent in principal amount

of the Notes at the time outstanding determined in accordance with Section 9.4, or to any suit instituted by any Noteholder for the enforcement of the payment of the principal of or premium, if any, or interest on any Note on or after the due date expressed in such Note or to any suit for the enforcement of the right to convert any Note in accordance with the provisions of Article XV.

ARTICLE VIII

CONCERNING THE TRUSTEE

Section 8.1 Duties and Responsibilities of Trustee. The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that

(a) prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred:

(1) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture and the Trust Indenture Act, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture and the Trust Indenture Act against the Trustee; and

(2) in the absence of bad faith and willful misconduct on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but, in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee, unless the Trustee was negligent in ascertaining the pertinent facts;

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in principal amount of the Notes at the time outstanding determined as provided in Section 9.4 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(d) whether or not therein provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of this Section.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 8.2 Reliance on Documents, Opinions. Etc. Except as otherwise

provided in Section 8.1:

(a) the Trustee may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(c) the Trustee may consult with counsel and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of

the Noteholders pursuant to the provisions of this Indenture, unless such Noteholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby;

(e) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; provided, however, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expenses or liability as a condition to so proceeding; the reasonable expenses of every such examination shall be paid by the Company or, if paid by the Trustee or any predecessor Trustee, shall be repaid by the Company upon demand; and

(f) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care hereunder.

Section 8.3 No Responsibility for Recitals, Etc. The recitals contained herein and in the Notes (except in the Trustee's certificate of authentication) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Notes. The Trustee shall not be accountable for the use or application by the Company of any Notes or the proceeds of any Notes authenticated and delivered by the Trustee in conformity with the provisions of this Indenture.

Section 8.4 Trustee, Paying Agents, Conversion Agents or Registrar May Own Notes. The Trustee, any paying agent, any conversion agent or Note registrar, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not Trustee, paying agent, conversion agent or Note registrar.

Section 8.5 Monies to Be Held in Trust. Subject to the provisions of Section 13.4, all monies received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the

extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as may be agreed from time to time by the Company and the Trustee.

Section 8.6 Compensation and Expenses of Trustee. The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it hereunder in any capacity (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances reasonably incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, willful misconduct, recklessness or bad faith. The Company also covenants to indemnify the Trustee in any capacity under this Indenture and its agents and any authenticating agent for, and to hold them harmless against, any loss, liability or expense incurred without negligence, willful misconduct, recklessness, or bad faith on the part of the Trustee or such agent or authenticating agent, as the case may be, and arising out of or in connection with the acceptance or administration of this trust or in any other capacity hereunder, including the costs and expenses of defending themselves against any claim of liability in the premises. The obligations of the Company under this Section 8.6 to compensate or indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall be secured by a lien prior to that of the Notes upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the holders of particular Notes. The obligation of the Company under this Section shall survive the satisfaction and discharge of this Indenture.

When the Trustee and its agents and any authenticating agent incur expenses or render services after an Event of Default specified in Section 7.1(d) or (e) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy, insolvency or similar laws.

Section 8.7 Officers' Certificate as Evidence. Except as otherwise provided in Section 8.1, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence, willful misconduct, recklessness, or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee.

Section 8.8 Conflicting Interests of Trustee. If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either

eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

Section 8.9 Eligibility of Trustee. There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least $50,000,000. If such person publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 8.10 Resignation or Removal of Trustee.

(a) The Trustee may at any time resign by giving written notice of such resignation to the Company and to the holders of Notes.

Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment sixty (60) days after the mailing of such notice of resignation to the Noteholders, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Noteholder who has been a bona fide holder of a Note or Notes for at least six months may, subject to the provisions of Section 7.9, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(1) the Trustee shall fail to comply with Section 8.8 after written request therefor by the Company or by any Noteholder who has been a bona fide holder of a Note or Notes for at least six months; or

(2) the Trustee shall cease to be eligible in accordance with the provisions of Section 8.9 and shall fail to resign after written request therefor by the Company or by any such Noteholder; or

(3) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control

of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, the Company may remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 7.9, any Noteholder who has been a bona fide holder of a Note or Notes for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The holders of a majority in aggregate principal amount of the Notes at the time outstanding may at any time remove the Trustee and nominate a successor trustee which shall be deemed appointed as successor trustee unless within ten (10) days after notice to the Company of such nomination the Company objects thereto, in which case the Trustee so removed or any Noteholder, upon the terms and conditions and otherwise as in Section 8.10(a) provided, may petition any court of competent jurisdiction for an appointment of a successor trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 8.10 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 8.11.

Section 8.11 Acceptance by Successor Trustee. Any successor trustee appointed as provided in Section 8.10 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due it pursuant to the provisions of Section 8.6, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall,

nevertheless, retain a lien upon all property and funds held or collected by such trustee as such, except for funds held in trust for the benefit of holders of particular Notes, to secure any amounts then due it pursuant to the provisions of Section 8.6.

No successor trustee shall accept appointment as provided in this Section 8.11 unless at the time of such acceptance such successor trustee shall be qualified under the provisions of Section 8.8 and be eligible under the provisions of Section 8.9.

Upon acceptance of appointment by a successor trustee as provided in this Section 8.11, the Company (or the former trustee, at the written direction of the Company) shall mail or cause to be mailed notice of the succession of such trustee hereunder to the holders of Notes at their addresses as they shall appear on the Note register. If the Company fails to mail such notice within ten (10) days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Company.

Section 8.12 Succession by Merger, Etc. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee (including any trust created by this Indenture), shall be the successor to the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that in the case of any corporation succeeding to all or substantially all of the corporate trust business of the Trustee such corporation shall be qualified under the provisions of Section 8.8 and eligible under the provisions of Section 8.9.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture, any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee or authenticating agent appointed by such predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee or an authenticating agent appointed by such successor trustee may authenticate such Notes either in the name of any predecessor trustee hereunder or in the name of the successor trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have; provided, however, that the right to adopt the certificate of authentication of any predecessor Trustee or authenticate Notes in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 8.13 Limitation on Rights of Trustee as Creditor. If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Notes), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of the claims against the Company (or any such other obligor).

ARTICLE IX

CONCERNING THE NOTEHOLDERS

Section 9.1 Action by Noteholders. Whenever in this Indenture it is provided that the holders of a specified percentage in aggregate principal amount of the Notes may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action, the holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by Noteholders in person or by agent or proxy appointed in writing, or (b) by the record of the holders of Notes voting in favor thereof at any meeting of Noteholders duly called and held in accordance with the provisions of Article X, or (c) by a

combination of such instrument or instruments and any such record of such a meeting of Noteholders. Whenever the Company or the Trustee solicits the taking of any action by the holders of the Notes, the Company or the Trustee may fix in advance of such solicitation, a date as the record date for determining holders entitled to take such action. The record date shall be not more than fifteen (15) days prior to the date of commencement of solicitation of such action.

Section 9.2 Proof of Execution by Noteholders. Subject to the provisions of Sections 8.1, 8.2 and 10.5, proof of the execution of any instrument by a Noteholder or his agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The holding of Notes shall be proved by the registry of such Notes or by a certificate of the Note registrar.

The record of any Noteholders' meeting shall be proved in the manner provided in Section 10.6.

Section 9.3 Who Are Deemed Absolute Owners. The Company, the Trustee, any paying agent, any conversion agent and any Note registrar may deem the person in whose name such Note shall be registered upon the Note register to be, and may treat him as, the absolute owner of such Note (whether or not such Note shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal of, premium, if any, and interest on such Note, for conversion of such Note and for all other purposes; and neither the Company nor the Trustee nor any paying agent nor any conversion agent nor any Note registrar shall be affected by any notice to the contrary. All such payments so made to any holder for the time being, or upon his order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for monies payable upon any such Note.

Section 9.4 Company-Owned Notes Disregarded. In determining whether the holders of the requisite aggregate principal amount of Notes have concurred in any direction, consent, waiver or other action under this Indenture, Notes which are owned by the Company or any other obligor on the Notes or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Notes shall be disregarded and deemed not to be outstanding for the purpose of any such determination; provided that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent, waiver or other action only Notes which a Responsible Officer knows are so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 9.4 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Notes and that the pledgee is not the Company, any other obligor on the Notes or a person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any such other obligor. In the case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Notes, if any, known by the Company to be owned or held by or for the account of any of the above described persons; and, subject to Section 8.1, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Notes not listed therein are outstanding for the purpose of any such determination.

Section 9.5 Revocation of Consents: Future Holders Bound. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 9.1, of the taking of any action by the holders of the percentage in aggregate principal amount of the Notes specified in this Indenture in connection with such action, any holder of a Note which is shown by the evidence to be included in the Notes the holders of which have consented to such action may, by filing written notice with the Trustee at its Corporate Trust Office and upon proof of holding as provided in Section 9.2, revoke such action so far as concerns such Note. Except as aforesaid, any such action taken by the holder of any Note shall be conclusive and binding upon such holder and upon all future holders and owners of such Note and of any Notes issued in exchange or substitution therefor, irrespective of whether any notation in regard thereto is made upon such Note or any Note issued in exchange or substitution therefor.

ARTICLE X

NOTEHOLDERS' MEETINGS

Section 10.1 Purpose of Meetings. A meeting of Noteholders may be called at any time and from time to time pursuant to the provisions of this Article X for any of the following purposes:

(1) to give any notice to the Company or to the Trustee or to give any directions to the Trustee permitted under this Indenture, or to consent to the waiving of any default or Event of Default hereunder and its consequences, or to take any other action authorized to be taken by Noteholders pursuant to any of the provisions of Article VII;

(2) to remove the Trustee and nominate a successor trustee pursuant to the provisions of Article VIII;

(3) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 11.2; or

(4) to take any other action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of the Notes under any other provision of this Indenture or under applicable law.

Section 10.2 Call of Meetings by Trustee. The Trustee may at any time call a meeting of Noteholders to take any action specified in Section 10.1, to be held at such time and at such place at a location within 10 miles of the Corporate Trust Office or the Borough of Manhattan, The City of New York, as the Trustee shall determine. Notice of every meeting of the Noteholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting and the establishment of any record date pursuant to Section 9.1, shall be mailed to holders of Notes at their addresses as they shall appear on the Note register. Such notice shall also be mailed to the Company. Such notices shall be mailed not less than twenty (20) nor more than ninety (90) days prior to the date fixed for the meeting.

Any meeting of Noteholders shall be valid without notice if the holders of all Notes then outstanding are present in person or by proxy or if notice is waived before or after the meeting by the holders of all Notes outstanding, and if the Company and the Trustee are either present by duly authorized representatives or have, before or after the meeting, waived notice.

Section 10.3 Call of Meetings by Company or Noteholders. In case at any time the Company, pursuant to a resolution of its Board of Directors, or the holders of at least ten percent in aggregate principal amount of the Notes then outstanding, shall have requested the Trustee to call a meeting of Noteholders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within twenty (20) days after receipt of such request, then the Company or such Noteholders may determine the time and the place at any location within 10 miles of the Corporate Trust Office or the Borough of Manhattan, The City of New York for such meeting and may call such meeting to take any action authorized in Section 10.1, by mailing notice thereof as provided in Section 10.2.

