

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended July 2, 2000

OR

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

For the transition period from to

Commission File Number 0-12390

QUANTUM CORPORATION

Incorporated Pursuant to the Laws of the State of Delaware

IRS Employer Identification Number 94-2665054

500 McCarthy Blvd., Milpitas, California 95035

(408) 894-4000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

As of the close of business on July 30, 2000, Quantum Corporation had 148,965,905 shares of DLT & Storage Systems group common stock outstanding and 79,217,861 shares of Hard Disk Drive group common stock outstanding.

QUANTUM CORPORATION

INDEX

<TABLE>
<CAPTION>

<S>
PART I - FINANCIAL INFORMATION

	Page Number ----- <C>
Quantum Corporation - Condensed Consolidated Financial Statements	
Condensed Consolidated Statements of Operations	3
Condensed Consolidated Balance Sheets	4
Condensed Consolidated Statements of Cash Flows	5
Notes to Condensed Consolidated Financial Statements	6
Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Quantitative and Qualitative Disclosures About Market Risk	18
Quantum Corporation DLT & Storage Systems Group - Condensed Combined Financial Statements	
Condensed Combined Statements of Operations	19
Condensed Combined Balance Sheets	20
Condensed Combined Statements of Cash Flows	21

Notes to Condensed Combined Financial Statements	22
Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Quantitative and Qualitative Disclosures About Market Risk	35
Quantum Corporation Hard Disk Drive Group - Condensed Combined Financial Statements	
Condensed Combined Statements of Operations	36
Condensed Combined Balance Sheets	37
Condensed Combined Statements of Cash Flows	38
Notes to Condensed Combined Financial Statements	39
Management's Discussion and Analysis of Financial Condition and Results of Operations	45
Quantitative and Qualitative Disclosure About Market Risk	55
PART II - OTHER INFORMATION	56
SIGNATURE	57
</TABLE>	

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

QUANTUM CORPORATION

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

<TABLE>
<CAPTION>

	Three Months Ended	
	July 2, 2000	June 27, 1999
	-----	-----
<S>	<C>	<C>
Revenue	\$1,225,053	\$1,083,235
Cost of revenue	944,578	903,316
	-----	-----
Gross profit	280,475	179,919
Operating expenses:		
Research and development	94,079	90,433
Sales and marketing	66,486	53,221
General and administrative	34,641	29,144
	-----	-----
	195,206	172,798
Income from operations	85,269	7,121
Other income (expense):		
Interest income and other, net	14,402	12,447
Interest expense	(6,776)	(7,208)
	-----	-----
	7,626	5,239
Income before income taxes	92,895	12,360
Income tax provision	32,475	4,079
	-----	-----
Net income	\$ 60,420	\$ 8,281
	=====	=====
Quantum common stock (1):		
Net income		\$ 8,281
		=====
Net income per share:		
Basic		\$ 0.05
Diluted		\$ 0.05
Weighted-average common shares:		
Basic		166,661
Diluted		172,977
DLT & Storage Systems group (1):		
Net income	\$ 43,950	
	=====	
Net income per share:		
Basic	\$ 0.29	

Diluted	\$ 0.28
Weighted-average common shares:	
Basic	150,318
Diluted	154,631
Hard Disk Drive group (1):	
Net income	\$ 16,470
	=====
Net income per share:	
Basic	\$ 0.20
Diluted	\$ 0.19
Weighted-average common shares:	
Basic	81,444
Diluted	88,535

</TABLE>

(1) As discussed in Note 2 of the Notes to Condensed Consolidated Financial Statements, a recapitalization occurred on August 3, 1999. As a result, earnings per share for Quantum Corporation common stock reflect earnings through the recapitalization date, while earnings for DLT & Storage Systems group common stock and Hard Disk Drive group common stock reflect results subsequent to that date.

See accompanying notes to condensed consolidated financial statements.

3

QUANTUM CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

<TABLE>
<CAPTION>

	July 2, 2000 ----- (unaudited) <C>	March 31, 2000 ----- <C>
<S>		
Assets		
- - - - -		
Current assets:		
Cash and cash equivalents	\$ 818,301	\$ 918,262
Marketable securities	30,373	32,080
Accounts receivable, net of allowance for doubtful accounts of \$23,473 and \$23,110	620,098	609,225
Inventories	259,841	223,825
Deferred taxes	133,252	133,382
Other current assets	98,155	96,780
	-----	-----
Total current assets	1,960,020	2,013,554
Property and equipment, net of accumulated depreciation of \$320,260 and \$299,671	227,633	236,685
Intangible assets, net	246,699	250,203
Other assets	42,035	33,510
	-----	-----
	\$2,476,387	\$2,533,952
	=====	=====
Liabilities and Stockholders' Equity		
- - - - -		
Current liabilities:		
Accounts payable	\$ 476,455	\$ 470,210
Accrued warrantly	105,105	99,560
Accrued compensation	81,299	90,452
Income taxes payable	45,538	44,284
Accrued special charges	36,856	43,363
Current portion of long-term debt	1,129	1,033
Other accrued liabilities	109,514	105,345
	-----	-----
Total current liabilities	855,896	854,247
Deferred taxes	72,301	55,336
Long-term debt	37,561	37,838
Convertible subordinated debt	287,500	287,500
Stockholders' equity:		
Common stocks	699,132	737,020
Retained earnings	507,071	545,050

Accumulated other comprehensive income	16,926	16,961
	-----	-----
Total stockholders' equity	1,223,129	1,299,031
	-----	-----
	\$2,476,387	\$2,533,952
	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements.

4

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

<TABLE>
<CAPTION>

	Three Months Ended	
	July 2,	June
	2000	
	-----	-----
--		
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 60,420	\$
8,281		
Adjustments to reconcile net income to net cash provided by (used in) operations:		
Depreciation	24,754	
23,711		
Amortization	8,170	
6,688		
Deferred income taxes	(447)	
(594)		
Compensation related to stock plans	5,161	960
Changes in assets and liabilities:		
Accounts receivable	(10,873)	
7,579		
Inventories	(36,016)	
10,067		
Accounts payable	6,245	
(54,975)		
Income taxes payable	1,254	
(8,079)		
Accrued warranty	5,545	
2,940		
Other assets and liabilities	1,287	
(806)		
	-----	-----
--		
Net cash provided by (used in) operating activities	65,500	
(4,228)		
	-----	-----
--		
Cash flows from investing activities:		
Investment in equity securities	(7,500)	
-		
Purchases of marketable securities	-	
(23,641)		
Maturities of marketable securities	2,032	14,641
Investment in property and equipment	(18,364)	
(24,833)		
Proceeds from disposition of property and equipment	-	60
	-----	-----
--		
Net cash used in investing activities	(23,832)	
(33,773)		
	-----	-----
--		
Cash flows from financing activities:		
Purchase of treasury stock	(146,294)	
(84,239)		
Principal payments on long-term credit facilities	(181)	
(6,747)		
Proceeds from issuance of common stock	4,846	6,044
	-----	-----

--			
Net cash used in financing activities	(141,629)		
(84,942)			
--			
Decrease in cash and cash equivalents	(99,961)		
(122,943)			
Cash and cash equivalents at beginning of period	918,262		772,368
--			
Cash and cash equivalents at end of period	\$ 818,301		\$ 649,425
=====			
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	\$ 2,558		\$
1,212			
Income taxes, net of (refunds)	\$ (271)		\$
14,914			
</TABLE>			

See accompanying notes to condensed consolidated financial statements.

5

QUANTUM CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Quantum Corporation ("Quantum" or the "Company") and its majority owned subsidiaries. All material intercompany balances and transactions have been eliminated. The interim financial statements reflect all adjustments, consisting only of normal recurring adjustments, that, in the opinion of management, are necessary for a fair presentation of the results for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full fiscal year. The condensed consolidated balance sheet as of March 31, 2000 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The accompanying financial statements should be read in conjunction with the audited financial statements of Quantum Corporation for the fiscal year ended March 31, 2000 included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission.

2. Recapitalization

On July 23, 1999, the Company's stockholders approved a tracking stock proposal. As a result, Quantum's Certificate of Incorporation was amended and restated, effective as of the close of business on August 3, 1999, designating two new classes of Quantum Corporation common stock, DLT & Storage Systems group ("DSSG") common stock, \$.01 par value per share and Hard Disk Drive group ("HDDG") common stock, \$.01 par value per share. On August 3, 1999, each authorized share of Quantum common stock, \$.01 par value per share, was exchanged for one share of DSSG stock and one-half share of HDDG stock. These two securities are intended to track separately the performance of the DLT & Storage Systems group and the Hard Disk Drive group.

3. Inventories

Inventories consisted of the following:
(In thousands)

	July 2, 2000	March 31, 2000
	-----	-----
Materials and purchased parts	\$ 53,211	\$ 49,206
Work in process	33,526	42,323
Finished goods	173,104	132,296
	-----	-----
	\$ 259,841	\$ 223,825
	=====	=====

6

4. Net income per share

Net income per share was calculated on a consolidated basis until DSSG stock and HDDG stock were created as a result of the recapitalization on August 3, 1999. Subsequent to this date, net income per share was computed individually for DSSG

and HDDG.

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

<TABLE>

<CAPTION>

(In thousands, except per share data)

	Three Months Ended		
	July 2, 2000		June 27, 1999
	DLT & Storage Systems Group	Hard Disk Drive Group	Quantum Corporation
<S>	<C>	<C>	<C>
Numerator:			
Numerator for basic and diluted net income per share - income available to common stockholders	\$ 43,950	\$ 16,470	\$ 8,281
Denominator:			
Denominator for basic net income per share - weighted average shares	150,318	81,444	166,661
Effect of dilutive securities:			
Outstanding options	4,313	7,091	6,316
Denominator for diluted net income per share - adjusted weighted average shares	154,631	88,535	172,977
Basic net income per share	\$ 0.29	\$ 0.20	\$ 0.05
Diluted net income per share	\$ 0.28	\$ 0.19	\$ 0.05

</TABLE>

The computation of diluted net income per share for DSSG and HDDG for the three months ended July 2, 2000 excluded the effect of the 7% convertible subordinated notes issued in July 1997, which are convertible into 6,206,152 shares of DSSG common stock, or 21.587 shares per \$1,000 note, and 3,103,076 shares of HDDG common stock, or 10.793 shares per \$1,000 note, because the effect would have been antidilutive.

The computation of diluted net income per share for Quantum for the three months ended June 27, 1999 excluded the effect of the 7% convertible subordinated notes issued in July 1997, which were convertible into 6,206,152 shares of Quantum common stock, or 21.587 shares per \$1,000 note, because the effect would have been antidilutive.

Options to purchase 20.9 million shares of DSSG common stock and 0.9 million shares of HDDG common stock were outstanding for the three months ended July 2, 2000, but were not included in the computation of diluted net income per share because the options' exercise price was greater than the average market price of the common stock and, therefore, the effect would have been antidilutive.

Options to purchase 6.0 million shares of Quantum common stock were outstanding for the three months ended June 27, 1999, but were not included in the computation of diluted net income per

7

share because the options' exercise price was greater than the average market price of the common stock and, therefore, the effect would have been antidilutive.

5. Common Stock Repurchase

During fiscal year 2000, the Board of Directors authorized the Company to repurchase up to \$700 million of the Company's common stocks in open market or private transactions. Of the total repurchase authorization, \$600 million was authorized for repurchase of either Quantum, DSSG or HDDG common stock, while \$100 million was authorized for repurchase of HDDG common stock. During the first quarter of fiscal year 2001, the Company repurchased 10.5 million shares of DSSG common stock and 3.2 million shares of HDDG common stock for a combined total of \$146 million. As of July 2, 2000, the Company had repurchased 3.9 million shares of Quantum common stock, 26.2 million shares of DSSG common stock and 6.7 million shares of HDDG common stock for a combined total of approximately \$471 million.

6. Credit Line

In April 2000, the Company entered into two new unsecured senior credit facilities, each providing a \$187.5 million revolving credit line and expiring

in April 2001 and April 2003, respectively. At the Company's option, borrowings under the revolving credit lines bear interest at either the London interbank offered rate or a base rate, plus a margin determined by a leverage ratio with option periods of one to six months. At July 2, 2000, there were no outstanding balances drawn on these lines.

7. Litigation

On August 7, 1998, the Company was named as one of several defendants in a patent infringement lawsuit filed in the U.S. District Court for the Northern District of Illinois, Eastern Division. The plaintiff, Papst Licensing GmbH, owns at least 24 U.S. patents, which it asserts that the Company has infringed. The Company has studied many of these patents before and, of the patents it has studied, believes that defenses of patent invalidity and non-infringement can be asserted. However, the Company has not completed a full study of all the patents asserted by Papst and there can be no assurance that the Company has not infringed these or other patents owned by Papst. Recently, on Papst's motion, the case was transferred to a federal district court in New Orleans, Louisiana, where it has been joined with suits brought against Papst by Hewlett-Packard Company, Maxtor Corporation and Minebea Company, Ltd. for the purposes of coordinated discovery under multi-district litigation rules. Hewlett-Packard settled its dispute with Papst and has been withdrawn from the litigation. To date, discovery has not begun to any significant extent. Quantum does not believe that the transfer will affect the final disposition of this matter in a significant way. The final results of this litigation, as with any litigation, are uncertain. In addition, the costs of engaging in litigation with Papst will be substantial.

The Company is also subject to other legal proceedings and claims that arise in the ordinary course of its business. For example, in fiscal year 2000, Discovision Associates brought patents they hold to the Company's attention. 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

8

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.

8. Special Charge

Hard Disk Drive Group

During the second quarter of fiscal year 2000, HDDG recorded a special charge of \$59.4 million. The charge reflected HDDG's strategy to modify the hard disk drive business to more closely align product development and the business' operating model with the requirements of the rapidly growing low-cost PC market. The special charge was associated primarily with the streamlining of HDDG's logistics model in order to create a faster and more flexible fulfillment system, changes in the customer service strategy and the consolidation of certain product development programs.

The special charge consisted of \$26.4 million related to facilities costs, \$13.2 million in asset write-offs related to the streamlining of the global logistics model and changes in customer service strategy, \$7.8 million in severance and benefits for terminated employees and approximately \$12 million in other costs associated with the plan.

The facilities costs noted above include lease payments on facilities to be vacated in and around Milpitas, California and Singapore, the write-off of related leasehold improvements, and other maintenance expenses associated with the vacated facilities. HDDG expects that the affected facilities will be vacated by the end of the second quarter of fiscal year 2001.

In connection with the charge, HDDG currently expects a workforce reduction of approximately 600 employees. In addition, approximately 100 open job requisitions and budgeted positions have been eliminated. The reduction in force primarily affects employees at HDDG's drive configuration centers and warehouses in Milpitas, California and Dundalk, Ireland and employees within the desktop drive business. As of July 2, 2000, 499 of the 600 employees had been terminated. HDDG anticipates that the remaining employees will be terminated by the end of the second quarter of fiscal year 2001.

Subsequent to the end of the second quarter of fiscal year 2000, HDDG revised its estimate of costs required to implement the restructuring plan. HDDG currently estimates that severance and benefits, inventory and other costs, which include the disposition of additional capital assets, will be more than previously estimated as a result of the planned changes in the customer service strategy. HDDG also estimates that costs associated with vacating leased facilities will be less than previously estimated as a result of vacating a major facility earlier than previously expected. Accordingly, HDDG has reallocated amounts between these categories.

As of July 2, 2000, HDDG had incurred \$9 million in cash expenditures associated

with employee severance and benefits, facilities and other costs. HDDG expects to incur additional cash expenditures associated with the plan of approximately \$15 million.

The following table summarizes activity related to the special charge at July 2, 2000.

<TABLE>
<CAPTION>
(In thousands)

	Severance And Benefits -----	Facilities Costs -----	Inventory -----	Other Costs -----	Total -----
<S>	<C>	<C>	<C>	<C>	<C>
Special charge provision	\$ 7,833	\$ 26,359	\$ 13,214	\$ 12,000	\$ 59,406
Cash Payments	(5,584)	(1,519)	-	(1,810)	(8,913)
Non-cash charges	-	(8,274)	(15,588)	(8,800)	(32,662)
Adjustments	1,166	(7,852)	2,374	4,312	-
Balance at July 2, 2000	\$ 3,415	\$ 8,714	\$ -	\$ 5,702	\$ 17,831
	=====	=====	=====	=====	=====

</TABLE>

DLT & Storage Systems Group

During the fourth quarter of fiscal year 2000, DSSG recorded a special charge of \$40.1 million. The charge was primarily focused on DSSG's DLTtape Division and reflected DSSG's strategy to align its DLTtape drive operations with market conditions. These conditions include slower growth in the mid-range server market and increasing centralization of server backup through automation solutions, both of which have resulted in relatively flat DLTtape drive shipments. The special charge included a reduction of overhead expenses throughout the DLTape Division and an acceleration of DSSG's low cost manufacturing strategy, which includes moving volume production of DLTtape drives from Colorado Springs, Colorado to Penang, Malaysia.

The special charge consisted of \$13.5 million in facility related costs, \$13.9 million for the write-off of investments in optical technology, \$7.6 million for severance and benefits for terminated employees, \$3.2 million for fixed assets to be written off, primarily related to the transfer of manufacturing to Penang, Malaysia and \$1.9 million in other costs associated with the plan.

The facilities costs noted above include lease payments for vacant space in a facility in Colorado Springs, Colorado, the write-off of related leasehold improvements and manufacturing equipment, as well as the write-off of certain leasehold improvements at Quantum's facility in Penang, Malaysia, as this space is converted to DSSG manufacturing. DSSG expects that the Colorado facility will be vacated by the end of fiscal year 2001.

The write-off of investments reflects DSSG's decision to end its research on certain optical based storage solutions. As a result, DSSG has written off an equity investment and technology licenses related to optical technology.

DSSG currently expects a workforce reduction of approximately 900 employees. The reduction in force primarily affects employees at DSSG's manufacturing operations in Colorado Springs, Colorado, as well as administrative employees within the DLTtape Division. As of July 2, 2000, 286 employees had been terminated. DSSG anticipates that the remaining employees will be terminated by the end of the fourth quarter of fiscal year 2001.

As of July 2, 2000, DSSG had incurred cash expenditures of \$4 million associated with employee severance and benefits, facilities and other costs. DSSG expects to incur additional cash expenditures associated with the plan of approximately \$14 million, which will be funded out of operations.

The following table summarizes activity related to the special charge at July 2, 2000:

(In thousands)

<TABLE>
<CAPTION>

	Severance And Benefits -----	Facilities Costs -----	Investments -----	Fixed Assets -----	Other Costs -----
Total					
<S>	<C>	<C>	<C>	<C>	<C>
Special charge provision	\$ 7,646	\$ 13,500	\$ 13,908	\$ 3,163	\$ 1,866

\$ 40,083					
Cash payments (3,987)	(2,816)	(33)	--	--	(1,138)
Non-cash charges (17,071)	--	--	(13,908)	(3,163)	--
-----	-----	-----	-----	-----	-----
Balance at July 2, 2000 \$ 19,025	\$ 4,830	\$ 13,467	\$ --	\$ --	\$ 728
=====	=====	=====	=====	=====	=====

</TABLE>

9. Comprehensive Income

Accumulated other comprehensive income on the condensed consolidated balance sheets consists of unrealized gains on available for sale investments and foreign currency translation adjustments. Total comprehensive income for the three months ended July 2, 2000 and June 27, 1999, is presented in the following table:

(In thousands)	Three Months Ended	
	July 2, 2000	June 27, 1999
Net income	\$ 60,420	\$ 8,281
Other comprehensive income -		
Change in unrealized gain on investments, net	195	--
Foreign currency translation adjustments	(230)	(920)
	-----	-----
Comprehensive income	\$ 60,385	\$ 7,361
	=====	=====

10. Business Segment Information

Quantum Corporation's reportable segments are its two business groups, the Hard Disk Drive group and the DLT & Storage Systems group, as further described in their separate financial statements. The Hard Disk Drive group consists of desktop and high-end hard disk drives. The DLT & Storage Systems group consists of DLTtape(TM) drives and media, autoloaders and libraries, network attached storage appliances and solid state storage systems. The Company markets its products to computer manufacturers and through a broad range of distributors, resellers, systems integrators and end-users.

11

The Company evaluates segment performance based on net profit or loss not including non-recurring gains or losses. Segment assets include those items that can be specifically identified with or reasonably allocated to a particular segment. Results for the Company's reportable segments for the three months ended July 2, 2000 and June 27, 1999 are presented in the following table:

(In millions)

<TABLE>

<CAPTION>

	Three Months Ended					
	July 2, 2000			June 27, 1999		
	HDDG	DSSG	Total	HDDG	DSSG	Total
	----	----	-----	----	----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues from external customers	\$ 859	\$ 366	\$ 1,225	\$ 752	\$ 331	\$ 1,083
Intersegment revenues	5	-	5	-	-	-
Segment profit (loss)	16	44	60	(43)	51	8

</TABLE>

12

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

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

Business Description

Quantum operates its business through two separate business groups: the DLT & Storage Systems group ("DSSG") and the Hard Disk Drive group ("HDDG") as described in their respective sections of this report.

Results of Operations

Revenue. Revenue in the three months ended July 2, 2000 was \$1.225 billion, compared to \$1.083 billion in the three months ended June 27, 1999, an increase of 13%. The increase reflected increased sales of DLTtape libraries and Snap servers, increased DLTtape media royalties, and increased revenue from sales of desktop and high-end hard disk drives.

The increased sales of Snap server network attached storage appliances reflected the acquisition of Meridian Data, Inc. ("Meridian") in September 1999. The increase in DLTtape media royalties reflected an increase in the sales of DLTtape media cartridges at licensed media manufactures for which DSSG earns a royalty fee. The decrease in DLTtape drive revenue reflected an increase in shipments, offset by a decline in average unit prices due to competitive pricing.

Sales of high-end hard disk drives reached a record high in the current quarter, increasing 64% compared to the first quarter of fiscal year 2000. High-end hard disk drive shipments reached a record high, reflecting strong demand from computer equipment manufacturers and distribution channel customers. Sales of desktop hard disk drives increased 6% compared to the prior year quarter, reflecting a 20% increase in shipments, partially offset by lower average unit prices due to competitive pricing pressure.

Sales to our top five customers in the three months ended July 2, 2000 represented 47% of revenue, compared to 42% of revenue in the three months ended June 27, 1999. These amounts reflected a retroactive combination of the sales to Ingram Micro and Electronic Resources Limited as a result of their merger in July 1999. Sales to Compaq Computer Corporation were 12% of revenue in the three months ended July 2, 2000, and June 27, 1999. Sales to Dell

13

Computer Corporation were 10% of revenue in the three months ended July 2, 2000, compared to less than 10% of revenue in the three months ended June 27, 1999. Sales to Hewlett-Packard Company were less than 10% of revenue in the three months ended July 2, 2000, compared to 14% of revenue in the three months ended June 27, 1999.

Sales to computer equipment manufacturers and distribution channel customers were 63% and 31% of revenue, respectively, in the three months ended July 2, 2000, compared to 59% and 35% of revenue, respectively, in the three months ended June 27, 1999. The remaining revenue in the three months ended July 2, 2000, and June 27, 1999, represented media royalty revenue, sales to value added resellers and direct sales.

Gross Margin Rate. The gross margin rate in the three months ended July 2, 2000, increased to 22.9% from 16.6% in the three months ended June 27, 1999. The percentage increase reflected increased revenue from storage systems and DLTtape media royalties, which have significantly higher margins than Quantum's hard disk drive products. The increase also reflected higher margins earned on desktop and high-end hard disk drives. Gross margins earned on DLTtape drives and DLTtape media cartridges declined, reflecting lower average unit pricing. The gross margin rate for desktop products of HDDG is expected to decline substantially in the second quarter of fiscal year 2001 because of accelerated average unit price declines and slower declines in bill-of-material costs.

Research and Development Expenses. In the three months ended July 2, 2000, research and development expenses were \$94 million, or 7.7% of revenue, compared to \$90 million, or 8.3% of revenue, in the three months ended June 27, 1999. The increase in research and development expenses reflected the inclusion of Server Appliances (formerly Meridian) expenses, which were not included in the prior

year periods as the acquisition occurred on September 10, 1999, and higher research and development expenses related to new tape drive products and other new information storage products and technologies, including Super DLTtape(TM) technology. HDDG had lower research and development costs as a result of expense reductions resulting from modifications to the hard disk drive business associated with the special charge recorded in the second quarter of fiscal year 2000.

Sales and Marketing Expenses. Sales and marketing expenses in the three months ended July 2, 2000, were \$66 million, or 5.4% of revenue, compared to \$53 million, or 4.9% of revenue, in the three months ended June 27, 1999. The increase in sales and marketing expenses reflected the inclusion of Server Appliances expenses and an increase in costs associated with the expansion of ATL's infrastructure. Spending increased as DSSG continued to build both category awareness for network attached storage (NAS) appliances and brand awareness for the Snap! Server(TM) line.

General and Administrative Expenses. General and administrative expenses in the three months ended July 2, 2000, were \$35 million, or 2.8% of revenue, compared to \$29 million, or 2.7% of revenue, in the three months ended June 27, 1999. The increase in general and administrative expenses reflected the inclusion of Server Appliances expenses, expansion of ATL's infrastructure and an increase in human resource spending within HDDG in support of change management, process reengineering and retention.

14

Special Charge - HDDG. During the second quarter of fiscal year 2000, HDDG recorded a special charge of \$59.4 million. The charge reflected HDDG's strategy to modify the hard disk drive business to more closely align product development and the business' operating model with the requirements of the rapidly growing low-cost PC market. The special charge was associated primarily with the streamlining of HDDG's logistics model in order to create a faster and more flexible fulfillment system, changes in the customer service strategy and consolidation of certain product development programs.

The special charge consisted of \$26.4 million related to facilities costs, \$13.2 million in asset write-offs related to the streamlining of the global logistics model and changes in the customer service strategy, \$7.8 million in severance and benefits for terminated employees and approximately \$12 million in other costs associated with the plan.

HDDG is proceeding according to plan and expects to realize more than \$100 million in cost savings per year, beginning in fiscal year 2001. The majority of the savings are expected in cost of revenue as a result of a more efficient distribution system and reduced customer service costs, with the remaining savings in research and development, as a result of the consolidation of product development programs. As compared to fiscal year 2000, HDDG expects operating expenses to be relatively flat in fiscal year 2001, with increased investments in disk drive and other storage products, primarily reflected in research and development, offsetting the cost savings resulting from the special charge. These expectations are forward-looking statements and actual results may differ.

Special Charge - DSSG. During the fourth quarter of fiscal year 2000, DSSG recorded a special charge of \$40.1 million. The charge was primarily focused on DSSG's DLTtape Division and reflected DSSG's strategy to align its DLTtape drive operations with market conditions. These conditions include slower growth in the mid-range server market and increasing centralization of server backup through automation solutions, both of which have resulted in relatively flat DLTtape drive shipments. The special charge included a reduction of overhead expenses throughout the DLTape Division and an acceleration of DSSG's low cost manufacturing strategy, which includes moving volume production of DLTtape drives from Colorado Springs, Colorado to Penang, Malaysia.

The special charge consisted of \$13.5 million in facility related costs, \$13.9 million for the write-off of investments in optical technology, \$7.6 million for severance and benefits for terminated employees, \$3.2 million for fixed assets to be written-off, primarily related to the transfer of manufacturing to Penang, Malaysia and \$1.9 million in other costs associated with the plan.

DSSG is proceeding according to plan and expects to realize annual cost savings from the plan of approximately \$40 million beginning upon full implementation of the plan at the end of fiscal year 2001. Approximately \$30 million of the savings are expected in cost of revenue as a result of reduced manufacturing costs with the remaining amount in operating expenses, primarily research and development, as a result of ending research on certain optical-based storage solutions. As compared to fiscal year 2000, DSSG expects operating expenses to increase because of increased investments in storage systems products and marketing in fiscal year 2001 and as a result of including the Server Appliances' operations for a full year following the acquisition of Meridian in September 1999. These expectations are forward-looking statements and actual results may differ.

15

Interest and Other Income/Expense. Net interest and other income for the three months ended July 2, 2000 was \$7.6 million, compared to net interest and other income of \$5.2 million for the three months ended June 27, 1999. The increase reflected increased interest income as a result of a higher average cash balance.

Income Taxes. The Company's effective tax rate for the three months ended July 2, 2000 and June 27, 1999 was 35% and 33%, respectively. The lower fiscal year 2000 effective tax rate compared to the fiscal year 2001 tax rate reflects tax benefits resulting from HDDG losses in fiscal year 2000 compared to DSSG income in fiscal year 2001.

Liquidity and Capital Resources. Cash, cash equivalents and marketable securities were \$849 million at July 2, 2000 compared to \$950 million at March 31, 2000. The Company used cash during the quarter to purchase \$146 million of treasury stock, as discussed below. Other uses of cash included \$18 million for investments in property and equipment. The Company generated approximately \$66 million of cash from operations, primarily net income and non-cash expenses, partially offset by increases in inventories and accounts receivable.

During fiscal year 2000, the Board of Directors authorized the Company to repurchase up to \$700 million of the Company's common stocks in open market or private transactions. Of the total repurchase authorization, \$600 million was authorized for repurchase of either Quantum, DSSG or HDDG common stock, while \$100 million was authorized for repurchase of HDDG common stock. During the first quarter of fiscal year 2001, the Company repurchased 10.5 million shares of DSSG common stock and 3.2 million shares of HDDG common stock for a combined total of \$146 million. As of July 2, 2000, the Company had repurchased 3.9 million shares of Quantum common stock, 26.2 million shares of DSSG common stock and 6.7 million shares of HDDG common stock for a combined total of approximately \$471 million.

In April 2000, the Company entered into two new unsecured senior credit facilities, each providing a \$187.5 million revolving credit line and expiring in April 2001 and April 2003, respectively. At the Company's option, borrowings under the revolving credit lines bear interest at either the London interbank offered rate or a base rate, plus a margin determined by a leverage ratio with option periods of one to six months. At July 2, 2000, there were no outstanding balances drawn on these lines.

The Company expects to spend approximately \$115 million in fiscal year 2001 for capital equipment and leasehold improvements. These capital expenditures will support the disk drive, tape drive and storage solutions businesses, research and development, and general corporate operations.

The Company believes that its existing capital resources, including the credit facilities and any cash generated from operations, will be sufficient to meet all currently planned expenditures and sustain operations for the next 12 months. However, this belief assumes that operating results and cash flow from operations will meet our expectations. These expectations are forward-looking statements and actual results may be affected by the factors discussed in "Trends and Uncertainties Relating to the DLT & Storage Systems Group and Hard Disk Drive Group" in this report.

In the future, the Company may seek to raise cash through the issuance of debt or equity securities. There can be no assurance that such financing would be available on terms favorable to the Company, if at all.

16

Euro Impact

The Company believes that the adoption of a single currency, the Euro, by eleven European countries has not and will not materially affect our business, information systems or consolidated financial position, operating results or cash flows.

17

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Disclosures

For financial market risks related to changes in interest rates and foreign currency exchange rates, reference is made to Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in the Company's Annual Report on Form 10-K for the year ended March 31, 2000.

The Company is exposed to equity price risk on its investment in TiVo, Inc. common stock. The Company does not attempt to reduce or eliminate its market exposure on this security. The Company entered into a strategic alliance with TiVo in fiscal year 1999 to supply hard disk drives utilizing Quantum's QuickView technology for integration into TiVo's Personal Video Recorder. At July 2, 2000, the fair market value of the Company's investment was

approximately \$30 million. As TiVo is a relatively new company and has recently introduced a new product in the consumer electronics market, the Company does not believe it is possible to reasonably estimate any future price movement of TiVo common stock.

18

Item 1. Financial Statements

QUANTUM CORPORATION

DLT & STORAGE SYSTEMS GROUP

CONDENSED COMBINED STATEMENTS OF OPERATIONS

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

<TABLE>
<CAPTION>

	Three Months Ended	
	July 2, 2000	June 27, 1999
	<C>	<C>
Product revenue	\$ 313,223	\$ 291,307
Royalty revenue	52,961	39,437
	-----	-----
Total revenue	366,184	330,744
Cost of revenue	206,349	179,094
	-----	-----
Gross profit	159,835	151,650
Operating expenses:		
Research and development	35,829	27,725
Sales and marketing	38,770	25,390
General and administrative	18,365	14,399
	-----	-----
	92,964	67,514
Income from operations	66,871	84,136
Other income (expense):		
Interest income and other, net	6,349	6,483
Interest expense	(4,546)	(4,844)
	-----	-----
	1,803	1,639
Income before income taxes	68,674	85,775
Income tax provision	24,724	34,310
	-----	-----
Net income	\$ 43,950	\$ 51,465
	=====	=====
Net income per share (1):		
Basic	\$ 0.29	\$ 0.31
Diluted	\$ 0.28	\$ 0.30
Weighted-average common shares (1):		
Basic	150,318	166,661
Diluted	154,631	172,977

</TABLE>

(1) Basic and diluted income per share and weighted average common shares for the period ended June 27, 1999 are pro forma and assume the recapitalization occurred at the beginning of fiscal year 2000.

See accompanying notes to condensed combined financial statements.

19

QUANTUM CORPORATION

DLT & STORAGE SYSTEMS GROUP

CONDENSED COMBINED BALANCE SHEETS

(In thousands)

<TABLE>
<CAPTION>

July 2,

March 31,

	2000	2000
	-----	-----
	(unaudited)	
<S>	<C>	<C>
Assets		
- -----		
Current assets:		
Cash and cash equivalents	\$ 263,547	\$ 336,720
Marketable securities	-	2,032
Accounts receivable, net of allowance for doubtful accounts of \$3,597 and \$3,492	232,051	214,107
Inventories	100,346	101,478
Due from the Hard Disk Drive group	13,989	-
Deferred taxes	54,668	54,669
Other current assets	45,643	38,424
	-----	-----
Total current assets	710,244	747,430
Property and equipment, net of accumulated depreciation of \$92,378 and \$80,997	80,896	78,137
Intangible assets, net	245,605	248,288
Other assets	16,277	12,149
	-----	-----
	\$ 1,053,022	\$ 1,086,004
	=====	=====
Liabilities and Group Equity		
- -----		
Current liabilities:		
Accounts payable	\$ 106,430	\$ 94,596
Accrued warranty	54,362	52,593
Accrued compensation	40,237	36,379
Income taxes payable	24,723	-
Accrued special charge	19,025	20,954
Current portion of long-term debt	753	689
Due to the Hard Disk Drive group	-	30,100
Other accrued liabilities	29,174	27,749
	-----	-----
Total current liabilities	274,704	263,060
Deferred taxes	30,992	13,578
Long-term debt	25,041	25,225
Convertible subordinated debt	191,667	191,667
Group equity	530,618	592,474
	-----	-----
	\$ 1,053,022	\$ 1,086,004
	=====	=====

</TABLE>

See accompanying notes to condensed combined financial statements.