Section 10.4 Qualifications for Voting. To be entitled to vote at any meeting of Noteholders a person shall (a) be a holder of one or more Notes on the record date pertaining to such meeting or (b) be a person appointed by an instrument in writing as proxy by a holder of one or more Notes. The only persons who shall be entitled to be present or to speak at any meeting of Noteholders shall be the persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 10.5 Regulations. Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Noteholders, in regard to proof of the holding of Notes and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters

concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Noteholders as provided in Section 10.3, in which case the Company or the Noteholders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the holders of a majority in principal amount of the Notes represented at the meeting and entitled to vote at the meeting.

Subject to the provisions of Section 9.4, at any meeting each Noteholder or proxyholder shall be entitled to one vote for each $1,000 principal amount of Notes held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Note challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Notes held by him or instruments in writing as aforesaid duly designating him as the proxy to vote on behalf of other Noteholders. Any meeting of Noteholders duly called pursuant to the provisions of Section 10.2 or 10.3 may be adjourned from time to time by the holders of a majority of the aggregate principal

amount of Notes represented at the meeting, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

Section 10.6 Voting. The vote upon any resolution submitted to any meeting of Noteholders shall be by written ballot on which shall be subscribed the signatures of the holders of Notes or of their representatives by proxy and the principal amount of the Notes held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Noteholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in Section 10.2. The record shall show the principal amount of the Notes voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 10.7 No Delay of Rights by Meeting. Nothing in this Article X contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Noteholders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Noteholders under any of the provisions of this Indenture or of the Notes.

ARTICLE XI

SUPPLEMENTAL INDENTURES

Section 11.1 Supplemental Indentures Without Consent of Noteholders. The Company, when authorized by the resolutions of the Board of Directors, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(a) to make provision with respect to the conversion rights of the holders of Notes pursuant to the requirements of Section 15.6 and

the redemption obligations of the Company pursuant to the requirements of Section 3.5(e);

(b) subject to Article IV, to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Notes, any property or assets;

(c) to evidence the succession of another corporation to the Company, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Company pursuant to Article XII;

(d) to add to the covenants of the Company such further covenants, restrictions or conditions as the Board of Directors and the Trustee shall consider to be for the benefit of the holders of Notes, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions or conditions a default or an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; provided, however, that in respect of any such additional covenant, restriction or condition such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default;

(e) to provide for the issuance under this Indenture of Notes in coupon form (including Notes registrable as to principal only) and to provide for exchangeability of such Notes with the Notes issued hereunder in fully registered form and to make all appropriate changes for such purpose;

(f) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture which shall not materially adversely affect the interests of the holders of the Notes;

(g) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Notes; or

(h) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualifications of this Indenture under the Trust Indenture Act, or under any similar federal statute hereafter enacted.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to, but may in its discretion, enter into any supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 11.1 may be executed by the Company and the Trustee without the consent of the holders of any of the Notes at the time outstanding, notwithstanding any of the provisions of Section 11.2.

Section 11.2 Supplemental Indentures with Consent of Noteholders. With the consent (evidenced as provided in Article IX) of the holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding, the Company, when authorized by the resolutions of the Board of Directors, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or any supplemental indenture or of modifying in any manner the rights of the holders of the Notes; provided, however, that no such supplemental indenture shall (i) extend the fixed maturity of any Note, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof or premium, if any, thereon, or reduce any amount payable on redemption thereof, or impair the right of any Noteholder to institute suit for the payment thereof, or make the principal thereof or interest or premium, if any, thereon payable in any coin or currency other than that provided in the Notes, or modify

the provisions of this Indenture with respect to the subordination of the Notes in a manner adverse to the Noteholders in any material respect, or change the obligation of the Company to redeem any Note upon the happening of a Fundamental Change in a manner adverse to the holder of Notes, or impair the right to convert the Notes into Common Stock subject to the terms set forth herein, including Section 15.6, without the consent of the holder of each Note so affected, or (ii) reduce the aforesaid percentage of Notes, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all Notes then outstanding.

Upon the request of the Company, accompanied by a copy of the resolutions of the Board of Directors certified by its Secretary or Assistant Secretary authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Noteholders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in is discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Noteholders under this Section 11.2 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Section 11.3 Effect of Supplemental Indenture. Any supplemental indenture executed pursuant to the provisions of this Article XI shall comply with the Trust Indenture Act, as then in effect; provided that this Section 11.3 shall not require such supplemental indenture or the Trustee to be qualified under the Trust Indenture Act prior to the time such qualification is in fact required under the terms of the Trust Indenture Act or the Indenture has been qualified under the Trust Indenture Act, nor shall it constitute any admission or acknowledgment by any party to such supplemental indenture that any such qualification is required prior to the time such qualification is in fact required under the terms of the Trust Indenture Act or the Indenture has been qualified under the Trust Indenture Act. Upon the execution of any supplemental indenture pursuant to the provisions of this Article XI, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the holders of Notes shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 11.4 Notation on Notes. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article XI may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may, at the Company's expense, be prepared and executed by the Company, authenticated by the Trustee (or an authenticating agent duly appointed by the Trustee pursuant to Section 16.11) and delivered in exchange for the Notes then outstanding, upon surrender of such Notes then outstanding.

Section 11.5 Evidence of Compliance of Supplemental Indenture to Be Furnished Trustee. The Trustee, subject to the provisions of Sections 8.1 and 8.2, may receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article XI.

ARTICLE XII

CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE

Section 12.1 Company May Consolidate Etc. on Certain Terms. Subject to the provisions of Section 12.2, nothing contained in this Indenture or in any of the Notes shall prevent any consolidation or merger of the Company with or into any other corporation or corporations (whether or not affiliated with the Company), or successive consolidations or mergers in which the Company or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance or lease (or successive sales, conveyances or leases) of all or substantially all of the property of the Company, to any other corporation (whether or not affiliated with the Company), authorized to acquire and operate the same and which shall be organized under the laws of the United States of America, any state thereof or the District of Columbia; provided, that upon any such consolidation, merger, sale, conveyance or lease, the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed by the Company, shall be expressly assumed, by supplemental indenture satisfactory in form to the Trustee, executed and delivered to the Trustee by the corporation (if other than the Company) formed by such consolidation, or into which the Company shall have been merged, or by the corporation which shall have acquired or leased such property, and such supplemental indenture shall provide for the applicable conversion rights set forth in Section 15.6.

Section 12.2 Successor Corporation to Be Substituted. In case of any such consolidation, merger, sale, conveyance or lease and upon the assumption by the successor corporation, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Company, such successor corporation shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the party of the first part. Such successor corporation thereupon may cause to be signed, and may issue either in its own name or in the name of Quantum Corporation any or all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor corporation instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver, or cause to be authenticated and delivered, any Notes which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication, and any Notes which such successor corporation thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Notes so issued shall in all respects have the same legal rank and benefit under this Indenture as the Notes theretofore or thereafter issued in accordance with the

terms of this Indenture as though all of such Notes had been issued at the date of the execution hereof. In the event of any such consolidation, merger, sale, conveyance or lease, the person named as the "Company" in the first paragraph of this Indenture or any successor which shall thereafter have become such in the manner prescribed in this Article XII may be dissolved, wound up and liquidated at any time thereafter and such person shall be released from its liabilities as obligor and maker of the Notes and from its obligations under this Indenture.

In case of any such consolidation, merger, sale, conveyance or lease, such changes in phraseology and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate.

Section 12.3 Opinion of Counsel to Be Given Trustee. The Trustee, subject to Sections 8.1 and 8.2, shall receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, conveyance or lease and any such assumption complies with the provisions of this Article XII.

ARTICLE XIII

SATISFACTION AND DISCHARGE OF INDENTURE

Section 13.1 Discharge of Indenture. When (a) the Company shall deliver to the Trustee for cancellation all Notes theretofore authenticated (other than any Notes which have been destroyed, lost or stolen and in lieu of or in substitution for which other Notes shall have been authenticated and delivered) and not theretofore canceled, or (b) all the Notes not theretofore canceled or delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and the Company shall deposit with the Trustee, in trust, funds sufficient to pay at maturity or upon redemption of all

of the Notes (other than any Notes which shall have been mutilated, destroyed, lost or stolen and in lieu of or in substitution for which other Notes shall have been authenticated and delivered) not theretofore canceled or delivered to the Trustee for cancellation, including principal and premium, if any, and interest due or to become due to such date of maturity or redemption date, as the case may be, and if in either case the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect (except as to (i) remaining rights of registration of transfer, substitution and exchange and conversion of Notes, (ii) rights hereunder of Noteholders to receive payments of principal of and premium, if any, and interest on, the Notes and the other rights, duties and obligations of Noteholders, as beneficiaries hereof with respect to the amounts, if any, so deposited with the Trustee and (iii) the rights, obligations and immunities of the Trustee hereunder), and the Trustee, on demand of the

Company accompanied by an Officers' Certificate and an Opinion of Counsel as required by Section 16.5 and at the cost and expense of the Company, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture; the Company, however, hereby agreeing to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred by the Trustee and to compensate the Trustee for any services thereafter reasonably and properly rendered by the Trustee in connection with this Indenture or the Notes.

Section 13.2 Deposited Monies to Be Held in Trust by Trustee. Subject to Section 13.4, all monies deposited with the Trustee pursuant to Section 13.1 and not in violation of Article IV shall be held in trust for the sole benefit of the Noteholders and not to be subject to the subordination provisions of Article IV, and such monies shall be applied by the Trustee to the payment, either directly or through any paying agent (including the Company if acting as its own paying agent), to the holders of the particular Notes for the payment or redemption of which such monies have been deposited with the Trustee, of all sums due and to become due thereon for principal and interest and premium, if any.

Section 13.3 Paying Agent to Repay Monies Held. Upon the satisfaction and discharge of this Indenture, all monies then held by any paying agent of the Notes (other than the Trustee) shall, upon written request of the Company, be repaid to it or paid to the Trustee, and thereupon such paying agent shall be released from all further liability with respect to such monies.

Section 13.4 Return of Unclaimed Monies. Subject to the requirements of applicable law, any monies deposited with or paid to the Trustee for payment of the principal of, premium, if any, or interest on Notes and not applied but remaining unclaimed by the holders of Notes for two years after the date upon which the principal of, premium, if any, or interest on such Notes, as the case may be, shall have become due and payable, shall be repaid to the Company by the Trustee on demand and all liability of the Trustee shall thereupon cease with respect to such monies; and the holder of any of the Notes shall thereafter look only to the Company for any payment which such holder may be entitled to collect unless an applicable abandoned property law designates another Person.

Section 13.5 Reinstatement. If the Trustee or the paying agent is unable to apply any money in accordance with Section 13.2 by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 13.1 until such time as the Trustee or the paying agent is permitted to apply all such money in accordance with Section 13.2; provided, however, that if the Company makes any payment of interest on or principal of any Note following the reinstatement of its obligations, the Company shall

be subrogated to the rights of the holders of such Notes to receive such payment from the money held by the Trustee or paying agent.