20

QUANTUM CORPORATION

DLT & STORAGE SYSTEMS GROUP

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

<TABLE>
<CAPTION>

	Three Months Ended	
	July 2,	June
	2000	
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 43,950	\$
51,465		
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	9,825	

7,486	Amortization	7,193	
5,710	Deferred income taxes	2	
-	Compensation related to stock plans	3,547	
640	Changes in assets and liabilities:		
9,041	Accounts receivable	(17,944)	
(13,620)	Inventories	1,132	
27,161	Accounts payable	11,834	
-	Income taxes payable	24,723	
-	Accrued warranty	1,769	
5,457	Other assets and liabilities	(36,436)	
(3,554)			
---		-----	-----
89,786	Net cash provided by operating activities	49,595	
---		-----	-----
	Cash flows from investing activities:		
-	Investment in equity securities	(3,750)	
-	Maturities of marketable securities	2,032	
(10,691)	Investment in property and equipment	(11,577)	
---		-----	-----
(10,691)	Net cash used in investing activities	(13,295)	
---		-----	-----
	Cash flows from financing activities:		
(84,239)	Purchases of treasury stock	(111,331)	
(4,498)	Principal payments on long-term credit facilities	(120)	
4,029	Proceeds from issuance of common stock	1,978	
---		-----	-----
(84,708)	Net cash used in financing activities	(109,473)	
---		-----	-----
(5,613)	Decrease in cash and cash equivalents	(73,173)	
272,643	Cash and cash equivalents at beginning of period	336,720	
---		-----	-----
267,030	Cash and cash equivalents at end of period	\$ 263,547	\$
=====		=====	
	Supplemental disclosure of cash flow information:		
	Cash paid during the period for:		
808	Interest	\$ 1,705	\$
1,500	Income taxes	\$ 3,419	\$

</TABLE>

See accompanying notes to condensed combined financial statements.

1. Basis of presentation

The accompanying unaudited condensed combined financial statements of the DLT & Storage Systems group ("DSSG"), together with the condensed combined financial statements of the Hard Disk Drive group ("HDDG"), include all of the accounts in the condensed consolidated financial statements of Quantum. The separate group condensed combined financial statements give effect to the accounting policies applicable with the implementation of the tracking stock proposal. The separate DSSG and HDDG financial statements have been prepared on a basis that management believes to be reasonable and appropriate and include (i) the historical balance sheets, results of operations, and cash flows of businesses that comprise each of the groups, with all significant intragroup transactions and balances eliminated, (ii) in the case of DSSG's financial statements, corporate assets and liabilities of Quantum and related transactions identified with DSSG, including allocated portions of Quantum's debt and selling, general and administrative costs, and (iii) in the case of HDDG's financial statements, corporate assets and liabilities of Quantum and related transactions identified with HDDG, including allocated portions of Quantum's debt and selling, general and administrative costs. Intergroup transactions and balances are not eliminated in the separate financial statements of DSSG or HDDG.

The condensed combined financial statements of the DLT & Storage Systems Group provide DSSG stockholders with financial information about the DLT & Storage Systems group operations. Holders of DSSG stock and HDDG stock are Quantum stockholders and are subject to all of the risks of an investment in Quantum and all of Quantum's businesses, assets and liabilities. Quantum retains ownership and control of all of the assets and operations of each group. Financial effects arising from one group that affect Quantum's consolidated results of operations or financial condition could, if significant, affect the results of operations or financial condition of the other group and the market price of the other group's stock. Any net losses of DSSG or HDDG, and dividends or distributions on, or repurchases of HDDG stock, or repurchases of preferred stock at a price per share greater than par value, will reduce the funds of Quantum legally available for payment of dividends on DSSG stock. As a result, DSSG's condensed combined financial statements should be read in conjunction with Quantum's condensed consolidated financial statements and HDDG's condensed combined financial statements. The condensed combined balance sheet as of March 31, 2000 has been derived from the audited financial statements of Quantum Corporation included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

These interim financial statements reflect all adjustments, consisting only of normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full fiscal year. Certain prior period amounts have been reclassified to conform to the current period's presentation.

22

2. Inventories

Inventories consisted of the following:
(In thousands)

<TABLE>
<CAPTION>

	July 2, 2000	March 31, 2000
	-----	-----
<S>	<C>	<C>
Materials and purchased parts	\$ 46,336	\$ 41,819
Work in process	29,989	37,024
Finished goods	24,021	22,635
	-----	-----
	\$100,346	\$101,478
	=====	=====

</TABLE>

3. Net income per share

As a result of the recapitalization, net income per share for DSSG has been calculated based on the group's net income subsequent to August 3, 1999. It was not calculated on a group basis for periods prior to the recapitalization because DSSG stock was not part of Quantum's capital structure at that time.

The following table sets forth the computation of basic and diluted net income per share for DSSG after the recapitalization date:

(In thousands, except per share data)

Three Months
Ended

July 2, 2000

Numerator:

Numerator for basic and diluted net income per share - income available to common stockholders	\$ 43,950
--	-----------

Denominator:

Denominator for basic net income per share - weighted average shares	150,318
--	---------

Effect of dilutive securities:

Outstanding options	4,313
---------------------	-------

Denominator for diluted net income per share - adjusted weighted average shares	154,631
---	---------

Basic net income per share	\$ 0.29
----------------------------	---------

Diluted net income per share	\$ 0.28
------------------------------	---------

The computation of diluted net income per share for DSSG for the three months ended July 2, 2000 excluded the effect of the 7% convertible subordinated notes issued in July 1997, which are convertible into 6,206,152 shares of DSSG common stock, or 21.587 shares per \$1,000 note, because the effect would have been antidilutive.

Options to purchase 20.9 million shares of common stock were outstanding for the three months ended July 2, 2000, but were not included in the computation of diluted net income per share

23

because the options' exercise price was greater than the average market price of the common stock and, therefore, the effect would have been antidilutive.

4. Common Stock Repurchase

During fiscal year 2000, the Board of Directors authorized Quantum to repurchase up to \$700 million of Quantum's common stocks in open market or private transactions. Of the total repurchase authorization, \$600 million was authorized for repurchase of either Quantum, DSSG or HDDG common stock, while \$100 million was authorized for repurchase of HDDG common stock. During the first quarter of fiscal year 2001, Quantum repurchased 10.5 million shares of DSSG common stock and 3.2 million shares of HDDG common stock for a combined total of \$146 million. As of July 2, 2000, Quantum had repurchased 3.9 million shares of Quantum common stock, 26.2 million shares of DSSG common stock and 6.7 million shares of HDDG common stock for a combined total of approximately \$471 million.

5. Credit Line

In April 2000, Quantum entered into two new unsecured senior credit facilities, each providing a \$187.5 million revolving credit line and expiring in April 2001 and April 2003, respectively. At Quantum's option, borrowings under the revolving credit lines will bear interest at either the London interbank offered rate or a base rate, plus a margin determined by a leverage ratio with option periods of one to six months. At July 2, 2000, there were no outstanding balances drawn on these lines.

6. Special Charge

During the fourth quarter of fiscal year 2000, DSSG recorded a special charge of \$40.1 million. The charge was primarily focused on DSSG's DLTtape Division and reflected DSSG's strategy to align its DLTtape drive operations with market conditions. These conditions include slower growth in the mid-range server market and increasing centralization of server backup through automation solutions, both of which have resulted in relatively flat DLTtape drive shipments. The special charge included a reduction of overhead expenses throughout the DLTape Division and an acceleration of DSSG's low cost manufacturing strategy, which includes moving volume production of DLTtape drives from Colorado Springs, Colorado to Penang, Malaysia.

The special charge consisted of \$13.5 million in facility related costs, \$13.9 million for the write-off of investments in optical technology, \$7.6 million for severance and benefits for terminated employees, \$3.2 million for fixed assets to be written off, primarily related to the transfer of manufacturing to Penang, Malaysia and \$1.9 million in other costs associated with the plan.

The facilities costs noted above include lease payments for vacant space in a facility in Colorado Springs, Colorado, the write-off of related leasehold

improvements and manufacturing equipment, as well as the write-off of certain leasehold improvements at Quantum's facility in Penang, Malaysia, as this space is converted to DSSG manufacturing. DSSG expects that the Colorado facility will be vacated by the end of fiscal year 2001.

24

The write-off of investments reflects DSSG's decision to end its research on certain optical based storage solutions. As a result, DSSG has written off an equity investment and technology licenses related to optical technology.

DSSG currently expects a workforce reduction of approximately 900 employees. The reduction in force primarily affects employees at DSSG's manufacturing operations in Colorado Springs, Colorado, as well as administrative employees within the DLTtape Division. As of July 2, 2000, 286 employees had been terminated. DSSG anticipates that the remaining employees will be terminated by the end of the fourth quarter of fiscal year 2001.

As of July 2, 2000, DSSG had incurred cash expenditures of \$4 million associated with employee severance and benefits, facilities and other costs. DSSG expects to incur additional cash expenditures associated with the plan of approximately \$14 million, which will be funded out of operations.

The following table summarizes activity related to the special charge at July 2, 2000:

<TABLE>
<CAPTION>
(In thousands)

	Severance And Benefits	Facilities Costs	Investments	Fixed Assets	Other Costs
Total	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
Special charge provision \$ 40,083	\$7,646	\$13,500	\$ 13,908	\$3,163	\$ 1,866
Cash payments (3,987)	(2,816)	(33)	--	--	(1,138)
Non-cash charges (17,071)	--	--	(13,908)	(3,163)	--
-----	-----	-----	-----	-----	-----
Balance at July 2, 2000 \$ 19,025	\$4,830	\$13,467	\$ --	\$ --	\$ 728
=====	=====	=====	=====	=====	=====

</TABLE>

25

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - DLT & Storage Systems Group

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

Business Overview

The DLT & Storage Systems group designs, develops, manufactures, licenses and markets DLTtape(TM) drives, DLTtape media cartridges and storage solutions. DSSG's storage solutions consist of DLTtape libraries, network attached storage appliances, solid state storage systems and service.

DLTtape products are used to back up large amounts of data stored on network servers. Digital Linear Tape, or DLTtape, is DSSG's half-inch tape technology that is the de facto industry standard for data back up in the mid-range network server market.

According to International Data Corporation, DSSG was the worldwide revenue leader for tape drives used for data storage and back up in calendar year 1999. DLTtape drives accounted for 30% of total tape drive market revenue in calendar

year 1999, up from 24% in calendar year 1998 and 2% in calendar year 1994. The DLT & Storage Systems group is also a leader in the tape library market for mid-range network servers. DLTtape library products represented an estimated 46% of total tape automation revenue in calendar year 1999, up from 38% in calendar year 1998 and 29% in calendar year 1997.

DSSG's tape libraries serve the entire tape library data storage market from desktop computers to enterprise class computers. DSSG is a leader in the rapidly emerging market for network attached storage appliances with products which incorporate hard disk drives and an operating system designed to meet the requirements of entry and workgroup level computing environments, where multiple computer users access shared data files over a local area network.

DLTtape drives store data on DLTtape media cartridges. Historical use of DLTtape drives has shown that drives use many media cartridges per year. Growth in the installed base of DLTtape drives is expected to result in increasing demand for DLTtape media cartridges. DSSG's DLTtape media cartridges are manufactured and sold by licensed third party manufacturers.

DSSG receives a royalty fee on DLTtape media cartridges sold by its licensees which, while resulting in lower revenue than DLTtape media sold directly by DSSG, generates comparable income from operations. DSSG prefers to sell a substantial portion of DLTtape media cartridge

26

through its license model because this minimizes DSSG's operational risks and expenses and provides an efficient distribution channel. Currently, approximately 85% of media sales occur through this license model.

Products

The DLT & Storage Systems group's products include:

DLT:

- Super DLTtape(TM) drives. DSSG recently introduced a new family of tape drive products based on Super DLTtape technology, targeted to serve workgroup, mid-range and enterprise business needs. For workgroup and departmental servers, the Super DLTtape drive will deliver a native capacity of 80 gigabytes ("GB") (160GB compressed) and a sustained transfer rate of 8 megabytes ("MB") per second (16MB compressed). The mid-range market including large corporate departments and mid-size automated libraries will see a drive with a native capacity of 110GB (220GB compressed) and a sustained transfer rate of 11MB per second (22MB compressed). In response to high performance enterprise needs, DSSG will also offer a Super DLTtape drive with a sustained transfer rate of greater than 16MB per second (32MB compressed). Super DLTtape drives are expected to begin volume shipment in the second half of calendar year 2000.
- DLTtape drives. DSSG currently offers three tape drive products--the DLT8000, the DLT7000 and the DLT4000. The DLT8000 provides a combination of 40GB of native capacity (80GB compressed) and a sustained data transfer rate of 6MB per second (12MB compressed). The DLT7000 provides a combination of 35GB of native capacity (70GB compressed) and a sustained data transfer rate of 5MB per second (10MB compressed). The DLT4000 provides a combination of 20GB of native capacity (40GB compressed) and a sustained data transfer rate of 1.5MB per second (3MB compressed).
- DLTtape media cartridges. The DLTtape family of half-inch tape media cartridges is designed and formulated specifically for use with DLTtape drives. The capacity of a DLTtape media cartridge is up to 40GB (80GB compressed). DSSG's half-inch tape cartridges take advantage of shorter wavelength recording schemes to ensure read compatibility with future generations of DLTtape drives. The tape itself features a special high-grade metal particle formula that reduces tape and head wear. The result is tape that delivers a proven one million passes with a negligible impact on soft error rates and a 30-year archival life.

Storage Solutions:

- Tape libraries. DSSG offers a broad line of automated DLTtape libraries that support a wide range of back-up and archival needs from workgroup servers to enterprise-class servers. DSSG's tape libraries range from its tape autoloaders which accommodate a single DLTtape drive and up to 280GB of storage capacity to the P6000 series library which features Prism Library Architecture(TM) and can be configured in multiple units to scale up to 22.8 terabytes of storage capacity. In addition, DSSG offers WebAdmin(TM), the industry's first Internet browser-based tape library management system, allowing system administrators to monitor widely distributed storage systems at remote locations with point-and-click ease.

- Network attached storage systems. DSSG's Snap! Server(TM) family of network attached storage appliances offers options ranging from 15GB to 120GB of network storage. These products incorporate hard disk drives and an operating system, provide the ease of plug-and-play features and can be directly attached to workgroup-level networks, providing instant additional network storage capacity. No special configurations are needed for ordinary use and advanced configuration options enable added value features.
- LANvault(TM) tape backup appliance. LANvault is a backup appliance with a DLTtape library, a central management console and a customer service Web portal. This product is intended to meet the requirements for remote site backup and is designed as a workgroup backup solution appliance preloaded with industry-standard backup software for ease of installation and use.
- Solid state storage systems. DSSG offers two families of solid state storage systems--the Rushmore(TM)Ultra series and the Rushmore eSystem Accelerators. The Rushmore Ultra Solid State Disks are available in capacities ranging from 268MB to 3.2GB and have data access times of less than 50 microseconds, 100 to 200 times faster than magnetic hard disk drives. Solid state storage systems store data on memory chips which enable significantly faster data access times than magnetic disks used in standard hard disk drives. DSSG recently introduced the next generation solid state storage product, Rushmore eSystem Accelerator, a comprehensive set of hardware, tools, services and consulting bundled into one inclusive package. With breakthrough semiconductor and controller technology, the Rushmore eSystem Accelerator dramatically increases system performance in e-commerce infrastructures. With capacities ranging from 536MB to 3.2GB, the Rushmore eSystem Accelerator delivers data access times of less than 25 microseconds, more than 18,000 accesses to information per second for time-critical applications.

Results of Operations

Revenue. Revenue in the three months ended July 2, 2000 was \$366 million, compared to \$331 million in the three months ended June 27, 1999, an increase of 11%. The increase in revenue reflected increased sales of DLTtape libraries and Snap servers, and increased DLTtape media royalties. Sales of tape libraries reached a record high in the quarter. Sales of Snap server network attached storage appliances also reached a record high without comparable sales in the prior year period as DSSG's sales of Snap servers followed the acquisition of Meridian in September 1999. The increase in DLTtape media cartridges sold reflects sales of cartridges for use in both new DLTtape drives and to meet the ongoing new media needs of the installed base of DLTtape drives that remain in use. The increase in DLTtape media royalties reflected an increase in the sales of DLTtape media cartridges at licensed media manufacturers for which DSSG earns a royalty fee. Revenue from sales of DLTape drives declined. The decrease in DLTtape drive revenue reflected an increase in shipments, offset by a decline in average unit prices due to competitive pricing.

28

The table below summarizes the components of DSSG's revenue in the three months ended July 2, 2000 and June 27, 1999, respectively:

<TABLE>
<CAPTION>

(in millions)	Three Months Ended	
	July 2, 2000	June 27, 1999
	----	----
<S>	<C>	<C>
DLTtape drives	\$212	\$219
DLTtape media	28	27
DLT royalty	53	39
Storage Solutions	100	67
Intra-group elimination*	(27)	(22)
	-----	-----
Revenue	\$366	\$331
	=====	=====

</TABLE>

*Represents intra-group sales of DLTtape drives for incorporation into DSSG's tape libraries.

Sales to the top five customers in the three months ended July 2, 2000 represented 47% of total revenue, compared to 50% of total revenue in the three months ended June 27, 1999. The lower percentage reflected a higher proportion of royalty revenue from licensed media manufacturers in the current quarter. Sales to Compaq were 19% of revenue in the three months ended July 2, 2000 compared to 21% of revenue in the three months ended June 27, 1999. Sales to

Hewlett-Packard were 11% of revenue in the three months ended July 2, 2000 compared to 13% of revenue in the three months ended June 27, 1999.

Sales to computer equipment manufacturers and distribution channel customers were 64% and 14% of revenue, respectively, in the three months ended July 2, 2000, compared to 69% and 12% of revenue, respectively, in the three months ended June 27, 1999. The remaining revenue in the three months ended July 2, 2000 and in the three months ended June 27, 1999, represented media royalty revenue, sales to value-added resellers and direct sales.

Gross Margin Rate. The gross margin rate in the three months ended July 2, 2000, was 43.6%, compared to 45.9% in the three months ended June 27, 1999. The percentage decrease reflected lower DLTtape drive margins as a result of price declines, partially offset by an increase in the proportion of overall revenue represented by DLTtape media royalty revenue.

Research and Development Expenses. Research and development expenses in the three months ended July 2, 2000, were \$36 million, or 9.8% of revenue, compared to \$28 million, or 8.4% of revenue, in the three months ended June 27, 1999. The increase in research and development expenses reflected the inclusion of Server Appliances (formerly Meridian) expenses, which were not included in the prior year periods as the acquisition occurred on September 10, 1999. In addition, there were higher research and development expenses related to new tape drive products and other new information storage products and technologies, including Super DLTtape technology.

Sales and Marketing Expenses. Sales and marketing expenses in the three months ended July 2, 2000, were \$39 million, or 10.6% of revenue, compared to \$25 million, or 7.7% of revenue in the three months ended June 27, 1999. The increase in sales and marketing expenses reflected the inclusion of Server Appliances expenses and an increase in sales and marketing costs associated

29

with the expansion of ATL's infrastructure. Spending increased as DSSG continued to build both category awareness for NAS appliances and brand awareness for the Snap! Server line.

General and Administrative Expenses. General and administrative expenses in the three months ended July 2, 2000, were \$18 million, or 5.0% of revenue, compared to \$14 million, or 4.4% of revenue, in the three months ended June 27, 1999. The increase in general and administrative expenses reflected the inclusion of Server Appliances expenses and the expansion of ATL's infrastructure.

Special Charge. During the fourth quarter of fiscal year 2000, DSSG recorded a special charge of \$40.1 million. The charge was primarily focused on DSSG's DLTtape Division and reflected DSSG's strategy to align its DLTtape drive operations with market conditions. These conditions include slower growth in the mid-range server market and increasing centralization of server backup through automation solutions, both of which have resulted in relatively flat DLTtape drive shipments. The special charge included a reduction of overhead expenses throughout the DLTape Division and an acceleration of DSSG's low cost manufacturing strategy, which includes moving volume production of DLTtape drives from Colorado Springs, Colorado to Penang, Malaysia.

The special charge consisted of \$13.5 million in facility related costs, \$13.9 million for the write-off of investments in optical technology, \$7.6 million for severance and benefits for terminated employees, \$3.2 million for fixed assets to be written-off, primarily related to the transfer of manufacturing to Penang, Malaysia and \$1.9 million in other costs associated with the plan.

DSSG is proceeding according to plan and expects to realize annual cost savings from the plan of approximately \$40 million beginning upon full implementation of the plan at the end of fiscal year 2001. Approximately \$30 million of the savings are expected in cost of revenue as a result of reduced manufacturing costs with the remaining amount in operating expenses, primarily research and development, as a result of ending research on certain optical-based storage solutions. As compared to fiscal year 2000, DSSG expects operating expenses to increase because of increased investments in storage systems products and marketing in fiscal year 2001 and as a result of including the Server Appliances' operations for a full year following the acquisition of Meridian in September 1999. These expectations are forward-looking statements and actual results may differ.

Interest and Other Income/Expense. Net interest and other income for the three months ended July 2, 2000 was \$1.8 million, compared to net interest and other income of \$1.6 million for the three months ended June 27, 1999.

Income Taxes. The effective tax rate for DSSG for the three months ended July 2, 2000 and June 27, 1999 was 36% and 40%, respectively. The decrease in the fiscal 2001 effective tax rate reflects an increased percentage of foreign earnings that are taxed at less than the U.S. rate.

30

Liquidity and Capital Resources

DSSG cash, cash equivalents and marketable securities were \$264 million at July 2, 2000 compared to \$339 million at March 31, 2000. DSSG used cash during the quarter to purchase \$111 million of treasury stock, as discussed below. Other uses of cash included approximately \$12 million for investments in property and equipment. DSSG generated cash from operations of \$50 million, primarily reflecting net income, increases in income taxes payable and accounts payable, partially offset by increases in other assets and accounts receivable.

During fiscal year 2000, the Board of Directors authorized Quantum to repurchase up to \$700 million of Quantum's common stocks in open market or private transactions. Of the total repurchase authorization, \$600 million was authorized for repurchase of either Quantum, DSSG or HDDG common stock, while \$100 million was authorized for repurchase of HDDG common stock. During the first quarter of fiscal year 2001, Quantum repurchased 10.5 million shares of DSSG common stock and 3.2 million shares of HDDG common stock for a combined total of \$146 million. As of July 2, 2000, Quantum had repurchased 3.9 million shares of Quantum common stock, 26.2 million shares of DSSG common stock and 6.7 million shares of HDDG common stock for a combined total of approximately \$471 million.

In April 2000, Quantum entered into two new unsecured senior credit facilities, each providing a \$187.5 million revolving credit line and expiring in April 2001 and April 2003, respectively. At Quantum's option, borrowings under the revolving credit lines will bear interest at either the London interbank offered rate or a base rate, plus a margin determined by a leverage ratio with option periods of one to six months. At July 2, 2000, there were no outstanding balances drawn on these lines.

DSSG expects to spend approximately \$60 million in fiscal year 2001 for capital equipment and leasehold improvements. These capital expenditures will support the introduction and manufacturing of Super DLTtape products; manufacturing DLTtape drives in its new location, Penang, Malaysia; and DSSG's general infrastructure.

DSSG believes that its existing capital resources, including the credit facilities and any cash generated from operations, will be sufficient to meet all currently planned expenditures and sustain operations for the next 12 months. However, this belief assumes that operating results and cash flow from operations will meet DSSG's expectations.

In the future, Quantum may seek to raise cash through the issuance of debt or equity securities. There can be no assurance that such financing would be available on terms favorable to Quantum, if at all.

Trends and Uncertainties Relating to the DLT & Storage Systems Group

Holders of DSSG stock remain stockholders of Quantum Corporation, which includes common stock of HDDG, and therefore, financial effects on HDDG could adversely affect DSSG

Holders of DSSG stock and HDDG stock are stockholders of a single company. DSSG and HDDG are not separate legal entities. As a result, stockholders will continue to be subject to all of the risks of an investment in Quantum and all of its businesses, assets and liabilities. The issuance

31

of DSSG stock and HDDG stock and the allocation of assets and liabilities and stockholders' equity between DSSG and HDDG did not result in a distribution or spin-off to stockholders of any Quantum assets or liabilities and did not affect ownership of our assets or responsibility for our liabilities or those of our subsidiaries. The assets we attribute to one group could be subject to the liabilities of the other group, whether such liabilities arise from lawsuits, contracts or indebtedness that we attribute to the other group. If we are unable to satisfy one group's liabilities out of the assets we attribute to it, we may be required to satisfy those liabilities with assets we attribute to the other group.

Financial effects from one group that affect our consolidated results of operations or financial condition could, if significant, affect the results of operations or financial condition of the other group and the market price of the tracking stock relating to the other group. In addition, net losses of either group and dividends and distributions on, or repurchases of, either class of tracking stock or repurchases of preferred stock at a price per share greater than par value will reduce the funds we can pay on each class of tracking stock under Delaware law. For these reasons, you should read our consolidated financial information with the financial information we provide for each group.

Competition may increase in the tape drive market as a result of large competitors introducing tape drive products based on new technology standards

DSSG competes with companies that develop, manufacture, market and sell tape drive products. DSSG's principal competitors include Exabyte Corporation, Hewlett-Packard, Seagate Technology, Inc., Sony Corporation and Storage

Technology Corporation. These competitors are aggressively trying to develop new tape drive technologies that compete more successfully with DLTtape technology. Hewlett-Packard, IBM Corporation and Seagate have formed a consortium to develop new linear tape drive products. DSSG expects products based on this developing technology standard to target the high-capacity data back-up market and to compete with DSSG's products based on Super DLTtape technology. Such competition could have a material adverse impact on DSSG's operating results.

DSSG's operating results depend on new product introductions, which may not be successful

To compete effectively, DSSG must improve existing products and introduce new products, such as products based on Super DLTtape technology and network attached storage appliances. DSSG cannot assure you that:

- . it will introduce any of these new products in the time frame DSSG currently forecasts;
- . it will not experience technical or other difficulties that could prevent or delay the introduction of these new products;
- . its new products will achieve market acceptance;
- . its new products will be successfully or timely qualified with DSSG's customers by meeting customer performance and quality specifications. A successful and timely customer qualification must occur before customers will place large product orders; or
- . it will achieve high volume production of these new products in a timely manner, if at all.

32

These risks are magnified because DSSG expects that technological changes, changes in customer requirements and increasing competition could result in declining sales and gross margins on its existing products.

Reliance on a limited number of third-party suppliers could result in significantly increased costs and delays in the event these suppliers experience shortages or quality problems

DSSG depends on a limited number of suppliers for components and sub-assemblies, including recording heads, media cartridges and integrated circuits, all of which are essential to the manufacture of DLTtape drives and tape libraries. DSSG currently purchases the DLTtape media cartridges it sells primarily from Fuji Photo Film Co., Ltd. and Hitachi Maxell, Ltd. DSSG cannot assure you that Fuji or Maxell will continue to supply an adequate number of high quality media cartridges in the future. If component shortages occur, or if DSSG experiences quality problems with component suppliers, shipments of products could be significantly delayed and/or costs significantly increased. In addition, DSSG qualifies only a single source for many components and sub-assemblies, which magnifies the risk of future shortages.

DSSG's main supplier of tape heads is located in China and political instability, trade restrictions or currency fluctuations in China could have an adverse impact on DSSG's operating results

DSSG's main supplier of tape heads is located in China and political instability, trade restrictions, changes in tariff or freight rates or currency fluctuations in China could result in increased costs, delays in shipment and could have an adverse impact on DSSG's operating results.

DSSG's quarterly operating results could fluctuate significantly and past quarterly operating results should not be used to predict future performance

DSSG's quarterly operating results have fluctuated significantly in the past and could fluctuate significantly in the future. Quarterly operating results could be adversely affected by:

- . an inadequate supply of DLTtape media cartridges;
- . customers canceling, deferring or rescheduling significant orders as a result of excess inventory levels or other factors;
- . declines in network server demand;
- . failure to complete shipments in the last month of a quarter during which a substantial portion of DSSG's products are typically shipped; or
- . increased competition.

A majority of sales come from a few customers and these customers have no minimum or long-term purchase commitments

DSSG's sales are concentrated with a few customers. Customers are not obligated to purchase any minimum product volume and DSSG's relationships with its customers are terminable at will. The loss of, or a significant change in demand from, one or more key customers could materially adversely impact DSSG's operating results.

Unpredictable end-user demand may cause excess inventories which could result in inventory write-downs or losses or insufficient inventories, which could have an adverse impact on DSSG's customer relationships

Unpredictable end-user demand, combined with the computer equipment manufacturer trend toward carrying minimal inventory levels, increases the risk that DSSG will manufacture and custom configure too much or too little inventory for particular customers. Significant excess inventory could result in inventory write-downs and losses, while inventory shortages could adversely impact DSSG's relationship with its customers, either of which could adversely impact DSSG's operating results.

DSSG does not control licensee pricing or licensee sales of DLTtape media cartridges and as a result DSSG's royalty revenue may decline

DSSG receives a royalty fee based on sales of DLTtape media cartridges by Fuji and Maxell. Under DSSG's license agreements with Fuji and Maxell, each of the licensees determines the pricing and number of units of DLTtape media cartridges sold by it. In addition, other companies may begin to sell DLTtape media cartridges under license agreements. As a result, DSSG's royalty revenue will vary depending upon the level of sales and prices set by Fuji, Maxell and potentially other licensees. In addition, lower licensee pricing could require DSSG to lower its prices on direct sales of DLTtape media cartridges, which would adversely impact DSSG's margins for this product.

Third party infringement claims could result in substantial liability and significant costs

From time to time, third parties allege DSSG's infringement of and need for a license under their patented or other proprietary technology. Adverse resolution of any third party infringement claim could subject DSSG to substantial liabilities and require it to refrain from manufacturing and selling certain products. In addition, the costs incurred in intellectual property litigation can be substantial, regardless of the outcome.

34

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Disclosures

For financial market risks related to changes in interest rates and foreign currency exchange rates, reference is made to Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in Quantum's Annual Report on Form 10-K for the year ended March 31, 2000.

35

Item 1. Financial Statements

QUANTUM CORPORATION

HARD DISK DRIVE GROUP

CONDENSED COMBINED STATEMENTS OF OPERATIONS

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

<TABLE>
<CAPTION>

	Three Months Ended	
	July 2, 2000	June 27, 1999
	-----	-----
<S>	<C>	<C>
Revenue	\$ 863,693	\$ 752,491
Cost of revenue	743,053	724,222
	-----	-----
Gross profit	120,640	28,269
Operating expenses:		
Research and development	58,250	62,708

Sales and marketing	27,716	27,831
General and administrative	16,276	14,745
	-----	-----
	102,242	105,284
Income (loss) from operations	18,398	(77,015)
Other income (expense):		
Interest income and other, net	8,053	5,964
Interest expense	(2,230)	(2,364)
	-----	-----
	5,823	3,600
Income (loss) before income taxes	24,221	(73,415)
Income tax provision (benefit)	7,751	(30,231)
	-----	-----
Net income (loss)	\$ 16,470	\$ (43,184)
	=====	=====
Net income (loss) per share (1):		
Basic	\$ 0.20	\$ (0.52)
Diluted	\$ 0.19	\$ (0.52)

Weighted-average common shares (1):

Basic	81,444	83,330
Diluted	88,535	83,330

(1) Basic and diluted income (loss) per share and weighted average common shares for the period ended June 27, 1999 are pro forma and assume the recapitalization occurred at the beginning of fiscal year 2000.

See accompanying notes to condensed combined financial statements.

36

QUANTUM CORPORATION

HARD DISK DRIVE GROUP

CONDENSED COMBINED BALANCE SHEETS
(In thousands)

	July 2, 2000 ----- (unaudited)	March 31, 2000 -----
	<C>	<C>
<S>		
Assets		
- - - - -		
Current assets:		
Cash and cash equivalents	\$ 554,754	\$ 581,542
Marketable securities	30,373	30,048
Accounts receivable, net of allowance for doubtful accounts of \$19,876 and \$19,618	388,047	395,118
Inventories	159,495	122,347
Due from the DLT & Storage Systems group	-	30,100
Deferred taxes	78,584	78,713
Other current assets	52,512	58,356
	-----	-----
Total current assets	1,263,765	1,296,224
Property and equipment, net of accumulated depreciation of \$227,882 and \$218,674	146,737	158,548
Intangible assets, net	1,094	1,915
Other assets	25,758	21,361
	-----	-----
	\$1,437,354	\$1,478,048
	=====	=====
Liabilities and Group Equity		
- - - - -		
Current liabilities:		
Accounts payable	\$ 370,025	\$ 375,614
Accrued warranty	50,743	46,967
Accrued compensation	41,062	54,073
Income taxes payable	20,815	44,284
Accrued special charge	17,831	22,409

Current portion of long-term debt	376	344
Due to the DLT & Storage Systems group	13,989	-
Other accrued liabilities	80,340	77,596
	-----	-----
Total current liabilities	595,181	621,287
Deferred taxes	41,309	41,758
Long-term debt	12,520	12,613
Convertible subordinated debt	95,833	95,833
Group equity	692,511	706,557
	-----	-----
	\$1,437,354	\$1,478,048
	=====	=====

</TABLE>

See accompanying notes to condensed combined financial statements.

37

QUANTUM CORPORATION

HARD DISK DRIVE GROUP

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

<TABLE>
<CAPTION>

	Three Months Ended	
	July 2,	June
	2000	
27,		
1999		

<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	\$ 16,470	\$
(43,184)		
Adjustments to reconcile net loss to net cash provided by (used in) operations:		
Depreciation	14,929	
16,225		
Amortization	977	
978		
Deferred income taxes	(449)	
(594)		
Compensation related to stock plans	1,614	
320		
Changes in assets and liabilities:		
Accounts receivable	7,071	
(1,462)		
Inventories	(37,148)	
23,687		
Accounts payable	(5,589)	
(82,136)		
Income taxes payable	(23,469)	
(8,079)		
Accrued warranty	3,776	
(2,517)		
Other assets and liabilities	37,723	
2,748		
	-----	-----
Net cash provided by (used in) operating activities	15,905	
(94,014)		
	-----	-----
Cash flows from investing activities:		
Investment in equity securities	(3,750)	
-		
Purchases of marketable securities	-	
(23,641)		
Maturities of marketable securities	-	
14,641		
Investment in property and equipment	(9,618)	
(14,142)		
Proceeds from disposition of property and equipment	2,831	
60		
	-----	-----

Net cash used in investing activities (23,082)	(10,537)	
---	-----	-----
Cash flows from financing activities:		
Purchases of treasury stock	(34,963)	
-		
Principal payments on long-term credit facilities (2,249)	(61)	
Proceeds from issuance of common stock 2,015	2,868	
---	-----	-----
Net cash used in financing activities (234)	(32,156)	
---	-----	-----
Decrease in cash and cash equivalents (117,330)	(26,788)	
Cash and cash equivalents at beginning of period 499,725	581,542	
---	-----	-----
Cash and cash equivalents at end of period 382,395	\$ 554,754	\$
=====	=====	
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 853	\$
404		
Income taxes, net of (refunds)	\$ (3,690)	\$
13,414		

</TABLE>

See accompanying notes to condensed combined financial statements.

38

QUANTUM CORPORATION

HARD DISK DRIVE GROUP

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS
(unaudited)

1. Basis of presentation

The accompanying unaudited condensed combined financial statements of the Hard Disk Drive group ("HDDG"), together with the condensed combined financial statements of the DLT & Storage Systems group ("DSSG"), include all of the accounts in the condensed consolidated financial statements of Quantum. The separate group condensed combined financial statements give effect to the accounting policies applicable with the implementation of the tracking stock proposal. The separate HDDG and DSSG financial statements have been prepared on a basis that management believes to be reasonable and appropriate and include (i) the historical balance sheets, results of operations, and cash flows of businesses that comprise each of the groups, with all significant intragroup transactions and balances eliminated, (ii) in the case of HDDG's financial statements, corporate assets and liabilities of Quantum and related transactions identified with HDDG, including allocated portions of Quantum's debt and selling, general and administrative costs, and (iii) in the case of DSSG's financial statements, corporate assets and liabilities of Quantum and related transactions identified with DSSG, including allocated portions of Quantum's debt and selling, general and administrative costs. Intergroup transactions and balances are not eliminated in the separate financial statements of HDDG or DSSG.

The condensed combined financial statements of the Hard Disk Drive group provide HDDG stockholders with financial information about the Hard Disk Drive group operations. Holders of HDDG stock and DSSG stock are Quantum stockholders and are subject to all of the risks of an investment in Quantum and all of Quantum's businesses, assets and liabilities. Quantum retains ownership and control of all of the assets and operations of each group. Financial effects arising from one group that affect Quantum's consolidated results of operations or financial condition could, if significant, affect the results of operations or financial condition of the other group and the market price of the other group's stock. Any net losses of HDDG or DSSG, and dividends or distributions on, or repurchases of DSSG stock, or repurchases of preferred stock at a price per share greater than par value, will reduce the funds of Quantum legally available for payment of dividends on HDDG stock. As a result, HDDG's condensed combined

financial statements should be read in conjunction with Quantum's condensed consolidated financial statements and DSSG's condensed combined financial statements. The condensed combined balance sheet as of March 31, 2000 has been derived from the audited financial statements of Quantum Corporation included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

These interim financial statements reflect all adjustments, consisting only of normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full fiscal year. Certain prior period amounts have been reclassified to conform to the current period's presentation.

39

2. Inventories

Inventories consisted of the following:
(In thousands)

<TABLE>
<CAPTION>

	July 2, 2000	March 31, 2000
	-----	-----
<S>	<C>	<C>
Materials and purchased parts	\$ 6,875	\$ 7,387
Work in process	3,537	5,299
Finished goods	149,083	109,661
	-----	-----
	\$159,495	\$122,347
	=====	=====

</TABLE>

3. Net income per share

As a result of the recapitalization, net income per share for HDDG has been calculated based on the group's net income subsequent to August 3, 1999. It was not calculated on a group basis for periods prior to the recapitalization because HDDG stock was not part of Quantum's capital structure at that time.

The following table sets forth the computation of basic and diluted net income per share for HDDG after the recapitalization date:

(In thousands, except per share data)	Three Months Ended July 2, 2000 -----
Numerator:	
Numerator for basic and diluted net income per share - income available to common stockholders	\$ 16,470 =====
Denominator:	
Denominator for basic net income per share - weighted average shares	81,444
Effect of dilutive securities:	
Outstanding options	7,091 -----
Denominator for diluted net income per share - adjusted weighted average shares	88,535 =====
Basic net income per share	\$ 0.20 =====
Diluted net income per share	\$ 0.19 =====

The computation of diluted net income per share for HDDG for the three months ended July 2, 2000 excluded the effect of the 7% convertible subordinated notes issued in July 1997, which are convertible into 3,103,076 shares of HDDG common stock, or 10.793 shares per \$1,000 note, because the effect would have been antidilutive.

Options to purchase 0.9 million shares of common stock were outstanding for the

three months ended July 2, 2000, but were not included in the computation of diluted net income per share

40

because the options' exercise price was greater than the average market price of the common stock and, therefore, the effect would have been antidilutive.

4. Common Stock Repurchase

During fiscal year 2000, the Board of Directors authorized Quantum to repurchase up to \$700 million of its common stocks in open market or private transactions. Of the total repurchase authorization, \$600 million was authorized for repurchase of either Quantum, DSSG or HDDG common stock, while \$100 million was authorized for repurchase of HDDG common stock. During the first quarter of fiscal year 2001, Quantum repurchased 10.5 million shares of DSSG common stock and 3.2 million shares of HDDG common stock for a combined total of \$146 million. As of July 2, 2000, Quantum had repurchased 3.9 million shares of Quantum common stock, 26.2 million shares of DSSG common stock and 6.7 million shares of HDDG common stock for a combined total of approximately \$471 million.

5. Credit Line

In April 2000, Quantum entered into two new unsecured senior credit facilities, each providing a \$187.5 million revolving credit line and expiring in April 2001 and April 2003, respectively. At Quantum's option, borrowings under the revolving credit lines will bear interest at either the London interbank offered rate or a base rate, plus a margin determined by a leverage ratio with option periods of one to six months. At July 2, 2000, there were no outstanding balances drawn on these lines.

6. Litigation

On August 7, 1998, Quantum was named as one of several defendants in a patent infringement lawsuit filed in the U.S. District Court for the Northern District of Illinois, Eastern Division. The plaintiff, Papst Licensing GmbH, owns at least 24 U.S. patents which it asserts that Quantum has infringed. Quantum has studied these patents and believes that defenses of patent invalidity and non-infringement can be asserted. However, Quantum has not completed a full study of all the patents asserted by Papst and there can be no assurance that Quantum has not infringed these or other patents owned by Papst. Recently, on Papst's motion, the case was transferred to a federal district court in New Orleans, Louisiana, where it has been joined with suits brought against Papst by Hewlett-Packard, Maxtor Corporation and Minebea Company, Ltd. for the purposes of coordinated discovery under multi-district litigation rules. Hewlett-Packard recently settled its dispute with Papst and has been withdrawn from the litigation. To date, discovery has not begun to any significant extent. Quantum does not believe that the transfer will affect the final disposition of this matter in a significant way. The final results of this litigation, as with any litigation, are uncertain. In addition, the costs of engaging in litigation with Papst will be substantial.

Quantum is also subject to other legal proceedings and claims that arise in the ordinary course of its business. For example, in fiscal year 2000, Discovision Associates brought patents they hold to Quantum's attention. 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 Quantum, the ultimate outcome of any litigation is uncertain. Were an unfavorable outcome to occur, the impact could be material to Quantum.

41

7. Special Charge

During the second quarter of fiscal year 2000, HDDG recorded a special charge of \$59.4 million. The charge reflected HDDG's strategy to modify the hard disk drive business to more closely align product development and the business' operating model with the requirements of the rapidly growing low-cost PC market. The special charge was associated primarily with the streamlining of HDDG's logistics model in order to create a faster and more flexible fulfillment system, changes in the customer service strategy and consolidation of certain product development programs.

The special charge consisted of \$26.4 million related to facilities costs, \$13.2 million in asset write-offs related to the streamlining of the global logistics model and change in customer service strategy, \$7.8 million in severance and benefits for terminated employees, and approximately \$12 million in other costs associated with the plan.

The facilities costs noted above include lease payments on facilities to be vacated in and around Milpitas, California and Singapore, the write-off of related leasehold improvements, and other maintenance expenses associated with the vacated facilities. HDDG expects that the affected facilities will be vacated by the end of the second quarter of fiscal year 2001.

In connection with the charge, HDDG currently expects a workforce reduction of approximately 600 employees. In addition, approximately 100 open job requisitions and budgeted positions have been eliminated. The reduction in force primarily affects employees at HDDG's drive configuration centers and warehouses in Milpitas, California and Dundalk, Ireland and employees within the desktop drive business. As of July 2, 2000, 499 of the 600 employees had been terminated. HDDG anticipates that the remaining employees will be terminated by the end of the second quarter of fiscal year 2001.

Subsequent to the end of the second quarter fiscal year 2000, HDDG revised its estimate of costs required to implement the restructuring plan. HDDG currently estimates that severance and benefits, inventory and other costs, which include the disposition of additional capital assets, will be more than previously estimated as a result of the planned changes in the customer service strategy. HDDG also estimates that costs associated with vacating leased facilities will be less than previously estimated as a result of vacating a major facility earlier than previously expected. Accordingly, HDDG has reallocated amounts between these categories.

As of July 2, 2000, HDDG had incurred \$9 million in cash expenditures associated with employee severance and benefits, facilities and other costs. HDDG expects to incur additional cash expenditures associated with the plan of approximately \$15 million.

42

The following table summarizes activity related to the special charge at July 2, 2000.

(In thousands)	Severance And Benefits -----	Facilities Costs -----	Inventory -----	Other Costs -----	Total -----
<S>	<C>	<C>	<C>	<C>	<C>
Special charge provision	\$ 7,833	\$ 26,359	\$ 13,214	\$ 12,000	\$ 59,406
Cash Payments	(5,584)	(1,519)	-	(1,810)	(8,913)
Non-cash charges	-	(8,274)	(15,588)	(8,800)	(32,662)
Adjustments	1,166	(7,852)	2,374	4,312	-
	-----	-----	-----	-----	-----
Balance at July 2, 2000	\$ 3,415	\$ 8,714	\$ -	\$ 5,702	\$ 17,831
	=====	=====	=====	=====	=====

8. Comprehensive Income (Loss)

Accumulated other comprehensive income included in group equity on the condensed combined balance sheets of the Hard Disk Drive group consists of unrealized gains on available for sale investments and foreign currency translation adjustments. Total comprehensive income (loss) for the three months ended July 2, 2000 and June 27, 1999 is presented in the following table:

(In thousands)	Three Months Ended	
	July 2, 2000	June 27, 1999
<S>	<C>	<C>
Net income (loss)	\$ 16,470	\$(43,184)
Other comprehensive income (loss)-		
Change in unrealized gain on investments, net	195	-
Foreign currency translation adjustments	(230)	(920)
	-----	-----
Comprehensive income (loss)	\$ 16,435	\$(44,104)
	=====	=====

9. Business Units

The Hard Disk Drive group currently has two primary product lines, desktop hard disk drives and high-end hard disk drives. HDDG has two separate business units that support these two product lines.

The desktop business unit designs, develops and markets desktop hard disk drives designed to meet the storage requirements of entry-level to high-end desktop personal computers in home and business environments. The high-end business unit designs, develops and markets high-end hard disk drives designed to meet the storage requirements of network servers, workstations and storage subsystems. In the future, the two HDDG business units may become a single business unit as their markets begin to converge and be reported on a combined basis.

Results for HDDG's business units for the three ended July 2, 2000 and June 27, 1999 are presented in the following table:

(In millions)	Three Months Ended	
	July 2, 2000 ----	June 27, 1999 ----
Business unit:		
Desktop		
Revenue	\$675	\$637
Unit operating income (loss)	10	(62)
High-end		
Revenue	189	115
Unit operating income (loss)	9	(15)

(In millions)	Three Months Ended	
	July 2, 2000 ----	June 27, 1999 ----
Income/Loss reconciliation:		
Total unit operating income (loss)	\$ 19	\$ (77)
Unallocated amounts:		
Interest and other income/(expense)	5 ----	4 -----
Income (loss) before income taxes	\$ 24 =====	\$ (73) =====

44

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Hard Disk Drive Group

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

Business Overview

The Hard Disk Drive group designs, develops and markets a diversified product portfolio of hard disk drives featuring leading-edge technology. HDDG's hard disk drives are designed for the desktop market, which requires economy and reliability, and the high-end market, which requires faster and higher capacity disk drives--as well as the emerging market for hard disk drives specially designed for consumer electronics devices such as personal video recorders, personal audio recorders, cable and set-top boxes, Internet appliances and digital video editing. HDDG has been the leading volume supplier of hard disk drives for the desktop market for each of the past seven years. According to Dataquest, HDDG's market share in the desktop market has grown from 3% in calendar year 1990 to an industry leading 22% in calendar year 1999.

HDDG designs desktop hard disk drives to meet the storage requirements of entry-level to high-performance desktop PCs in home and business environments. HDDG also designs high-end hard disk drives to store data on large computing systems such as network servers. These high-end hard disk drives are generally used for:

- . dedicated sites that store large volumes of data;
- . network servers such as those used for Internet and intranet services, online transaction processing and enterprise wide applications;
- . high-speed computers used for specialized engineering design software; and
- . computer systems incorporating a large number of shared hard disk drives.

HDDG also pioneered hard disk drive applications for the developing consumer electronics market. These hard disk drive applications utilize Quantum

QuickView(TM)--HDDG's hard disk drive technology designed especially for consumer electronics. Quantum QuickView technology makes it possible to simultaneously record and play back audio and video content and to instantly and inexpensively access large amounts of audio and video content--capabilities that are not as well suited to competing technologies such as video tape and optical media.

45

Products

Desktop products. HDDG offers two families of desktop hard disk drives--the Quantum Fireball(TM) and Quantum Fireball Plus. The Quantum Fireball family offers 3.5-inch hard disk drives for consumer and commercial PCs, as well as entry-level workstations and network servers. Fireball Plus offers superior performance for power users. HDDG offers the Shock Protection System(TM), Shock Protection System II and Data Protection System(TM) with its desktop products. These features substantially reduce failure rates and provide increased reliability and performance. Shock Protection System II provides enhanced protection against both operating and non-operating shock. Along with providing enhanced protection against shock during handling and integration, Shock Protection System II guards against kicks and jolts while the PC is running to reduce field failures. HDDG has also incorporated feature enhancements of the Quiet Drive Technology into recently introduced Quantum desktop drives. This technology has been pioneered through a combination of proprietary design innovations and unique drive features that enable Quantum to develop drives that emit dramatically reduced levels of noise. It was first introduced over a year ago in Quantum QuickView drives targeted for the noise-sensitive consumer electronics market and has continued to be refined with technology and feature enhancements.

High-end products. HDDG also offers a broad line of high-end 3.5-inch hard disk drives--the Quantum Atlas(TM) and Quantum Atlas 10K families. The Quantum Atlas families offer high-capacity hard disk drives for high performance storage-intensive applications such as enterprise servers and storage subsystems. HDDG also offers the Shock Protection System, Shock Protection System II and Data Protection System with its high-end products, and has incorporated the Quiet Drive Technology into its recently introduced Atlas 10K II.

46

The table below sets forth key performance characteristics for HDDG's current products:

<TABLE>
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Products	Capacity per Disk (GB)	Product Capacity (GB)	Rotational Speed (RPM)	Platform
Fireball 1ct 10 Protection Technology	10.3	5.1 to 30.0	5,400	Desktop PCs--Value, with Ultra ATA/66 interface, Shock Protection System II, Data Protection System and Quiet Drive Technology
Fireball 1ct 15 Protection Technology	15.0	7.5 to 30.0	4,400	Desktop PCs--Value, with Ultra ATA/66 interface, Shock Protection System II, Data Protection System and Quiet Drive Technology
Fireball 1ct 20 Shock Protection Technology	20.4	10.0 to 40.0	4,500	Desktop PCs--Value, with Ultra ATA/100 interface, Shock Protection System II, Data Protection System and Quiet Drive Technology
Fireball Plus LM Shock	10.3	10.2 to 30.0	7,200	Desktop PCs--Performance, with Ultra ATA/66 interface, Shock Protection System and Data Protection System
Fireball Plus AS interface, Shock Protection System II, Data Protection System and Quiet Drive Technology	20.0	10.2 to 60.0	7,200	Desktop PCs--Performance, with Ultra ATA/100 interface, Shock Protection System II, Data Protection System and Quiet Drive Technology
Atlas IV Ultra 160	4.5	9.1 to 36.4	7,200	Servers, Workstations and Storage Subsystems, with SCSI interface, Shock Protection System
Atlas V Ultra 160 SCSI Protection System	9.1	9.1 to 36.7	7,200	Servers, Workstations and Storage Subsystems, with SCSI interface, Shock Protection System II and Data Protection System

Atlas 10K Subsystems, with Ultra Data Protection	3.0	9.1 to 36.4	10,000	Enterprise Servers, Workstations and Storage 160 SCSI interface, Shock Protection System II and System
Atlas 10K II Subsystems, with Ultra Protection	7.3	9.2 to 73.4	10,000	Enterprise Servers, Workstations and Storage 160 SCSI interface, Shock Protection System II, Data System and Quiet Drive Technology

</TABLE>

Results of Operations

Revenue. Revenue in the three months ended July 2, 2000 was \$864 million, compared to \$752 million in the three months ended June 27, 1999, an increase of 15%. The increase in revenue reflected increased revenue from sales of both desktop and high-end hard disk drives.

Desktop hard disk drive revenue in the three months ended July 2, 2000 was \$675 million, compared to \$637 million in the three months ended June 27, 1999, an increase of 6%. The increase reflected a 20% increase in shipments, partially offset by lower average unit prices due to competitive pricing pressure.

47

High-end hard disk drive revenue in the three months ended July 2, 2000 was \$189 million, compared to \$115 million in the three months ended June 27, 1999, an increase of 64%. High-end hard disk drive shipments reached a record high, reflecting strong demand from computer equipment manufacturers and distribution channel customers.

Sales to the top five customers in the three months ended July 2, 2000 represented 48% of revenue, compared to 49% of revenue in the three months ended June 27, 1999. These amounts reflected a retroactive combination of the sales to Ingram Micro and Electronic Resources as a result of their merger in July 1999. Sales to Dell Computer were 13% of revenue in the three months ended July 2, 2000, compared to less than 10% of revenue in the three months ended June 27, 1999. Sales to Ingram Micro were 11% of revenue in the three months ended July 2, 2000, compared to 14% of revenue in the three months ended June 27, 1999, including sales to Electronic Resources. Sales to Hewlett-Packard were less than 10% of revenue in the three months ended July 2, 2000 compared to 15% of revenue in the three months ended June 27, 1999.

Sales to computer equipment manufacturers and distribution channel customers were 63% and 37% of revenue, respectively, in the three months ended July 2, 2000, compared to 55% and 45% of revenue, respectively, in the three months ended June 27, 1999.

Gross Margin Rate. The gross margin rate increased to 14.0% in the three months ended July 2, 2000 from 3.8% in the three months ended June 27, 1999.

The desktop gross margin rate was 11.3% in the three months ended July 2, 2000, compared to 1.4% in the three months ended June 27, 1999. The increase reflected the transition to new lower cost, higher margin products, partially offset by a decrease in average unit prices due to competitive pricing pressures.

The high-end gross margin rate was 23.6% in the three months ended July 2, 2000, compared to 16.6% in the three months ended June 27, 1999. The 7% increase reflected higher sales volumes and the transition to new, higher margin products.

The gross margin rate for desktop products is expected to decline substantially in the second quarter of fiscal year 2001 because of accelerated average unit price declines and slower declines in component costs.

Research and Development Expenses. Research and development expenses in the three months ended July 2, 2000, were \$58 million, or 6.7% of revenue, compared to \$63 million, or 8.3% of revenue, in the three months ended June 27, 1999. The decrease in research and development expenses reflected expense reductions resulting from modifications to the hard disk drive business associated with the special charge recorded in the second quarter of fiscal year 2000.

Sales and Marketing Expenses. Sales and marketing expenses in the three months ended July 2, 2000, were \$28 million, or 3.2% of revenue, compared to \$28 million, or 3.7% of revenue in the three months ended June 27, 1999.

48

General and Administrative Expenses. General and administrative expenses in the three months ended July 2, 2000, were \$16 million, or 1.9% of revenue, compared

to \$15 million, or 2.0% of revenue, in the three months ended June 27, 1999. The increase in general and administrative expenses reflected an increase in human resource spending in support of change management, process reengineering and retention.

Special Charge. During the second quarter of fiscal year 2000, HDDG recorded a special charge of \$59.4 million. The charge reflected HDDG's strategy to modify the hard disk drive business to more closely align product development and the business' operating model with the requirements of the rapidly growing low-cost PC market. The special charge was associated primarily with the streamlining of HDDG's logistics model in order to create a faster and more flexible fulfillment system, changes in the customer service strategy and consolidation of certain product development programs.

The special charge consisted of \$26.4 million related to facilities costs, \$13.2 million in asset write-offs related to the streamlining of the global logistics model and change in customer service strategy, \$7.8 million in severance and benefits for terminated employees, and approximately \$12 million in other costs associated with the plan.

HDDG is proceeding according to plan and expects to realize more than \$100 million in cost savings per year, beginning in fiscal year 2001. The majority of the savings are expected in cost of revenue as a result of a more efficient distribution system and reduced customer service costs, with the remaining savings in research and development, as a result of the consolidation of product development programs. As compared to fiscal year 2000, HDDG expects operating expenses to be relatively flat in fiscal year 2001, with increased investments in disk drive and other storage products, primarily reflected in research and development, offsetting the cost savings resulting from the special charge. These expectations are forward-looking statements and actual results may differ.

Interest and Other Income/Expense. Net interest and other income for the three months ended July 2, 2000 was \$5.8 million, compared to net interest and other income of \$3.6 million for the three months ended June 27, 1999. The increase reflected increased interest income as a result of a higher average cash balance.

Income Taxes. HDDG recorded a tax provision of \$8 million and a tax benefit of \$30 million for effective tax and benefit rates of 32% and 41%, respectively, for the three months ended July 2, 2000 and June 27, 1999, respectively. The fiscal 2001 rate reflects increased research and development credits and lower state taxes.

Liquidity and Capital Resources

Cash, cash equivalents and marketable securities were \$585 million at July 2, 2000 compared to \$612 million at March 31, 2000. HDDG used cash during the quarter to purchase \$35 million of treasury stock, as discussed below. Other uses of cash included approximately \$9 million for investments in property and equipment. HDDG generated cash from operations of \$16 million, primarily reflecting net income and an increase in other liabilities, partially offset by an increase in inventories and a decrease in income taxes payable.

49

During fiscal year 2000, the Board of Directors authorized Quantum to repurchase up to \$700 million of its common stocks in open market or private transactions. Of the total repurchase authorization, \$600 million was authorized for repurchase of either Quantum, DSSG or HDDG common stock, while \$100 million was authorized for repurchase of HDDG common stock. During the first quarter of fiscal year 2001, Quantum repurchased 10.5 million shares of DSSG common stock and 3.2 million shares of HDDG common stock for a combined total of \$146 million. As of July 2, 2000, Quantum had repurchased 3.9 million shares of Quantum common stock, 26.2 million shares of DSSG common stock and 6.7 million shares of HDDG common stock for a combined total of approximately \$471 million.

In April 2000, Quantum entered into two new unsecured senior credit facilities, each providing a \$187.5 million revolving credit line and expiring in April 2001 and April 2003, respectively. At Quantum's option, borrowings under the revolving credit lines will bear interest at either the London interbank offered rate or a base rate, plus a margin determined by a leverage ratio with option periods of one to six months. At July 2, 2000, there were no outstanding balances drawn on these lines.

HDDG expects to spend approximately \$55 million in fiscal year 2001 for capital equipment and leasehold improvements. These capital expenditures will support the development and introduction of new disk drive products.

HDDG believes that its existing capital resources, including the credit facilities and any cash generated from operations, will be sufficient to meet all currently planned expenditures and sustain operations for the next 12 months. However, this belief assumes that operating results and cash flow from operations will meet HDDG's expectations.

In the future, Quantum may seek to raise cash through the issuance of debt or equity securities. There can be no assurance that such financing would be available on terms favorable to Quantum, if at all.

Trends and Uncertainties Relating to the Hard Disk Drive Group

Holders of HDDG stock remain stockholders of Quantum Corporation, which includes common stock of DSSG, and, therefore, financial effects on DSSG could adversely affect HDDG

Holders of HDDG stock and DSSG stock are stockholders of a single company. HDDG and DSSG are not separate legal entities. As a result, stockholders will continue to be subject to all of the risks of an investment in Quantum and all of its businesses, assets and liabilities. The issuance of the HDDG stock and the DSSG stock and the allocation of assets and liabilities and stockholders' equity between HDDG and DSSG did not result in a distribution or spin-off to stockholders of any Quantum assets or liabilities and did not affect ownership of our assets or responsibility for our liabilities or those of our subsidiaries. The assets we attribute to one group could be subject to the liabilities of the other group, whether such liabilities arise from lawsuits, contracts or indebtedness that we attribute to the other group. If we are unable to satisfy one group's liabilities out of the assets we attribute to it, we may be required to satisfy those liabilities with assets we attribute to the other group.

50

Financial effects from one group that affect our consolidated results of operations or financial condition could, if significant, affect the results of operations or financial condition of the other group and the market price of the tracking stock relating to the other group. In addition, net losses of either group and dividends and distributions on, or repurchases of, either class of tracking stock or repurchases of preferred stock at a price per share greater than par value will reduce the funds we can pay on each class of tracking stock under Delaware law. For these reasons, you should read our consolidated financial information with the financial information we provide for each group.

HDDG's operating results depend on new product introductions, which may not be successful

To compete effectively, HDDG must frequently introduce new hard disk drives. HDDG cannot assure you that:

- . it will successfully or timely develop or market any new hard disk drives in response to technological changes or evolving industry standards;
- . it will not experience technical or other difficulties that could delay or prevent the successful development, introduction or marketing of new hard disk drives;
- . it will successfully qualify new hard disk drives, particularly high-end disk drives, with HDDG's customers by meeting customer performance and quality specifications. A successful and timely customer qualification must occur before customers will place large product orders;
- . it will quickly achieve high volume production of new hard disk drives;
or
- . its new products will achieve market acceptance.

These risks are magnified because HDDG expects technological changes, short product life cycles and intense competitive pressures to result in declining sales and gross margins on its current generation products.

HDDG's quarterly operating results could fluctuate significantly and past quarterly operating results should not be used to predict future performance

HDDG's quarterly operating results have fluctuated significantly in the past and may fluctuate significantly in the future. As a result, you should not use HDDG's past quarterly operating results to predict future performance. Quarterly operating results could be adversely affected by:

- . the ability of MKE, HDDG's exclusive manufacturer, to quickly achieve high volume production of HDDG's hard disk drives;
- . customers canceling, deferring or rescheduling significant orders;
- . returns by customers of unsold hard disk drives for credit;
- . decline in PC demand; or

51

- . failure to complete shipments in the last month of a quarter during

which a substantial portion of HDDG's products are typically shipped.

HDDG's prices and margins are subject to declines due to unpredictable end-user demand and oversupply of hard disk drives

End-user demand for the computer systems that contain HDDG's hard disk drives has historically been subject to rapid and unpredictable fluctuations. As a result, the hard disk drive market tends to experience periods of excess capacity, which typically lead to intense price competition. If intense price competition occurs, HDDG may be forced to lower prices sooner and more than expected and transition to new products sooner than expected. For example, in fiscal year 1999 and the second half of fiscal year 1998, as a result of excess inventory in the desktop hard disk drive market, aggressive pricing and corresponding margin reductions materially adversely impacted HDDG's operating results. HDDG experienced similar conditions in the high-end hard disk drive market during most of fiscal years 1998 and 1999.

Growth of the lower priced PC markets is putting downward pressure on HDDG's desktop hard disk drive prices

The growth of the lower priced PC market has led to a shift toward lower priced desktop hard disk drives. HDDG expects the trend toward lower prices on hard disk drives to continue. If HDDG is unable to lower the cost of its desktop hard disk drives accordingly, operating results could be materially adversely affected.

Intense competition in the desktop and high-end hard disk drive market could adversely impact HDDG's operating results

In the desktop hard disk drive market, HDDG's primary competitors are Fujitsu Limited, IBM, Maxtor Corporation, Samsung Electronics Co., Ltd., Seagate and Western Digital Corporation. The desktop hard disk drive market is characterized by more competitiveness than that seen in the computer industry in general. HDDG's operating results and competitive position could be negatively impacted by the introduction of competitive products with higher performance, higher reliability and/or lower cost than HDDG's products. For example, in the first half of fiscal year 2000, certain competitors reduced prices for their products significantly. As a result, HDDG's operating results were materially adversely affected.

In the high-end hard disk drive market, HDDG's primary competitors are Fujitsu, Hitachi, IBM and Seagate. Currently, Seagate and IBM have the largest market share for high-end hard disk drives.

A majority of sales come from a few customers that have no minimum or long-term purchase commitments

HDDG's sales are concentrated with a few customers. Customers are not obligated to purchase any minimum product volume and HDDG's customer relationships are terminable at will. The loss of, or a significant change in demand from, one or more key HDDG customers could have a material adverse impact on HDDG's operating results.

52

Because HDDG depends on MKE for the manufacture of all hard disk drives, adverse material developments in this critical manufacturing relationship would adversely affect HDDG's operating results

HDDG's relationship with MKE is critical to the Hard Disk Drive group's operating results and overall business performance. HDDG's dependence on MKE includes the following principal risks:

- . Quality and Delivery. HDDG relies on MKE to quickly achieve volume production of new hard disk drives at a competitive cost, to meet HDDG's stringent quality requirements and to respond quickly to changing product delivery schedules. Failure of MKE to satisfy these requirements could have a material adverse impact on HDDG's operating results.
- . Purchase Forecasts. MKE's production schedule is based on HDDG's forecasts of its purchase requirements, and HDDG has limited rights to modify short-term purchase orders. The failure of HDDG to accurately forecast its requirements or successfully adjust MKE's production schedule could lead to inventory shortages or surpluses.
- . Pricing. HDDG negotiates pricing arrangements with MKE on a quarterly basis. Any failure to reach competitive pricing arrangements would have a material adverse impact on HDDG's operating results.
- . Capital Commitment. HDDG's future growth will require that MKE continue to devote substantial financial resources to property, plant and equipment to support the manufacture of HDDG's products.
- . Manufacturing Capacity. If MKE is unable or unwilling to meet HDDG's manufacturing requirements, an alternative manufacturing source may not

be available in the near term.

MKE depends on a limited number of component and sub-assembly suppliers and component shortages and quality problems or delays from these suppliers could result in increased costs and reduced sales

MKE depends on a limited number of qualified suppliers for components and sub-assemblies, including recording heads, media and integrated circuits, all of which are essential to the manufacture of HDDG's hard disk drives. MKE may qualify only a single source for certain components and sub-assemblies, which can magnify the risk of component shortages. Component shortages have constrained HDDG's sales growth in the past, and HDDG believes that it will periodically experience component shortages. If MKE experiences quality problems with its component suppliers, HDDG's hard disk drive shipments could be significantly delayed or costs could be significantly increased.

Unexpected warranty costs could have a material adverse impact on operating results

HDDG warrants its products against defects for a period of one to five years. Actual warranty costs could have a material adverse impact on HDDG's operating results if the actual unit failure rate or unit repair costs are greater than those for which HDDG established a warranty accrual.

53

Third party infringement claims could result in substantial liability and significant costs

From time to time, third parties allege HDDG's infringement of and need for a license under their patented or other proprietary technology. For example, in August 1998, Quantum was named as one of several defendants in a patent infringement lawsuit. The plaintiff, Papst Licensing GmbH, owns at least 24 U.S. patents, which it asserts that HDDG has infringed. In fiscal year 2000, Discovision Associates brought patents to HDDG's attention. Adverse resolution of the Papst or any other third party infringement claim could subject HDDG to substantial liabilities and require it to refrain from manufacturing and selling certain products. HDDG cannot assure you that licenses to any technology owned by Papst or any other third party alleging infringement could be obtained on commercially reasonable terms, or at all. In addition, the costs of litigation could be substantial, regardless of the outcome.

HDDG's foreign manufacturing costs could be adversely impacted by fluctuations in currency exchange rates

MKE generally purchases manufacturing components at prices denominated in U.S. dollars. However, significant increases in currency exchange rates against the U.S. dollar could increase MKE's manufacturing costs and could result in higher product prices and/or declining margins for HDDG's products.

54

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Disclosures

For financial market risks related to changes in interest rates and foreign currency exchange rates, reference is made to Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in the Quantum's Annual Report on Form 10-K for the year ended March 31, 2000.

HDDG is exposed to equity price risk on its investment in TiVo, Inc. common stock. HDDG does not attempt to reduce or eliminate its market exposure on this security. HDDG entered into a strategic alliance with TiVo in fiscal year 1999 to supply hard disk drives utilizing Quantum's QuickView technology for integration into TiVo's Personal Video Recorder. At July 2, 2000, the fair market value of HDDG's investment was approximately \$30 million. As TiVo is a relatively new company and has recently introduced a new product in the consumer electronics market, HDDG does not believe it is possible to reasonably estimate any future price movement of TiVo common stock.

55

QUANTUM CORPORATION

PART II - OTHER INFORMATION

Item 1. Legal proceedings

The information contained in Note 7 of the Notes to Condensed Consolidated Financial Statements and Note 6 of the Notes to Condensed Combined Financial Statements of the Hard Disk Drive group is incorporated into this Part II, Item 1 by reference.

Item 2. Changes in securities - Not Applicable

- Item 3. Defaults upon senior securities - Not Applicable
- Item 4. Submission of matters to a vote of security holders - Not Applicable
- Item 5. Other information - Not Applicable
- Item 6. Exhibits and reports on Form 8-K.

(a) Exhibits. The exhibits listed on the accompanying index to

 exhibits immediately following the signature page are
 filed as part of this report.

(b) Reports on Form 8-K.