ARTICLE XIV

IMMUNITY OF INCORPORATORS, STOCKHOLDERS,
OFFICERS AND DIRECTORS

Section 14.1 Indenture and Notes Solely Corporate Obligations. No recourse for the payment of the principal of or premium, if any, or interest on any Note, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or in any supplemental indenture or in any Note, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, employee, agent, officer, or director or subsidiary, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Notes.

ARTICLE XV

CONVERSION OF NOTES

Section 15.1 Right to Convert. Subject to and upon compliance with the provisions of this Indenture, the holder of any Note shall have the right, at his option, at any time after ninety (90) days following the latest date of original issuance of the Notes and prior to the close of business on March 1, 2003 (except that, with respect to any Note or portion of a Note which shall be called for redemption, such right shall terminate, except as provided in Section 15.2 or Section 3.4, at the close of business on the Business Day next preceding the date fixed for redemption of such Note or portion of a Note unless the Company shall default in payment due upon redemption thereof) to convert the principal amount of any such Note, or any portion of such principal amount which is $1,000 or an integral multiple thereof, into that number of fully paid and non-assessable shares of Common Stock (as such shares shall then be constituted) obtained by dividing the principal amount of the Note or portion thereof surrendered for conversion by the Conversion Price in effect at such time, by surrender of the Note so to be converted in whole or in part in the manner provided, together with any required funds, in Section 15.2. A holder of Notes is not entitled to any rights of a holder of Common Stock

until such holder has converted his Notes to Common Stock, and only to the extent such Notes are deemed to have been converted to Common Stock under this Article XV.

Section 15.2 Exercise of Conversion Privilege; Issuance of Common Stock on Conversion; No Adjustment for Interest or Dividends. In order to exercise the conversion privilege with respect to any Note in certificated form, the holder of any such Note to be converted in whole or in part shall surrender such Note, duly endorsed, at an office or agency maintained by the Company pursuant to Section 5.2, accompanied by the funds, if any, required by the penultimate paragraph of this Section 15.2, and shall give written notice of conversion in the form provided on the Notes (or such other notice which is acceptable to the Company) to the office or agency that the holder elects to convert such Note or the portion thereof specified in said notice. Such notice shall also state the name or names (with address or addresses) in which the certificate or certificates for shares of Common Stock which shall be issuable on such conversion shall be issued, and shall be accompanied by transfer taxes, if required pursuant to Section 15.7. Each such Note surrendered for conversion shall, unless the shares issuable on conversion are to be issued in the same name as the registration of such Note, be duly endorsed by, or be accompanied by instruments of transfer in form satisfactory to the Company duly executed by, the holder or his duly authorized attorney.

In order to exercise the conversion privilege with respect to any interest in a Note in global form, the beneficial holder must complete the appropriate instruction form for conversion pursuant to the Depository's book-entry conversion program, deliver by book-entry delivery an interest in such Note in global form, furnish appropriate endorsements and transfer documents if required by the Company or the Trustee or conversion agent, and pay the funds, if any, required by this Section 15.2 and any transfer taxes if required pursuant to Section 15.7.

As promptly as practicable after satisfaction of the requirements for conversion set forth above, subject to compliance with any restrictions on transfer if shares issuable on conversion are to be issued in a name other than

that of the Noteholder (as if such transfer were a transfer of the Note or Notes (or portion thereof) so converted), the Company shall issue and shall deliver to such holder at the office or agency maintained by the Company for such purpose pursuant to Section 5.2, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such Note or portion thereof in accordance with the provisions of this Article and a check or cash in respect of any fractional interest in respect of a share of Common Stock arising upon such conversion, as provided in Section 15.3. In case any Note of a denomination greater than $1,000 shall be surrendered for partial conversion, and subject to Section 2.3, the Company shall execute and the Trustee shall authenticate and deliver to the holder of the Note so surrendered, without charge to him, a new Note or Notes in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Note.

Each conversion shall be deemed to have been effected as to any such Note (or portion thereof) on the date on which the requirements set forth above in this Section 15.2 have been satisfied as to such Note (or portion thereof), and the person in whose name any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become on said date the holder of record of the shares represented thereby; provided, however, that any such surrender on any date when the stock transfer books of the Company shall be closed shall constitute the person in whose name the certificates are to be issued as the record holder thereof for all purposes on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which such Note shall be surrendered.

Any Note or portion thereof surrendered for conversion during the period from the close of business on the record date for any interest payment date to the close of business on the Business Day next preceding the following interest payment date shall (unless such Note or portion thereof being converted shall have been called for redemption during the period from the close of business on such record date to the close of business on the Business Day next preceding the following interest payment date) be accompanied by payment, in New York Clearing House funds or other funds acceptable to the Company, of an amount equal to the interest otherwise payable on such interest payment date on the principal amount being converted; provided, however, that no such payment need be made if there shall exist at the time of conversion a default in the payment of interest on the Notes. Except as provided above in this Section 15.2, no adjustment shall be made for interest accrued on any Note converted or for dividends on any shares issued upon the conversion of such Note as provided in this Article.

Upon the conversion of an interest in a Note in global form, the Trustee, or the Custodian at the direction of the Trustee, shall make a notation on such Note in global form as to the reduction in the principal amount represented thereby.

Section 15.3 Cash Payments in Lieu of Fractional Shares. No fractional shares of Common Stock or scrip representing fractional shares shall be issued upon conversion of Notes. If more than one Note shall be surrendered for conversion at one time by the same holder, the number of full shares which shall be issuable upon conversion shall be computed on the basis of the aggregate principal amount of the Notes (or specified portions thereof to the extent permitted hereby) so surrendered. If any fractional share of stock would be issuable upon the conversion of any Note or Notes, the Company shall make an adjustment and payment therefor in cash at the current market value thereof to the holder of Notes. The current market value of a share of Common Stock shall be the Closing Price on the first Business Day immediately preceding the day on which the Notes (or specified portions thereof) are deemed to have been converted.

Section 15.4 Conversion Price. The conversion price shall be as specified in the form of Note (herein called the "Conversion Price") attached as Exhibit A hereto, subject to adjustment as provided in this Article XV.

Section 15.5 Adjustment of Conversion Price. The Conversion Price shall be adjusted from time to time by the Company as follows:

(a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Price in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company. If any dividend or distribution of the type described in this Section 15.5(a) is declared but not so paid or made, the Conversion Price shall again be adjusted to the Conversion Price which would then be in effect if such dividend or distribution had not been declared.

(b) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period expiring within 45 days after the date fixed for determination of stockholders entitled to receive such rights or warrants) to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price (as defined below) on the date fixed for determination of stockholders entitled to receive such rights or warrants, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date fixed for determination of stockholders entitled to receive such rights or warrants by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for determination of stockholders entitled to receive such rights and warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such Current Market Price, and of which the denominator shall be the number of shares of Common Stock outstanding on the date fixed for determination of stockholders entitled to receive such rights and warrants plus the total number of additional shares of Common Stock offered for subscription or purchase. Such adjustment shall be successively made whenever any such rights and warrants are issued, and shall become effective immediately

after the opening of business on the day following the date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock are not delivered after the expiration of such rights or warrants, the Conversion Price shall be readjusted to the Conversion Price which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered. In the event that such rights or warrants are not so issued, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received by the Company for such rights or warrants, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(c) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and conversely, in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes

effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which Section 15.5(a) applies) or evidences of its indebtedness or assets (including securities, but excluding any rights or warrants referred to in Section 15.5(b), and excluding any dividend or distribution (x) paid exclusively in cash or (y) referred to in Section 15.5(a) (any of the foregoing hereinafter in this Section 15.5(d) called the "Securities")), then, in each such case (unless the Company elects to reserve such Securities for distribution to the Noteholders upon the conversion of the Notes so that any such holder converting Notes will receive upon such conversion, in addition to the shares of Common Stock to which such holder is entitled, the amount and kind of such Securities which such holder would have received if such holder had converted its Notes into Common Stock immediately prior to the Record Date (as defined in Section 15.5(h) for such distribution of the Securities)), the Conversion Price shall be reduced so that the same shall be equal to the price determined by multiplying the Conversion Price in effect on the Record Date with respect to such distribution

by a fraction of which the numerator shall be the Current Market Price per share of the Common Stock on such Record Date less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive, and described in a resolution of the Board of Directors) on the Record Date of the portion of the Securities so distributed applicable to one share of Common Stock and the denominator shall be the Current Market Price per share of the Common Stock, such reduction to become effective immediately prior to the opening of business on the day following such Record Date; provided, however, that in the event the then fair market value (as so determined) of the portion of the Securities so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price of the Common Stock on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Noteholder shall have the right to receive upon conversion the amount of Securities such holder would have received had such holder converted each Note on the Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been declared. If the Board of Directors determines the fair market value of any distribution for purposes of this Section 15.5(d) by reference to the actual or when issued trading market for any securities, it must in doing so consider the prices in such market over the same period used in computing the Current Market Price of the Common Stock.

Each share of Common Stock issued upon conversion of Notes pursuant to this Article XV shall be entitled to receive the appropriate number of Rights, if any, and the certificates representing the Common Stock issued upon such conversion shall bear such legends, if any, in each case as provided by and subject to the terms of the Rights Agreement as in effect at the time of such conversion. If the Rights are separated from the Common Stock in accordance with the provisions of the Rights Agreement such that the holders of Notes would thereafter not be entitled to receive any such Rights in respect to the Common Stock issuable upon conversion of such Notes, the Conversion Price will be adjusted as provided in this Section 15.5(d) on the separation date; provided that if such Rights expire, terminate or are redeemed by the Company, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such separation had not occurred. In lieu of any such adjustment, the Company may amend the Rights Agreement to provide that upon conversion of the Notes the holders will receive, in addition to the Common Stock issuable upon such conversion, the Rights which would have attached to such shares of Common Stock if the Rights had not become separated from the Common Stock pursuant to the provisions of the Rights Agreement.

Rights or warrants distributed by the Company to all holders of Common Stock entitling the holders thereof to subscribe for or purchase shares of the Company's capital stock (either initially or

under certain circumstances), which

rights or warrants, until the occurrence of a specified event or events ("Trigger Event"): (i) are deemed to be transferred with such shares of Common Stock; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of Common Stock, shall be deemed not to have been distributed for purposes of this Section 15.5 (and no adjustment to the Conversion Price under this Section 15.5 will be required) until the occurrence of the earliest Trigger Event, whereupon such rights and warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Price shall be made under this Section 15.5(d). If any such right or warrant, including any such existing rights or warrants distributed prior to the date of this Indenture, are subject to events, upon the occurrence of which such rights or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and record date with respect to new rights or warrants with such rights (and a termination or expiration of the existing rights or warrants without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights or warrants, or any Trigger Event or other event (of the type described in the preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Price under this Section 15.5 was made, (1) in the case of any such rights or warrants which shall all have been redeemed or repurchased without exer cise by any holders thereof, the Conversion Price shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or repurchase price received by a holder or holders of Common Stock with respect to such rights or warrants (assuming such holder had retained such rights or warrants), made to all holders of Common Stock as of the date of such redemption or repurchase, and (2) in the case of such rights or warrants which shall have expired or been terminated without exercise by any holders thereof, the Conversion Price shall be readjusted as if such rights and warrants had not been issued.

For purposes of this Section 15.5(d) and Sections 15.5(a) and (b), any dividend or distribution to which this Section 15.5(d) is applicable that also includes shares of Common Stock, or rights or warrants to subscribe for or purchase shares of Common Stock (or both), shall be deemed instead to be (1) a dividend or distribution of the evidences of indebtedness, assets or shares of capital stock other than such shares of Common Stock or rights or warrants (and any Conversion Price reduction required by this Section 15.5(d) with respect to such dividend or distribution shall then be made) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights or warrants (and any further Conversion Price reduction required by Sections 15.5(a) and (b) with respect to such dividend or distribution shall then be made), except (A) the Record

Date of such dividend or distribution shall be substituted as "the date fixed for the determination of stockholders entitled to receive such dividend or other distribution" and "the date fixed for such determination" within the meaning of Sections 15.5(a) and (b) and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of Section 15.5(a).

(e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock cash (excluding (x) any quarterly cash dividend on the Common Stock to the extent the aggregate cash dividend per share of Common Stock in any fiscal quarter does not exceed the greater of (A) the amount per share of Common Stock of the next preceding quarterly cash dividend on the Common Stock to the

extent that such preceding quarterly dividend did not require any adjustment of the Conversion Price pursuant to this Section 15.5(e) (as adjusted to reflect subdivisions or combinations of the Common Stock), and (B) 3.75% of the arithmetic average of the Closing Price (determined as set forth in Section 15.5(h)) during the ten Trading Days (as defined in Section 15.5(h)) immediately prior to the date of declaration of such dividend, and (y) any dividend or distribution in connection with the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary), then, in such case, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on such Record Date by a fraction of which the numerator shall be the Current Market Price of the Common Stock on the Record Date less the amount of cash so distributed (and not excluded as provided above) applicable to one share of Common Stock and the denominator shall be such Current Market Price of the Common Stock, such reduction to be effective immediately prior to the opening of business on the day following the Record Date; provided, however, that in the event the portion of the cash so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price of the Common Stock on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Noteholder shall have the right to receive upon conversion the amount of cash such holder would have received had such holder converted each Note on the Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been declared. If any adjustment is required to be made as set forth in this Section 15.5(e) as a result of a distribution that is a quarterly dividend, such adjustment shall be based upon the amount by which such distribution exceeds the amount of the quarterly cash dividend permitted to be excluded pursuant hereto. If an adjustment is required to be made as set forth in this Section 15.5(e) above as a result of a distribution that is not a quarterly dividend, such adjustment shall be based upon the full amount of the distribution.

(f) In case a tender or exchange offer made by the Company or any subsidiary of the Company for all or any portion of the Common Stock shall expire and such tender or exchange offer (as amended upon the expiration thereof) shall require the payment to stockholders of consideration per share of Common Stock having a fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board if Directors) that as of the last time (the "Expiration Time") tenders or exchanges may be made pursuant to such tender or exchange offer (as it may be amended) that exceeds the Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the Expiration Time by a fraction of which the numerator shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) on the Expiration Time multiplied by the Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time and the denominator shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to shareholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) on the Expiration Time and the Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time, such reduction to become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender or exchange offer had not been made.

(g) In case of a tender or exchange offer made by a person other than the Company or any Subsidiary for an amount which increases

the offeror's ownership of Common Stock to more than 25% of the Common Stock outstanding and shall involve the payment by such person of consideration per share of Common Stock having a fair market value (as determined by the Board of Directors, whose determination shall be conclusive, and described in a resolution of the Board of Directors) at the last time (the "Expiration Time") tenders or exchanges may be made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and in which, as of the Expiration Time the Board of Directors is not recommending rejection of the offer, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying

the Conversion Price in effect immediately prior to the Expiration Time by a fraction of which the numerator shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) on the Expiration Time multiplied by the current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time and the denominator shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) on the Expiration Time and the Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time, such reduction to become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that such person is obligated to purchase shares pursuant to any such tender or exchange offer, but such person is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender or exchange offer had not been made. Notwithstanding the foregoing, the adjustment described in this Section 15.5(g) shall not be made if, as of the Expiration Time, the offering documents with respect to such offer disclose a plan or intention to cause the Company to engage in any transaction described in Article XII.

(h) For purposes of this Section 15.5, the following terms shall have the meaning indicated:

(1) "Closing Price" with respect to any securities on any day shall mean the closing sale price regular way on such day or, in case no such sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in each case on the New York Stock Exchange, or, if such security is not listed or admitted to trading on such Exchange, on the principal national security exchange or quotation system on which such security is quoted or listed or admitted to trading, or, if not quoted or listed or admitted to trading on any national securities exchange or quotation system, the average of the closing bid and asked prices of such security on the over-the-counter market on the day in question as reported by the National Quotation Bureau Incorporated, or a similar generally accepted reporting service, or if not so available, in such manner as furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors for that purpose, or a price determined in good faith by the Board of Directors or, to the extent permitted by applicable law, a duly authorized committee thereof, whose determination shall be conclusive.

(2) "Current Market Price" shall mean the average of the daily Closing Prices per share of Common Stock for the ten consecutive Trading Days immediately prior to the date in question; provided, however, that (1) if the "ex" date (as hereinafter defined) for any event (other than the issuance or distribution or Fundamental Change requiring such computation) that requires an adjustment to the Conversion Price pursuant to Section 15.5(a), (b), (c), (d), (e), (f) or (g) occurs during such ten consecutive Trading Days, the Closing Price for each Trading Day prior to the "ex" date for such other event shall be adjusted by multiplying such Closing Price by the same fraction by which the Conversion Price is so required to be adjusted as a result of such other event, (2) if the "ex" date for any event (other than the issuance, distribution or Fundamental Change requiring such computation) that requires an adjustment to the Conversion Price pursuant to Section 15.5(a), (b), (c), (d), (e), (f) or (g) occurs on or after the "ex" date for the issuance or distribution requiring such computation and prior to the day in question, the Closing Price for each Trading Day on and after the "ex" date for such other event shall be adjusted by multiplying such Closing Price by the reciprocal of the fraction by which the Conversion Price is so required to be adjusted as a result of such other event, and (3) if the "ex" date for the issuance, distribution or Fundamental Change requiring such computation is prior to the day in question, after taking into account any adjustment required pursuant to clause (1) or (2) of this proviso, the Closing Price for each Trading Day on or after such "ex" date shall be adjusted by adding thereto the amount of any cash and the fair market value (as determined by the Board of Directors or, to the extent permitted by applicable law, a duly authorized committee thereof in a manner consistent with any determination of such value for purposes of Section 15.5(d), (f) or (g), whose determination shall be conclusive and described in a resolution of the Board of Directors or such duly authorized committee thereof, as the case may be) of the evidences of indebtedness, shares of capital stock or assets being distributed applicable to one share of Common Stock as of the close of business on the day before such "ex" date. For purposes of any computation under Section 15.5(f) or (g), the Current Market Price of the Common Stock on any date shall be deemed to be the average of the daily Closing Prices per share of Common Stock for such day and the next two succeeding Trading Days; provided, however, that if the "ex" date for any event (other than the tender or exchange offer requiring such computation) that requires an adjustment to the Conversion Price pursuant to Section 15.5(a), (b), (c), (d), (e), (f) or (g) occurs on or after the Expiration Time for the tender or exchange offer requiring such computation and prior to the day in question, the Closing Price for each Trading Day on and after the "ex" date for such other event shall be adjusted by multiplying such Closing Price by the reciprocal of the fraction by which the Conversion

Price is so required to be adjusted as a result of such other event. For purposes of this paragraph, the term "ex" date, (1) when used with respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Closing Price was obtained without the right to receive such issuance or distribution, (2) when used with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and (3) when used with respect to any tender or exchange offer means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

(3) "fair market value" shall mean the amount which a willing buyer would pay a willing seller in an arm's length transaction.

(4) "Record Date" shall mean, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of shareholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

(5) "Trading Day" shall mean (x) if the applicable security is listed or admitted for trading on the New York Stock Exchange or another national security exchange, a day on which the New York Stock Exchange or another national security exchange is open for business or (y) if the applicable security is quoted on the Nasdaq National Market, a day on which trades may be made on thereon or (z) if the applicable security is not so listed, admitted for trading or quoted, any day other than a Saturday or Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

(i) The Company may make such reductions in the Conversion Price, in addition to those required by Sections 15.5 (a), (b), (c), (d), (e), (f) and (g), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may reduce the Conversion Price by any amount for any period of time if the period is at least twenty (20) days, the reduction is irrevocable during the period and the Board of Directors shall have made a determination that such reduction would be in the best interests of the Company, which determination shall be conclusive. Whenever the Conversion Price is reduced pursuant to the preceding sentence, the Company shall mail to holders of record of the Notes a notice of the reduction at least fifteen (15) days prior to the date the reduced Conversion Price takes effect, and such notice shall state the reduced Conversion Price and the period during which it will be in effect.

(j) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this Section 15.5(j) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article XV shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for rights to purchase Common Stock pursuant to a Company plan for reinvestment of dividends or interest. To the extent the Notes become convertible into cash, assets, property or securities (other than capital stock of the Company), no adjustment need be made thereafter as to the cash, assets, property or such securities. Interest will not accrue on the cash.

(k) Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly file with the Trustee and any conversion agent other than the Trustee an Officers' Certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which each adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Price to the holder of each Note at his last address appearing on the Note register provided for in Section 2.5 of this Indenture, within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(l) In any case in which this Section 15.5 provides that an

adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of such event (i) issuing to the holder of any Note converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable

upon such conversion before giving effect to such adjustment and (ii) paying to such holder any amount in cash in lieu of any fraction pursuant to Section 15.3.

(m) For purposes of this Section 15.5, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

Section 15.6 Effect of Reclassification, Consolidation, Merger or Sale. If any of the following events occur, namely (i) any reclassification or change of the outstanding shares of Common Stock (other than a subdivision or combination to which Section 15.5(c) applies), (ii) any consolidation, merger or combination of the Company with another corporation as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, or (iii) any sale or conveyance of the properties and assets of the Company as, or substantially as, an entirety to any other corporation as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, then the Company or the successor or purchasing corporation, as the case may be, shall execute with the Trustee a supplemental indenture (which shall comply with the Trust Indenture Act as in force at the date of execution of such supplemental indenture) providing that such Note shall be convertible into the kind and amount of shares of stock and other securities or property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance by a holder of a number of shares of Common Stock issuable upon conversion of such Notes (assuming, for such purposes, a sufficient number of authorized shares of Common Stock available to convert all such Notes) immediately prior to such reclassification, change, consolidation, merger, combination, sale or conveyance assuming such holder of Common Stock did not exercise his rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon such consolidation, merger, statutory exchange, sale or conveyance (provided that, if the kind or amount of securities, cash or other property receivable upon such consolidation, merger, statutory exchange, sale or conveyance is not the same for each share of Common Stock in respect of which such rights of election shall not have been exercised ("nonelecting share")), then for the purposes of this Section 15.6 the kind and amount of securities, cash or other property receivable upon such consolidation, merger, statutory exchange, sale or conveyance for each non-electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the non-electing shares. Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article.