None

56

SIGNATURE

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

QUANTUM CORPORATION
 (Registrant)

Date: August 8, 2000

By: /s/ Richard L. Clemmer

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

57

QUANTUM CORPORATION

INDEX TO EXHIBITS

Exhibit Number	Exhibit
10.1	CREDIT AGREEMENT, dated April 19, 2000, among Registrant, certain financial institutions (collectively, the "Banks"), Banc of America Securities LLC as Sole Arranger and Sole Book Manager for the Banks, Bank of America, N.A., as Administrative Agent for the Banks, Fleet National Bank as Syndication Agent for the Banks and The Bank of Nova Scotia as Documentation Agent for the Banks
10.2	CREDIT AGREEMENT, dated April 19, 2000, among Registrant, certain financial institutions (collectively, the "Banks"), Banc of America Securities LLC as Sole Arranger and Sole Book Manager for the Banks, Bank of America, N.A., as Administrative Agent for the Banks, Fleet National Bank as Syndication Agent for the Banks and The Bank of Nova Scotia as Documentation Agent for the Banks
27.1	Financial Data Schedule

=====
 Credit Agreement
 (3-Year)
 among
 Quantum Corporation
 and
 Bank of America, N.A.,
 as Administrative Agent
 and
 Letter of Credit Issuing Lender,
 and
 Fleet National Bank as Syndication Agent,
 and
 The Bank of Nova Scotia as Documentation Agent
 and
 The Other Financial
 Institutions Party Hereto
 Dated as of April 19, 2000
 Banc of America Securities LLC,
 as
 Sole Arranger and Sole Book Manager
 [LOGO OF BANK OF AMERICA]

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 TABLE OF CONTENTS

<TABLE>
 <CAPTION>

	Page
	<C>
SECTION 1. DEFINITIONS AND ACCOUNTING TERMS.....	1
1.01 Defined Terms.....	1
1.02 Use of Certain Terms.....	21
1.03 Accounting Terms.....	21
1.04 Rounding.....	21
1.05 Exhibits and Schedules.....	22
1.06 References to Agreements and Laws.....	22
SECTION 2. THE COMMITMENTS AND EXTENSIONS OF CREDIT.....	22
2.01 Loans.....	22
2.02 Borrowings, Conversions and Continuations of Loans.....	22
2.03 Letters of Credit.....	23
2.04 Prepayments.....	27
2.05 Reduction or Termination of Commitments.....	28
2.06 Principal and Interest.....	28
2.07 Fees.....	28
2.08 Computation of Interest and Fees.....	29
2.09 Making Payments.....	30
2.10 Funding Sources.....	31
SECTION 3. TAXES, YIELD PROTECTION AND ILLEGALITY.....	31
3.01 Taxes.....	31
3.02 Illegality.....	32
3.03 Inability to Determine Rates.....	32
3.04 Increased Cost and Reduced Return; Capital Adequacy.....	33
3.05 Breakfunding Costs.....	33
3.06 Matters Applicable to all Requests for Compensation.....	34
3.07 Survival.....	34

SECTION 4. CONDITIONS PRECEDENT TO EXTENSIONS OF CREDIT.....	34
4.01 Conditions of Initial Extension of Credit.....	34
4.02 Conditions to all Extensions of Credit.....	35
SECTION 5. REPRESENTATIONS AND WARRANTIES.....	36
5.01 Existence and Qualification; Power; Compliance with Laws.....	36
5.02 Power; Authorization; Enforceable Obligations.....	36
5.03 No Legal Bar.....	37
5.04 Financial Statements; No Material Adverse Effect.....	37
5.05 Litigation.....	37
5.06 No Default.....	37
5.07 Ownership of Property; Liens.....	37
5.08 Taxes.....	37

</TABLE>

-i-

<TABLE>

<S>

<C>

5.09 Margin Regulations; Investment Company Act; Public Utility Holding Company Act....	38
5.10 ERISA Compliance.....	38
5.11 Intangible Assets.....	39
5.12 Compliance With Laws.....	39
5.13 Environmental Compliance.....	39
5.14 Insurance.....	39
5.15 Swap Obligations.....	39
5.16 Disclosure.....	39

SECTION 6. AFFIRMATIVE COVENANTS.....	39
6.01 Financial Statements.....	40
6.02 Certificates, Notices and Other Information.....	41
6.03 Payment of Taxes.....	42
6.04 Preservation of Existence.....	42
6.05 Maintenance of Properties.....	42
6.06 Maintenance of Insurance.....	42
6.07 Compliance With Laws.....	42
6.08 Inspection Rights.....	42
6.09 Keeping of Records and Books of Account.....	42
6.10 Compliance with ERISA.....	42
6.11 Compliance With Agreements.....	43
6.12 Use of Proceeds.....	43

SECTION 7. NEGATIVE COVENANTS.....	43
7.01 Indebtedness.....	43
7.02 Liens.....	44
7.03 Fundamental Changes.....	45
7.04 Dispositions.....	46
7.05 Investments.....	46
7.06 Restricted Payments.....	47
7.07 ERISA.....	48
7.08 Change in Nature of Business.....	48
7.09 Transactions with Affiliates.....	48
7.10 Use of Proceeds.....	48
7.11 Certain Indebtedness Payments, Etc.....	48
7.12 Financial Covenants.....	49
7.13 Accounting Changes.....	50

SECTION 8. EVENTS OF DEFAULT AND REMEDIES.....	50
8.01 Events of Default.....	50
8.02 Certain Financial Covenant Defaults.....	52
8.03 Remedies Upon Event of Default.....	52

SECTION 9. ADMINISTRATIVE AGENT.....	54
9.01 Appointment and Authorization of Administrative Agent.....	54
9.02 Delegation of Duties.....	54

</TABLE>

-ii-

<TABLE>

<S>

<C>

9.03 Liability of Administrative Agent.....	55
9.04 Reliance by Administrative Agent.....	55
9.05 Notice of Default.....	56
9.06 Credit Decision; Disclosure of Information by Administrative Agent.....	56
9.07 Indemnification of Administrative Agent.....	56
9.08 Administrative Agent in Individual Capacity.....	57
9.09 Successor Administrative Agent.....	57
9.10 Syndication Agent; Documentation Agent.....	58

SECTION 10. MISCELLANEOUS.....	58
10.01 Amendments; Consents.....	58
10.02 Transmission and Effectiveness of Communications and Signatures.....	59
10.03 Attorney Costs, Expenses and Taxes.....	60
10.04 Binding Effect; Assignment.....	60

10.05	Set-off.....	62
10.06	Sharing of Payments.....	62
10.07	No Waiver; Cumulative Remedies.....	63
10.08	Usury.....	63
10.09	Counterparts.....	63
10.10	Integration.....	63
10.11	Nature of Lenders' Obligations.....	64
10.12	Survival of Representations and Warranties.....	64
10.13	Indemnity by Borrower.....	64
10.14	Nonliability of Lenders.....	64
10.15	No Third Parties Benefited.....	65
10.16	Severability.....	65
10.17	Confidentiality.....	66
10.18	Further Assurances.....	66
10.19	Headings.....	66
10.20	Time of the Essence.....	66
10.21	Foreign Lenders.....	66
10.22	Removal and Replacement of Lenders.....	67
10.23	Governing Law.....	68
10.24	Waiver of Right to Trial by Jury.....	68
10.25	Entire Agreement.....	69

</TABLE>

-iii-

EXHIBITS

Form of

- A Request for Extension of Credit
- B Compliance Certificate
- C Form of Note
- D Notice of Assignment and Acceptance

SCHEDULES

- 2.01 Commitments and Pro Rata Shares
- 5.05 Litigation
- 7.01 Existing Indebtedness and Liens
- 7.13 Subordination Provisions

- 10.02 Offshore and Domestic Lending Offices, Addresses for Notices

-iv-

CREDIT AGREEMENT

This CREDIT AGREEMENT ("Agreement") is entered into as of April 19, _____, 2000, by and among Quantum Corporation, a Delaware corporation ("Borrower"), _____, each lender from time to time party hereto (collectively, "Lenders" and _____ individually, a "Lender"), and BANK OF AMERICA, N.A., as Administrative Agent _____ and Issuing Lender.

RECITAL

Borrower has requested that Lenders and Issuing Lender provide a revolving line of credit, and Lenders, Issuing Lender and Administrative Agent are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

SECTION 1.
DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"Acquisitions" means any transaction or series of related transactions for _____ the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any line of business or any division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests or equity of any Person, or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary).

"Administrative Agent" means Bank of America, N.A., in its capacity _____ as administrative agent under any of the Loan Documents, or any successor

administrative agent.

"Administrative Agent's Office" means Administrative Agent's address

and, as appropriate, account as set forth on Schedule 10.02, or such other

address or account as Administrative Agent hereafter may designate by written notice to Borrower and Lenders.

"Administrative Agent-Related Persons" means Administrative Agent

(including any successor agent), together with its Affiliates (including, in the case of Bank of America in its capacity as Administrative Agent, the Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Affiliate" means any Person directly or indirectly controlling,

controlled by, or under direct or indirect common control with, another Person. A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power

-1-

(a) to vote 10% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise; provided that Persons, other

than Subsidiaries, in which Quantum Technology Ventures holds Equity Securities shall not be "Affiliates" for purposes of this definition.

"Agreement" means this Credit Agreement, as amended, restated,

extended, supplemented or otherwise modified in writing from time to time.

"Applicable Amount" means the following amounts per annum, based upon

the Leverage Ratio as set forth in the most recent Compliance Certificate received by Administrative Agent pursuant to Section 6.02(a), provided, however,

that, until the six month anniversary of the Closing Date, such amounts shall be fixed as indicated for pricing level 3 set forth below:

<TABLE>

<CAPTION>

Applicable Amount (in basis points per annum)

Level	Leverage Ratio	Applicable LIBOR Margin	Applicable Base Rate Margin	Commitment fee	Utilization
1	<0.75:1	112.50	12.50	25.00	12.50
2	*0.75:1 but <1.00:1	125.00	25.00	27.50	12.50
3	*1.00:1 but <1.25:1	137.50	37.50	30.00	12.50
4	*1.25:1 but <1.50:1	150.00	50.00	32.50	12.50
5	*1.50	175.00	75.00	37.50	12.50

</TABLE>

* more than or equal to

The Applicable Amount shall be in effect from the date the most recent Compliance Certificate is received by Administrative Agent to but excluding the date the next Compliance Certificate is received.

"Applicable Payment Date" means, (a) as to any Offshore Rate Loan, the

last day of the relevant Interest Period, any date that such Loan is prepaid or converted in whole or in part and the Maturity Date; provided, however, that if

any Interest Period for an Offshore Rate Loan exceeds three months, interest shall also be paid on the date which falls every three months after the beginning of such Interest Period; and (b) as to any other Obligations, the last Business Day of each calendar quarter and the Maturity Date; provided, further,

that interest accruing at the Default Rate shall be payable from time to time upon demand of Administrative Agent.

"Applicable Time" means California time.

"Arranger" means Banc of America Securities LLC, in its capacity as

sole arranger and sole book manager.

"Assignment and Acceptance" means an Assignment and Acceptance

substantially in the form of Exhibit D.

"Attorney Costs" means and includes all fees and disbursements of any

law firm or other external counsel and the allocated cost of internal legal services and all disbursements of internal counsel.

-2-

"Audited Financial Statements" means the audited consolidated balance

sheet of Borrower and its Subsidiaries for the fiscal year ended March 31, 1999, and the related consolidated statements of income and cash flows for such fiscal year of Borrower.

"Bank of America" means Bank of America, N.A.

"Base Rate" means a fluctuating rate per annum equal to the higher of

(a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate." Such rate is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loan" means a Loan made hereunder and specified to be a Base

Rate Loan in accordance with Section 2.

"Borrower" has the meaning set forth in the introductory paragraph

hereto.

"Borrowing" and "Borrow" each mean a borrowing of Loans hereunder.

"Borrowing Date" means the date that a Loan is made, which shall be a

Business Day.

"Business Day" means any day other than a Saturday, Sunday, or other

day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where Administrative Agent's Office is located and, if such day relates to any Offshore Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the offshore Dollar interbank market.

"Capital Leases" means any and all leases under which certain

obligations are required to be capitalized on the books of a lessee in accordance with GAAP.

"Change of Control" means the direct or indirect acquisition by any

person (as such term is used in Section 13(d) and Section 14(d)(2) of the Exchange Act), or related persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act), of (a) beneficial ownership of the issued and outstanding shares of voting stock of a corporation or other entity, the result of which acquisition is that such person or group possesses in excess of 40% of the combined voting power of all then-issued and outstanding voting stock of such corporation or other entity, or (b) the power to elect, appoint, or cause the election or appointment of at least a majority of the members of the

board of directors of such corporation or other entity.

"Closing Date" means the date all the conditions precedent in Section

4.01 are satisfied or waived in accordance with Section 4.01.

"Code" means the Internal Revenue Code of 1986.

-3-

"Commitment" means, for each Lender, the amount set forth opposite such

Lender's name on Schedule 2.01, as such amount may be reduced or adjusted from

time to time in accordance with the terms of this Agreement (collectively, the
"combined Commitments").

"Compliance Certificate" means a certificate substantially in the form

of Exhibit B, properly completed and signed by a Responsible Officer of

Borrower.

"Consolidated EBITDA" means, for any period, for Borrower and its

Subsidiaries on a consolidated basis, an amount equal to the sum of (a)
Consolidated Net Income, (b) Consolidated Interest Charges, (c) the amount of
taxes, based on or measured by income, used or included in the determination of
such Consolidated Net Income, (d) the amount of depreciation and amortization
expense deducted in determining such Consolidated Net Income, (e) the amount
written off in connection with In-Process Research & Development related to the
Meridian Acquisition in the second fiscal quarter of year 2000, (f) the charge
taken in the second fiscal quarter of year 2000 in connection with HDD, (g) the
charge taken in the fourth fiscal quarter of year 2000 in connection with DSS,
and (h) the amount of any charges taken in connection with In-Process Research &
Development associated with Acquisitions provided that (i) any such charges are
taken during the fiscal quarter in which the related Acquisition was completed,
and (ii) for purposes of calculating In-Process Research & Development charges
under this clause (h), the aggregate amount of any such charges does not exceed
\$100,000,000 over the term of this Agreement.

"Consolidated Funded Indebtedness" means, as of any date of

determination, for Borrower and its Subsidiaries on a consolidated basis, the
sum of (a) the outstanding principal amount of all obligations and liabilities,
whether current or long-term, for borrowed money (including Obligations to the
extent consisting of principal), (b) that portion of obligations with respect to
Capital Leases that would in conformity with GAAP be capitalized on the
consolidated balance sheet of Borrower and its Subsidiaries, and (c) Synthetic
Lease Obligations.

"Consolidated Interest Charges" means, for any period, for Borrower and

its Subsidiaries on a consolidated basis, the sum of (a) all interest, premium
payments, fees, charges and related expenses payable by Borrower and its
Subsidiaries in connection with borrowed money (including capitalized interest)
or in connection with the deferred purchase price of assets, in each case to the
extent treated as interest in accordance with GAAP, (b) the portion of rent
payable by Borrower and its Subsidiaries with respect to such period under
Capital Leases that is treated as interest in accordance with GAAP and (c) the
portion of rent under any Synthetic Lease Obligation that would be treated as
interest in accordance with GAAP if the Synthetic Lease Obligation were treated
as a Capital Lease under GAAP.

"Consolidated Net Income" means, for any period, for Borrower and its

Subsidiaries on a consolidated basis, the net income of Borrower and its
Subsidiaries from continuing operations after extraordinary items for that
period.

"Consolidated Tangible Net Worth" means, as of any date of

determination, for Borrower and its Subsidiaries on a consolidated basis,
Shareholders' Equity of Borrower and its Subsidiaries on that date minus the
Intangible Assets of Borrower and its Subsidiaries on that date.

-4-

"Continuation" and "Continue" mean, with respect to any Offshore Rate

Loan, the continuation of such Offshore Rate Loan as an Offshore Rate Loan on
the last day of the Interest Period for such Loan.

"Contractual Obligation" means, as to any Person, any provision of any

security issued by such Person or of any agreement, instrument or undertaking to
which such Person is a party or by which it or any of its property is bound.

"Conversion" and "Convert" mean, with respect to any Loan, the

conversion of such Loan from or into another type of Loan.

"Convertible Subordinated Debentures" means the 7% Convertible

Subordinated Notes due 2004 issued by Borrower pursuant to the Indenture dated
as of August 1, 1997 and the Supplemental Indenture dated as of August 1, 1997
between Borrower and LaSalle National Trust Company, N.A., as Trustee.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of

America, and all other liquidation, conservatorship, bankruptcy, assignment for
the benefit of creditors, moratorium, rearrangement, receivership, insolvency,
reorganization, or similar debtor relief Laws of the United States of America or
other applicable jurisdictions from time to time in effect affecting the rights
of creditors generally.

"Default" means any event that, with the giving of any notice, the

passage of time, or both, would be an Event of Default.

"Default Rate" means an interest rate equal to the Base Rate plus the

Applicable Amount, if any, applicable to Base Rate Loans plus 2% per annum;
provided, however, that with respect to an Offshore Rate Loan, the Default Rate

shall be an interest rate equal to the interest rate (including any Applicable
Amount) otherwise applicable to such Loan plus 2% per annum, in each case to the
fullest extent permitted by applicable Laws.

"Designated Deposit Account" means a deposit account maintained by

Borrower with Bank of America, as from time to time designated by Borrower to
Administrative Agent by Requisite Notice.

"Disposition" or "Dispose" means the sale, transfer, License

Disposition or other disposition (including any sale and leaseback transaction)
of any property by any Person, including any sale, assignment, transfer or other
disposal with or without recourse of any notes or accounts receivable or any
rights and claims associated therewith.

"Dollar" and "\$" means lawful money of the United States of America.

"DSS" means DLT and Storage Systems Group., a reportable business

segment of Borrower, as indicated in Borrower's latest quarterly report filed
with the Securities and Exchange Commission on form 10-Q.

"Eligible Assignee" means (a) a financial institution organized under

the laws of the United States, or any state thereof, and having a combined
capital and surplus of at least

-5-

\$100,000,000; (b) a commercial bank organized under the laws of any other
country which is a member of the Organization for Economic Cooperation and
Development, or a political subdivision of any such country, and having a
combined capital and surplus of at least \$100,000,000, provided that such bank

is acting through a branch or agency located in the United States; (c) a Person
that is primarily engaged in the business of commercial banking and that is (i)
a Subsidiary of a Lender, (ii) a Subsidiary of a Person of which a Lender is a
Subsidiary, or (iii) a Person of which a Lender is a Subsidiary; (d) another
Lender; (e) any other entity which is an "accredited investor" (as defined in
Regulation D under the Securities Act of 1933, as amended) which extends credit
or buys loans as one of its businesses, including but not limited to, insurance
companies, mutual funds and lease financing companies; or (f) other lenders or
institutional investors consented to in writing in advance by Administrative
Agent and Borrower. Neither Borrower nor any Affiliate of Borrower shall be an
Eligible Assignee.

"Employee Benefit Plan" means any employee benefit plan within the

meaning of section 3(3) of ERISA, maintained or contributed to by Borrower or
any ERISA Affiliate, other than a Multiemployer Plan.

"Environmental Laws" means all Laws relating to environmental, health,

safety and land use matters applicable to any property.

"Equity Securities" of any Person means (a) all common stock, preferred

stock, participations, shares, partnership interests or other equity interests
in such Person (regardless of how designated and whether or not voting or
non-voting) and (b) all warrants, options and other rights to acquire any of the
foregoing, other than convertible debt securities which have not been converted
into common stock, preferred stock, participations, shares, partnership
interests or other equity interests in any such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any trade or business (whether or not

incorporated) under common control with Borrower within the meaning of Sections
414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes
of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension

Plan; (b) a withdrawal by Borrower or any ERISA Affiliate from a Pension Plan
subject to Section 4063 of ERISA during a plan year in which it was a
substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation
of operations that is treated as such a withdrawal under Section 4062(e) of
ERISA; (c) a complete or partial withdrawal by Borrower or any ERISA Affiliate
from a Multiemployer Plan or notification that a Multiemployer Plan is in
reorganization; (d) the filing of a notice of intent to terminate, the treatment
of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or
the commencement of proceedings by the PBGC to terminate a Pension Plan or
Multiemployer Plan; (e) an event or condition which might reasonably be expected
to constitute grounds under Section 4042 of ERISA for the termination of, or the
appointment of a trustee to administer, any Pension Plan or Multiemployer Plan;
or (f) the imposition of any liability under Title IV of ERISA, other than PBGC
premiums due but not delinquent under Section 4007 of ERISA, upon Borrower or
any ERISA Affiliate.

-6-

"Event of Default" means any of the events specified in Section 8.

"Existing Credit Facility" means that certain Credit Agreement, dated

as of June 6, 1997, among Borrower, Canadian Imperial Bank of Commerce, as
administrative agent, and a syndicate of lenders.

"Extension of Credit" means (a) a Borrowing, Conversion or Continuation

of Loans and (b) a Letter of Credit Action wherein a new Letter of Credit is
issued or which has the effect of increasing the amount of, extending the
maturity of, or making a material modification to an outstanding Letter of
Credit or the reimbursement of drawings thereunder.

"Federal Funds Rate" means, for any day, the rate per annum (rounded

upwards to the nearest 1/100 of 1%) equal to the weighted average of the rates
on overnight Federal funds transactions with members of the Federal Reserve
System arranged by Federal funds brokers on such day, as published by the
Federal Reserve Bank on the Business Day next succeeding such day; provided that

(a) if such day is not a Business Day, the Federal Funds Rate for such day shall
be such rate on such transactions on the next preceding Business Day as so
published on the next succeeding Business Day, and (b) if no such rate is so
published on such next succeeding Business Day, the Federal Funds Rate for such
day shall be the average rate charged to Bank of America on such day on such
transactions as determined by Administrative Agent.

"GAAP" means generally accepted accounting principles set forth in the

opinions and pronouncements of the Accounting Principles Board and the American
Institute of Certified Public Accountants and statements and pronouncements of
the Financial Accounting Standards Board or such other principles as may be
approved by a significant segment of the accounting profession, that are
applicable to the circumstances as of the date of determination, consistently
applied. If at any time any change in GAAP would affect the computation of any
financial ratio or requirement set forth in any Loan Document, and either
Borrower or Requisite Lenders shall so request, Administrative Agent, Lenders
and Borrower shall negotiate in good faith to amend such ratio or requirement to
preserve the original intent thereof in light of such change in GAAP (subject to
the approval of Requisite Lenders), provided that, until so amended, (a) such

ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (b) Borrower shall provide to Administrative Agent and Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

"Governmental Authority" means (a) any international, foreign, federal, -----
state, county or municipal government, or political subdivision thereof, (b) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality, central bank or public body, or (c) any court, administrative tribunal or public utility.

"Guaranty Obligation" means, as to any Person, any (a) guaranty by such -----
Person of Indebtedness of, or other obligation payable or performable by, any other Person or (b) assurance, agreement, letter of responsibility, letter of awareness, undertaking or arrangement given by such Person to an obligee of any other Person with respect to the payment or performance of an obligation by, or the financial condition of, such other Person, whether direct,

-7-

indirect or contingent, including any purchase or repurchase agreement covering such obligation or any collateral security therefor, any agreement to provide funds (by means of loans, capital contributions or otherwise) to such other Person, any agreement to support the solvency or level of any balance sheet item of such other Person or any "keep-well" or other arrangement of whatever nature, in each such case, given for the purpose of assuring or holding harmless such obligee against loss with respect to any obligation of such other Person; provided, however, that the term Guaranty Obligation shall not include

endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guaranty Obligation shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, covered by such Guaranty Obligation or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the Person in good faith.

"HDD" means Hard Disk Drive Group, a reportable business segment of

Borrower, as indicated in Borrower's latest quarterly report filed with the Securities and Exchange Commission on form 10-Q.

"In-Process Research & Development" means purchased in-process research -----
and development, as specified on Borrower's statement of income in accordance with GAAP.

"Indebtedness" means, as to any Person at any date of determination, -----
all items which would, in conformity with GAAP, be classified as liabilities on a balance sheet of such Person as at such date excluding (i) trade and other -----
accounts payable in the ordinary course of business in accordance with customary trade terms and which are not overdue for a period of more than 60 days (unless contested in good faith by Borrower or any Subsidiary), (ii) deferred taxes, and (iii) accrued interest and expenses, except to the extent capitalized, and in any event including:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(b) any direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), banker's acceptances, bank guaranties, surety bonds and similar instruments;

(c) whether or not so included as liabilities in accordance with GAAP, net obligations under any Swap Contract in an amount equal to (i) if such Swap Contract has been closed out, the termination value thereof, or (ii) if such Swap Contract has not been closed out, the mark-to-market value thereof determined on the basis of readily available quotations provided by any recognized dealer in such Swap Contract;

(d) whether or not so included as liabilities in accordance with GAAP and whether with or without recourse, all obligations of such Person to pay the deferred purchase price of property or services, and indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements);

(e) lease payment obligations under Capital Leases or Synthetic Lease Obligations; and

(f) all Guaranty Obligations of such Person in respect of any of the foregoing obligations of any other Person.

For all purposes of this Agreement, the Indebtedness of any Person shall include, at any such time as such partnership or joint venture is not Solvent, the Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person (subject to customary recourse exceptions acceptable to Requisite Lenders).

"Indemnified Liabilities" has the meaning set forth in Section 10.13.

"Indemnitees" has the meaning set forth in Section 10.13.

"Intangible Assets" means assets that are required to be disclosed as

intangible assets in accordance with GAAP on Borrower's balance sheet, including customer lists, goodwill, computer software, copyrights, trade names, trade marks, patents, unamortized deferred charges, unamortized debt discount and capitalized research and development costs.

"Interest Period" means for each Offshore Rate Loan, (i) initially, the

period commencing on the date such Offshore Rate Loan is disbursed or Continued or Converted into such Offshore Rate Loan, and (ii) thereafter, the period commencing on the last day of the preceding Interest Period, and ending, in each case, on the earlier of (x) the scheduled Maturity Date, or (y) one, two, three or six months thereafter or, to the extent acceptable to all Lenders, as otherwise requested by Borrower; provided that:

(A) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(B) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(C) unless Administrative Agent otherwise consents, there may not be more than eight Interest Periods for Offshore Rate Loans in effect at any time.

"Investment" means, as to any Person, any investment by such Person,

whether by means of the purchase or other acquisition of stock or other securities of any other Person or by means of a loan, creating a debt, capital contribution, guaranty or other debt or equity participation or interest in any other Person. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

"IRS" means the United States Internal Revenue Service.

"Issuing Lender" means Bank of America, or any successor issuing lender

hereunder.

"Laws" or "Law" means all international, foreign, federal, state and

local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"Lender" means each lender from time to time party hereto and, as the

context requires, Issuing Lender.

"Lending Office" means, as to any Lender, the office or offices of such

Lender described as such on Schedule 10.02, or such other office or offices as a Lender may from time to time notify Administrative Agent.

"Letter of Credit" means any standby letter of credit issued or

outstanding hereunder. A Letter of Credit may be a performance letter of credit or a financial letter of credit.

"Letter of Credit Action" means the issuance, supplement, amendment,

renewal, extension, modification or other action relating to a Letter of Credit hereunder.

"Letter of Credit Application" means an application for a Letter of

Credit Action from time to time in use by Issuing Lender.

"Letter of Credit Cash Collateral Account" means a blocked deposit

account at Bank of America with respect to which Borrower agrees to execute and deliver from time to time such documentation as Administrative Agent or Issuing Lender may reasonably request to grant to Administrative Agent and Issuing Lender a security interest therein as security for the Letter of Credit Usage.

"Letter of Credit Expiration Date" means the scheduled Maturity Date.

"Letter of Credit Sublimit" means an amount equal to \$100,000,000. The

Letter of Credit Sublimit is part of, and not in addition to, the combined Commitments.

"Letter of Credit Usage" means, as at any date of determination, the

aggregate undrawn face amount of outstanding Letters of Credit plus the aggregate amount of all drawings under the Letters of Credit not reimbursed by Borrower or converted into Loans.

"Leverage Ratio" means, as of any date of determination, for Borrower

and its Subsidiaries on a consolidated basis, the ratio of (a) Consolidated Funded Indebtedness as of such date to (b) Consolidated EBITDA for the period of the four fiscal quarters ending on, or ending most recently prior to, such date.

-10-

"License Disposition" means, in respect of any patent, trademark,

copyright, mask work, trade secret or other intellectual property right owned or held by Borrower or any of its Subsidiaries (the "IP Holder") which is material

to Borrower or any of its Subsidiaries (together, "Material IP"), (i) the

granting by the IP Holder of an exclusive license across all or substantially all fields, uses or regions to any Person other than Borrower or another Subsidiary, (ii) the granting of any license by the IP Holder that conveys directly or indirectly to any Person other than Borrower or its Subsidiaries all or substantially all of the economic value of such Material IP, or (iii) the abandonment by the IP Holder of such Material IP.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit

arrangement (including in the nature of, cash collateral accounts or security interests), encumbrance, lien (statutory or other), fixed or floating charge, or other security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable Laws of any jurisdiction), including the interest of a purchaser of accounts receivable.

"Loan" means any advance made by any Lender to Borrower as provided in

Section 2 (collectively, the "Loans").

"Loan Documents" means this Agreement and each Note, each Letter of

Credit Application, each Request for Extension of Credit, each certificate, each fee letter, and each other instrument, or agreement from time to time executed by Borrower or any of its Subsidiaries or any Responsible Officer and delivered

in connection with this Agreement.

"Master Agreement" has the meaning set forth in the definition of "Swap Contract".

"Material Adverse Effect" means any set of circumstances or events which (a) has any material adverse effect upon the validity or enforceability of any Loan Document, (b) is material and adverse to the financial condition, business, assets or operations of Borrower, or (c) materially impairs the ability of Borrower to perform the Obligations.

"Material Subsidiaries" means each Subsidiary of Borrower which has assets with a total book value greater than 10% of the consolidated total assets of Borrower and its Subsidiaries, determined as of the end of the fiscal quarter immediately preceding the date of determination.

"Maturity Date" means (a) April 18, 2003, or (b) such earlier date upon which the combined Commitments may be terminated in accordance with the terms of this Agreement.

"Meridian Acquisition" means the acquisition by DSS of Meridian Data, Inc., which was completed on or about September 10, 1999.

"Minimum Amount" means, with respect to each of the following actions, the minimum amount and any multiples in excess thereof set forth opposite such action:

Type of Action	Minimum Amount	Multiples in excess thereof
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-11-

Type of Action	Minimum Amount	Multiples in excess thereof
Borrowing or prepayment of, or Conversion into, Base Rate Loans	\$5,000,000	\$1,000,000
Borrowing, prepayment or Continuation of, or Conversion into, Offshore Rate Loans	\$5,000,000	\$1,000,000
Letter of Credit Action	\$1,000,000	None
Reduction in Commitments	\$10,000,000	\$1,000,000
Assignments	\$10,000,000	None

"MKE" means Matsushita-Kotobuki Electronics Industries, Ltd., a Japanese corporation.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA.

"Net Proceeds" means, with respect to any sale or issuance of any Equity Security or other security by any Person (including in the case of Borrower, any sale or issuance of any Subordinated Debt), the aggregate consideration received by such Person from such sale or issuance less the actual amount of fees and commissions payable to Persons other than such Person or any Affiliate of such Person.

"Note" means a promissory note made by Borrower in favor of a Lender evidencing Loans made by such Lender, substantially in the form of Exhibit C (collectively, the "Notes").

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, Borrower arising under any Loan Document, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest that accrues after the commencement of any proceeding under any Debtor Relief Laws by or against Borrower or any Subsidiary or Affiliate of Borrower.

"Offshore Base Rate" has the meaning set forth in the definition of

Offshore Rate.

"Offshore Rate" means for any Interest Period with respect to each

Offshore Rate Loan comprising part of the same Borrowing, a rate per annum determined by Administrative Agent pursuant to the following formula:

$$\text{Offshore Rate} = \frac{\text{Offshore Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Where,

"Offshore Base Rate" means, for such Interest Period:

-12-

(a) the rate per annum equal to the rate determined by Administrative Agent to be the offered rate that appears on the page of the Telerate LIBOR screen (currently, page 3750) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) if the rate referenced in the preceding subsection (a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum (rounded upwards to the fourth decimal place) equal to the rate determined by Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding subsections (a) and (b) are not available, the rate per annum determined by Administrative Agent as the rate of interest at which Dollar deposits (for delivery on the first day of such Interest Period) in same day funds in the approximate amount of the Offshore Rate Loan being made, Continued or Converted into by the Administrative Agent or its Affiliate in its capacity as a Lender hereunder, and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch to major banks in the offshore Dollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period.

"Eurodollar Reserve Percentage" means, for any day during any Interest

Period, the reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"). The Offshore Rate for each outstanding Offshore Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage. The determination of the Eurodollar Reserve Percentage and the Offshore Base Rate by Administrative Agent shall be conclusive in the absence of manifest error.

"Offshore Rate Loan" means a Loan made hereunder and specified to be a

Offshore Rate Loan in accordance with Section 2.

"Ordinary Course Dispositions" means:

(a) Dispositions of surplus equipment or damaged, obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business;

(b) Dispositions in the ordinary course of business;

-13-

(c) Dispositions of property to the extent that such property is exchanged for credit against the purchase price of similar replacement property, or the proceeds of such sale are reasonably promptly applied to the purchase price of such replacement property or where Borrower or its Subsidiary determine in good faith that the failure to replace such

equipment will not be detrimental to the business of Borrower or such Subsidiary;

(d) Dispositions of assets or property by any Subsidiary of Borrower to Borrower or another Subsidiary of Borrower;

(e) Dispositions which constitute the making or liquidating of Permitted Investments; and

(f) Dispositions which constitute the incurrence (but not the enforcement) of Permitted Liens;

provided, however, that, other than with respect to Dispositions of the -----
types described in clauses (a) and (d) of this definition, no such Disposition shall be for less than the fair market value of the property being disposed of.

"Ordinary Course Indebtedness" means:

(a) Indebtedness under the Loan Documents;

(b) intercompany Guaranty Obligations of Borrower or any of its Subsidiaries guarantying Indebtedness otherwise permitted hereunder of Borrower or any Subsidiary of Borrower;

(c) Indebtedness arising from the honoring of a check, draft or similar instrument against insufficient funds or from the endorsement of instruments for collection in the ordinary course of Borrower's or any Subsidiary's business;

(d) Permitted Swap Obligations; and

(e) Indebtedness of Borrower or any of its Subsidiaries with respect to surety, appeal, indemnity, performance or other similar bonds in the ordinary course of business.

"Ordinary Course Investments" means Investments consisting of:

(a) Investments in other assets properly classified as "marketable securities" or "cash" or "cash equivalents" under GAAP, and which conform to the investment policies adopted by the Board of Directors of Borrower from time to time;

(b) advances to officers, directors and employees of Borrower and its Subsidiaries for travel, entertainment, relocation and analogous ordinary business purposes;

(c) Investments of Borrower in any of its Subsidiaries and Investments of any Subsidiary of Borrower in Borrower or another Subsidiary of Borrower;

-14-

(d) extensions of credit to customers or suppliers of Borrower and its Subsidiaries in the ordinary course of business and any Investments received in satisfaction or partial satisfaction thereof;

(e) Guaranty Obligations permitted by Section 7.01.

(f) Investments received by Borrower or any of its Subsidiaries as distributions on claims in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(g) Investments of any Subsidiary existing at the time it becomes a Subsidiary of Borrower, provided that such Investments were

not made in anticipation of such Person becoming a Subsidiary of Borrower; and

(h) Investments consisting of loans to employees, officers and directors, the proceeds of which shall be used to purchase Equity Securities of Borrower or its Subsidiaries and other loans to employees, officers and directors.

"Ordinary Course Liens" means:

(a) Liens pursuant to any Loan Document;

(b) Liens for taxes not yet due or which are being contested in

good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(d) pledges or deposits in connection with worker's compensation, unemployment insurance and other social security legislation;

(e) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of any Person;

(g) attachment, judgment or other similar Liens arising in connection with litigation or other legal proceedings (and not otherwise an Event of Default hereunder) in the ordinary course of business that is currently being contested in good faith by

-15-

appropriate proceedings, adequate reserves have been set aside, and no material property is subject to a material risk of loss or forfeiture;

(h) Liens on the property or assets of any Subsidiary of Borrower in favor of Borrower or any other Subsidiary of Borrower;

(i) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties and in connection with the importation of goods in the ordinary course of Borrower's and its Subsidiaries' businesses;

(j) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by Borrower in excess of those set forth by regulations promulgated by the Federal Reserve Board, and (ii) such deposit account is not intended by Borrower or any Subsidiary to provide collateral to the depository institution; and

(k) Liens on insurance proceeds in favor of insurance companies with respect to the financing of insurance premiums.

"Organization Documents" means, (a) with respect to any corporation,

the certificate or articles of incorporation and the bylaws; (b) with respect to any limited liability company, the articles of formation and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership or joint venture agreement and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation with the secretary of state or other department in the state of its formation, in each case as amended from time to time.

"Outstanding Obligations" means, as of any date, and giving effect to

making any Extensions of Credit requested on such date and all payments, repayments and prepayments made on such date, (a) when reference is made to all Lenders, the sum of (i) the aggregate outstanding principal amount of all Loans, and (ii) all Letter of Credit Usage, and (b) when reference is made to one Lender, the sum of (i) the aggregate outstanding principal amount of all Loans made by such Lender, and (ii) such Lender's ratable risk participation in all Letter of Credit Usage.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor

thereto established under ERISA.

"Pension Plan" means any "employee pension benefit plan" (as such term

is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by Borrower or any ERISA Affiliate or to which Borrower or any ERISA Affiliate contributes or has

an obligation to contribute, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five plan years.

"Permitted Indebtedness" has the meaning specified in Section 7.01.

-16-

"Permitted Investments" has the meaning specified in Section 7.05.

"Permitted Liens" has the meaning specified in Section 7.02.

"Permitted Receivables Facility" means one or more accounts receivable

financing arrangements including (i) the sale of accounts receivable and any related property by Borrower and/or any of its Subsidiaries to a financing party or a special purpose vehicle, and/or (ii) the granting of a security interest in accounts receivable and any related property by Borrower and/or any of its Subsidiaries, provided, however, that the aggregate advances under such accounts

receivable financing arrangements shall not exceed \$200,000,000 at any one time.

"Permitted Swap Obligations" means all obligations (contingent or

otherwise) of Borrower or any of its Subsidiaries existing or arising under Swap Contracts, provided that such obligations are (or were) entered into by such

Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments or assets held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person in conjunction with a securities repurchase program not otherwise prohibited hereunder, and not for purposes of speculation or taking a "market view."

"Person" means any individual, trustee, corporation, general

partnership, limited partnership, limited liability company, joint stock company, trust, unincorporated organization, bank, business association, firm, joint venture, Governmental Authority, or otherwise.

"Plan" means any employee benefit plan maintained or contributed to by

Borrower or by any trade or business (whether or not incorporated) under common control with Borrower as defined in Section 4001(b) of ERISA and insured by the Pension Benefit Guaranty Corporation under Title IV of ERISA.

"Pro Rata Share" means, with respect to each Lender, the percentage of

the combined Commitments set forth opposite the name of such Lender on Schedule 2.01, as such share may be adjusted as contemplated herein.

"Quantum Technology Ventures" means Quantum Technology Ventures, a

Delaware corporation in formation.

"Quick Ratio" means, with respect to Borrower and its Subsidiaries at

any time, the ratio, determined on a consolidated basis in accordance with GAAP, of: (a) the sum at such time of all (i) cash and cash equivalents of Borrower and its Subsidiaries (excluding restricted cash), and (ii) accounts receivable of Borrower and its Subsidiaries, less all reserves therefor; to (b) the sum at

such time of (i) the current liabilities of Borrower and its Subsidiaries (including any such liabilities outstanding under this facility), plus (ii) to

the extent not included in clause (i), Outstanding Obligations.

"Reportable Event" means any of the events set forth in Section

4043(b) of ERISA or the regulations thereunder, a withdrawal from a Plan described in Section 4063 of ERISA, or a cessation of operations described in Section 4062(e) of ERISA.

-17-

"Request for Extension of Credit" means, unless otherwise specified

herein, (a) with respect to a Borrowing, Conversion or Continuation of Loans, a written request substantially in the form of Exhibit A, and (b) with respect to

a Letter of Credit Action, a Letter of Credit Application; in each case duly completed and signed by a Responsible Officer of Borrower and delivered by

Requisite Notice.

"Requisite Lenders" means, as of any date of determination: (a) if the

Commitments are then in effect, Lenders (excluding any Lenders not funding when required to so hereunder) having in the aggregate more than 50% of the combined Commitments then in effect and (b) if the Commitments have then been terminated and there are Outstanding Obligations, Lenders holding Outstanding Obligations aggregating more than 50% of such Outstanding Obligations.

"Requisite Notice" means, unless otherwise provided herein, (a)

irrevocable written notice to the intended recipient or (b) except with respect to Letter of Credit Actions (which must be in writing), irrevocable telephonic notice to the intended recipient, promptly followed by a written notice to such recipient. Such notices shall be (i) delivered to such recipient at the address or telephone number specified on Schedule 10.02 or as otherwise designated by

 such recipient by Requisite Notice to Administrative Agent, and (ii) if made by Borrower, given or made by a Responsible Officer of Borrower. Any written notice delivered in connection with any Loan Document shall be in the form, if any, prescribed herein or therein. Any notice sent by other than hardcopy shall be promptly confirmed by a telephone call to the recipient and, if requested by Administrative Agent, by a manually-signed hardcopy thereof.

"Requisite Time" means, with respect to any of the actions listed

below, the time and date set forth below opposite such action:

<TABLE>
 <CAPTION>

Type of Action	Applicable Time	Date of Action
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<S> Delivery of Request for Extension of Credit for, or notice for:	<C>	<C>
. Borrowing or prepayment of, or Conversion into, Base Rate Loans	9:00 a.m.	Same date as such Borrowing, prepayment or Conversion
. Borrowing, prepayment or Continuation of, or Conversion into, Offshore Rate Loans	9:00 a.m.	3 Business Days prior to such Borrowing, prepayment Continuation or Conversion
. Letter of Credit Action	10:00 a.m.	2 Business Days prior to such action (or such lesser time which is acceptable to Issuing Lender)
. Voluntary reduction in or termination of Commitments	10:00 a.m.	3 Business Days prior to such reduction or termination
Payments by Lenders or Borrower to	11:00 a.m.	On date payment is due

</TABLE>

-18-

Type of Action	Applicable Time	Date of Action
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 Administrative Agent

"Responsible Officer" means the president, chief financial officer, vice

president-finance, treasurer or assistant treasurer of Borrower. Any document or certificate hereunder that is signed by a Responsible Officer of Borrower shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of Borrower and such Responsible Officer shall be conclusively presumed to have acted on behalf of Borrower.

"Restricted Payment" means:

(a) the declaration or payment of any dividend or distribution by Borrower or any Subsidiary, either in cash or property, on any shares of the capital stock of any class of Borrower or any Subsidiary; and

(b) any other payment or distribution by Borrower or any Subsidiary in respect of its capital stock, either directly or indirectly.

"Senior Indebtedness" means, with respect to any Person at any time, all

Indebtedness of such Person other than Subordinated Debt.

"Shareholders' Equity" means, as of any date of determination for Borrower

and its Subsidiaries on a consolidated basis, shareholders' equity as of that date determined in accordance with GAAP.

"Solvent" means, as to any Person at any time, that (i) the fair value of

the property of such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(31) of the Bankruptcy Code; (ii) the present fair saleable value of the property of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (iii) such Person is able to realize upon its property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (iv) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (v) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital.

"Subordinated Debt" means the Convertible Subordinated Debentures and any

other subordinated debt permitted by Section 7.01.

"Subsidiary" of a Person means a corporation, partnership, joint venture,

limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned or controlled, directly, or indirectly through one or more

-19-

intermediaries, or both, by such Person. Unless otherwise specified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of Borrower.

"Swap Contract" means (a) any and all rate swap transactions, basis swaps,

forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., or any other master agreement (any such master agreement, together with any related schedules, as amended, restated, extended, supplemented or otherwise modified in writing from time to time, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Swap Termination Value" means, in respect of any one or more Swap

Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include any Lender).

"Synthetic Lease Obligations" means all monetary obligations of a Person

under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations which do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as secured debt of such Person.

"364-Day Credit Agreement" has the meaning set forth in Section 2.06(b).

"Threshold Amount" means \$10,000,000.

"to the best knowledge of" means, when modifying a representation, warranty

or other statement of any Person, that the fact or situation described therein is known by such Person (or, (i) in the case of Borrower, known by any Responsible Officer or executive officer of Borrower, or, (ii) in the case of any other Person other than a natural Person, known by any officer of such Person) making the representation, warranty or other statement, or with the exercise of reasonable due diligence under the circumstances (in accordance with the standard of what a reasonable Person in similar circumstances would have done) would have been known by such Person (or, (i) in the case of Borrower, would have been known by any Responsible Officer or

-20-

executive officer of Borrower, or, (ii) in the case of any other Person other than a natural Person, would have been known by any executive officer of such Person).

"type" of Loan means (a) a Base Rate Loan and (b) an Offshore Rate Loan.

"Unfunded Pension Liability" means the excess of a Pension Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"Voluntary Redemption Event" means, in respect of any Indebtedness consisting of bonds, debentures, senior or subordinated notes or other debt securities, any redemption, prepayment or call for redemption or prepayment of any or all of such Indebtedness at the election of the issuer and not in connection with any breach by such issuer of any term or covenant contained in any instrument, indenture or agreement evidencing such Indebtedness.

1.02 Use of Certain Terms.

(a) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto or thereto, unless otherwise defined therein.

(b) As used herein, unless the context requires otherwise, the masculine, feminine and neuter genders and the singular and plural include one another.

(c) The words "herein" and "hereunder" and words of similar import when used in any Loan Document shall refer to the Loan Documents as a whole and not to any particular provision thereof. The term "including" is by way of example and not limitation. References herein to a Section, subsection or clause shall, unless the context otherwise requires, refer to the appropriate Section, subsection or clause in this Agreement.

(d) The term "or" is disjunctive; the term "and" is conjunctive. The term "shall" is mandatory; the term "may" is permissive.

1.03 Accounting Terms. All accounting terms not specifically or completely defined in this Agreement shall be construed in conformity with, and all financial data required to be submitted by this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, and applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

1.04 Rounding. Any financial ratios required to be maintained by Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed in this Agreement and rounding the result up or down to the nearest number (with a round-up if there is no nearest number) to the number of places by which such ratio is expressed in this Agreement.

-21-

1.05 Exhibits and Schedules. All exhibits and schedules to this Agreement, either as originally existing or as the same may from time to time be supplemented, modified or amended, are incorporated herein by this reference. A matter disclosed on any Schedule shall be deemed disclosed on all Schedules.

1.06 References to Agreements and Laws. Unless otherwise expressly provided herein, (a) references to agreements (including the Loan Documents) and other contractual instruments shall include all amendments, restatements, extensions, supplements and other modifications thereto (unless prohibited by

any Loan Document), and (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

SECTION 2.
THE COMMITMENTS AND EXTENSIONS OF CREDIT

2.01 Loans.

(a) Subject to the terms and conditions set forth in this Agreement, each Lender severally agrees to make, Convert and Continue Loans until the Maturity Date in such amounts as Borrower may from time to time request; provided,

however, that the Outstanding Obligations of each Lender shall not exceed such

Lender's Commitment, and the Outstanding Obligations of all Lenders shall not exceed the combined Commitments at any time. This is a revolving credit and, subject to the foregoing and the other terms and conditions hereof, Borrower may borrow, Convert, Continue, prepay and reborrow Loans as set forth herein without premium or penalty.

(b) Loans made by each Lender shall be evidenced by one or more Notes. The date, amount and maturity of each Lender's Loans and payments and other particulars with respect thereto may be endorsed on schedule(s) attached to its Note by each Lender and/or recorded on one or more loan accounts or records maintained by such Lender in the ordinary course of business. Such Notes, loan accounts and records shall be conclusive absent manifest error of the amount of such Loans and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of Borrower to pay any amount owing with respect to the Loans.

2.02 Borrowings, Conversions and Continuations of Loans.

(a) Borrower may irrevocably request a Borrowing, Conversion or Continuation of Loans in a Minimum Amount therefor by delivering a Request for Extension of Credit therefor by Requisite Notice to Administrative Agent not later than the Requisite Time therefor. All Borrowings, Conversions and Continuations of Loans shall constitute Base Rate Loans unless properly and timely otherwise designated as set forth in the prior sentence.

(b) Following receipt of a Request for Extension of Credit, Administrative Agent shall promptly notify each Lender of its Pro Rata Share thereof by Requisite Notice. In the case of a Borrowing of Loans, each Lender shall make the funds for its Loan available to Administrative Agent at Administrative Agent's Office not later than the Requisite Time therefor on the

-22-

Business Day specified in such Request for Extension of Credit. Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if the

initial Extension of Credit hereunder, Section 4.01), all funds so received

shall be made available to Borrower in like funds received. Administrative Agent shall promptly notify Borrower and Lenders of the interest rate applicable to any Loan other than a Base Rate Loan upon determination of same.

(c) Except as otherwise provided herein, an Offshore Rate Loan may be Continued or Converted only on the last day of the Interest Period for such Offshore Rate Loan. During the existence of a Default or Event of Default, no Loans may be requested as, Converted into or Continued as Offshore Rate Loans without the consent of Requisite Lenders, and Requisite Lenders may demand that any or all of the then outstanding Offshore Rate Loans be Converted immediately into Base Rate Loans.

(d) If a Loan is to be made on the same date that another Loan is due and payable, Borrower or Lenders, as the case may be, shall, unless Administrative Agent otherwise requests, make available to Administrative Agent the net amount of funds giving effect to both such Loans and the effect for purposes of this Agreement shall be the same as if separate transfers of funds had been made with respect to each such Loan.

(e) The failure of any Lender to make any Loan on any date shall not relieve any other Lender of any obligation to make a Loan on such date, but no Lender shall be responsible for the failure of any other Lender to so make its Loan.

2.03 Letters of Credit.

(a) The Letter of Credit Sublimit. Subject to the terms and conditions set forth in this Agreement, until the Letter of Credit Expiration Date, Issuing Lender shall take such Letter of Credit Actions as Borrower may from time to time request; provided, however, that (i) the Outstanding Obligations of each Lender

shall not exceed such Lender's Commitment, and the Outstanding Obligations of

all Lenders shall not exceed the combined Commitments at any time, and (ii) Letter of Credit Usage shall not exceed the Letter of Credit Sublimit at any time. Subject to subsection (f) below and unless consented to by Issuing Lender and Requisite Lenders, no Letter of Credit may expire more than 12 months after the date of its issuance or last renewal; provided, however, that no Letter of

Credit shall expire after the Letter of Credit Expiration Date. If any Letter of Credit Usage remains outstanding after such date, Borrower shall, not later than such date, deposit cash in an amount equal to such Letter of Credit Usage in a Letter of Credit Cash Collateral Account.

(b) Requesting Letter of Credit Actions. Borrower may irrevocably request a Letter of Credit Action in a Minimum Amount therefor by delivering a Letter of Credit Application therefor to Issuing Lender, with a copy to Administrative Agent (who shall notify Lenders), by Requisite Notice not later than the Requisite Time therefor. Each Letter of Credit Action shall be in a form acceptable to Issuing Lender in its sole discretion. Unless Administrative Agent notifies Issuing Lender that such Letter of Credit Action is not permitted hereunder, or Issuing Lender notifies Administrative Agent that it has determined that such Letter of Credit Action is contrary to any Laws or policies of Issuing Lender, Issuing Lender shall, upon satisfaction of the applicable conditions set forth in Section 4.02 with respect to any Letter of Credit Action

-23-

constituting an Extension of Credit, effect such Letter of Credit Action. This Agreement shall control in the event of any conflict with any Letter of Credit Application. Upon the issuance of a Letter of Credit, each Lender shall be deemed to have purchased from Issuing Lender a risk participation therein in an amount equal to such Lender's Pro Rata Share times the amount of such Letter of Credit.

(c) Reimbursement of Payments Under Letters of Credit. Borrower shall reimburse Issuing Lender through Administrative Agent for any payment that Issuing Lender makes under a Letter of Credit on or before the date of such payment; provided, however, that if the conditions precedent set forth in

Section 4.02 can be satisfied, Borrower may request a Borrowing of Loans to

reimburse Issuing Lender for such payment pursuant to Section 2.02, or, failing

to make such request, Borrower shall be deemed to have requested a Borrowing of Base Rate Loans on such payment date pursuant to subsection (e) below.

(d) Funding by Lenders When Issuing Lender Not Reimbursed. Upon any drawing under a Letter of Credit, Issuing Lender shall notify Administrative Agent and Borrower. If Borrower fails to timely make the payment required pursuant to subsection (c) above, Issuing Lender shall notify Administrative Agent of such fact and the amount of such unreimbursed payment. Administrative Agent shall promptly notify each Lender of its Pro Rata Share of such amount by Requisite Notice. Each Lender shall make funds in an amount equal its Pro Rata Share of such amount available to Administrative Agent at Administrative Agent's Office not later than the Requisite Time therefor on the Business Day specified by Administrative Agent, Administrative Agent shall remit the funds so received to Issuing Lender. The obligation of each Lender to so reimburse Issuing Lender shall be absolute and unconditional and shall not be affected by the occurrence of a Default or Event of Default or any other occurrence or event. Any such reimbursement shall not relieve or otherwise impair the obligation of Borrower to reimburse Issuing Lender for the amount of any payment made by Issuing Lender under any Letter of Credit, together with interest as provided herein.

(e) Nature of Lenders' Funding. If the conditions precedent set forth in Section 4.02 can be satisfied (except for the giving of a Request for Extension

of Credit) on any date Borrower is obligated to, but fails to, reimburse Issuing Lender for a drawing under a Letter of Credit, the funding by Lenders pursuant to the previous subsection shall be deemed to be a Borrowing of Base Rate Loans (without regard to the Minimum Amount therefor) deemed requested by Borrower. If the conditions precedent set forth in Section 4.02 cannot be satisfied on the

date Borrower is obligated to, but fails to, reimburse Issuing Lender for a drawing under a Letter of Credit, the funding by Lenders pursuant to the previous subsection shall be deemed to be a funding by each Lender of its risk participation in such Letter of Credit, and each Lender making such funding shall thereupon acquire a pro rata participation, to the extent of its reimbursement, in the claim of Issuing Lender against Borrower in respect of such payment and shall share, in accordance with that pro rata participation, in any payment made by Borrower with respect to such claim. Any amounts made available by a Lender under its risk participation shall be payable by Borrower upon demand of Administrative Agent, and shall bear interest at a rate per annum equal to the Default Rate.

(f) Special Provisions Relating to Evergreen Letters of Credit. Borrower may request Letters of Credit that have automatic extension or renewal

Credit) so long as Issuing Lender consents in its sole and absolute discretion thereto and has the right to not permit any such extension or renewal at least annually within a notice period to be agreed upon at the time each such Letter of Credit is issued. Once an evergreen Letter of Credit is issued, unless Administrative Agent has notified Issuing Lender that Requisite Lenders have elected not to permit such extension or renewal, the Borrower Parties, Administrative Agent and Lenders shall be deemed to have authorized (but may not require) Issuing Lender to, in its sole and absolute discretion, permit the renewal of such evergreen Letter of Credit at any time to a date not later than the Letter of Credit Expiration Date, and, unless directed by Issuing Lender, Borrower shall not be required to request such extension or renewal. Issuing Lender may, in its sole and absolute discretion elect not to permit an evergreen Letter of Credit to be extended or renewed at any time.

(g) Obligations Absolute. The obligation of Borrower to pay to Issuing Lender the amount of any payment made by Issuing Lender under any Letter of Credit shall be absolute, unconditional, and irrevocable. Without limiting the foregoing, Borrower's obligation shall not be affected by any of the following circumstances:

- (i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;
- (ii) any amendment or waiver of or any consent to departure from such Letter of Credit, this Agreement, or any other agreement or instrument relating hereto or thereto;
- (iii) the existence of any claim, setoff, defense, or other rights which Borrower may have at any time against Issuing Lender, Administrative Agent or any Lender, any beneficiary of such Letter of Credit (or any persons or entities for whom any such beneficiary may be acting) or any other Person, whether in connection with such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto, or any unrelated transactions;
- (iv) any demand, statement, or any other document presented under such Letter of Credit proving to be forged, fraudulent, invalid, or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever so long as any such document appeared to comply with the terms of the Letter of Credit;
- (v) payment by Issuing Lender in good faith under such Letter of Credit against presentation of a draft or any accompanying document which does not strictly comply with the terms of such Letter of Credit; or any payment made by Issuing Lender under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Laws;
- (vi) the existence, character, quality, quantity, condition, packing, value or delivery of any property purported to be represented by documents presented in

connection with such Letter of Credit or for any difference between any such property and the character, quality, quantity, condition, or value of such property as described in such documents;

- (vii) the time, place, manner, order or contents of shipments or deliveries of property as described in documents presented in connection with such Letter of Credit or the existence, nature and extent of any insurance relative thereto;
- (viii) the solvency or financial responsibility of any party issuing any documents in connection with such Letter of Credit;
- (ix) any failure or delay in notice of shipments or arrival of any property;
- (x) any error in the transmission of any message relating to such Letter of Credit not caused by Issuing Lender, or any delay or interruption in any such message;
- (xi) any error, neglect or default of any correspondent of Issuing Lender in connection with such Letter of Credit;
- (xii) any consequence arising from acts of God, wars,

insurrections, civil unrest, disturbances, labor disputes, emergency conditions or other causes beyond the control of Issuing Lender;

(xiii) so long as Issuing Lender in good faith determines that the document appears to comply with the terms of the Letter of Credit, the form, accuracy, genuineness or legal effect of any contract or document referred to in any document submitted to Issuing Lender in connection with such Letter of Credit; and

(xiv) any other circumstances whatsoever where Issuing Lender has acted in good faith.

In addition, Borrower will promptly examine a copy of each Letter of Credit and amendments thereto delivered to it and, in the event of any claim of noncompliance with Borrower's instructions or other irregularity, Borrower will immediately notify Issuing Lender in writing. Borrower shall be conclusively deemed to have waived any such claim against Issuing Lender and its correspondents unless such notice is given as aforesaid.

(h) Role of Issuing Lender. Each Lender and Borrower agree that, in paying any drawing under a Letter of Credit, Issuing Lender shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. No Administrative Agent-Related Person nor any of the respective correspondents, participants or assignees of Issuing Lender shall be liable to any Lender for any action taken or omitted in connection herewith at the request or with the approval of Lenders or Requisite Lenders, as applicable; any action taken or omitted in the absence of gross negligence or willful misconduct; or the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit. Borrower hereby assumes all risks of the acts or omissions of any beneficiary or

-26-

transferee with respect to its use of any Letter of Credit; provided, however,

that this assumption is not intended to, and shall not, preclude Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. No Administrative Agent-Related Person, nor any of the respective correspondents, participants or assignees of Issuing Lender, shall be liable or responsible for any of the matters described in subsection (g) above. In furtherance and not in limitation of the foregoing, Issuing Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and Issuing Lender shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(i) Applicability of ISP98 and UCP. Unless otherwise expressly agreed by Issuing Lender and Borrower when a Letter of Credit is issued and subject to applicable laws, performance under Letters of Credit by Issuing Lender, its correspondents, and beneficiaries will be governed by, with respect to standby Letters of Credit, the rules of the "International Standby Practices 1998" (ISP98) or such later revision as may be published by the International Chamber of Commerce (the "ICC").

(j) Letter of Credit Fee. On each Applicable Payment Date, Borrower shall pay to Administrative Agent in arrears, for the account of each Lender in accordance with its Pro Rata Share, a Letter of Credit fee equal to the Applicable Amount for Offshore Rate Loans on a per annum basis times the actual daily maximum amount available to be drawn under each Letter of Credit for the period since the later of the Closing Date and the previous Applicable Payment Date. If there is any change in the Applicable Amount during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Amount separately for each period during such quarter that such Applicable Amount was in effect.

(k) Fronting Fee and Documentary and Processing Charges Payable to Issuing Lender. On each Applicable Payment Date, Borrower shall pay to Administrative Agent for the sole account of Issuing Lender a fronting fee in an amount equal to 0.125% per annum on the daily average face amount of all outstanding Letters of Credit, payable in arrears. In addition, Borrower shall pay directly to Issuing Lender, upon demand, for its sole account its customary documentary and processing charges in accordance with its standard schedule, as from time to time in effect, for any Letter of Credit Action or other occurrence relating to a Letter of Credit for which such charges are customarily made. Such fees and charges are nonrefundable.

(a) Upon Requisite Notice to Administrative Agent not later than the Requisite Time therefor, Borrower may at any time and from time to time voluntarily prepay Loans in part in the Minimum Amount therefor or in full without premium or penalty. Administrative Agent will promptly notify each Lender thereof and of such Lender's Pro Rata Share of such prepayment. Any prepayment of an Offshore Rate Loan shall be accompanied by all accrued interest thereon, together with the amounts set forth in Section 3.05.

-27-

(b) If for any reason the Outstanding Obligations exceed the combined Commitments as in effect or as reduced or because of any limitation set forth in this Agreement or otherwise, Borrower shall immediately prepay Loans and/or deposit cash in a Letter of Credit Cash Collateral Account in an aggregate amount equal to such excess.

2.05 Reduction or Termination of Commitments. Upon Requisite Notice to Administrative Agent not later than the Requisite Time therefor, Borrower may at any time and from time to time, without premium or penalty, permanently and irrevocably reduce the Commitments in a Minimum Amount therefor to an amount not less than the Outstanding Obligations at such time or terminate the Commitments. Any such reduction or termination shall be accompanied by payment of all accrued and unpaid commitment fees with respect to the portion of the Commitments being reduced or terminated. Administrative Agent shall promptly notify Lenders of any such request for reduction or termination of the Commitments. Each Lender's Commitment shall be reduced by an amount equal to such Lender's Pro Rata Share times the amount of such reduction.

2.06 Principal and Interest.

(a) Except as otherwise provided hereunder, if not sooner paid, Borrower agrees to pay the outstanding principal amount of each Loan on the Maturity Date.

(b) Subject to subsection (c) below, and unless otherwise specified herein, Borrower shall pay interest on the unpaid principal amount of each Loan (before and after default, before and after maturity, before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Laws) from the date borrowed until paid in full (whether by acceleration or otherwise) on each Applicable Payment Date at a rate per annum equal to the interest rate determined in accordance with the definition of such type of Loan, plus, to the extent applicable in each case, the Applicable Amount.

(c) Notwithstanding subsection (b) of this Section, while any Event of Default exists or after acceleration, Borrower shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all outstanding Obligations, at a rate per annum which is determined by adding 2% per annum to the Applicable Amount then in effect for such Loans and, in the case of Obligations not subject to an Applicable Amount, at a rate per annum equal to the Base Rate plus 2%; provided, however, that, on

and after the expiration of any Interest Period applicable to any Offshore Rate Loan outstanding on the date of occurrence of such Event of Default or after acceleration, the principal amount of such Loan shall, during the continuation of such Event of Default or after acceleration, bear interest at a rate per annum equal to the Base Rate plus 2%.

2.07 Fees.

(a) Commitment Fee. Borrower shall pay to Administrative Agent for the account of each Lender according to its Pro Rata Share, a commitment fee equal to the Applicable Amount times the actual daily amount by which the combined

Commitments exceed the Outstanding Obligations. The commitment fee shall accrue from the Closing Date until the Maturity Date and shall be payable quarterly in arrears on each Applicable Payment Date. The commitment fee

-28-

shall be calculated quarterly in arrears, and if there is any change in the Applicable Amount during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Amount separately for each period during such quarter that such Applicable Amount was in effect. The commitment fee shall accrue at all times, including at any time during which one or more conditions in Section 4 are not met.

(b) Utilization Fee. Borrower shall pay to Administrative Agent for the account of each Lender pro rata according to its Pro Rata Share, a utilization fee equal to the Applicable Amount times the actual daily amount of Outstanding

Obligations. The utilization fee shall accrue from the Closing Date until the Maturity Date at all times that the Outstanding Obligations hereunder plus, if such agreement is in effect, the "Outstanding Obligations" under and as defined

in that Credit Agreement (364-Day/1-Year) dated as of April 19, 2000 among Borrower, Bank of America as Administrative Agent, and the lenders party thereto (the "364-Day Credit Agreement") exceed 50% of the Utilization Fee Base Amount,

and shall be payable quarterly in arrears on each Applicable Payment Date. For purposes hereof, the "Utilization Fee Base Amount" means, at any time of

determination, (i) if at such time the combined "Commitments" under and as defined in the 364-Day Credit Agreement (the "364-Day Commitments") have

terminated and there exist no outstanding "Term Loans" thereunder (and as defined therein) (herein, "Term Loans"), the amount of the combined Commitments

hereunder; (ii) if at such time the 364-Day Commitments have not terminated, the amount equal to the sum of the 364-Day Commitments plus the combined Commitments hereunder at such time; and (iii) if at such time there are outstanding Term Loans under the 364-Day Credit Agreement, the sum of the outstanding principal amount of such Term Loans plus the combined Commitments hereunder at such time. The utilization fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Amount during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Amount separately for each period during such quarter that such Applicable Amount was in effect.

(c) Agency and Arrangement Fees. Borrower shall pay to Administrative Agent and Arranger an agency fee and arrangement fee, respectively, in such amounts and at such times as set forth in a separate letter agreement among Borrower, Administrative Agent and Arranger. Such fees are for the services to be performed by Administrative Agent in acting as Administrative Agent and for the services of Arranger in arranging the credit facilities under this Agreement, respectively, and are fully earned on the date paid. Such fees are solely for Administrative Agent's and Arranger's own account and are nonrefundable.

(d) Lenders' Upfront Fee. On the Closing Date, Borrower shall pay to Administrative Agent for the account of each Lender an upfront fee in an amount agreed between Administrative Agent and Borrower, calculated based on each Lender's Commitment and allocated by Administrative Agent. Such upfront fees are for the credit facilities committed by each Lender under this Agreement and are fully earned on the date paid. The upfront fee paid to each Lender is solely for its own account and is nonrefundable.

2.08 Computation of Interest and Fees. Computation of interest on Base Rate Loans when the Base Rate is determined by Bank of America's "prime rate" shall be calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed. Computation of all other types of interest and all fees shall be calculated on the basis of a year of

-29-

360 days and the actual number of days elapsed, which results in a higher yield to Lenders than a method based on a year of 365 or 366 days. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is

made shall bear interest for one day.

2.09 Making Payments.

(a) Except as otherwise provided herein, all payments by Borrower or any Lender hereunder shall be made to Administrative Agent at Administrative Agent's Office not later than the Requisite Time for such type of payment. All payments received after such Requisite Time shall be deemed received on the next succeeding Business Day. All payments shall be made in immediately available funds in lawful money of the United States of America. All payments by Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff.

(b) Upon satisfaction of any applicable terms and conditions set forth herein, Administrative Agent shall promptly make any amounts received in accordance with the prior subsection available in like funds as received, as follows: (i) if payable to Borrower, by crediting the Designated Deposit Account, and (ii) if payable to any Lender, by wire transfer to such Lender at its Lending Office. If such conditions are not so satisfied, Administrative Agent shall return any funds it is holding to the Lenders making such funds available, without interest.

(c) Subject to the definition of "Interest Period," if any payment to be made by Borrower shall come due on a day other than a Business Day, payment shall instead be considered due on the next succeeding Business Day, and such extension of time shall be reflected in computing interest and fees.

(d) Unless Borrower or any Lender has notified Administrative Agent prior to the date any payment to be made by it is due, that it does not intend to remit such payment, Administrative Agent may, in its sole and absolute

discretion, assume that Borrower or Lender, as the case may be, has timely remitted such payment and may, in its sole and absolute discretion and in reliance thereon, make available such payment to the Person entitled thereto. If such payment was not in fact remitted to Administrative Agent in immediately available funds, then:

(i) if Borrower failed to make such payment, each Lender shall forthwith on demand repay to Administrative Agent the amount of such assumed payment made available to such Lender, together with interest thereon in respect of each day from and including the date such amount was made available by Administrative Agent to such Lender to the date such amount is repaid to Administrative Agent at the Federal Funds Rate; and

(ii) if any Lender failed to make such payment, Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender. If such Lender does not pay such corresponding amount forthwith upon Administrative Agent's demand therefor, Administrative Agent promptly shall notify Borrower, and Borrower shall pay such corresponding amount to Administrative Agent. Administrative Agent

-30-

also shall be entitled to recover from such Lender interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by Administrative Agent to Borrower to the date such corresponding amount is recovered by Administrative Agent, (A) from such Lender at a rate per annum equal to the daily Federal Funds Rate. and (B) from Borrower, at a rate per annum equal to the interest rate applicable to such Borrowing. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Commitment or to prejudice any rights which Administrative Agent or Borrower may have against any Lender as a result of any default by such Lender hereunder.

(e) If Administrative Agent or any Lender is required at any time to return to Borrower, or to a trustee, receiver, liquidator, custodian, or any official under any proceeding under Debtor Relief Laws, any portion of a payments made by Borrower, each Lender shall, on demand of Administrative Agent, return its share of the amount to be returned, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the daily Federal Funds Rate.

2.10 Funding Sources. Nothing in this Agreement shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

SECTION 3. TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Any and all payments by Borrower to or for the account of Administrative Agent or any Lender under any Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and all liabilities with respect thereto, excluding, in the case of

Administrative Agent and each Lender, taxes imposed on or measured by its net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which Administrative Agent or such Lender, as the case may be, is organized or maintains a lending office (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities being hereinafter referred to as "Taxes"). If Borrower shall be

required by any Laws to deduct any Taxes from or in respect of any sum payable under any Loan Document to Administrative Agent or any Lender, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), Administrative Agent and such Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) Borrower shall make such deductions, (iii) Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Laws, and (iv) within 30 days after the date of such payment, Borrower shall furnish to Administrative Agent (who shall forward the same to such Lender) the original or a certified copy of a receipt evidencing payment thereof.

-31-

(b) In addition, Borrower agrees to pay any and all present or future stamp, court or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under any Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document (hereinafter referred to as "Other Taxes").

(c) If Borrower shall be required by the Laws of any jurisdiction outside the United States to deduct any Taxes from or in respect of any sum payable under any Loan Document to Administrative Agent or any Lender, Borrower shall also pay to such Lender or Administrative Agent (for the account of such Lender), at the time interest is paid, such additional amount that the respective Lender specifies as necessary to preserve the after-tax yield (after factoring in United States (federal and state) taxes imposed on or measured by net income) such Lender would have received if such deductions (including deductions applicable to additional sums payable under this Section) had not been made.

(d) Borrower agrees to indemnify Administrative Agent and each Lender for the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by Administrative Agent and such Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto.

3.02 Illegality. If any Lender determines that any Laws have made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Offshore Rate Loans, or materially restricts the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the applicable offshore Dollar market, or to determine or charge interest rates based upon the Offshore Rate, then, on notice thereof by Lender to Borrower through Administrative Agent, any obligation of such Lender to make Offshore Rate Loans shall be suspended until Lender notifies Administrative Agent and Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, Borrower shall, upon demand from such Lender (with a copy to Administrative Agent), prepay or Convert all Offshore Rate Loans of such Lender, either on the last day of the Interest Period thereof, if Lender may lawfully continue to maintain such Offshore Rate Loans to such day, or immediately, if Lender may not lawfully continue to maintain such Offshore Rate Loans. Each Lender agrees to designate a different Lending Office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

3.03 Inability to Determine Rates. If, in connection with any Request for Extension of Credit involving any Offshore Rate Loan, Administrative Agent determines that (a) Dollar deposits are not being offered to banks in the applicable offshore dollar market for the applicable amount and Interest Period of the requested Offshore Rate Loan, (b) adequate and reasonable means do not exist for determining the underlying interest rate for such Offshore Rate Loan, or (c) such underlying interest rate does not adequately and fairly reflect the cost to Lender of funding such Offshore Rate Loan, Administrative Agent will promptly notify Borrower and all Lenders. Thereafter, the obligation of all Lenders to make or maintain such Offshore Rate Loan shall be suspended until Administrative Agent revokes such notice. Upon receipt of such notice, Borrower may revoke any pending request for a Borrowing of Offshore Rate Loans or, failing

-32-

that, be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

3.04 Increased Cost and Reduced Return; Capital Adequacy.

(a) If any Lender determines that any Laws:

(i) subject such Lender to any Tax, duty, or other charge with respect to any Offshore Rate Loans or its obligation to make Offshore Rate Loans, or change the basis on which taxes are imposed on any amounts payable to such Lender under this Agreement in respect of any Offshore Rate Loans;

(ii) shall impose or modify any reserve, special deposit, or similar requirement (other than the reserve requirement utilized in the determination of the Offshore Rate) relating to any extensions of credit or other assets of, or any deposits with or other liabilities or commitments of, such Lender (including its Commitment); or

(iii) shall impose on such Lender or on the offshore Dollar interbank market any other condition affecting this Agreement or any of such extensions of credit or liabilities or commitments;

and the result of any of the foregoing is to increase the cost to such Lender of making, Converting into, Continuing, or maintaining any Offshore Rate Loans or to reduce any sum received or receivable by such Lender under this Agreement with respect to any Offshore Rate Loans, then from time to time upon demand of Lender (with a copy of such demand to Administrative Agent), Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such increased cost or reduction.