The Company shall cause notice of the execution of such supplemental indenture to be mailed to each holder of Notes, at his address appearing on the Note register provided for in Section 2.5 of this Indenture, within twenty (20) days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

The above provisions of this Section shall similarly apply to successive reclassifications, changes, consolidations, mergers, combinations, sales and conveyances.

If this Section 15.6 applies to any event or occurrence, Section 15.5

shall not apply.

Section 15.7 Taxes on Shares Issued. The issue of stock certificates on conversions of Notes shall be made without charge to the converting Noteholder for any tax in respect of the issue thereof. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of stock in any name other than that of the holder of any Note converted, and the Company shall not be required to issue or deliver any such stock certificate unless and until the person or persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

Section 15.8 Reservation of Shares; Shares to Be Fully Paid; Compliance with Governmental Requirements; Listing of Common Stock. The Company shall provide, free from preemptive rights, out of its authorized but unissued shares or shares held in treasury, sufficient shares of Common Stock to provide for the conversion of the Notes from time to time as such Notes are presented for conversion.

Before taking any action which would cause an adjustment reducing the Conversion Price below the then par value, if any, of the shares of Common Stock issuable upon conversion of the Notes, the Company will take all corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue shares of such Common Stock at such adjusted Conversion Price.

The Company covenants that all shares of Common Stock which may be issued upon conversion of Notes will upon issue be fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

The Company covenants that if any shares of Common Stock to be provided for the purpose of conversion of Notes hereunder require registration with or approval of any governmental authority under any federal or state law before such shares may be validly issued upon conversion, the Company will in good faith and as expeditiously as possible endeavor to secure such registration or approval, as the case may be.

The Company further covenants that if at any time the Common Stock shall be listed on the Nasdaq National Market or any other national securities exchange or automated quotation system the Company will, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all Common Stock issuable upon conversion of the Notes; provided, however, that if rules of such exchange or automated quotation system permit the Company to defer the listing of such Common Stock until the first conversion of the Notes into Common Stock in accordance with the provisions of this Indenture, the Company covenants to list such Common Stock issuable upon conversion of the Notes in accordance with the requirements of such exchange or automated quotation system at such time.

Section 15.9 Responsibility of Trustee. The Trustee and any other conversion agent shall not at any time be under any duty or responsibility to any holder of Notes to determine whether any facts exist which may require any adjustment of the Conversion Price, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any other conversion agent shall not be accountable with respect to the validity or value (or the kind or amount) of any shares of Common Stock, or of any securities or property, which may at any time be issued or delivered upon the conversion of any Note; and the Trustee and any other conversion agent make no representations with respect thereto. Subject to the provisions of Section 8.1, neither the Trustee nor any conversion agent shall be responsible for any failure of the Company to issue, transfer or deliver any shares of Common Stock or stock certificates or other securities or property or cash upon the surrender of any Note for the purpose of conversion or to comply with any of the duties, responsibilities or covenants of the Company contained in this Article. Without limiting the generality of the foregoing, neither the Trustee nor any conversion agent shall be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 15.6 relating either to the kind or amount of shares of stock or securities or property (including cash) receivable by Noteholders upon the conversion of their Notes after any event referred to in such Section 15.6 or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 8.1, may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon,

the Officers' Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto.

Section 15.10 Notice to Holders Prior to Certain Actions. In case:

(a) the Company shall declare a dividend (or any other distribution) on its Common Stock that would require an adjustment in the Conversion Price pursuant to Section 15.5; or

(b) the Company shall authorize the granting to the holders of its Common Stock of rights or warrants to subscribe for or purchase any share of any class or any other rights or warrants; or

(c) of any reclassification or reorganization of the Common Stock of the Company (other than a subdivision or combination of its outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Company is a party and for which approval of any shareholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(d) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company;

the Company shall cause to be filed with the Trustee and to be mailed to each holder of Notes at his address appearing on the Note register provided for in Section 2.5 of this Indenture, as promptly as possible but in any event at least fifteen (15) days prior to the applicable date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such dividend, distribution, reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up.

ARTICLE XVI

MISCELLANEOUS PROVISIONS

Section 16.1 Provisions Binding on Company's Successors. All the covenants, stipulations, promises and agreements by the Company contained in this Indenture shall bind its successors and assigns whether so expressed or not.

Section 16.2 Official Acts by Successor Corporation. Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation that shall at the time be the lawful sole successor of the Company.

Section 16.3 Addresses for Notices, Etc. Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the holders of Notes on the Company shall be deemed to have been sufficiently given or made, for all purposes, if given or served by being deposited postage prepaid by registered or certified mail in a post office letter box addressed (until another address is filed by the Company with the

Trustee) to Quantum Corporation, 500 McCarthy Boulevard, Milpitas, California 95035, Attention: Chief Financial Officer. Any notice, direction, request or demand hereunder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or served by being deposited postage prepaid by registered or certified mail in a post office letter box addressed to the Corporate Trust Office, which office is, at the date as of which this Indenture is dated, located at 135 South LaSalle Street, Chicago, Illinois 60603-4109, Attention: Corporate Trust Division (Quantum Corporation, 5% Convertible Subordinated Notes due 2003).

The Trustee, by notice to the Company, may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Noteholder shall be mailed to him by first class mail, postage prepaid, at his address as it appears on the Note register and shall be sufficiently given to him if so mailed within the time prescribed.

Failure to mail a notice or communication to a Noteholder or any defect in it shall not affect its sufficiency with respect to other Noteholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Section 16.4 Governing Law. This Indenture and each Note shall be deemed to be a contract made under the laws of New York, and for all purposes shall be construed in accordance with the laws of New York.

Section 16.5 Evidence of Compliance with Conditions Precedent; Certificates to Trustee. Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture shall include (1) a statement that the person making such certificate or opinion has read such covenant or condition; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in such

certificate or opinion is based; (3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Section 16.6 Legal Holidays. In any case where the date of maturity of interest on or principal of the Notes or the date fixed for redemption of any Note will not be a Business Day, then payment of such interest on or principal of the Notes need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period from and after such date.

Section 16.7 Trust Indenture Act. This Indenture is hereby made subject to, and shall be governed by, the provisions of the Trust Indenture Act required to be part of and to govern indentures qualified under the Trust Indenture Act; provided, however, that, unless otherwise required by law, notwithstanding the foregoing, this Indenture and the Notes issued hereunder shall not be subject to the provisions of subsections (a)(1), (a)(2), and (a)(3) of Section 314 of the Trust Indenture Act as now in effect or as hereafter amended or modified; provided, further, that this Section 16.7 shall not require this Indenture or the Trustee to be qualified under the Trust Indenture Act prior to the time such qualification is in fact required under the terms of the Trust Indenture Act, nor shall it constitute any admission or acknowledgment by any party to such supplemental indenture that any such qualification is required prior to the time such qualification is in fact required under the terms of the Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with another provision hereof which is required to be included in an indenture qualified under the Trust Indenture Act, such required provision shall control.

Section 16.8 No Security Interest Created. Nothing in this Indenture or in the Notes, expressed or implied, shall be construed to constitute a security

interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect, in any jurisdiction where property of the Company or its subsidiaries is located.

Section 16.9 Benefits of Indenture. Nothing in this Indenture or in the Notes, expressed or implied, shall give to any Person, other than the parties hereto, any paying agent, any authenticating agent, any Note registrar and their successors hereunder, the holders of Notes and the holders of Senior Indebtedness, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 16.10 Table of Contents, Headings, Etc. The table of contents and the titles and headings of the articles and sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 16.11 Authenticating Agent. The Trustee may appoint an authenticating agent which shall be authorized to act on its behalf and subject to its direction in the authentication and delivery of Notes in connection with the original issuance thereof and transfers and exchanges of Notes hereunder, including under Sections 2.4, 2.5, 2.6, 2.7, 3.3 and 3.5, as fully to all intents and purposes as though the authenticating agent had been expressly authorized by this Indenture and those Sections to authenticate and deliver Notes. For all purposes of this Indenture, the authentication and delivery of Notes by the authenticating agent shall be deemed to be authentication and delivery of such Notes "by the Trustee" and a certificate of authentication executed on behalf of the Trustee by an authenticating agent shall be deemed to satisfy any requirement hereunder or in the Notes for the Trustee's certificate of authentication. Such authenticating agent shall at all times be a person eligible to serve as trustee hereunder pursuant to Section 8.9.

Any corporation into which any authenticating agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any authenticating agent shall be a party, or any corporation succeeding to the corporate trust business of any authenticating agent, shall be the successor of the authenticating agent hereunder, if such successor corporation is otherwise eligible under this Section 16.11, without the execution or filing of any paper or any further act on the part of the parties hereto or the authenticating agent or such successor corporation.

Any authenticating agent may at any time resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time terminate the agency of any authenticating agent by giving written notice of termination to such authenticating agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any authenticating agent shall cease to be eligible under this Section, the Trustee shall either promptly appoint a successor authenticating agent or itself assume the duties and obligations of the former authenticating agent under this Indenture, and upon such appointment of a successor authenticating agent, if made, shall give written notice of such appointment of a successor authenticating agent to the Company and shall mail notice of such appointment of a successor authenticating agent to all holders of Notes as the names and addresses of such holders appear on the Note register.

The Trustee agrees to pay to the authenticating agent from time to time reasonable compensation for its services (to the extent pre-approved by the Company in writing), and the Trustee shall be entitled to be reimbursed for such pre-approved payments, subject to Section 8.6.

The provisions of Sections 8.2, 8.3, 8.4, 9.3 and this Section 16.11 shall be applicable to any authenticating agent.

Section 16.12 Execution in Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

LaSalle National Bank hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions hereinabove set forth.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly signed, all as of the date first written above.

QUANTUM CORPORATION

By: /s/ Joseph T. Rodgers

Name: Joseph T. Rodgers

Title: Executive Vice President, Finance,

Chief Financial Officer and Secretary

LASALLE NATIONAL BANK
as Trustee

By: /s/ Laura H. Mackey

Name: Laura A. Mackey

Title: Assistant Vice President

EXHIBIT 10.37

EXECUTION COPY

FIFTH AMENDMENT TO CREDIT AGREEMENT

THIS FIFTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of May 29, 1996, 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, (such financial institutions to be referred to herein collectively as the "Banks");

(3) ABN AMRO BANK N.V., San Francisco International Branch ("ABN"), BARCLAYS BANK PLC ("Barclays") and CIBC INC. ("CIBC"), as managing agents for the Banks (collectively in such capacity, the "Managing Agents");

(4) BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, THE FIRST NATIONAL BANK OF BOSTON, CHEMICAL BANK and THE INDUSTRIAL BANK OF JAPAN, LIMITED, as co-agents for the Banks; and

(5) CANADIAN IMPERIAL BANK OF COMMERCE, as administrative and collateral agent for the Banks (in such capacities, the "Administrative Agent"); ABN, as syndication agent for the Banks; and Barclays, as documentation agent for the Banks.