(b) If any Lender determines that any change in or the interpretation of any Laws have the effect of reducing the rate of return on the capital of such Lender or compliance by such Lender (or its Lending Office) or any corporation controlling such Lender as a consequence of such Lender's obligations hereunder (taking into consideration its policies with respect to capital adequacy and such Lender's desired return on capital), then from time to time upon demand of such Lender (with a copy to Administrative Agent), Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such reduction.

3.05 Breakfunding Costs. Upon demand of any Lender (with a copy to Administrative Agent) from time to time, Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any Continuation, Conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or

(b) any failure by Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, Continue or Convert any Loan other than a Base Rate Loan on the date or in the amount notified by Borrower;

-33-

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

3.06 Matters Applicable to all Requests for Compensation.

(a) A certificate of any Lender claiming compensation under this Section 3

and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of clearly demonstrable error. In determining such amount, Lenders may use any reasonable averaging and attribution methods. For purposes of this Section 3, a Lender shall be deemed to have funded each

Offshore Rate Loan at the Offshore Base Rate used in determining the Offshore Rate for such Loan by a matching deposit or other borrowing in the offshore Dollar interbank market, whether or not such Offshore Rate Loan was in fact so funded.

(b) Borrower shall not be obligated to pay any amount under this Section 3

which arose prior to the date which is 180 days preceding the date of such demand or is attributable to periods prior to the date which is 180 days preceding the date of such demand.

(c) Upon any Lender making a claim for compensation under Section 3.01 or

3.04, Borrower may remove and replace such Lender in accordance with Section

10.22.

3.07 Survival. All of Borrower's obligations under this Section 3 shall

survive for a period of one year after the later of (i) termination of the Commitments, and (ii) payment in full of all Obligations.

SECTION 4.
CONDITIONS PRECEDENT TO EXTENSIONS OF CREDIT

4.01 Conditions of Initial Extension of Credit. The obligation of each Lender to make its initial Extension of Credit hereunder is subject to satisfaction of the following conditions precedent:

(a) Unless waived by all Lenders (or by Administrative Agent with respect to immaterial matters or items specified in subsections (v) or (vi) below with respect to which Borrower has given assurances satisfactory to Administrative Agent that they will be delivered promptly following the Closing Date), Administrative Agent's receipt of the following, each of which shall be originals or facsimiles (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of Borrower, each dated on, or in the case of third-party certificates, recently before the Closing Date and each in form and substance satisfactory to Administrative Agent, Lenders and their legal counsel:

(i) executed counterparts of this Agreement, sufficient in number for distribution to Administrative Agent, Lenders and Borrower;

(ii) Notes executed by Borrower in favor of each Lender, each in a principal amount equal to such Lender's Commitment;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of Borrower as Administrative Agent and any Lender may require to establish the identities of and verify the authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer thereof;

(iv) such evidence as Administrative Agent and any Lender may reasonably require to verify that Borrower is duly organized or formed, validly existing, in good standing and qualified to engage in business in each jurisdiction in which it is required to be qualified to engage in business, including certified copies of Borrower's Organization Documents, certificates of good standing and/or qualification to engage in business, tax clearance certificates, and the like;

(v) a certificate signed by a Responsible Officer of Borrower certifying (A) that the representations and warranties made by Borrower herein, or which are contained in any certificate, document or financial or other statement furnished at any time under or in connection herewith or therewith, are true and correct on and as of the Closing Date, (B) that Borrower is in compliance with all the terms and provisions of the Loan Documents to which it is a party, and no Default or Event of Default shall have occurred and be continuing, and (C) that there has been no event or circumstance since the date of the Audited Financial Statements which has a Material Adverse Effect;

(vi) an opinion of counsel to Borrower in form and substance satisfactory to Administrative Agent and the Lenders;

(vii) written evidence that the Existing Credit Agreement and all commitments thereunder have been or concurrently herewith are being terminated; and

(viii) such other assurances, certificates, documents, consents or opinions as Administrative Agent, Issuing Lender or Requisite Lenders reasonably may require.

(b) Any fees required to be paid on or before the Closing Date shall have been paid.

(c) Unless waived by Administrative Agent, Borrower shall have paid all Attorney Costs of Administrative Agent to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute its reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude final settling of accounts between Borrower and Administrative Agent).

4.02 Conditions to all Extensions of Credit. In addition to any applicable conditions precedent set forth elsewhere in this Section 4 or in Section 2, the obligation of each Lender to honor any Request for Extension of Credit other than a Conversion or Continuation is subject to the following conditions precedent:

(a) the representations and warranties of Borrower contained in Section 5, or which are contained in any certificate, document or financial or other statement furnished at any time under or in connection herewith or therewith, shall be correct on and as of the date of such Extension of Credit, except to the extent that such representations and warranties specifically refer to an earlier date;

(b) no Default or Event of Default exists, or would result from such proposed Extension of Credit;

(c) Administrative Agent shall have timely received a Request for Extension of Credit by Requisite Notice by the Requisite Time therefor; and

(d) Administrative Agent shall have received, in form and substance satisfactory to it, such other assurances, certificates, documents or consents related to the foregoing as Administrative Agent or Requisite Lenders reasonably may require.

Each Request for Extension of Credit by Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of such Extension of Credit.

REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Administrative Agent and Lenders that:

5.01 Existence and Qualification; Power; Compliance with Laws. Borrower is a corporation duly organized or formed, validly existing and in good standing under the Laws of the state of its incorporation or organization, has the power and authority and the legal right to own and operate its properties, to lease the properties it operates and to conduct its business, is duly qualified and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, and is in compliance with all Laws except to the extent that noncompliance could not be reasonably expected to have a Material Adverse Effect.

5.02 Power; Authorization; Enforceable Obligations. Borrower has the power and authority and the legal right to make, deliver and perform each Loan Document to which it is a party and Borrower has power and authority to borrow hereunder and has taken all necessary action to authorize the borrowings on the terms and conditions of this Agreement and to authorize the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party. No consent or authorization of, filing with, or other act by or in respect of any Governmental Authority, is required in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents. The Loan Documents have been duly executed and delivered by Borrower, and constitute a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with their respective terms.

-36-

5.03 No Legal Bar. The execution, delivery, and performance by Borrower of the Loan Documents to which it is a party and compliance with the provisions thereof have been duly authorized by all requisite action on the part of Borrower and do not and will not (a) violate or conflict with, or result in a breach of, or require any consent under (i) any Organization Documents of Borrower or any of its Subsidiaries, (ii) any material applicable Laws, rules, or regulations or any order, writ, injunction, or decree of any Governmental Authority or arbitrator, or (iii) any material Contractual Obligation of Borrower or any of its Subsidiaries or by which any of them or any of their property is bound or subject, (b) constitute a default under any such material agreement or instrument, or (c) result in, or require, the creation or imposition of any Lien on any of the properties of Borrower or any of its Subsidiaries.

5.04 Financial Statements; No Material Adverse Effect.

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of Borrower and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness in accordance with GAAP consistently applied throughout the period covered thereby.

(b) Since the date of the Audited Financial Statements, there has been no event or circumstance which has a Material Adverse Effect.

5.05 Litigation. No litigation, investigation or proceeding of or before an arbitrator or Governmental Authority is pending or, to the knowledge of Borrower after due and diligent investigation, threatened by or against Borrower or any of its Subsidiaries or against any of their properties or revenues which could reasonably be expected to have a Material Adverse Effect.

5.06 No Default. Neither Borrower nor any its Subsidiaries are in default under or with respect to any Contractual Obligation which could reasonably be expected to have a Material Adverse Effect, and no Default or Event of Default has occurred and is continuing or will result from the consummation of this Agreement or any of the other Loan Documents, or the making of the Extensions of Credit hereunder.

5.07 Ownership of Property; Liens. Borrower and its Subsidiaries have valid fee or leasehold interests in all real property which they use in their respective businesses, and Borrower and its respective Subsidiaries have good and marketable title to all their other property, and none of such property is subject to any Lien, except as permitted in Section 7.02.

5.08 Taxes. Borrower and its Subsidiaries have filed all material tax returns which are required to be filed, and have paid, or made provision for the payment of, all taxes with respect to the periods, property or transactions covered by said returns, or pursuant to any assessment received by Borrower or

its respective Subsidiaries, except (a) such taxes, if any, as are being

contested in good faith by appropriate proceedings and as to which adequate
reserves have been

-37-

established and maintained, and (b) immaterial taxes; provided, however, that in

each case no material item or portion of property of Borrower or any of its
Subsidiaries is in jeopardy of being seized, levied upon or forfeited.

5.09 Margin Regulations; Investment Company Act; Public Utility Holding
Company Act.

(a) Borrower is not engaged nor will it engage, principally or as one of
its important activities, in the business of extending credit for the purpose of
"purchasing" or "carrying" "margin stock" within the respective meanings of each
of the quoted terms under Regulation U of the Board of Governors of the Federal
Reserve System as now and from time to time hereafter in effect. No part of the
proceeds of any Extensions of Credit hereunder will be used for "purchasing" or
"carrying" "margin stock" as so defined or for any purpose which violates, or
which would be inconsistent with, the provisions of Regulations U or X of such
Board of Governors.

(b) Neither Borrower nor any of its Subsidiaries (i) is a "holding
company," or a "subsidiary company" of a "holding company," or an "affiliate" of
a "holding company" or of a "subsidiary company" of a "holding company," within
the meaning of the Public Utility Holding Company Act of 1935, or (ii) is or is
required to be registered as an "investment company" under the Investment
Company Act of 1940.

5.10 ERISA Compliance.

(a) Each Plan is in compliance in all material respects with the applicable
provisions of ERISA, the Code and other federal or state Laws. Each Plan that is
intended to qualify under Section 401(a) of the Code has received a favorable
determination letter from the IRS or an application for such a letter is
currently being processed by the IRS with respect thereto and, to the best
knowledge of Borrower, nothing has occurred which would prevent, or cause the
loss of, such qualification. Borrower and each ERISA Affiliate have made all
required contributions to each Plan subject to Section 412 of the Code, and no
application for a funding waiver or an extension of any amortization period
pursuant to Section 412 of the Code has been made with respect to any Plan.
There has been no prohibited transaction or violation of the fiduciary
responsibility rules with respect to any Plan that has or could reasonably be
expected to have a Material Adverse Effect.

(b) (i) No ERISA Event has occurred or is reasonably expected to occur;
(ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither Borrower
nor any ERISA Affiliate has incurred, or reasonably expects to incur, any
liability under Title IV of ERISA with respect to any Pension Plan (other than
premiums due and not delinquent under Section 4007 of ERISA); (iv) neither
Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur,
any liability (and no event has occurred which, with the giving of notice under
Section 4219 of ERISA, would result in such liability) under Sections 4201 or
4243 of ERISA with respect to a Multiemployer Plan; and (v) neither Borrower nor
any ERISA Affiliate has engaged in a transaction that could be subject to
Sections 4069 or 4212(c) of ERISA.

-38-

5.11 Intangible Assets. Borrower and its Subsidiaries own, or possess the
right to use, all trademarks, trade names, copyrights, patents, patent rights,
franchises, licenses and other intangible assets that are used in the conduct of
their respective businesses as now operated or could obtain such right without
causing a Material Adverse Effect, and none of such items, to the best knowledge
of Borrower, conflicts with the valid trademark, trade name, copyright, patent,
patent right or intangible asset of any other Person to the extent that such
conflict has or could reasonably be expected to have a Material Adverse Effect.

5.12 Compliance With Laws. Borrower and its Subsidiaries are in compliance
in all material respects with all material Laws that are applicable to it.

5.13 Environmental Compliance. Borrower and its Subsidiaries conduct in the
ordinary course of business a review of the effect of existing Environmental
Laws and claims alleging potential liability or responsibility for violation of
any Environmental Law on their respective businesses, operations and properties,
and as a result thereof Borrower has reasonably concluded that such
Environmental Laws and claims do not, individually or in the aggregate, have a
Material Adverse Effect.

5.14 Insurance. The properties of Borrower and its Subsidiaries are insured
with financially sound and reputable insurance companies not Affiliates of
Borrower, in such amounts, with such deductibles and covering such risks as are

customarily carried by companies engaged in similar businesses and owning similar properties in localities where Borrower or such Subsidiary operates.

5.15 Swap Obligations. Neither Borrower nor any of its Subsidiaries has incurred any outstanding obligations under any Swap Contracts, other than Permitted Swap Obligations. Borrower has undertaken its own independent assessment of its consolidated assets, liabilities and commitments and has considered appropriate means of mitigating and managing risks associated with such matters and has not relied on any swap counterparty or any Affiliate of any swap counterparty in determining whether to enter into any Swap Contract.

5.16 Disclosure. No statement, information, report, representation, or warranty made by Borrower in any Loan Document or furnished to Administrative Agent or any Lender in connection with any Loan Document contains any untrue statement of a material fact or, when viewed together with Borrower's periodic reports filed under the Securities and Exchange Act of 1934, omits to state any material fact necessary to make the statements herein or therein not misleading.

SECTION 6.
AFFIRMATIVE COVENANTS

So long as any Obligation remains unpaid or unperformed, or any portion of the Commitments remains outstanding, Borrower shall, and shall (except in the case of Borrower's reporting covenants) cause each Subsidiary, to:

-39-

6.01 Financial Statements. Deliver to Administrative Agent and each Lender, in form and detail satisfactory to Administrative Agent and Requisite Lenders:

(a) as soon as available, but in any event within (i) 90 days after the end of each fiscal year of Borrower, or, (ii) if Borrower has been granted an extension by the Securities and Exchange Commission permitting the late filing by Borrower of any annual report on form 10-K, the earlier of (x) 120 days after the end of each fiscal year of Borrower or (y) the last day of any such extension, a consolidated balance sheet of Borrower and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of income and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, audited and accompanied by a report and opinion of an independent certified public accountant of nationally recognized standing, which report and opinion shall be prepared in accordance with GAAP and shall not be subject to any qualifications or exceptions as to the scope of the audit nor to any qualifications and exceptions not reasonably acceptable to Requisite Lenders;

(b) as soon as available, but in any event within (i) 45 days after the end of each of the first three fiscal quarters of each fiscal year of Borrower, or, (ii) if Borrower has been granted an extension by the Securities and Exchange Commission permitting the late filing by Borrower of any quarterly report on form 10-Q, the earlier of (x) 60 days after the end of each of the first three fiscal quarters of each fiscal year of Borrower or (y) the last day of any such extension, a consolidated balance sheet of Borrower and its Subsidiaries as at the end of such fiscal quarter, and the related consolidated statements of income and cash flows for such fiscal quarter and for the portion of Borrower's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of Borrower as fairly presenting the financial condition, results of operations and cash flows of Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes; and

(c) Reports required to be delivered pursuant to clauses (a) and (b) of this Section 6.01 shall be deemed to have been delivered on the date on which

Borrower posts such reports on Borrower's website on the Internet at the website address listed on Schedule 10.02 hereof or when such report is posted on the

Securities and Exchange Commission's website at www.sec.gov; provided that (x)

Borrower shall deliver paper copies of the reports referred to in such clauses (a) and (b) of this Section 6.01 to Administrative Agent or any Lender who

requests Borrower to deliver such paper copies until written request to cease delivering paper copies is given by Administrative Agent or such Lender, (y) Borrower shall notify Administrative Agent and Lenders of the posting of any such new material, and (z) in every instance Borrower shall provide paper copies of the Compliance Certificates required by clause (a) of Section 6.02 to

Administrative Agent and each Lender. Except for the Compliance Certificates referred to in such clause (a) of Section 6.02, Administrative Agent shall have

no obligation to request the delivery or to maintain copies of the reports referred to in clauses (a) and (b) of this Section 6.01, and in any event shall

have no responsibility to monitor compliance by Borrower with any such

-40-

request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such reports.

6.02 Certificates, Notices and Other Information. Deliver to Administrative Agent and each Lender, in form and detail satisfactory to Administrative Agent and Requisite Lenders:

(a) concurrently with the delivery of the financial statements referred to in Sections 6.01(a) and (b), a duly completed Compliance Certificate signed by a

Responsible Officer of Borrower;

(b) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of Borrower, and copies of all annual, regular, periodic and special reports and registration statements which Borrower may file or be required to file with the Securities and Exchange Commission under Sections 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to Administrative Agent pursuant hereto;

(c) promptly after the occurrence thereof, notice of any Default or Event of Default;

(d) notice of any change in accounting policies or financial reporting practices by Borrower or any Subsidiary that is material to Borrower or to Borrower and its Subsidiaries on a consolidated basis;

(e) promptly after the commencement thereof, notice of any litigation, investigation or proceeding affecting Borrower where the reasonably expected damages to Borrower exceed the Threshold Amount, or in which injunctive relief or similar relief is sought, which relief, if granted, has a Material Adverse Effect;

(f) promptly after the occurrence thereof, notice of any Reportable Event with respect to any Plan or the intent to terminate any Plan, or the institution of proceedings or the taking or expected taking of any other action to terminate any Plan or withdraw from any Plan;

(g) promptly after the occurrence thereof, notice of any Material Adverse Effect; and

(h) promptly, such other data and information as from time to time may be reasonably requested by Administrative Agent, or, through Administrative Agent or any Lender. Notwithstanding any provision of this Agreement to the contrary, so long as no Default or Event of Default shall have occurred and be continuing, neither Borrower nor any of its Subsidiaries shall be required to disclose, permit the inspection, examination, photocopying or making extracts of, or discuss, any document, information or other matter that (i) constitutes non-financial trade secrets or non-financial proprietary information, or (ii) the disclosure of which to any Lender, or their designated representative, is then prohibited by law or any agreement binding on Borrower or any of its Subsidiaries that was not entered into by Borrower or any such Subsidiary for the purpose of concealing information from the Lenders.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer of Borrower setting forth details of the occurrence referred to therein and stating what action Borrower has taken and proposes to take with respect thereto.

-41-

6.03 Payment of Taxes. Pay and discharge when due all material taxes, assessments, and governmental charges, except for any such tax, assessment, charge, or levy which is an Ordinary Course Lien under subsection (b) of the definition of such term.

6.04 Preservation of Existence. Preserve and maintain its existence, licenses, permits, rights, franchises and privileges necessary or desirable in the normal conduct of its business, except (i) as permitted by Section 7.03, or

(ii) where failure to do so does not have a Material Adverse Effect.

6.05 Maintenance of Properties. Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good order and condition, subject to wear and tear in the ordinary course of business, and not permit any waste of its properties, except where failure to do so would not reasonably be expected to have a Material Adverse Effect.

6.06 Maintenance of Insurance. Maintain liability and casualty insurance with responsible insurance companies satisfactory to Lender in such amounts and

against such risks as is customary for similarly situated businesses.

6.07 Compliance With Laws.

(a) Comply with the requirements of all applicable Laws and orders of any Governmental Authority, noncompliance with which has a Material Adverse Effect.

(b) Conduct its operations and keep and maintain its property in material compliance with all Environmental Laws.

6.08 Inspection Rights. At any time during regular business hours and as often as reasonably requested upon reasonable notice, permit Administrative Agent or any Lender, or any employee, agent or representative thereof, to examine, audit and make copies and abstracts from Borrower's records and books of account and to visit and inspect its properties and to discuss its affairs, finances and accounts with any of its officers and key employees, and, upon request, furnish promptly to Administrative Agent or any Lender true copies of all financial information and internal management reports made available to their senior management.

6.09 Keeping of Records and Books of Account. Keep adequate records and books of account reflecting all financial transactions in conformity with GAAP, consistently applied, and in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over Borrower or any applicable Subsidiary.

6.10 Compliance with ERISA. Cause, and cause each of its ERISA Affiliates to: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification; and (c) make all required contributions to any Plan subject to Section 412 of the Code.

-42-

6.11 Compliance With Agreements. Promptly and fully comply with all Contractual Obligations to which any one or more of them is a party, except for any such Contractual Obligations (a) the nonperformance of which would not cause a Default or Event of Default, (b) then being contested by any of them in good faith by appropriate proceedings, or (c) if the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

6.12 Use of Proceeds. Use the proceeds of Extensions of Credit for lawful general corporate purposes including working capital and capital expenditures not otherwise in contravention of this Agreement.

SECTION 7.
NEGATIVE COVENANTS

So long as any Obligations remain unpaid or unperformed, or any portion of the Commitments remains outstanding, Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly:

7.01 Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except for the following ("Permitted Indebtedness"):

(a) Indebtedness outstanding on the date hereof and listed on Schedule 7.01 and any refinancings, refundings, renewals or extensions thereof, provided that

the amount of such Indebtedness is not increased at the time of such refinancing, refunding, renewal or extension except by an amount equal to the premium or other amount paid, and fees and expenses incurred, in connection with such refinancing and by an amount equal to any utilized commitments thereunder;

(b) Ordinary Course Indebtedness;

(c) Indebtedness of Borrower under the Convertible Subordinated Debentures;

(d) Indebtedness of Borrower under any letter of credit facility (a "Permitted LC Agreement"), provided that (i) the only credit extended to

Borrower pursuant to any Permitted LC Agreement consists of letters of credit issued for the benefit of MKE or its affiliates to secure obligations owed by Borrower to the beneficiaries for the purchase price of inventory; (ii) the sum at any time of the aggregate face amount of all letters of credit issued and outstanding under all Permitted LC Agreements, plus the aggregate amount of all

unremedied drawings under such letters of credit, does not exceed \$85,000,000; and (iii) the Indebtedness of Borrower under any Permitted LC Agreement is at all times either unsecured or secured by Liens permitted pursuant to Section

7.02(d).

(e) Indebtedness of Borrower and its Subsidiaries under loans and Capital Leases incurred by Borrower or any of its Subsidiaries to finance the acquisition by such Person of real property, improvements, fixtures, equipment or other fixed assets (together with attachments, ascensions, additions, "soft costs" and proceeds thereof), provided that in each case, (i) such Indebtedness -----
is incurred by such Person at the time of, or not later than 6 months after, the

-43-

acquisition by such Person of the property so financed, and (ii) such Indebtedness does not exceed the purchase price of the property so financed;

(f) Indebtedness of Borrower and any of its Subsidiaries under Synthetic Lease Obligations;

(g) Indebtedness of Borrower and its Subsidiaries under initial or successive refinancings, refundings, renewals or extensions of any Indebtedness permitted by subsections (d), (e) and (f) above, provided that the amount of -----
such Indebtedness is not increased at the time of such refinancing, refunding, renewal or extension except by an amount equal to the premium or other amount paid, and fees and expenses incurred, in connection with such refinancing;

(h) Indebtedness of Borrower and its Subsidiaries in respect of any Permitted Receivables Facility;

(i) Indebtedness of Borrower to any of Borrower's Subsidiaries, Indebtedness of any of Borrower's Subsidiaries to Borrower or Indebtedness of any of Borrower's Subsidiaries to any of Borrower's other Subsidiaries;

(j) Subordinated Indebtedness of Borrower to any Person, provided that (A) -----
such Indebtedness contains subordination provisions no less favorable to Administrative Agent and Lenders than those set forth in Schedule 7.13 or as -----
otherwise approved by Requisite Lenders and (B) the aggregate principal amount of all Subordinated Debt of Borrower outstanding (including the Convertible Subordinated Debentures) does not exceed \$700,000,000 at any time; and

(k) Indebtedness not exceeding, in the aggregate at any time, 10% of the total consolidated assets of Borrower and its Subsidiaries determined as of the end of the most recent fiscal quarter.

7.02 Liens. Incur, assume or suffer to exist, any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except -----
for the following ("Permitted Liens"):

(a) Liens existing on the date hereof and listed on Schedule 7.01 and any -----
renewals or extensions thereof, provided that the property covered thereby is not increased and any renewal or extension of the obligations secured or benefited thereby is permitted by Section 7.01(a);

(b) Ordinary Course Liens;

(c) Liens securing Investments which constitute Permitted Investments under Section 7.05(d);

(d) Liens on cash or cash equivalents securing reimbursement obligations of Borrower under letters of credit (other than any Letters of Credit) in an aggregate amount of all such cash and cash equivalents not to exceed \$100,000,000;

(e) Liens in respect of any Permitted Receivables Facility;

-44-

(f) Liens on the property or assets of any corporation which becomes a Subsidiary of Borrower after the date of this Agreement, provided that (i) such -----
Liens exist at the time such corporation became a Subsidiary, and (ii) such Liens were not created in contemplation of such acquisition by Borrower;

(g) Rights of vendors or lessors under conditional sale agreements, Capital Leases or other title retention agreements, provided that in each case, (i) such -----
rights secure or otherwise relate to Permitted Indebtedness, (ii) such rights do not extend to any property other than property acquired with the proceeds of such Permitted Indebtedness (together with accessions, additions, replacements

and proceeds thereof), and (iii) such rights do not secure any Indebtedness other than Permitted Indebtedness;

(h) Liens securing Indebtedness and any related obligations of Borrower or any of its Subsidiaries which constitutes Permitted Indebtedness under Section 7.01(f) (or refinancings of such Indebtedness under Section 7.01(g)), provided that such Liens cover only those assets subject to Synthetic Lease Obligations (together with accessions, additions, replacements and proceeds thereof);

(i) Liens incurred in connection with leases, subleases, licenses and sublicenses granted to Persons not interfering in any material respect with the business of Borrower and its Subsidiaries and any interest or title of a lessee or licensee under any such leases, subleases, licenses or sublicenses;

(j) Liens in favor of Lenders in connection with the Letter of Credit Cash Collateral Account; and

(k) Liens not otherwise permitted hereunder on the property or assets of Borrower and any of its Subsidiaries securing (i) borrowed money Indebtedness, (ii) all obligations of Borrower arising other than in connection with any securitization which are evidenced by bonds, debentures, notes or other similar instruments, or (iii) Indebtedness consisting of letter of credit reimbursement obligations (including pursuant to a Permitted LC Agreement), provided that, in each case, (x) the aggregate principal amount of all Indebtedness secured by such Liens does not exceed at any time 10% of the total assets of Borrower and its Subsidiaries determined as of the end of the fiscal quarter immediately preceding the date of determination and (y) such Liens do not encumber current assets of Borrower and its Subsidiaries in excess of \$50,000,000.

7.03 Fundamental Changes. Merge or consolidate with or into any Person or liquidate, wind-up or dissolve itself, or permit or suffer any liquidation or dissolution or sell all or substantially all of its assets, except that:

(a) any Subsidiary may merge with (i) Borrower, shall be the continuing or surviving corporation, (ii) any one or more Subsidiaries, and (iii) any joint venture, partnership or other Person, so long as such joint venture, partnership and other Person will, as a result of making such merger and all other contemporaneous related transactions, become a Subsidiary;

-45-

(b) any Subsidiary may sell all or substantially all of its assets (upon voluntary liquidation or otherwise), to Borrower or to another Subsidiary;

(c) Borrower may merge into or consolidate with any other, provided that (i) Borrower is the surviving corporation, and (ii) immediately after giving effect to such merger or consolidation, no Default or Event of Default shall have occurred and be continuing; and

(d) any Subsidiary may merge or consolidate with or into any other Person or sell all or substantially all of its assets to the extent such transaction is a Disposition otherwise permitted under Section 7.04 or an Investment otherwise permitted under Section 7.05 and immediately after giving effect to such merger or consolidation, no Default or Event of Default shall have occurred and be continuing.

7.04 Dispositions. Make any Dispositions, except:

(a) Ordinary Course Dispositions;

(b) Dispositions permitted by Section 7.03;

(c) Dispositions which constitute the making of or liquidation of Permitted Investments;

(d) Dispositions of assets on commercially reasonable terms or accounts receivables in connection with a Permitted Receivables Facility by Borrower and its Subsidiaries (it being understood that any determination as to whether a particular Disposition is on commercially reasonable terms shall take into consideration any larger business transaction to which such particular Disposition is related); and

(e) Dispositions not otherwise permitted hereunder not exceeding 20% of Consolidated Tangible Net Worth for the four fiscal quarter period ending as of the end of the fiscal quarter immediately preceding the date of determination.

7.05 Investments. Make any Investments, except for the following

("Permitted Investments"):

-
- (a) Investments existing on the date hereof;
 - (b) Ordinary Course Investments;
 - (c) Investments permitted by Section 7.01 or Section 7.03;

(d) Investments arising from rights received by Borrower and its Subsidiaries upon the required payment of any permitted contingent obligations of Borrower and its Subsidiaries;

(e) Investments in the nature of Acquisitions, provided that the aggregate amount of such Acquisitions in any period of four consecutive fiscal quarters does not exceed 20% of Consolidated Tangible Net Worth as determined as of the fiscal quarter immediately preceding the date of determination;

-46-

(f) Investments of Borrower and its Subsidiaries in Swap Contracts, provided that all such arrangements are entered into in connection with bona fide hedging operations and not for speculation;

(g) Investments by Quantum Technology Ventures (or any other Subsidiary of Borrower with the primary purpose of making venture investments) and other Investments which Borrower's Board of Directors determines to be strategic for Borrower in an aggregate cost basis, at any time invested for all such entities and investments together, not to exceed the sum of (x) \$150,000,000 and (y) the aggregate gain or loss on such Investments previously made under this clause (g); and

(h) Investments not otherwise permitted hereunder, provided that the aggregate amount of such other Investments made after the Closing Date (less any return on any such Investments) does not exceed 20% of Consolidated Tangible Net Worth as determined as of the fiscal quarter immediately preceding the date of determination.

7.06 Restricted Payments. Make any Restricted Payments, except as follows:

(a) Borrower may pay dividends or other distributions payable solely in shares of capital stock of Borrower or any Subsidiary or payable by a Subsidiary to Borrower or to another Subsidiary;

(b) Borrower may distribute rights pursuant to a shareholder rights plan or redeem such rights, provided that such redemption is in accordance with the

terms of such shareholder rights plan;

(c) Borrower may make Restricted Payments in connection with or pursuant to any of its Employee Benefits Plans or in connection with the employment, termination or compensation of its employees, officers or directors;

(d) Borrower may make Restricted Payments with the Net Proceeds received from a substantially concurrent issuance of Equity Securities or capital stock or with its Equity Securities or capital stock or Borrower may convert any Equity Securities in accordance with their terms into other Equity Securities;

(e) Borrower may purchase Equity Securities pursuant to one or more stock repurchase programs, provided that (i) no Default or Event of Default shall have

occurred and be continuing, and (ii) after giving effect to any such repurchases Borrower shall be in compliance with Section 7.12; and

(f) Any Subsidiary of Borrower may declare or pay any dividends in respect of its Equity Securities or purchase or redeem shares of its Equity Securities or make distributions to shareholders not otherwise permitted hereunder, provided that the aggregate amount paid or distributed in any period of four

consecutive quarters (excluding any amounts covered by subsection (b) above) does not exceed 5% of Consolidated Tangible Net Worth as determined as of the fiscal quarter immediately preceding the date of determination.

-47-

7.07 ERISA. At any time engage in a transaction which could be subject to Sections 4069 or 4212(c) of ERISA, or permit any Pension Plan to (a) engage in any non-exempt "prohibited transaction" (as defined in Section 4975 of the Code); (b) fail to comply with ERISA or any other applicable Laws; or (c) incur any material "accumulated funding deficiency" (as defined in Section 302 of ERISA), which, with respect to each event listed above, has a Material Adverse

Effect.

7.08 Change in Nature of Business. Engage, either directly or indirectly through Affiliates, in any line of business other than the digital storage business, any other business incidental or reasonably related thereto, or any businesses that are, as determined by the Board of Directors of Borrower, appropriate extensions thereof.

7.09 Transactions with Affiliates. Enter into any transaction of any kind with any Affiliate (other than transactions among Borrower or any of its Subsidiaries and any Subsidiary) of Borrower other than arm's-length transactions with Affiliates that are otherwise permitted hereunder.

7.10 Use of Proceeds. Borrower shall not, and shall not suffer or permit any Subsidiary to, use any portion of the Loan proceeds or any Letter of Credit, directly or indirectly, (i) for any Acquisition unless the prior, effective written consent or approval to such Acquisition of the board of directors or equivalent governing body of the acquiree is obtained, or (ii) to acquire any security in any transaction that is subject to Section 13 (other than an Investment Transaction) or Section 14 of the Exchange Act, unless, prior to the time such transaction becomes subject to such Section 13 or 14, the board of directors or other applicable governing body of the Person that is the issuer of such securities has adopted a resolution approving such transaction and approving any "change in control" with respect to such Person whereby Borrower or such Subsidiary may acquire control of such Person. For purposes of this Section 7.10, (x) an "Investment Transaction" means a transaction subject to

Section 13(d), but not Section 16, of the Exchange Act, provided that in connection with such transaction Borrower or its Subsidiary (as the case may be) has reported and at all times continues to report to the SEC that such transaction is undertaken for investment purposes only and not for any of the purposes specified in clauses 4(a) through (j), inclusive, of the special instructions for complying with Schedule 13D under the Exchange Act, and (y) "change in control" means, for any Person, an Acquisition with respect to such Person.

7.11 Certain Indebtedness Payments, Etc.. Neither Borrower nor any of its Subsidiaries shall pay, prepay, redeem, purchase, defease or otherwise satisfy in any manner prior to the scheduled payment thereof any Subordinated Debt except as otherwise permitted under this Section 7.11; amend, modify or

otherwise change the terms of any document, instrument or agreement evidencing Subordinated Debt such that such amendment, modification or change would (i) cause the outstanding aggregate principal amount of all such Subordinated Debt so amended, modified or changed to be increased as a consequence of such amendment, modification or change, (ii) cause the subordination provisions applicable to such Subordinated Debt to be less favorable to Administrative Agent and Lenders than those set forth on Schedule 7.13, (iii) increase the

interest rate applicable thereto, or (iv) accelerate the scheduled payment thereof, except that, subject to the other terms and provisions hereof, Borrower may (a) (1) call

-48-

for redemption of the entire outstanding amount of the Convertible Subordinated Debentures and, (2) to the extent such Convertible Subordinated Debentures are not converted prior to the redemption date, redeem up to 30% of any such outstanding Convertible Subordinated Debentures less the amount of Subordinated Debt purchased by Borrower pursuant to clause (b) (ii) of this Section, provided that (A) no Default or Event of Default has occurred and is continuing or would result from such call for redemption or redemption and (B) the closing price of the common stock shall have exceeded 120% of the then applicable conversion price for 20 trading days within a period of 30 consecutive trading days ending within 5 trading days prior to the notice of redemption. Borrower shall not cause or permit any of its obligations, except the obligations constituting Senior Indebtedness to constitute "Designated Senior Indebtedness" under the Indenture governing the Convertible Subordinated Debentures (it being understood that the Obligations of Borrower under this Agreement shall at all times constitute "Designated Senior Indebtedness"); (b) (i) pay, prepay, redeem, purchase, defease or otherwise satisfy in any manner any Subordinated Debt, with the Net Proceeds from the substantially contemporaneous issuance of Equity Securities by Borrower or in exchange for Equity Securities of Borrower, and (ii) otherwise purchase outstanding Subordinated Debt, provided that the

aggregate value of all such Subordinated Debt repurchased, together with the amount of all redemptions undertaken pursuant to clause (a) of this Section, does not at any time exceed 30% of the total amount of any Convertible Subordinated Debentures outstanding as of the Closing Date; and (c) Borrower may convert, or honor a conversion request with respect to, any such Subordinated Debt into Equity Securities of Borrower in accordance with the terms of, and pay any cash to holders of such Subordinated Debt in connection with, such a conversion solely to the extent representing the value of any fractional shares.

7.12 Financial Covenants.

(a) Consolidated Tangible Net Worth. Permit Consolidated Tangible Net Worth on the last day of any fiscal quarter (such date to be referred to herein as a "determination date"), commencing with the fiscal quarter ended March 31, 2000, to be less than the greater of (i) 75% of Consolidated Tangible Net Worth as of March 31, 2000, or (ii) the sum of (A) an amount equal to 75% of Consolidated Tangible Net Worth as of March 31, 2000; plus (B) an amount equal to 75% of the

sum of positive Consolidated Net Income (ignoring any quarterly losses) for each fiscal quarter after the quarter ended March 31, 2000, through and including the quarter ending on the determination date; plus (C) an amount equal to 75% of the

Net Proceeds of all Equity Securities issued by Borrower (excluding any issuance where the Net Proceeds to the Borrower therefor are less than \$10,000,000) during the period commencing on March 31, 2000 and ending on the determination date; plus (D) an amount equal to 75% of the increase in the value of

outstanding Equity Securities resulting, in accordance with GAAP, from any conversion of Convertible Subordinated Debentures into such Equity Securities; minus (E) the lesser of (x) the aggregate amount paid by Borrower to repurchase

Equity Securities during the period commencing on March 31, 2000 and ending on the determination date and (y) \$200,000,000; and minus (F) the lesser of (x) the

aggregate amount of charges taken by Borrower for In-Process Research & Development associated with Acquisitions during the period commencing on March 31, 2000 and ending on the determination date, and (y) \$100,000,000, provided

that any such charges were taken by Borrower during the quarter in which any such Acquisition was completed.

-49-

(b) Minimum Quick Ratio. Permit the Quick Ratio determined as of the last day of any fiscal quarter of Borrower (commencing with the quarter ending March 31, 2000) to be less than 1.10:1.

(c) Maximum Leverage Ratio. Permit the Leverage Ratio, determined as of the last day of any fiscal quarter of Borrower, commencing with the fiscal quarter ending March 31, 2000 (measured on a rolling four quarter basis for the four fiscal quarters ended), to be greater than 2.00:1.

(d) Minimum Profitability. Suffer or permit there to exist, as of the last day of any fiscal quarter, for the four fiscal quarters ending on such date, commencing with the fiscal quarter ending March 31, 2000, (i) any two fiscal quarters in which the aggregate negative Consolidated Net Income for such fiscal quarters exceeds 5% of Consolidated Tangible Net Worth as of such date, or (ii) cumulative Consolidated Net Income for such four-quarter period of less than \$1.00. For purposes of calculating this covenant, charges for In-Process Research & Development associated with Acquisitions shall be excluded, provided

that (x) any such charges are taken during the quarter in which any such Acquisitions are completed, and (y) the aggregate amount of any such charges taken does not exceed \$100,000,000 during the term of this Agreement.

7.13 Accounting Changes. Change (i) its fiscal year (currently April 1 to March 31), or (ii) its accounting practices except as permitted by GAAP.

SECTION 8. EVENTS OF DEFAULT AND REMEDIES

8.01 Events of Default. Any one or more of the following events shall constitute an Event of Default:

(a) Borrower fails to pay any principal on any Outstanding Obligation (other than fees) as and on the date when due; or

(b) Borrower fails to pay any interest on any Outstanding Obligation or any commitment fees due hereunder within three days after the date when due; or fails to pay any other fees or amount payable to Administrative Agent or any Lender under any Loan Document within five days after the date due; or

(c) Any default occurs in the observance or performance of any agreement contained in Section 6.12 or 7; or

(d) The occurrence of an Event of Default (as such term is or may hereafter be specifically defined in any other Loan Document) under any other Loan Document; or Borrower fails to perform or observe any other covenant or agreement (not specified in subsections (a), (b) or (c) above) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days; or

-50-

(e) Any representation or warranty in any Loan Document proves to have been incorrect in any material respect when made or deemed made; or

(f) (i) Borrower (x) defaults in any payment when due of principal of or interest on any Indebtedness (other than Indebtedness hereunder) under any Permitted LC Agreement or having an aggregate principal amount in excess of the Threshold Amount, or (y) defaults in the observance or performance of any other agreement or covenant relating to any Indebtedness (other than Indebtedness hereunder) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, (I) Indebtedness under any Permitted LC Agreement or having an aggregate principal amount in excess of the Threshold Amount to become due (automatically or otherwise) prior to its stated maturity, (II) if in respect of a Guaranty Obligation, any Guaranty Obligation in excess of the Threshold Amount to become payable or cash collateral in respect thereof to be demanded on account of such default or other event, or, (III) if in respect of a Permitted LC Agreement, cash collateral to be demanded or such agreement to be terminated on account of such default or other event ; (ii) Borrower is unable or admits in writing its inability to pay its debts generally as they mature; or (iii) the occurrence under any Swap Contract of an Early Termination Date (as defined in such Swap Contract) resulting from (x) any event of default under such Swap Contract as to which Borrower or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (y) any termination event under any Swap Contract (as defined therein) as to which Borrower or any Subsidiary is an affected party (as so defined) (other than termination events resulting solely from changes in the value of Borrower's stock price or other rates, prices or indices underlying any such Swap Contract), and as to which, in either event, the Swap Termination Value owed by Borrower or such Subsidiary as a result thereof is greater than the Threshold Amount; provided, however, that a Voluntary Redemption Event shall

not constitute an Event of Default under this Section 8.01(f); or

(g) Any Loan Document, at any time after its execution and delivery and for any reason other than the agreement of all Lenders or satisfaction in full of all the Obligations, ceases to be in full force and effect or is declared by a court of competent jurisdiction to be null and void, invalid or unenforceable in any respect; or Borrower denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document; or

(h) (i) A final judgment against Borrower is entered for the payment of money in excess of the Threshold Amount, or any non-monetary final judgment is entered against Borrower which has a Material Adverse Effect and, in each case if such judgment remains unsatisfied without procurement of a stay of execution within 30 calendar days after the date of entry of judgment; or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded (A) within 30 calendar days after its issue or levy or (B) if earlier, five days prior to the date of any proposed sale.

(i) Borrower or any of its Material Subsidiaries institutes or consents to the institution of any proceeding under Debtor Relief Laws, or makes an assignment for the benefit of creditors; or

-51-

applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of that Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under Debtor Relief Laws relating to any such Person or to all or any part of its property is instituted without the consent of that Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(j) (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount; (ii) the aggregate amount of Unfunded Pension Liability among all Pension Plans at any time exceeds the Threshold Amount; or (iii) Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of the Threshold Amount; or

(k) There occurs (i) any Change of Control, or (ii) any event relating to a change in the corporate ownership, control or governance of Borrower or any Subsidiary as issuer ("Issuer") of any notes, bonds, debentures, Subordinated

Debt or other debt securities, the result of which is to cause Indebtedness evidenced by any such notes, bonds, debentures, Subordinated Debt or other debt securities to be subject to mandatory redemption or repurchase by Issuer, provided the outstanding amount of such outstanding Indebtedness exceeds the

Threshold Amount.

8.02 Certain Financial Covenant Defaults. In the event that, after taking into account any extraordinary charge to earnings taken or to be taken as of the end of any fiscal period of Borrower (a "Charge"), and if solely by virtue of

such Charge, there would exist an Event of Default due to breach of Section 7.12

as of such fiscal period end date, such Event of Default shall be deemed to arise upon the earlier of (i) the date after such fiscal period end date on which Borrower announces publicly it will take, is taking or has taken such Charge (including an announcement in the form of a statement in a report filed with the SEC) or, if such announcement is made prior to such fiscal period end date, the date that is such fiscal period end date, and (ii) the date Borrower delivers to Administrative Agent its audited annual or unaudited quarterly financial statements in respect of such fiscal period reflecting such Charge as taken.

8.03 Remedies Upon Event of Default. Without limiting any other rights or remedies of Administrative Agent or Lenders provided for elsewhere in this Agreement, or the other Loan Documents, or by applicable Law, or in equity, or otherwise:

(a) Upon the occurrence, and during the continuance, of any Event of Default other than an Event of Default described in Section 8.01(i):

(i) Requisite Lenders may request Administrative Agent to, and Administrative Agent thereupon shall, terminate the Commitments and/or declare all or any part of the unpaid principal of all Loans, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents to be immediately due and payable,

-52-

whereupon the same shall become and be immediately due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by Borrower; and

(ii) Issuing Lender may, with the approval of Administrative Agent on behalf of Requisite Lenders, demand immediate payment by Borrower of an amount equal to the aggregate amount of all outstanding Letters of Credit Usage to be held in a Letter of Credit Cash Collateral Account.

(b) Upon the occurrence of any Event of Default described in Section

8.01(i):

(i) the Commitments and all other obligations of Administrative Agent or Lenders shall automatically terminate without notice to or demand upon Borrower, which are expressly waived by Borrower;

(ii) the unpaid principal of all Loans, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents shall be immediately due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by Borrower; and

(iii) an amount equal to the aggregate amount of all outstanding Letters of Credit Usage shall be immediately due and payable to Issuing Lender without notice to or demand upon Borrower, which are expressly waived by Borrower, to be held in a Letter of Credit Cash Collateral Account.

(c) Upon the occurrence of any Event of Default, Lenders and Administrative Agent, or any of them, without notice to (except as expressly provided for in any Loan Document) or demand upon Borrower, which are expressly waived by Borrower (except as to notices expressly provided for in any Loan Document), may proceed to (but only with the consent of Requisite Lenders) protect, exercise and enforce their rights and remedies under the Loan Documents against Borrower and such other rights and remedies as are provided by Law or equity.

(d) Except as permitted by Section 10.05, no Lender may exercise any

rights or remedies with respect to the Obligations without the consent of Requisite Lenders in their sole and absolute discretion. The order and manner in which Administrative Agent's and Lenders' rights and remedies are to be exercised shall be determined by Requisite Lenders in their sole and absolute

discretion. Regardless of how a Lender may treat payments for the purpose of its own accounting, for the purpose of computing the Obligations hereunder, payments shall be applied first, to costs and expenses (including Attorney Costs) incurred by Administrative Agent and each Lender, second, to the payment of accrued and unpaid interest on the Loans to and including the date of such application, third, to the payment of the unpaid principal of the Loans, and fourth, to the payment of all other amounts (including fees) then owing to Administrative Agent and Lenders under the Loan Documents, in each case paid pro rata to each Lender in the same proportions that the aggregate Obligations owed to each Lender under the Loan Documents bear to the aggregate Obligations owed under the Loan Documents to all Lenders, without priority or preference among Lenders. No application of payments will cure any Event of Default, or prevent acceleration, or continued acceleration, of amounts payable under the Loan

-53-

Documents, or prevent the exercise, or continued exercise, of rights or remedies of Administrative Agent and Lenders hereunder or thereunder or at Law or in equity.

SECTION 9.
ADMINISTRATIVE AGENT

9.01 Appointment and Authorization of Administrative Agent.

(a) Each Lender hereby irrevocably (subject to Section 9.09) appoints, -----
designates and authorizes Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall Administrative Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" in this Agreement with reference to Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) Issuing Lender shall act on behalf of Lenders with respect to any Letters of Credit issued by it and the documents associated therewith until such time and except for so long as Administrative Agent may agree at the request of Requisite Lenders to act for such Issuing Lender with respect thereto; provided, -----
however, that Issuing Lender shall have all of the benefits and immunities (i) -----
provided to Administrative Agent in this Section 9 with respect to any acts -----
taken or omissions suffered by Issuing Lender in connection with Letters of Credit issued by it or proposed to be issued by it and the application and agreements for letters of credit pertaining to the Letters of Credit as fully as if the term "Administrative Agent" as used in this Section 9 included Issuing -----
Lender with respect to such acts or omissions, and (ii) as additionally provided in this Agreement with respect to Issuing Lender.

9.02 Delegation of Duties. Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-

-54-

fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

9.03 Liability of Administrative Agent. No Administrative Agent-Related Person shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any Lender for any recital, statement, representation or warranty made by Borrower or any Subsidiary or Affiliate of Borrower, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Administrative Agent under or in connection with, this Agreement or any other

Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Administrative Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of Borrower or any of Borrower's Subsidiaries or Affiliates.

9.04 Reliance by Administrative Agent.

(a) Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrower), independent accountants and other experts selected by Administrative Agent. Administrative Agent shall be fully justified in failing or refusing to take any action under any other Loan Document unless it shall first receive such advice or concurrence of Requisite Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of Requisite Lenders or all Lenders, if required hereunder, and such request and any action taken or failure to act pursuant thereto shall be binding upon all of Lenders. Where this Agreement expressly permits or prohibits an action unless Requisite Lenders otherwise determine, and in all other instances, Administrative Agent may, but shall not be required to, initiate any solicitation for the consent or a vote of Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 4.01, each Lender that has executed this Agreement shall be deemed to

have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to such Lender.

-55-

(c) Each Lender hereby authorizes Administrative Agent, upon payment of the amount certified by Borrower as the full and final payment of all principal, interest, fees and other charges outstanding under this Agreement, and following termination of the Commitments, to execute with and in favor of Borrower a termination letter that, inter alia, terminates Borrower's obligation to observe

any or all of the covenants in Sections 3, 6 and 7 hereof.

9.05 Notice of Default. Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to Administrative Agent for the account of Lenders, unless Administrative Agent shall have received written notice from a Lender or Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". Administrative Agent will notify Lenders of its receipt of any such notice. Administrative Agent shall take such action with respect to such Default or Event of Default as may be directed by Requisite Lenders in accordance with Section 8; provided,

however, that unless and until Administrative Agent has received any such

direction, Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of Lenders.

9.06 Credit Decision; Disclosure of Information by Administrative Agent. Each Lender acknowledges that no Administrative Agent-Related Person has made any representation or warranty to it, and that no act by Administrative Agent hereinafter taken, including any consent to and acceptance of any assignment or review of the affairs of Borrower and its Subsidiaries, shall be deemed to constitute any representation or warranty by any Administrative Agent-Related Person to any Lender as to any matter, including whether Administrative Agent-Related Persons have disclosed material information in their possession. Each Lender, including any Lender by assignment, represents to Administrative Agent that it has, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to Borrower

hereunder. Each Lender also represents that it will, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower. Except for notices, reports and other documents expressly required to be furnished to Lenders by Administrative Agent herein, Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of Borrower or any of its Subsidiaries which may come into the possession of any Administrative Agent-Related Person.

9.07 Indemnification of Administrative Agent. Whether or not the transactions contemplated hereby are consummated, Lenders shall indemnify upon demand each

-56-

Administrative Agent-Related Person (to the extent not reimbursed by or on behalf of Borrower and without limiting the obligation of Borrower to do so), pro rata, and hold harmless each Administrative Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; provided, however,

that no Lender shall be liable for the payment to any Administrative Agent-Related Person of any portion of such Indemnified Liabilities resulting from such Person's gross negligence or willful misconduct; provided, however,

that no action taken in accordance with the directions of Requisite Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that Administrative Agent is not reimbursed for such expenses by or on behalf of Borrower. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of Administrative Agent.

9.08 Administrative Agent in Individual Capacity. Bank of America and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with Borrower and its Subsidiaries and Affiliates as though Bank of America were not Administrative Agent or Issuing Lender hereunder and without notice to or consent of Lenders. Lenders acknowledge that, pursuant to such activities, Bank of America or its Affiliates may receive information regarding Borrower or its Affiliates (including information that may be subject to confidentiality obligations in favor of Borrower or such Affiliate) and acknowledge that Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, Bank of America shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not Administrative Agent or Issuing Lender.

9.09 Successor Administrative Agent. Administrative Agent may, and at the request of Requisite Lenders shall, resign as Administrative Agent upon 30 days' notice to Lenders. If Administrative Agent resigns under this Agreement, Requisite Lenders shall appoint from among Lenders a successor administrative agent for Lenders which successor administrative agent shall be approved by Borrower. If no successor administrative agent is appointed prior to the effective date of the resignation of Administrative Agent, Administrative Agent may appoint, after consulting with Lenders and Borrower and upon approval of Borrower (other than at any time as there exists an Event of Default) which will not be unreasonably withheld, a successor administrative agent from among Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor administrative agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 9 and Sections

10.03 and 10.11 shall inure to its benefit as to any actions taken or omitted to

be taken by it while it was Administrative Agent under this Agreement. If no

-57-

successor administrative agent has accepted appointment as Administrative Agent (whether due to absence of Borrower approval or otherwise) by the date which is

30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and Lenders shall perform all of the duties of Administrative Agent hereunder until such time, if any, as Requisite Lenders appoint a successor agent as provided for above. Notwithstanding the foregoing, however, Bank of America may not be removed as Administrative Agent at the request of Requisite Lenders unless Bank of America shall also simultaneously be replaced as "Issuing Lender" hereunder pursuant to documentation in form and substance reasonably satisfactory to Bank of America.

9.10 Syndication Agent; Documentation Agent. None of Lenders (or Affiliates of Lenders) identified on the facing page or signature pages of this Agreement as a "Syndication Agent" or "Documentation Agent" shall have any right, power, obligation, liability, responsibility or duty under this Agreement in such capacity. Without limiting the foregoing, none of Lenders (or Affiliates of Lenders) so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of Lenders (or Affiliates of Lenders) so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

SECTION 10.
MISCELLANEOUS

10.01 Amendments; Consents. No amendment, modification, supplement, extension, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent thereunder, and no consent to any departure by Borrower therefrom shall be effective unless in writing signed by Requisite Lenders and acknowledged by Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Except as otherwise expressly provided herein, without the approval in writing of Administrative Agent and all Lenders, no amendment, modification, supplement, termination, waiver or consent may be effective:

(a) To reduce the amount of principal, principal prepayments or the rate of interest payable on, any Loan, or the amount of any fee or other amount payable to any Lender under the Loan Documents (unless such modification is consented to by each Lender entitled to receive such fee) or to waive an Event of Default consisting of the failure of Borrower to pay when due principal, interest or any commitment fee;

(b) To postpone any date fixed for any payment of principal of, prepayment of principal of, or any installment of interest on, any Loan or any installment of any commitment fee, to extend the term of, or increase the amount of, any Lender's Commitment (it being understood that a waiver of an Event of Default shall not constitute an extension or increase in the Commitment of any Lender) or modify the Pro Rata Share of any Lender;

(c) To amend the definition of "Requisite Lenders" or the provisions of Section 4, Section 9, this Section 10.01 or Section 10.06; or

-58-

(d) To amend any provision of this Agreement that expressly requires the consent or approval of all Lenders; provided, however, that (i) no amendment, waiver or consent shall, unless in writing and signed by Issuing Lender in addition to Requisite Lenders or all Lenders, as the case may be, affect the rights or duties of Issuing Lender, (ii) no amendment, waiver or consent shall, unless in writing and signed by Administrative Agent in addition to Requisite Lenders or all Lenders, as the case may be, affect the rights or duties of Administrative Agent, and (iii) the fee letters may be amended, or rights or privileges thereunder waived, in a writing executed by the parties thereto. Any amendment, modification, supplement, termination, waiver or consent pursuant to this Section shall apply equally to, and shall be binding upon, all Lenders and Administrative Agent.

10.02 Transmission and Effectiveness of Communications and Signatures.

(a) Modes of Delivery. Except as otherwise provided in any Loan Document, notices, requests, demands, directions, agreements and documents delivered in connection with the Loan Documents (collectively, "communications") shall be transmitted by Requisite Notice to the number and address set forth on Schedule 10.02, may be delivered by the following modes of delivery, and shall be effective as follows:

Mode of Delivery	Effective on earlier of actual receipt and:
Courier	Scheduled delivery date
Facsimile	When transmission in legible form complete

Mail	Fourth Business Day after deposit in U.S. mail first class postage pre-paid
Personal delivery	When received
Telephone	When conversation completed

provided, however, that communications delivered to Administrative Agent

pursuant to Section 2 must be in writing and shall not be effective until

actually received by Administrative Agent.

(b) Reliance by Administrative Agent and Lenders. Administrative Agent and Lenders shall be entitled to rely and act on any communications purportedly given by or on behalf of Borrower even if (i) such communications (A) were not made in a manner specified herein, (B) were incomplete or (C) were not preceded or followed by any other notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any subsequent related communications provided for herein. Borrower shall indemnify Administrative Agent and Lenders from any loss, cost, expense or liability as a result of relying on any communications permitted herein.

(c) Effectiveness of Facsimile Documents and Signatures. Documents and agreements delivered from time to time in connection with the Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as hardcopies with manual signatures and shall be binding on all Borrower Parties and Administrative Agent and Lenders. Administrative

-59-

Agent may also request that any such documents and signature be confirmed by a manually-signed hardcopy thereof; provided, however, that the failure to request

or deliver any such manually-signed hardcopy shall not affect the effectiveness of any facsimile documents or signatures.

10.03 Attorney Costs, Expenses and Taxes. Borrower agrees (a) to pay or reimburse Administrative Agent for all reasonable costs and expenses incurred in connection with the development, preparation, negotiation and execution of the Loan Documents, and the development, preparation, negotiation and execution of any amendment, waiver, consent, supplement or modification to, any Loan Documents, and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including all reasonable Attorney Costs, and (b) to pay or reimburse Administrative Agent and each Lender for all costs and expenses incurred in connection with any refinancing, restructuring, reorganization (including a bankruptcy reorganization) and enforcement or attempted enforcement, or preservation of any rights under any Loan Documents, and any other documents prepared in connection herewith or therewith, or in connection with any refinancing, or restructuring of any such documents in the nature of a "workout" or of any insolvency or bankruptcy proceeding, including Attorney Costs. The foregoing costs and expenses shall include all reasonable search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by Administrative Agent and the cost of independent public accountants and other outside experts retained by Administrative Agent or any Lender. Such costs and expenses shall also include administrative costs of Administrative Agent reasonably attributable to the administration of the Loan Documents. Any amount payable by Borrower under this Section shall bear interest from the second Business Day following the date of demand for payment at the Default Rate, unless waived by Administrative Agent. The agreements in this Section shall survive repayment of all Obligations.

10.04 Binding Effect; Assignment.

(a) This Agreement and the other Loan Documents to which Borrower is a party will be binding upon and inure to the benefit of Borrower, Administrative Agent, Lenders and their respective successors and assigns, except that, Borrower may not assign its rights hereunder or thereunder or any interest herein or therein without the prior written consent of all Lenders and any such attempted assignment shall be void. Any Lender may at any time pledge its Note or any other instrument evidencing its rights as a Lender under this Agreement to a Federal Reserve Bank, but no such pledge shall release such Lender from its obligations hereunder or grant to such Federal Reserve Bank the rights of a Lender hereunder absent foreclosure of such pledge.

(b) From time to time following the Closing Date, each Lender may assign to one or more Eligible Assignees all or any portion of its Commitment and/or Extensions of Credit; provided that (i) such assignment, if not to a Lender or

an Affiliate of the assigning Lender, shall be consented to by Borrower at all times other than during the existence of a Default or Event of Default and by Administrative Agent and Issuing Lender (which approval of Borrower shall not be unreasonably withheld), (ii) a copy of a duly signed and completed Assignment and Acceptance shall be delivered to Administrative Agent, (iii) except in the

case of an assignment (A) to an Affiliate of the assigning Lender or to another Lender or (B) of the entire remaining

-60-

Commitment of the assigning Lender, the portion of the Commitment assigned shall not be less than the Minimum Amount therefor, and (iv) the effective date of any such assignment shall be as specified in the Assignment and Acceptance, but not earlier than the date which is five Business Days after the date Administrative Agent has received the Assignment and Acceptance. Upon any required consent by Administrative Agent, Issuing Lender and Borrower to such assignment and payment of the requisite fee described below, the assignee named therein shall be a Lender for all purposes of this Agreement, with the Pro Rata Share therein set forth and, to the extent of such Pro Rata Share, the assigning Lender shall be released from its further obligations under this Agreement. Borrower agrees that it shall execute and deliver upon request (against delivery by the assigning Lender to Borrower of any Note) to such assignee Lender, one or more Notes evidencing such assignee Lender's Loans, and to the assigning Lender if requested, one or more Notes evidencing Loans under any Commitment retained by the assigning Lender. Administrative Agent's consent to any assignment shall not be deemed to constitute any representation or warranty by any Administrative Agent-Related Person as to any matter. For purposes hereof, each mutual fund that is an Affiliate of a Lender shall be deemed to be a single Eligible Assignee, whether or not such fund is managed by the same fund manager as other mutual funds that are Affiliates of the same Lender.

(c) After receipt of a completed Assignment and Acceptance, and receipt of an assignment fee of \$4,000 from such Eligible Assignee (including in the case of assignments to Affiliates of assigning Lenders), Administrative Agent shall, promptly following the effective date thereof, provide to Borrower and Lenders a revised Schedule 10.02 giving effect thereto.

(d) Each Lender may from time to time, without the consent of any other Person, grant participations to one or more other Person (including another Lender) of all or any portion of its Pro Rata Share of its Commitment or Extensions of Credit; provided, however, that (i) such Lender's obligations

under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other financial institutions shall not be a Lender hereunder for any purpose except, if the participation agreement so provides, for the purposes of Section 3 (but only to the extent that the cost

of such benefits to Borrower does not exceed the cost which Borrower would have incurred in respect of such Lender absent the participation) and subject to Sections 10.05 and 10.06, (iv) Borrower, Administrative Agent and the other

Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, (v) the participation agreement shall not restrict an increase in the combined Commitments or in granting Lender's Pro Rata Share, so long as the amount of the participation interest is not affected thereby, and (vi) the consent of the holder of such participation interest shall not be required for amendments or waivers of provisions of the Loan Documents; provided, however, that the

assigning Lender may, in any agreement with a participant, give such participant the right to consent to any matter which (A) extends the Maturity Date as to such participant or any other date upon which any payment of money is due to such participant, (B) reduces the rate of interest owing to such participant, any fee or any other monetary amount owing to such participant, or (C) reduces the amount of any installment of principal owing to such participant. Any Lender that sells a participation to any Person that is a "foreign corporation, partnership or trust" within the meaning of the Code shall include in its participation agreement with such Person a covenant by such Person that such Person will

-61-

comply with the provisions of Section 10.21 as if such Person were a Lender and provide that Administrative Agent and Borrower shall be third party beneficiaries of such covenant.

10.05 Set-off. In addition to any rights and remedies of Administrative Agent and Lenders or any assignee or participant of any Lender or any Affiliate thereof (each, a "Proceeding Party") provided by law, upon the occurrence and

during the continuance of any Event of Default, each Proceeding Party is authorized at any time and from time to time, without prior notice to Borrower, any such notice being waived by Borrower to the fullest extent permitted by law, to proceed directly, by right of set-off, banker's lien, or otherwise, against any assets of Borrower Parties which may be in the hands of such Proceeding Party (including all general or special, time or demand, provisional or other deposits and other indebtedness owing by such Proceeding Party to or for the

credit or the account of Borrower) and apply such assets against the Obligations, irrespective of whether such Proceeding Party shall have made any demand therefor and although such Obligations may be unmatured. Each Lender agrees promptly to notify Borrower and Administrative Agent after any such set-off and application made by such Lender; provided, however, that the failure to

give such notice shall not affect the validity of such set-off and application.

10.06 Sharing of Payments. Each Lender severally agrees that if it, through the exercise of any right of setoff, banker's lien or counterclaim against Borrower or otherwise, receives payment on account of the Outstanding Obligations held by it that is ratably more than any other Lender receives in payment on account of the Outstanding Obligations held by such other Lender, then, subject to applicable Laws: (a) the Lender exercising the right of setoff, banker's lien or counterclaim or otherwise receiving such payment shall purchase, and shall be deemed to have simultaneously purchased, from the other Lender a participation in the Outstanding Obligations held by the other Lender and shall pay to the other Lender a purchase price in an amount so that the share of the Outstanding Obligations held by each Lender after the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment shall be in the same proportion that existed prior to the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment; and (b) such other adjustments and purchases of participations shall be made from time to time as shall be equitable to ensure that all Lenders share any payment obtained in respect of the Outstanding Obligations ratably in accordance with each Lender's share of the Outstanding Obligations immediately prior to, and without taking into account, the payment; provided that, if all or any portion of a

disproportionate payment obtained as a result of the exercise of the right of setoff, banker's lien, counterclaim or otherwise is thereafter recovered from the purchasing Lender by Borrower or any Person claiming through or succeeding to the rights of Borrower, the purchase of a participation shall be rescinded and the purchase price thereof shall be restored to the extent of the recovery, but without interest. Each Lender that purchases a participation in the Outstanding Obligations pursuant to this Section shall from and after the purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Outstanding Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Outstanding Obligations purchased. Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in an Obligation so purchased may exercise any and all rights of setoff, banker's lien or counterclaim with respect to the participation as fully as if Lender were the original owner of the Obligation purchased.

-62-

10.07 No Waiver; Cumulative Remedies.

(a) No failure by any Lender or Administrative Agent to exercise, and no delay by any Lender or Administrative Agent in exercising, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege under any Loan Document preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. Without limiting the generality of the foregoing, the terms and conditions of Section 4 may be waived in whole or

in part, with or without terms or conditions, in respect of any Extension of Credit without prejudicing Administrative Agent's or Lenders' rights to assert them in whole or in part in respect of any other Extension of Credit.

(b) The rights, remedies, powers and privileges herein or therein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law. Any decision by Administrative Agent or any Lender not to require payment of any interest (including Default Interest), fee, cost or other amount payable under any Loan Document or to calculate any amount payable by a particular method on any occasion shall in no way limit or be deemed a waiver of Administrative Agent's or such Lender's right to require full payment thereof, or to calculate an amount payable by another method that is not inconsistent with this Agreement, on any other or subsequent occasion.

(c) The terms and conditions of Section 9 are for the sole benefit of

Administrative Agent and Lenders.

10.08 Usury. Notwithstanding anything to the contrary contained in any Loan Document, the interest and fees paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If Administrative Agent or any Lender

shall receive interest or a fee in an amount that exceeds the Maximum Rate, the excessive interest or fee shall be applied to the principal of the Outstanding Obligations or, if it exceeds the unpaid principal, refunded to Borrower. In determining whether the interest or a fee contracted for, charged, or received by Administrative Agent or a Lender exceeds the Maximum Rate, such Person may,

to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations.

10.09 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.10 Integration. This Agreement, together with the other Loan Documents and any letter agreements referred to herein, comprises the complete and integrated agreement of the parties on the subject matter hereof and supersedes all prior agreements, written or oral, on the subject matter hereof. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control and govern; provided that the inclusion of supplemental rights or remedies in favor of

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Administrative Agent

-63-

or Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

10.11 Nature of Lenders' Obligations. Nothing contained in this Agreement or any other Loan Document and no action taken by Administrative Agent or Lenders or any of them pursuant hereto or thereto may, or may be deemed to, make Lenders a partnership, an association, a joint venture or other entity, either among themselves or with Borrower or any Affiliate of Borrower. Each Lender's obligation to make any Extension of Credit pursuant hereto is several and not joint or joint and several, and in the case of the initial Extension of Credit only is conditioned upon the performance by all other Lenders of their obligations to make the initial Extension of Credit. A default by any Lender will not increase the Pro Rata Share attributable to any other Lender.

10.12 Survival of Representations and Warranties. All representations and warranties made hereunder and in any Loan Document, certificate or statement delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery thereof but shall terminate the later of (a) when the Commitments are terminated and (b) when no Obligations remain outstanding under any Loan Document. Such representations and warranties have been or will be relied upon by Administrative Agent and each Lender, notwithstanding any investigation made by Administrative Agent or any Lender or on their behalf.

10.13 Indemnity by Borrower. Borrower agrees to indemnify, save and hold harmless each Administrative Agent-Related Person and each Lender and their respective Affiliates, directors, officers, agents, attorneys and employees (collectively, the "Indemnitees") from and against: (a) any and all claims, ----- demands, actions or causes of action that are asserted against any Indemnitee by any Person (other than Administrative Agent or any Lender) relating directly or indirectly to a claim, demand, action or cause of action that such Person asserts or may assert against Borrower, any of its Affiliates or any its officers or directors; (b) any and all claims, demands, actions or causes of action arising out of or relating to, the Loan Documents, any predecessor loan documents, the Commitments, the use or contemplated use of the proceeds of any Loan, or the relationship of Borrower, Administrative Agent and Lenders under this Agreement; (c) any administrative or investigative proceeding by any Governmental Authority arising out of or related to a claim, demand, action or cause of action described in subsection (a) or (b) above; and (d) any and all liabilities, losses, costs or expenses (including Attorney Costs) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action or proceeding, in all cases, whether or not an Indemnitee is a party to such claim, demand, action, cause of action or proceeding, including those liabilities caused by an Indemnitee's own negligence (all the foregoing, collectively, the "Indemnified Liabilities"); provided that -----

no Indemnitee shall be entitled to indemnification for any loss caused by its own gross negligence or willful misconduct or for any loss asserted against it by another Indemnitee.

10.14 Nonliability of Lenders.

-64-

Borrower acknowledges and agrees that:

(a) Any inspections of any property of Borrower made by or through Administrative Agent or Lenders are for purposes of administration of the Loan

Documents only, and Borrower is not entitled to rely upon the same (whether or not such inspections are at the expense of Borrower);

(b) By accepting or approving anything required to be observed, performed, fulfilled or given to Administrative Agent or Lenders pursuant to the Loan Documents, neither Administrative Agent nor Lenders shall be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance or approval thereof shall not constitute a warranty or representation to anyone with respect thereto by Administrative Agent or Lenders; (c) The relationship between Borrower and Administrative Agent and Lenders is, and shall at all times remain, solely that of borrower and lenders; neither Administrative Agent nor any Lender shall under any circumstance be deemed to be in a relationship of confidence or trust or a fiduciary relationship with Borrower or its Affiliates, or to owe any fiduciary duty to Borrower or its Affiliates; neither Administrative Agent nor any Lender undertakes or assumes any responsibility or duty to Borrower or its Affiliates to select, review, inspect, supervise, pass judgment upon or inform Borrower or its Affiliates of any matter in connection with their property or the operations of Borrower or its Affiliates; Borrower and its Affiliates shall rely entirely upon their own judgment with respect to such matters; and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by Administrative Agent or any Lender in connection with such matters is solely for the protection of Administrative Agent and Lenders and neither Borrower nor any other Person is entitled to rely thereon; and

(d) Neither Administrative Agent nor any Lender shall be responsible or liable to any Person for any loss, damage, liability or claim of any kind relating to injury or death to Persons or damage to property caused by the actions, inaction or negligence of Borrower and/or its Affiliates and Borrower hereby indemnifies and holds Administrative Agent and Lenders harmless from any such loss, damage, liability or claim.