RECITALS

A. Borrower, the Banks, Managing Agents and Administrative Agent are parties to a Credit Agreement dated as of October 3, 1994, as amended by a First Amendment to Credit Agreement dated as of February 15, 1995, a Second Amendment to Credit Agreement dated as of June 26, 1995, a Third Amendment to Credit Agreement dated as of September 29, 1995 and a Fourth Amendment to Credit Agreement dated as of January 29, 1996 (as so amended, the "Credit Agreement"), pursuant to which the Banks have provided certain credit facilities to Borrower.

B. Borrower has requested the Banks, Managing Agents and Administrative Agent to amend the Credit Agreement in certain respects and to waive certain Events of Default which have occurred under the Credit Agreement.

C. The Banks, Managing Agents and Administrative Agent are willing so to amend the Credit Agreement and to provide such waivers 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, Managing Agents and Administrative Agent hereby agree as follows:

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 6 below, the Credit Agreement is hereby amended as follows:

(a) Paragraph 1.01 is amended by changing the definitions of the following terms set forth therein to read in their entirety as follows:

"Debt Service Coverage Ratio" shall mean, with respect to any Person for any period, the ratio, determined on a consolidated basis in accordance with GAAP where applicable, of;

(a) The Adjusted Net Income of such Person and its Subsidiaries for such period;

to

(b) The sum of (i) all principal payments on Indebtedness for borrowed money of such Person and its Subsidiaries scheduled for payment during the period of comparable length immediately succeeding such period, (ii) fifty percent (50%) of all Capital Expenditures of such Person and its Subsidiaries for such period, and (iii) all dividends paid by such Person and its Subsidiaries during such period (excluding any dividends paid to

such Person);

Provided, however, that:

(A) In calculating the Debt Service Coverage Ratio of Borrower for the period January 1, 1995 through December 31, 1995, (1) the amount utilized

in clause (b)(i) above shall be the principal payments on Indebtedness for borrowed money of Borrower and its Subsidiaries scheduled for payment during 1995, rather than 1996, and (2) the principal payments on the Term Loans scheduled for payment during 1995 shall be deemed to be the principal payment due on the Term Loans on September 30, 1995 and one-half of the principal payment due on the Term Loans on March 31, 1996; and

(B) In calculating the Debt Service Coverage Ratio of Borrower for the consecutive four-quarter periods ending on March 31, 1996, June 30, 1996, September 29, 1996 and December 29, 1996 for purposes of clause (ii) of Subparagraph 5.02(m), the amount calculated under clause (a) above for each such period shall be increased by an amount equal to the lesser of (1) the MKE Restructuring Charges and (2) $175,000,000.

"Fixed Charge Coverage Ratio" shall mean, with respect to any Person for any period, the ratio, determined on a consolidated basis in accordance with GAAP where applicable, of;

(a) The remainder of (i) EBITDA of such Person and its Subsidiaries for such period, minus (ii) fifty percent (50%) of all Capital Expenditures of such Person and its Subsidiaries for such period;

to

(b) All Interest Expenses of such Person and its Subsidiaries for such period;

Provided, however, that, in calculating the Fixed Charge Coverage Ratio of Borrower for the consecutive four-quarter periods ending on March 31, 1996, June 30, 1996, September 29, 1996 and December 29, 1996 for purposes of clause (i) of Subparagraph 5.02(m), the amount calculated under clause (a) above for each such period shall be increased by an amount equal to the lesser of (A) the MKE Restructuring Charges and (B) $175,000,000.

(b) Paragraph 1.01 is further amended by adding thereto, in the appropriate alphabetical order, the following definitions to read in their entirety as follows:

"Louisville Property" shall mean that certain real property consisting of approximately 27 acres located

at 1450 Centennial Court in Louisville, Colorado and improvements thereto.

"Shrewsbury Property" shall mean that certain real property consisting of approximately 72 acres located at 333 South Street in Shrewsbury, Massachusetts and improvements thereto.

(c) Subparagraph 2.13(a) is amended by changing the proviso at the end thereof to read in its entirety as follows:

Provided, however, that, after any sale of the Shrewsbury Property as permitted by clause (ix) of Subparagraph 5.02(c) or any financing of the Shrewsbury Property as permitted by clause (iii) of Subparagraph 5.02(a), (A) the Obligations shall not be secured by the Borrower Mortgage and (B) Administrative Agent shall execute such documents, instruments and agreements as Borrower may reasonably request to release the Borrower Mortgage.

(d) Subparagraph 2.13(b) is amended by changing clause (i) thereof to read in its entirety as follows:

(i) Grant, perfect, maintain, protect and evidence security interests in favor of Administrative Agent, for the benefit of the Agents and Banks, in any or all present and future real and personal property of Borrower (except, during any financing thereof permitted by clause (iii) of Subparagraph 5.02(a), the Louisville Property and the Shrewsbury Property) and the Material Subsidiaries (except Rocky

Mountain and Foreign Subsidiaries) prior to the Liens or other interests of any Person, except for Permitted Liens;

(e) Subparagraph 5.02(a) is amended by changing clause (iii) thereof to read in its entirety as follows:

(iii) Indebtedness under:

(A) Loans and Capital Leases incurred by Borrower or any of its Subsidiaries to finance real property, fixtures or equipment acquired by such Person not more than forty-five (45) days prior to such loans and Capital Leases, provided that (1) in each case, such Indebtedness does not exceed the purchase price of the property so financed and (2) the aggregate amount of such Indebtedness outstanding under this clause (A) at any time does not exceed $40,000,000;

(B) Loans and Capital Leases incurred by Borrower or any of its Subsidiaries to finance

equipment acquired by such Person more than forty-five (45) days prior to such loans and Capital Leases, provided that (1) in each case, such Indebtedness equals or exceeds the net book value of the equipment so financed and (2) the aggregate amount of such Indebtedness outstanding under this clause (B) at any time does not exceed $40,000,000;

(C) Loans and Capital Leases incurred by Borrower or any of its Subsidiaries to finance the Louisville Property, provided that such Indebtedness does not exceed the purchase price of such property; and

(D) Loans and Capital Leases incurred by Borrower or any of its Subsidiaries to finance the Shrewsbury Property, provided that (1) such Indebtedness does not exceed the purchase price of such property and (2) the aggregate amount of such Indebtedness outstanding under this clause (D) at any time does not exceed $30,000,000;

Provided, however, that the aggregate amount of Indebtedness outstanding under clauses (iii)(C) and (iii)(D) above at any time does not exceed $45,000,000;

(f) Subparagraph 5.02(a) is further amended by changing the proviso after clause (xviii) thereof to read in its entirety as follows:

Provided, however, that:

(1) The aggregate amount of Indebtedness outstanding under clauses (iii)(A), (iii)(B), (iii)(C) and (xviii) above at any time does not exceed $80,000,000; and

(2) Notwithstanding the Permitted Indebtedness set forth in clauses (i)-(xviii) above, Quantum Holdings shall not create, incur, assume or permit to exist any Indebtedness, any Guaranty Obligations or any other material liabilities except for Indebtedness of Quantum Holdings to Borrower or any of Borrower's other Subsidiaries to the extent permitted by clause (xv) above.

(g) Subparagraph 5.02(b) is amended by changing clause (vii) thereof to read in its entirety as follows:

(vii) Liens securing Indebtedness which constitutes Permitted Indebtedness under clause (iii) of Subparagraph 5.02(a) provided that, (A) in each case under clause (A) thereof, such Lien covers only those

assets, the acquisition of which was financed by such Permitted Indebtedness, (B) in each case under clause (B) thereof, such Lien covers only the equipment which was financed by such Permitted Indebtedness, (C) in each case under clause (C) and clause (D) thereof, such Lien covers only the property which was financed by such Permitted Indebtedness, and (D) in each case under clauses (A), (B), (C) and (D) thereof, such Lien secures only such Permitted Indebtedness;

(h) Subparagraph 5.02(c) is amended by changing clause (ix) thereof to read in its entirety as follows:

(ix) Sales by Borrower and its Subsidiaries of equipment or the

Shrewsbury Property in sale and leaseback transactions, provided that, in the case of equipment, such equipment is leased back by Borrower or its Subsidiary, as the case may be, in a Capital Lease permitted by clause (iii) of Subparagraph 5.02(a);

(i) Subparagraph 5.02(m) is amended by changing clauses (i), (iv) and (vi) thereof to read in their entirety as follows:

(i) Borrower shall not permit its cumulative Fixed Charge Coverage Ratio for each period set forth below to be less than the ratio set forth opposite such period below:

<TABLE>
<S> <C>

October 1, 1994 - December 31, 1994	1.50;
October 1, 1994 - March 31, 1995	1.50;
October 1, 1994 - June 30, 1995	2.00;
October 1, 1994 - September 30, 1995	2.50;
January 1, 1995 - December 31, 1995	2.50;
April 1, 1995 - March 31, 1996	2.50;
July 1, 1995 - June 30, 1996	2.00;
Each consecutive four-quarter period ending on the last day of each quarter thereafter	3.00.

</TABLE>

(iv) Borrower shall not permit its Leverage Ratio during any period set forth below to be more than the ratio set forth opposite such period below:

<TABLE>
<S> <C>

From the Closing Date to March 30, 1996	1.35;
March 31, 1996 to June 30, 1996	1.20;
Thereafter	1.10.

</TABLE>

(vi) Borrower shall not permit its Quick Ratio during any period set forth below to be less than the ratio set forth opposite such period below:

<TABLE>
<S> <C>

From the Closing Date to March 30, 1996	0.85;
March 31, 1996 to June 30, 1996	1.00;
Thereafter	1.10.

</TABLE>

3. WAIVER. The Banks hereby waive any Event of Default under Subparagraph 6.01(b) of the Credit Agreement arising from Borrower's failure to observe the following requirements for the periods indicated:

(a) The Fixed Charge Coverage Ratio requirement set forth in clause (i) of Subparagraph 5.02(m) of the Credit Agreement for the period April 1, 1995 through March 31, 1996;

(b) The Leverage Ratio requirement set forth in clause (iv) of Subparagraph 5.02(m) of the Credit Agreement for the quarter ending March 31, 1996; and

(c) The Quick Ratio requirement set forth in clause (vi) of Subparagraph 5.02(m) of the Credit Agreement for the quarter ending March 31, 1996.

4. REPRESENTATIONS AND WARRANTIES. Borrower hereby represents and warrants to the Banks and the Agents 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 and the waiver set forth in paragraph 3 above, the following also 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 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 4 that, on and after the date hereof, such term includes this Amendment.)

5. AMENDMENT FEE. On the Effective Date (as defined below), Borrower shall pay to each Bank which executes this Amendment on or prior to May 29, 1996 a nonrefundable amendment fee (the "Amendment Fee") of $5,000.

6. EFFECTIVE DATE. The amendments effected by paragraph 2 above and the waivers set forth in paragraph 3 above shall become effective on May 30, 1996 (such date, if the conditions set forth in this paragraph are satisfied, to be referred to herein as 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 Required Banks and their respective counsel:

(a) This Amendment duly executed by Borrower and the Required Banks;

(b) A letter in the form of Exhibit A hereto, dated the Effective Date and duly executed by Quantum Europe and Quantum Holdings;

(c) A Certificate of the Secretary of Borrower, dated the Effective Date, certifying that the Certificate of Incorporation, Bylaws and Board resolutions of Borrower, in the forms delivered to Agent on the Closing Date, are in full force and effect and have not been amended, supplemented, revoked or repealed since such date;

(d) A favorable written opinion of Cooley, Godward, Castro, Huddleson & Tatum, counsel to Borrower, dated the Effective Date, addressed to the Administrative Agent for the benefit of the Agents and the Banks, covering such legal matters as Agents may reasonably request and otherwise in form and substance satisfactory to the Agents;

(e) The Amendment Fee payable to each Bank which has executed this Amendment on or prior to May 29, 1996; and

(f) Such other evidence as any 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 Amendment and the other Credit Documents.

7. 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 any Bank or Agent, nor constitute a waiver of any provision of the Credit Agreement or any other Credit Document.

8. EXPENSES. Pursuant to Paragraph 8.02 of the Credit Agreement, Borrower shall pay to Agents all reasonable Attorney Costs and other reasonable fees and expenses payable to third parties incurred by Agents in connection with the preparation, negotiation, execution and delivery of this Amendment and the additional Credit Documents.

9. 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.

[The next page is the first signature page.]

IN WITNESS WHEREOF, Borrower, the Banks and Agents have caused this Amendment to be executed as of the day and year first above written.

BORROWER: QUANTUM CORPORATION

By: /s/ Joseph T. Rodgers
Name: Joseph T. Rodgers
Title: Executive Vice President, Finance
Chief Financial Officer & Secretary

MANAGING AGENTS: ABN AMRO BANK N.V., San Francisco International Branch,
As a Managing Agent
By ABN AMRO North America, Inc.

By: /s/ Robin S. Yim
Name: Robin S. Yim
Title: VP and Director

By: /s/ Robert N. Hartinger
Name: Robert N. Hartinger
Title: GVP and Director

BARCLAYS BANK PLC,
As a Managing Agent

By: /s/ James C. Tan
Name: James C. Tan
Title: Associate Director

CIBC INC.,
As a Managing Agent

By: /s/ SAKAI
Name: SAKAI
Title: Director

ADMINISTRATIVE AGENT: CANADIAN IMPERIAL BANK OF COMMERCE,
As Administrative Agent

By: /s/ SAKAI
Name: SAKAI
Title: Director

BANKS: ABN AMRO BANK N.V., San Francisco International Branch,
As a Bank

By ABN AMRO North America, Inc.

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

Title: VP and Director

By: /s/ Robert N. Hartinger
Name: Robert N. Hartinger
Title: GVP and Director

BARCLAYS BANK PLC,
As a Bank

By: /s/ James C. Tan
Name: James C. Tan
Title: Associate Director

CIBC INC.,
As a Bank

By: /s/ SAKAI
Name: SAKAI
Title: Director

BANK OF AMERICA NATIONAL TRUST &
SAVINGS ASSOCIATION,
As a co-agent and as a Bank

By: /s/ Kevin McMahon
Name: Kevin McMahon
Title: Vice President

CHEMICAL BANK,
As a co-agent and as a Bank

By: /s/ Ann B. Kerns
Name: Ann B. Kerns
Title: Vice President

THE FIRST NATIONAL BANK OF BOSTON,
As a co-agent and as a Bank

By: /s/ Debra E. Delvecchio
Name: Debra E. Delvecchio
Title: Vice President

THE INDUSTRIAL BANK OF JAPAN,
LIMITED,
As a co-agent and as a Bank

By: /s/ Eiji Tanaka
Name: Eiji Tanaka
Title: Senior Vice President

THE BANK OF NOVA SCOTIA,
As a Bank

By: /s/ John Quick
Name: John Quick
Title: Senior Relationship Manager

FLEET NATIONAL BANK (successor in interest to Fleet Bank of Massachusetts, N.A.),
As a Bank

By: /s/ Thomas W. Davies

Name: Thomas W. Davies

Title: Vice President

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

By: /s/ Motokazu Uematsu

Name: Motokazu Uematsu

Title: Deputy General Manager

THE NIPPON CREDIT BANK, LTD.,
As a Bank

By: /s/ Masaki Iwataki

Name: Masaki Iwataki

Title: Vice President & Manager

By: /s/

Name:

Title:

SANWA BANK CALIFORNIA,
As a Bank

By: /s/ Robert R. Shutt

Name: Robert R. Shutt

Title: Vice President

FLEET NATIONAL BANK (successor in interest to Shawmut Bank, N.A.),
As a Bank

By: /s/ Thomas W. Davies

Name: Thomas W. Davies

Title: Vice President

THE SUMITOMO BANK, LIMITED,
As a Bank

By: /s/ Motosuke Yagaki

Name: Motosuke Yagaki

Title: Joint General Manager

By: /s/ Herman White Jr.

Name: Herman White Jr.

Title: Vice President

UNION BANK OF CALIFORNIA, N.A.
(successor in interest to Union Bank),

As a Bank

By: /s/ Nanci Brusati Dias

Name: Nanci Brusati Dias

Title: Vice President and District Manager

THE FUJI BANK, LIMITED,
As a Bank

By: /s/

Name:

Title:

EXHIBIT 10.38

CONSULTING AND RELEASE AGREEMENT

This CONSULTING AND RELEASE AGREEMENT ("Agreement") is made and entered into by and between Mr. William J. Miller ("Consultant") and Quantum Corporation (the "Company") as of November 1, 1995 ("Effective Date").

WITNESSETH

WHEREAS, Consultant has tendered his resignation as Chief Executive Officer and wishes to enter into a consulting relationship with the Company;

WHEREAS, the Company has accepted Consultant's resignation and wishes to provide Consultant with certain benefits in consideration of Consultant's services to the Company;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the parties hereto as follows:

1. RESIGNATION. Consultant has tendered, and the Company has accepted, Consultant's resignation as Chief Executive Officer, effective as of October 31, 1995 (the "Separation Date").

2. SEVERANCE PAY. Eleven (11) months payable as either an employee or a consultant in equal monthly amounts over eleven (11) months commencing on November 1, 1995.

3. ACCRUED VACATION AND BENEFITS. The Company shall pay the Consultant at Separation Date all accrued vacation and benefits.

4. HEALTH INSURANCE. Consultant will be eligible to continue health insurance benefits under the federal COBRA law for eighteen (18) months. The Company will pay the employer portion of such expense for a period of eleven (11) months from the Separation Date.

5. OUTPLACEMENT SERVICES. The Company will pay the Consultant's reasonable cost of outplacement services for up twelve (12) months.

6. STOCK OPTION VESTING. The Company will recommend to the Board of Directors the acceleration of vesting of six (6) months of stock options to be fully exercisable upon the Separation Date.

7. CONSULTING AGREEMENT. Consultant shall serve as a consultant to the Company under the terms specified below. Consulting relationship shall commence on November 1, 1995 and shall continue through September 30, 1997 ("Consulting Period") unless terminated earlier pursuant to paragraph 8 herein.

(a) CONSULTING SERVICES. Consultant agrees to provide upon request by the Company consulting services to the Company in any area of Consultant's expertise. Consultant agrees to make himself available to perform such consulting services throughout the consulting period.

(b) CONSULTING FEES AND BENEFITS.

(i) CONSULTING FEES. During the first eleven (11) months of the Consulting Period, Consultant shall provide at Company's request a minimum of one (1) day per month. For any additional consulting services agreed to during the first eleven (11) months by the Consultant, the Company shall pay the Consultant a daily fee of $5,000 in cash. Beginning in the twelfth (12) month, in consideration for any Consultant's services agreed to by Consultant, the Company shall pay the Consultant a daily fee for consulting services of $5,000 in cash. In addition to any other fees specified herein, the Company agrees to pay Consultant's reasonable out of pocket expense relating to the consulting services.

(ii) STOCK OPTIONS. Consultant acknowledges and agrees that in consideration of the promises made by the Company herein, that the Consultant release his right to any vesting of stock options under the Company's stock option plans except as provided in section 6 of this Agreement. Further, the Company agrees to extend the Consultant's period to exercise any and all of Consultant's vested stock options until ninety (90) days after this agreement has been terminated. Further, at Separation Date the Consultant shall be released from the obligation to observe the Company's insider trading window per the Company insider trading policy.

8. TERMINATION OF THE AGREEMENT. This Agreement may be terminated prior to September 30, 1997 by the Consultant upon thirty (30) days' written notice,

or at any time by the Company for cause. If Consultant resigns or if the Consultant relationship is terminated for cause, all Compensation and Benefits shall cease as of the date of Consultant's termination.

9. LIMITATIONS ON AUTHORITY. Consultant shall have no responsibilities or authority as a Consultant to the Company other than as provided for above. Consultant hereby agrees not to represent or purport to represent the Company in any manner whatsoever to any third party unless authorized by the Company to do so.

10. COMPETITIVE ACTIVITY. In order to protect trade secrets and confidential and proprietary information of the Company, Consultant agrees that during the Consultant Period, the Consultant will not obtain employment with, perform work for any division, unit or segment of a business entity, or engage in any other work activity which competes with the Company directly in the area of hard disk drives ("Competitive Activity"). In the event that the Consultant engages in any Competitive Activity, the Company's obligation to pay Consultant's Fees shall cease immediately.

11. NON-COMPETITION.

(a) ACKNOWLEDGMENTS BY CONSULTANT. Consultant acknowledges by virtue of Consultant's position with the Company, Consultant developed considerable expertise in the business operations of the Company and has had access to extensive confidential information with respect to the Company. Consultant also acknowledges that this is a contract of personal services wherein Consultant's services are of a special, unique, unusual, extraordinary and intellectual character. Consultant further acknowledges that Consultant's services will have peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law and that the company would be irreparably damaged and its substantial investment materially impaired, if Consultant were to enter into an activity competing the Company's business in violation of the terms of this Agreement. Accordingly, Consultant expressly acknowledges that Consultant is voluntarily entering into this Agreement and that the terms and conditions of this Agreement are fair and reasonable to Consultant in all respects.

(b) NON-COMPETITION. Consultant agrees that during the Consulting Period, Consultant shall not directly without prior written consent of the Company, perform work for any division, unit or segment of a business entity or engage in any other work activity which directly competes with the business of the Company.

12. INDEPENDENT CONTRACTOR. Consultant's relationship with the Company shall be that of an Independent Contractor and nothing in this Agreement shall be construed to create an employer-employee relationship between the parties hereto.

13. NON-SOLICITATION. Consultant agrees that during the Consulting Period, Consultant will not personally be involved in the solicitation or attempted solicitation of any employee, consultant, or independent contractor of the Company to terminate his or her relationship with the Company in order to become an employee, consultant or independent contractor to or for any other person or entity.

14. NONDISPARAGEMENT. Consultant and the Company agree that neither party will at any time disparage the other in any manner likely to be harmful the Consultant's business or reputation or the personal or business reputation of the Company or it's Directors, Shareholders and Employees provided that each party shall respond accurately and fully to any question, inquiry or request for information when required by legal process.

15. CONFIDENTIALITY. The provisions of this Agreement shall be held in strictest confidentiality by the Consultant and the Company and shall not be publicized or disclosed in any manner whatsoever. Notwithstanding the prohibition of the preceding sentence: (i) Consultant may disclose this Agreement, in confidence, to Consultant's immediate family; (ii) the parties may disclose this Agreement to their respective attorneys, accountants, auditors, tax preparers and financial advisors; (iii) the Company may disclose this Agreement as necessary to fulfill standard or legally required corporate reporting and disclosure requirements; (iv) the parties may disclose this Agreement insofar as such disclosure may be necessary to enforce its terms or as otherwise required by law; and (v) the Consultant may reveal as may be necessary the provisions of section 10, 11, and 13 to prospective employers.

16. HOLD HARMLESS. Consultant shall exonerate, indemnify and hold harmless the Company, its officers, agents and employees from and against any and all liability, loss, cost, damage, claims, demands or expenses of every kind on account of injuries (including death) to Consultant or any third party or loss or damage to Consultant or any third party's property arising out of or resulting from the gross negligence or willful misconduct of the Consultant in connection with Consultant's performance of services hereunder.

17. RELEASE OF CLAIMS. Except as otherwise set forth in this Agreement, Consultant hereby releases, acquits and forever discharges the Company, its officers, directors, agents, servants, employees, shareholders, attorneys, successors, assigns and affiliates, and the Company hereby releases the

Consultant, of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys' fees, damages, indemnities and obligations of every kind and nature, in law, equity, or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed, arising out of or in any way related to agreements, events, acts or conduct at any time prior to and including the Effective Date, including but not limited to: any and all such claims and demands directly or indirectly arising out of or in any way connected with Consultant's employment with the Company or the termination of that employment; claims or demands related to salary, bonuses, commissions, stock, stock options, or any other ownership interests in the Company, vacation pay, fringe benefits, expense reimbursements, severance benefits, or any other form of compensation; claims pursuant to any federal, state or local law, statute or cause of action including, but not limited to, tort law; contract law; wrongful discharge; discrimination; fraud; defamation; emotional distress; and breach of the implied covenant of good faith and fair dealing. Notwithstanding the above, the Company shall be obligated to indemnify Consultant against third party claims brought against Consultant as specified in the Indeminification Agreement dated January 11, 1994 between the Consultant and the Company for acts or conduct performed during the Consultant's employment with the Company.

18. SECTION 1542 WAIVER. Consultant acknowledges that Consultant has read and understands Section 1542 of the Civil Code of the State of California, which reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Consultant hereby expressly waives and relinquishes all rights and benefits under that section and any law or legal principle of similar effect in any jurisdiction with respect to the release granted in this Agreement.

19. ENTIRE AGREEMENT. This Agreement constitute the complete, final and exclusive embodiment of the entire agreement between Consultant and the Company with regard to the subject matter hereof. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein. It may not be modified except in a writing signed by Consultant and a duly authorized officer of the Company. Each party has carefully read this Agreement, and has been afforded the opportunity to be advised of its meaning and consequences by Consultant or its respective attorneys, and signed the same of Consultant's or its own free will.

20. SUCCESSORS AND ASSIGNS. This Agreement shall bind the heirs, personal representatives, successors, assigns, executors, and administrators of each party, and inure to the benefit of each party, its heirs, successors and assigns. However, because of the unique and personal nature of Consultant's duties under this Agreement, Consultant agrees not to delegate the performance of Consultant's duties under this Agreement.

21. APPLICABLE LAW. This Agreement shall be deemed to have been entered into and shall be construed and enforced in accordance with the laws of the State of California as applied to contracts made and to be performed entirely within California.

22. SEVERABILITY. If a court of competent jurisdiction determines that any term or provision of this Agreement is invalid or unenforceable, in whole or in part, then the remaining terms and provisions hereof shall be unimpaired. Such court will have the authority to modify or replace the invalid or unenforceable terms or provision with a valid and enforceable term or provision that most accurately represents the parties' intention with respect to the invalid or unenforceable term or provision.

23. SURVIVAL. In the event of termination of this Agreement, all rights and obligations which by their nature survive the expiration or termination of this Agreement shall remain in effect, including specifically paragraphs 10, 11, 13, 14, 15, 16, 17 and 18.

24. SECTION HEADINGS. The section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

25. COUNTERPARTS. This Agreement may be executed in two counterparts, each of which shall be deemed an original, both of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have duly authorized and caused this Agreement to be executed as follows:

WILLIAM J. MILLER, an individual	QUANTUM CORPORATION, a corporation
By:_____	By:_____

Date:_____________________________ Date:______________________________

QUANTUM CORPORATION
EXHIBIT 11

STATEMENT OF COMPUTATION OF EARNINGS PER SHARE

<TABLE>
<CAPTION>

(In thousands except per share data)	Year ended March 31,		
	1996	1995	1994
<S>	<C>	<C>	<C>
PRIMARY			
Weighted average number of common shares outstanding	51,841	45,401	43,341
Incremental common shares attributable to outstanding options	-*	1,918	1,626
Total shares	51,841	47,319	44,967
Net income (loss)	$(90,456)	$ 81,591	$ 2,674
Net income (loss) per share	$ (1.74)	$ 1.72	$ .06
FULLY DILUTED			
Weighted average number of common shares outstanding	51,841	45,401	43,341
Incremental common shares attributable to:			
Outstanding options	3,011	1,929	1,759
6 3/8% convertible subordinated debentures	8,129	11,708	11,708
5% convertible subordinated notes	1,302	-	-
Total shares	64,283	59,038	56,808
Net income (loss):			
Net income (loss)	$(90,456)	$ 81,591	$ 2,674
Add interest on convertible debt, net of tax	6,957	8,128	8,128
Adjusted net income (loss)	$(83,499)	$ 89,719	$ 10,802
Net income (loss) per share	$ (1.30)*	$ 1.52	$ .19 *

</TABLE>

* The primary net income (loss) per share is shown in the statements of operations for both primary and fully diluted, as the effect of the assumed conversion of the subordinated debentures is anti-dilutive. For fiscal 1996, the effect of common stock equivalents is also anti-dilutive for the primary loss per share.

QUANTUM CORPORATION
EXHIBIT 12

STATEMENT OF COMPUTATION OF RATIOS
OF EARNINGS TO FIXED CHARGES

<TABLE>
<CAPTION>

(In thousands)	Years Ended March 31, 1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Income (loss) before income taxes	$ (141,338)	$ 145,305	$ 3,663	$ 146,579	$ 74,356
Add fixed charges	48,226	29,277	18,906	17,125	10,409
Earnings (as defined)	$ (93,112)	$ 174,582	$ 22,569	$ 163,704	$ 84,765
Fixed charges					
Interest expense	$ 35,904	$ 21,557	$ 14,305	$ 13,777	$ 7,763
Amortization of debt issuance costs	2,427	1,458	577	586	-
Estimated interest component of rent expenses	9,895	6,262	4,024	2,762	2,646
Total fixed charges	$ 48,226	$ 29,277	$ 18,906	$ 17,125	$ 10,409
Ratio of earnings to fixed charges	(i)	6.0	1.2	9.6	8.1

</TABLE>

(i) Earnings (as defined) for fiscal 1996 were insufficient to cover fixed charges by $141.3 million.

QUANTUM CORPORATION

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

1. Quantum International, Inc., a California corporation
2. Quantum International DISC Inc., a California corporation
3. Quantum Foreign Sales Corporation, a Barbados corporation
4. Quantum GmbH, a German corporation
5. Quantum Peripheral Products, Ltd., a United Kingdom corporation
6. Quantum France SARL, a French corporation
7. Quantum Asia Pacific Pte., Ltd., a Singapore corporation
8. Quantum Peripherals Japan Corporation, a Japanese corporation
9. Quantum Data Storage B.V., a Netherlands corporation
10. Quantum Peripheral Products (Ireland), Ltd., an Ireland corporation
11. Quantum Peripherals (Europe) S.A., a Swiss corporation
12. Quantum Singapore Pte. Ltd., a Singapore corporation
13. Quantum Korea Corporation, a Korean corporation
14. Quantum Hong Kong, Ltd., a Hong Kong corporation
15. Quantum Peripherals (Malaysia) Sdn. Bhd., a Malaysian corporation
16. P.T. Quantum Peripherals Indonesia, an Indonesian corporation
17. Quantum Japan Procurement Center, Inc., a Japanese corporation
18. Quantum Storage (Malaysia) Sdn. Bhd., a Malaysian corporation
19. Quantum Peripherals Colorado, Inc., a Delaware corporation

EXHIBIT 23

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 2-94170, 33-37388, 33-52190, 33-19412, 33-52192, 33-72222, 33-61059, 33-64625) pertaining to the 1984 Stock Option Plan, the 1986 Stock Option Plan, the Plus Development 1987 Stock Option Plan of Quantum Corporation, the Employee Stock Purchase Plan and the 1993 Long-Term Incentive Plan of Quantum Corporation, of our report dated May 3, 1996, with respect to the consolidated financial statements and schedule of Quantum Corporation included in the Annual Report (Form 10-K) for the year ended March 31, 1996.

Ernst & Young LLP

Palo Alto, California
June 25, 1996

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM THE FINANCIAL
STATEMENTS OF QUANTUM CORPORATION FOR THE TWELVE MONTHS ENDED MARCH 31, 1996.
</LEGEND>
<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	MAR-31-1996
<PERIOD-END>	MAR-31-1996
<CASH>	164,752
<SECURITIES>	0
<RECEIVABLES>	721,604
<ALLOWANCES>	10,497
<INVENTORY>	711,107
<CURRENT-ASSETS>	1,526,494
<PP&E>	525,445
<DEPRECIATION>	161,334
<TOTAL-ASSETS>	1,975,355
<CURRENT-LIABILITIES>	821,142
<BONDS>	598,158
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	266,946
<OTHER-SE>	277,877
<TOTAL-LIABILITY-AND-EQUITY>	1,975,355
<SALES>	4,422,726
<TOTAL-REVENUES>	4,422,726
<CGS>	3,880,309
<TOTAL-COSTS>	3,880,309
<OTHER-EXPENSES>	655,796
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	35,904
<INCOME-PRETAX>	(141,338)
<INCOME-TAX>	(50,882)
<INCOME-CONTINUING>	(90,456)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(90,456)
<EPS-PRIMARY>	(1.74)
<EPS-DILUTED>	(1.74)

</TABLE>