10.15 No Third Parties Benefited. This Agreement is made for the purpose of defining and setting forth certain obligations, rights and duties of Borrower, Administrative Agent and Lenders in connection with the Extensions of Credit, and is made for the sole benefit of Borrower, Administrative Agent and Lenders, and Administrative Agent's and Lenders' successors and assigns. Except as provided in Sections 10.04 and 10.13, no other Person shall have any rights of

any nature hereunder or by reason hereof.

10.16 Severability. Any provision of the Loan Documents that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

-65-

10.17 Confidentiality. Administrative Agent and each Lender shall use any confidential non-public information concerning Borrower and its Subsidiaries that is furnished to Administrative Agent or such Lender by or on behalf of Borrower and its Subsidiaries in connection with the Loan Documents (collectively, "Confidential Information") solely for the purpose of evaluating

and providing products and services to them and administering and enforcing the Loan Documents, and it will hold the Confidential Information in confidence. Notwithstanding the foregoing, Administrative Agent and each Lender may disclose Confidential Information (a) to their Affiliates or any of their or their Affiliates' directors, officers, employees, advisors, or representatives (collectively, the "Representatives") whom it determines need to know such

information for the purposes set forth in this Section; (b) to any bank or financial institution or other entity to which such Lender has assigned or desires to assign an interest or participation in the Loan Documents or the Obligations, provided that any such foregoing recipient of such Confidential

Information agrees to keep such Confidential Information confidential as specified herein; (c) to any governmental agency or regulatory body having or claiming to have authority to regulate or oversee any aspect of Administrative Agent's or such Lender's business or that of its Representatives in connection with the exercise of such authority or claimed authority; (d) to the extent necessary or appropriate to effect or preserve Administrative Agent's or such Lender's or any of their Affiliates' security (if any) for any Obligation or to enforce any right or remedy or in connection with any claims asserted by or against Administrative Agent or such Lender or any of their Representatives; and (e) pursuant to any subpoena or any similar legal process. For purposes hereof, the term "Confidential Information" shall not include information that (x) is in Administrative Agent's or a Lender's possession prior to its being provided by or on behalf of the Borrower Parties, provided that such information is not

known by Administrative Agent or such Lender to be subject to another confidentiality agreement with, or other legal or contractual obligation of

confidentiality to, Borrower, (y) is or becomes publicly available (other than through a breach hereof by Administrative Agent or such Lender), or (z) becomes available to Administrative Agent or such Lender on a nonconfidential basis, provided that the source of such information was not known by Administrative

Agent or such Lender to be bound by a confidentiality agreement or other legal or contractual obligation of confidentiality with respect to such information.

10.18 Further Assurances. Borrower and its Subsidiaries shall, at their expense and without expense to Lenders or Administrative Agent, do, execute and deliver such further acts and documents as any Lender or Administrative Agent from time to time reasonably requires for the assuring and confirming unto Lenders or Administrative Agent of the rights hereby created or intended now or hereafter so to be, or for carrying out the intention or facilitating the performance of the terms of any Loan Document.

10.19 Headings. Section headings in this Agreement and the other Loan Documents are included for convenience of reference only and are not part of this Agreement or the other Loan Documents for any other purpose.

10.20 Time of the Essence. Time is of the essence of the Loan Documents.

10.21 Foreign Lenders. Each Lender that is a "foreign corporation, partnership or trust" within the meaning of the Code shall deliver to Administrative Agent, prior to receipt of

-66-

any payment subject to withholding under the Code (or after accepting an assignment of an interest herein), two duly signed completed copies of either Form W-8BEN or any successor thereto (relating to such Person and entitling it to a complete exemption from withholding on all payments to be made to such Person by Borrower pursuant to this Agreement) or Form W-8ECI or any successor thereto (relating to all payments to be made to such Person by Borrower pursuant to this Agreement) of the United States Internal Revenue Service or such other evidence satisfactory to Borrower and Administrative Agent that no withholding under the federal income tax laws is required with respect to such Person. Thereafter and from time to time, each such Person shall (a) promptly submit to Administrative Agent such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to Borrower and Administrative Agent of any available exemption from, United States withholding taxes in respect of all payments to be made to such Person by Borrower pursuant to this Agreement, and (b) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws that Borrower make any deduction or withholding for taxes from amounts payable to such Person. If such Persons fails to deliver the above forms or other documentation, then Administrative Agent may withhold from any interest payment to such Person an amount equivalent to the applicable withholding tax imposed by Sections 1441 and 1442 of the Code, without reduction. If any Governmental Authority asserts that Administrative Agent did not properly withhold any tax or other amount from payments made in respect of such Person, such Person shall indemnify Administrative Agent therefor, including all penalties and interest and costs and expenses (including Attorney Costs) of Administrative Agent. The obligation of Lenders under this Section shall survive the payment of all Obligations and the resignation or replacement of Administrative Agent.

10.22 Removal and Replacement of Lenders.

(a) Under any circumstances set forth in this Agreement providing that Borrower shall have the right to remove and replace a Lender as a party to this Agreement, Borrower may, upon notice to such Lender and Administrative Agent, remove such Lender by (i) non ratably terminating such Lender's Commitment, and (ii) if being replaced, causing such Lender to assign its Commitment to one or more other Lenders or Eligible Assignees acceptable to Borrower, Administrative Agent and Issuing Lender; provided, however, that during the existence of any

Event of Default, Borrower may not remove or replace a Lender pursuant to this Section 10.22. Any removed or replaced Lender shall be entitled to (x) payment

in full of all principal, interest, fees and other amounts owing to such Lender or such Lender's affiliated Indemnitees under any Loan Document through the date of termination or assignment (including any amounts payable pursuant to Section

3.05), (y) appropriate assurances and indemnities (which may include letters of

credit) as such Lender may reasonably require with respect to its participation interest in any Letters of Credit and (z) a release of such Lender from its obligations under the Loan Documents. Any Lender being replaced shall execute and deliver an Assignment and Acceptance covering such Lender's Commitment, and shall otherwise comply with Section 10.04. Administrative Agent shall distribute

an amended Schedule 2.01, which shall thereafter be incorporated into this

Agreement, to reflect adjustments to Lenders and their Commitments.

-67-

(b) In order to make all Lender's interests in any outstanding Extensions of Credit ratable in accordance with any revised Pro Rata Shares after giving effect to the removal or replacement of a Lender, Borrower shall pay or prepay, if necessary, on the effective date thereof, all outstanding Extensions of Credit of all Lenders, together with any amounts due under Section 3.05.

Borrower may then request Extensions of Credit from Lenders in accordance with their revised Pro Rata Shares.

10.23 Governing Law.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE; PROVIDED THAT ADMINISTRATIVE AGENT AND

EACH LENDER SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF CALIFORNIA OR OF THE UNITED STATES FOR THE CENTRAL DISTRICT OF SUCH STATE, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, BORROWER, ADMINISTRATIVE AGENT AND EACH LENDER CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. BORROWER, ADMINISTRATIVE AGENT AND EACH LENDER IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY LOAN DOCUMENT OR OTHER DOCUMENT RELATED HERETO. BORROWER, ADMINISTRATIVE AGENT AND EACH LENDER WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF SUCH STATE.

10.24 Waiver of Right to Trial by Jury. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

-68-

10.25 Entire Agreement. This Agreement and the other Loan Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

-69-

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

QUANTUM CORPORATION

By: /s/ Andrew Kryder

Andrew Kryder

Vice President, Finance & General Counsel

-70-

BANK OF AMERICA, N.A., as
Administrative Agent, Issuing Lender, and
Lender

By: /s/ Sugeet Manchanda

Name: Sugeet Manchanda

Title: Vice President

-71-

THE BANK OF NOVA SCOTIA, as Lender

By: /s/ Chris Osborn

Name: Chris Osborn

Title: Director, TEG

-72-

FLEET NATIONAL BANK, as Lender

By: /s/ William E. Rurode, Jr.

Name: William E. Rurode, Jr.

Title: Executive Vice President

-73-

THE INDUSTRIAL BANK OF JAPAN, LIMITED, as Lender

By: /s/ Joe Endoso

Name: Joe Endoso

Title: Senior Vice President

-74-

BANQUE NATIONALE DE PARIS, as Lender

By: /s/ Michael D. McCorriston /s/ Debra Wright

Name: Michael D. McCorriston Debra Wright

Title: Vice President Vice President

-75-

CITICORP USA, INC., as Lender

By: /s/ Avrum Spiegel

Name: Avrum Spiegel

Title: Vice President

-76-

KEYBANK NATIONAL ASSOCIATION, as Lender

By: /s/ Mary K. Young

Name: Mary K. Young

Title: Vice President

-77-

THE SUMITOMO BANK, LIMITED, as Lender

By: /s/ Azar Shakeri

Name: Azar Shakeri

Title: Vice President & Manager

-78-

UNION BANK OF CALIFORNIA, N.A., as Lender

By: /s/ Glenn Leyrer

Name: Glenn Leyrer

Title: Vice President

[Use following for fiscal year-end financial statements]

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 6.01(a) of the Agreement for the fiscal year of

Borrower ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

[Use following for fiscal quarter-end financial statements]

1. Attached hereto as Schedule 1 are the unaudited financial statements required by Section 6.01(b) of the Agreement for the fiscal quarter

of Borrower ended as of the above date. Such financial statements fairly present the financial condition, results of operations and changes in financial position of Borrower and its Subsidiaries in accordance with GAAP as at such date and for such periods, subject only to normal year-end audit adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his supervision, a detailed review of the transactions and conditions (financial or otherwise) of Borrower during the accounting period covered by the attached financial statements.

3. A review of the activities of the Borrower Parties during such fiscal period has been made under my supervision with a view to determining whether during such fiscal period Borrower performed and observed all its respective Obligations under the Loan Documents, and

[select one:]

B-1
Form of Compliance Certificate

[to the best knowledge of the undersigned during such fiscal period, Borrower performed and observed each covenant and condition of the Loan Documents applicable to it.]

--or--

[the following covenants or conditions have not been performed or observed and the following is a list of all such Defaults and its nature and status:]

4. The following financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____, _____.

QUANTUM CORPORATION

By: _____

Name: _____

Title: _____

B-2
Form of Compliance Certificate

For the Quarter/Year ended _____ ("Statement Date")

SCHEDULE 2
to the Compliance Certificate
(\$ in 000's)

I. Section 7.12(a) - Minimum Consolidated Tangible Net Worth.

A. Actual Consolidated Tangible Net Worth at Statement Date:

- 1. Shareholders' Equity: \$ _____
- 2. Intangible Assets: \$ _____
- 3. Consolidated Tangible Net Worth
(Lines I.A.1 less Line I.A.2): \$ _____

- B. 75% of Consolidated Tangible Net Worth as of March 31, 2000 \$ _____
- C. Amount equal to 75% of the sum of positive Consolidated Net Income (ignoring any quarterly losses) for each fiscal quarter after the quarter ended March 31, 2000, through and including the quarter ending on the Statement Date: \$ _____
- D. Amount equal to 75% of the Net Proceeds of all Equity Securities issued by Borrower (excluding any issuance where the Net Proceeds to Borrower are less than \$10,000,000) during the period commencing on March 31, 2000 and ending on the Statement Date: \$ _____
- E. Amount equal to 75% of the increase in the value of outstanding Equity Securities resulting from any conversion of Convertible Subordinated Debentures into Equity Securities during the period commencing on March 31, 2000 and ending on the Statement Date: \$ _____
- F. Lesser of (i) the aggregate amount paid by Borrower to repurchase Equity Securities during the period commencing on March 31, 2000 and ending on the \$ _____

B-3
Form of Compliance Certificate

Statement Date, and (ii) \$200,000,000:

- G. Lesser of (i) the aggregate amount of charges taken by Borrower for In Process Research & Development associated with Acquisitions during the period commencing on March 31, 2000 and ending on the Statement Date, and (ii) \$100,000,000; provided that any such amounts were paid during -----
the quarter in which any such Acquisition was completed: \$ _____
- H. Sum of: Lines I.B + I.C + I.D + I.E less I.F less I.G: \$ _____
- I. Greater of Line I.B and I.H: \$ _____
- J. Excess (deficiency) for covenant compliance (Lines I.A.3 less I.I): \$ _____

II. Section 7.12(b) - Minimum Quick Ratio.

- A. Quick Assets:
 - 1. Amount of cash and cash equivalents of Borrower and its Subsidiaries (excluding restricted cash) as of the Statement Date: \$ _____
 - 2. Amount of all accounts receivable of Borrower and its Subsidiaries, less all reserves therefor, as of the Statement Date: \$ _____
 - 3. Amount of Quick Assets as of Statement Date (Lines II.A.1 + 2): \$ _____
- B. Current Liabilities:
 - 1. Amount of current liabilities of Borrower and its Subsidiaries as of the Statement Date: \$ _____
 - 2. Amount of Outstanding Obligations (to the extent not included in Line II.B.1): \$ _____
 - 3. Amount of total current liabilities of Borrower and its Subsidiaries as of the Statement Date (Line II.B.1 + 2): \$ _____
- C. Quick Ratio ((Line II.A.3 / Line II.B.3): _____ to 1

B-4
Form of Compliance Certificate

III. Section 7.12(c) - Maximum Leverage Ratio.

A. Consolidated EBITDA measured on a rolling four quarter basis for the four fiscal quarters ended as of the Statement Date ("Subject Period"):

1. Consolidated Net income for Subject Period: \$ _____
2. Consolidated Interest Charges for Subject Period: \$ _____
3. Provision for income taxes for Subject Period: \$ _____
4. Depreciation expenses for Subject Period: \$ _____
5. Amortization expenses for intangibles for Subject Period: \$ _____
6. Amount written off in connection with In-Process Research & Development related to the Meridian Acquisition (in the second fiscal quarter of year 2000 only): \$ _____
7. Amount of charge taken in connection with HDD (in the second fiscal quarter of year 2000 only): \$ _____
8. Amount of charge taken in connection with DSS (in the fourth fiscal quarter of year 2000 only): \$ _____
9. Lesser of (i) the aggregate amount of charges taken by Borrower for In Process Research & Development associated with Acquisitions during the period commencing on March 31, 2000 and ending on the Statement Date, and (ii) \$100,000,000; provided that any such

amounts were paid during the quarter in which any such Acquisition was completed: \$ _____

B-5
Form of Compliance Certificate

10. Consolidated EBITDA (Lines III.A.1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9): \$ _____

B. Consolidated Funded Indebtedness at Statement Date: \$ _____

C. Leverage Ratio (Line III.B / Line III.A.10): _____ to 1

Maximum permitted: 2.00 to 1

IV. Section 7.12(d) - Minimum Profitability.

A. 5% of Consolidated Tangible Net Worth as of Statement Date: \$ _____

B. Aggregate amount of the two greatest quarterly losses incurred during the four quarters immediately preceding the Statement Date: \$ _____

C. Excess (deficiency) for covenant compliance (Line IV.A less Line IV.B): \$ _____

D. Cumulative Consolidated Net Income for the four quarters immediately preceding the Statement Date: \$ _____

E. Excess (deficiency) for covenant compliance (Line IV.D less \$1.00): \$ _____

B-6
Form of Compliance Certificate

EXHIBIT C

FORM OF NOTE

April 19, 2000

FOR VALUE RECEIVED, the undersigned (the "Borrower"), hereby promises

to pay to the order of _____. (the "Lender"), on the Maturity Date

</TABLE>

C-3
Form of Note

EXHIBIT D

FORM OF ASSIGNMENT AND ACCEPTANCE

Reference is made to that certain Credit Agreement (3-Year) dated as of April 19, 2000 between Quantum Corporation, a Delaware corporation ("Borrower"),

Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent and Issuing Lender (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined).

Assignor identified on Schedule 1 hereto ("Assignor") and the Assignee

identified on Schedule 1 hereto ("Assignee") agree as follows:

1. Assignor hereby irrevocably sells and assigns to Assignee without recourse to Assignor, and Assignee hereby irrevocably purchases and assumes from Assignor without recourse to Assignor, as of the Effective Date (as defined below), the interest described in Schedule 1 hereto (the "Assigned Interest") in

and to Assignor's rights and obligations under the Agreement with respect to those Commitment(s) and Outstanding Obligations contained in the Agreement as are set forth on Schedule 1 hereto (individually, an "Assigned Commitment";

collectively, the "Assigned Commitments"), in the principal amount for each

Assigned Commitment as set forth on Schedule 1 hereto.

2. Assignor (a) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Agreement or with respect to the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Agreement, any other Loan Document or any other instrument or document furnished pursuant thereto, other than that Assignor has not created any adverse claim upon the interest being assigned by it hereunder and that such interest is free and clear of any such adverse claim; and (b) makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower or any of its Subsidiaries or any other obligor or the performance or observance by Borrower or any of its Subsidiaries or any other obligor of any of its respective obligations under the Agreement or any other Loan Document or any other instrument or document furnished pursuant hereto or thereto.

3. Assignee (a) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (b) confirms that it has received a copy of the Agreement, together with copies of the most recent financial statements delivered pursuant to Section 4.01 or 6.02 thereof, as applicable,

and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) agrees that it will, independently and without reliance upon Assignor, Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Agreement, the other Loan

D-1
Form of Assignment and Acceptance

Documents or any other instrument or document furnished pursuant hereto or thereto as are delegated to Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Agreement and will perform in accordance with its terms all the obligations which by the terms of the Agreement are required to be performed by it as a Lender.

4. The effective date of this Assignment and Acceptance shall be the Effective Date of Assignment described in Schedule 1 hereto (the "Effective Date"). Following the execution of this Assignment and Acceptance, it will be delivered to Administrative Agent and to the Borrower for its consent (if such consent is required) and, if such consent is granted, for acceptance and recording by Administrative Agent pursuant to the Agreement, effective as of the Effective Date (which shall not, unless otherwise agreed to by Administrative Agent, be earlier than five Business Days after the date of such acceptance and recording by Administrative Agent.

5. Upon such consent, acceptance and recording, from and after the Effective Date, Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to Assignee whether such amounts have accrued prior to or on or after the Effective Date. Assignor and Assignee shall make all appropriate adjustments in payments by Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

6. From and after the Effective Date, (a) Assignee shall be a party to the Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and under the other Loan Documents and shall be bound by the provisions thereof and (b) Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Agreement.

7. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed as of the date first above written by their respective duly authorized officers on Schedule 1 hereto.

D-2
Form of Assignment and Acceptance

SCHEDULE 1 TO ASSIGNMENT AND ACCEPTANCE

Commitment Assigned	Amount of Outstanding Obligations Assigned	Pro Rata Share Assigned (set forth to at least 8 decimals)
---------------------	--	--

Effective Date of Assignment: _____, _____

[ASSIGNOR]

By: _____
Name: _____
Title: _____

[ASSIGNEE]

By: _____
Name: _____
Title: _____

The undersigned hereby consent to the within assignment:

QUANTUM CORPORATION

By: _____
 Name: _____
 Title: _____

BANK OF AMERICA, N.A., as Administrative Agent
 and as Issuing Lender

By: _____
 Name: _____
 Title: _____

D-3
 Form of Assignment and Acceptance

SCHEDULE 2.01

COMMITMENTS
 AND PRO RATA SHARES

Lender	Commitment	Pro Rata Share
Bank of America, N.A.	\$32,500,000	17.333333333%
The Bank of Nova Scotia	\$25,000,000	13.333333333%
Fleet National Bank	\$25,000,000	13.333333333%
The Industrial Bank of Japan, Limited	\$25,000,000	13.333333333%
Banque Nationale de Paris	\$20,000,000	10.666666667%
Citicorp USA, Inc.	\$20,000,000	10.666666667%
KeyBank National Association	\$20,000,000	10.666666667%
The Sumitomo Bank, Limited	\$10,000,000	5.333333333%
Union Bank of California, N.A.	\$10,000,000	5.333333333%
Total	\$187,500,000	100.000000000%

-1-

SCHEDULE 5.05

LITIGATION

On August 7, 1998, the Company was named as one of several defendants in a patent infringement lawsuit filed in the U.S. District Court for the Northern District of Illinois, Eastern Division. The plaintiff, Papst Licensing GmbH, owns at least 24 U.S. patents which it asserts that the Company has infringed. The Company has studied many of these patents before and, of the patents it has studied, believes that defenses of patent invalidity and non-infringement can be asserted. However, the Company has not completed a full study of all the patents asserted by Papst and there can be no assurance that the Company has not infringed these or other patents owned by Papst. Recently, on Papst's motion, the case was transferred to a federal district court in New Orleans, Louisiana, where it has been joined with suits brought against Papst by Hewlett-Packard Company and Minebea Company, Ltd. for the purposes of coordinated discovery under multi-district litigation rules. The Company does not believe that the transfer will affect the final disposition of this matter in a significant way. The final results of this litigation, as with any litigation, are uncertain. In addition, the costs of engaging in litigation with Papst will be substantial.

The Company is also subject to other legal proceedings and claims that arise in the ordinary course of its business. For example, both Cambrian Consultants and Discovision Associates have brought patents they hold to the Company's attention. 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.

-1-

SCHEDULE 7.01

EXISTING INDEBTEDNESS AND LIENS

Indebtedness

1. Reimbursement Agreement between Sumitomo Bank, Ltd. and Quantum Peripherals (Europe), S.A., dated September 14, 1998, related to outstanding letters of credit in an amount not to exceed \$85,000,000.

2. Tax Ownership Operating Lease (Colorado Springs, CO) between Quantum Corporation and Lease Plan North America, Inc., dated August 25, 1997.
3. Mortgage (Louisville, CO and Shrewsbury, MA), dated August 22, 1995, between Quantum Corporation and QD Investors securing \$39,226,000 in outstanding principal as of December 31, 1999.
4. Reimbursement Agreement between Fleet National Bank and ATL Products, Inc., a Subsidiary of Borrower, dated February 3, 1999, related to an outstanding letter of credit in favor of National Westminster Bank, plc in the amount of (pound)300,000.

Liens

1. Lien (State: CO, file # 19992029330, dated 5/19/99) established under the Equipment Lease Agreement between Quantum Corporation and Prentiss Property Services, as Debtor, and BCL Capital.
2. Lien (State: CO, file # 19992024197, dated 4/29/99) established under the Equipment Lease Agreement between Quantum Corporation and Colorado Business Leasing, Inc.
3. Lien (State: CO, file # 19982060561, dated 9/24/98) established under the Master Lease Agreement between Quantum Corporation and Avnet Computer, a division of Avnet, Inc.
4. Lien (State: CO, file # 19972076228, dated 9/5/97) established under the Financing Statement between Quantum Corporation and Lease Plan North America, Inc.
5. Lien (State: CO, file # 199F0722387, dated 9/5/97) established under the Financing Statement between Quantum Corporation and Lease Plan North America, Inc.
6. Lien (State: CO, file # 962097106, dated 12/30/96) established under the Agreement between Quantum Corporation and American Leasing, Inc.

-1-

7. Lien (State: CO, file # 962081967, dated 10/31/96) established under the Agreement between Quantum Corporation and Finzer Leasing, Inc.
8. Lien (State: CA, file # 9732260586, dated 11/18/97) established under the Lease Agreement between ATL Products, Inc. and Sun Microsystems Finance.
9. Lien (State: CA, file # 9807660402, dated 3/16/98) established under the Lease Agreement between ATL Products, Inc. and Union Bank of California, N.A.
10. Lien (State: CA, file # 9821760711, dated 8/4/98) established under the Subordination Agreement between ATL Products, Inc. and Mellon US Leasing, a Division of Mellon Leasing Corporation.
11. Lien (State: CA, file # 9830060877, dated 10/23/98) established under the Equipment Schedule between ATL Products, Inc. and Mellon US Leasing, a Division of Mellon Leasing Corporation.
12. Lien (State: CA, file # 9903660704, dated 2/4/99) established under the Equipment Schedule between ATL Products, Inc. and Mellon US Leasing, a Division of Mellon Leasing Corporation.
13. Lien (State: CA, file # 9714961077, dated 5/27/97) established under rental between ATL Products, Inc. and Inter-Tel Leasing, Inc.
14. Lien (State: CA, file # 9719760464, dated 7/11/97) established under the Agreement between ATL Products, Inc. and Imperial Bank.
15. Lien (State: CA, file # 9510460180, dated 4/10/95) established under the Financing Agreement between Quantum Corporation and Hewlett-Packard Company.
16. Lien (State: CA, file # 9510460187, dated 4/10/95) established under the Financing Agreement between Quantum Corporation and Hewlett-Packard Company.
17. Lien (State: CA, file # 9526460720, dated 9/18/95) established under the Alternative Purchase Plan between Quantum Corporation and AT&T Capital Services Corporation.
18. Lien (State: CA, file # 9620660866, dated 6/22/96) established under the Financing Agreement between Quantum Corporation and Hewlett-Packard Company.

19. Lien (State: CA, file # 9623360189, dated 8/16/96) established under the Security Agreement between Quantum Corporation and Orix Credit Alliance, Inc.

-2-

20. Lien (State: CA, file # 9636660392, dated 12/30/96) established under the Equipment Lease Agreement between Quantum Corporation and American Leasing, Inc.
21. Lien (State: CA, file # 9724660679, dated 9/2/97) established under the Financing Statement between Quantum Corporation and ABN AMRO Bank, N.V. San Francisco International Branch, as Agent.
22. Lien (State: CA, file # 9733960635, dated 12/1/97) established under the Security Agreement between Quantum Corporation and Unisource Worldwide, Inc.
23. Lien (State: CA, file # 9813360891, dated 5/12/98) established under the Agreement between Quantum Corporation and AT&T Capital Corporation, Instrument and Data Services.
24. Lien (State: CA, file # 9818960462, dated 7/6/98) established under the Agreement between Quantum Corporation and Employment Development Department.
25. Lien (State: CA, file # 9934060376, dated 12/1/99) established under the Agreement between Quantum Corporation and Newcourt Technologies Corp (dba Newcourt Financial-Technology Rentals & Services).
26. Lien (State: CA, file # 9934060391, dated 12/1/99) established under the Agreement between Quantum Corporation and Newcourt Technologies Corp (dba Newcourt Financial-Technology Rentals & Services).
27. Lien (State: CA, file # 0003860457, dated 2/2/00) established under the Equipment Agreement between Quantum Corporation and ATEL Business Credit, Inc.
28. Lien (State: MA, file # 345962, dated 5/25/95) established under the Schedule between Quantum Corporation and Comdisco, Inc.
29. Lien (State: MA, file # 343626, dated 10/11/95) established under the Agreement between Quantum Corporation and Comdisco, Inc.
30. Lien (State: MA, file # 371364, dated 2/23/96) established under the Agreement between Quantum Corporation and Business Credit Leasing.
31. Lien (State: MA, file # 425668, dated 10/25/96) established under the Financing Agreement between Quantum Corporation and Hewlett-Packard Company.
32. Lien (State: MA, file # 456959, dated 3/25/97) established under the Agreement between Quantum Corporation and Sanwa Leasing Corporation.
33. Lien (State: MA, file # 449499, dated 2/18/97) established under the Financing Agreement between Quantum Corporation and Hewlett-Packard Company.

-3-

34. Lien (State: MA, file # 459264, dated 4/7/97) established under the Agreement between Quantum Corporation and Sanwa Leasing Corporation.
35. Lien (State: MA, file # 468158, dated 5/12/97) established under the Financing Agreement between Quantum Corporation and Hewlett-Packard Company.
36. Lien (State: MA, file # 518464, dated 12/22/97) established under the Agreement between Quantum Corporation and Sanwa Leasing Corporation.
37. Lien (State: MA, file # 582939, dated 10/9/98) established under the Agreement between Quantum Corporation and Hewlett-Packard Company.

-4-

SCHEDULE 7.13

SUBORDINATION PROVISIONS

Section [__].1 Agreement of Subordination. [Quantum Corporation]

covenants and agrees, and each holder of Notes issued hereunder by his acceptance thereof likewise covenants and agrees, that all Notes shall be issued subject to the provisions of this Article [__]; and each Person holding any Note, whether upon original issue or upon transfer, assignment or exchange

thereof, accepts and agrees to be bound by such provisions.

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

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

Section [].2 Payments to Noteholders. No payment shall be made

with respect to the principal of, or premium, if any, or interest on the Notes (including, but not limited to, the redemption price with respect to the Notes to be called for redemption in accordance with Section [] [Notice of Redemption: Selection of Notes] or submitted for redemption in accordance with Section [] [Redemption at Option of Holders], as the case may be, as provided in the Indenture), except payments and distributions made by the Trustee as permitted by the first or second paragraph of Section [].5, if:

- (i) a default in the payment of principal, premium, interest, rent or other obligations due on any Senior Indebtedness occurs and is continuing (or, in the case of Senior Indebtedness for which there is a period of grace, in the event of such a default that continues beyond the period of grace, if any, specified in the instrument or lease evidencing such Senior Indebtedness), unless and until such default shall have been cured or waived or shall have ceased to exist; or
- (ii) a default, other than a payment default, on a Designated Senior Indebtedness occurs and is continuing that then permits holders of such Designated Senior Indebtedness to accelerate its maturity and the Trustee receives a notice of the default (a "Payment Blockage Notice") from a Representative or [Quantum Corporation].

If the Trustee receives any Payment Blockage Notice pursuant to clause (ii) above, no subsequent Payment Blockage Notice shall be effective for purposes of this Section [].2 unless and until (A) at least 365 days shall have elapsed since the initial effectiveness of the immediately prior Payment Blockage Notice, and (B) all scheduled payments of principal,

-1-

premium, if any, and interest on the Notes that have come due have been paid in full in cash. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice.

[Quantum Corporation] may and shall resume payments on and distributions in respect of the Notes upon the earlier of:

- (1) the date upon which the default is cured or waived or ceases to exist, or
- (2) in the case of a default referred to in clause (ii) above, 179 days pass after notice is received if the maturity of such Designated Senior Indebtedness has not been accelerated, unless this Article [] otherwise prohibits the payment or distribution at the time of such payment or distribution.

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

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

For purposes of this Article [__], the words, "cash, property or securities" shall not be deemed to include shares of stock of [Quantum Corporation] as reorganized or readjusted, or securities of [Quantum Corporation] or any other corporation provided for by a plan of

-2-

reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article [__] with respect to the Notes to the payment of all Senior Indebtedness which may at the time be outstanding; provided that (i) the Senior Indebtedness is assumed by the new corporation, if any, resulting from any reorganization or readjustment, and (ii) the rights of the holders of Senior Indebtedness (other than leases which are not assumed by [Quantum Corporation] or the new corporation, as the case may be) are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of [Quantum Corporation] with, or the merger of [Quantum Corporation] into, another corporation or the liquidation or dissolution of [Quantum Corporation] following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article [__] [Consolidation, Merger, Sale, Conveyance and Lease] shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section [__].2 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article [__] [Consolidation, Merger, Sale, Conveyance and Lease].

In the event of the acceleration of the Notes because of an Event of Default, no payment or distribution shall be made to the Trustee or any holder of Notes in respect of the principal of, premium, if any, or interest on the Notes (including, but not limited to, the redemption price with respect to the Notes called for redemption in accordance with Section [__] [Notice of Redemption; Selection of Notes] or submitted for redemption in accordance with Section [__] [Redemption at Option of Holders], as the case may be, as provided in the Indenture), except payments and distributions made by the Trustee as permitted by the first or second paragraph of Section [__].5, until all Senior Indebtedness has been paid in full in cash or other payment satisfactory to the holders of Senior Indebtedness or such acceleration is rescinded in accordance with the terms of this Indenture. If payment of the Notes is accelerated because of an Event of Default, [Quantum Corporation] shall promptly notify holders of Senior Indebtedness of the acceleration.

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

-3-

Nothing in this Section [__].2 shall apply to claims of, or payments to, the Trustee under or pursuant to Section [__] [Compensation and Expenses of Trustee]. This Section [__].2 shall be subject to the further provisions of Section [__].5.

Section [__].3 Subrogation of Notes. Subject to the payment in full

of all Senior Indebtedness, the rights of the holders of the Notes shall be subrogated to the extent of the payments or distributions made to the holders of such Senior Indebtedness pursuant to the provisions of this Article [__] (equally and ratably with the holders of all indebtedness of [Quantum Corporation] which by its express terms is subordinated to other indebtedness of [Quantum Corporation] to substantially the same extent as the Notes are subordinated and is entitled to like rights of subrogation) to the rights of the holders of Senior Indebtedness to receive payments or distributions of cash, property or securities of [Quantum Corporation] applicable to the Senior Indebtedness until the principal, premium, if any, and interest on the Notes shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of the Senior Indebtedness of any cash, property or securities to which the holders of the Notes or the Trustee would be entitled except for the provisions of this Article [__] and no payment over pursuant to the provisions of this Article [__] to or for the benefit of the holders of Senior Indebtedness by holders of the Notes or the Trustee, shall, as between [Quantum Corporation], its creditors other than holders of Senior Indebtedness, and the holders of the Notes, be deemed to be a payment by [Quantum Corporation] to or on account of the Senior Indebtedness; and no payments or distributions of cash, property or securities to or for the benefit of the holders of the Notes pursuant to the subrogation provisions of this Article [__], which would otherwise have been paid to the holders of Senior Indebtedness shall be deemed to be a payment by [Quantum Corporation] to or for the account of the Notes. It is understood that the provisions of this Article [__] are and are intended solely for the purposes of defining the relative rights of the holders of the Notes, on the one hand, and the holders of the Senior Indebtedness, on the other hand.

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

Upon any payment or distribution of assets of [Quantum Corporation] referred to in this Article [__], the Trustee, subject to the provisions of Section [__] [Duties and Responsibilities of Trustee], and the holders of the Notes shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such bankruptcy, dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution,

-4-

delivered to the Trustee or to the holders of the Notes, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of [Quantum Corporation], the amount thereof or payable thereon and all other facts pertinent thereto or to this Article [__].

Section [__].4 Authorization to Effect Subordination. Each holder of

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

Section [__].5 Notice to Trustee. [Quantum Corporation] shall give

prompt written notice in the form of an Officers' Certificate to a Responsible Officer of the Trustee and to any paying agent of any fact known to [Quantum Corporation] which would prohibit the making of any payment of monies to or by the Trustee or any paying agent in respect of the Notes pursuant to the provisions of this Article [__]. Notwithstanding the provisions of this Article [__] or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of monies to or by the Trustee in respect of the Notes pursuant to

the provisions of this Article [], unless and until a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office from [Quantum Corporation] (in the form of an Officers Certificate) or a Representative or a holder or holders of Senior Indebtedness or from any trustee thereof; and before the receipt of any such written notice, the Trustee, subject to the provisions of Section [] [Duties and Responsibilities of Trustee], shall be entitled in all respects to assume that no such facts exist; provided that if on a date not fewer than one Business Day prior to the date upon which by the terms hereof any such monies may become payable for any purpose (including, without limitation, the payment of the principal of, or premium, if any, or interest on any Note) the Trustee shall not have received, with respect to such monies, the notice provided for in this Section [].5, then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such monies and to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such prior date.

Notwithstanding anything in this Article [] to the contrary, nothing shall prevent any payment by the Trustee to the Noteholders of monies deposited with it pursuant to Section [] [Discharge of Indenture], and any such payment shall not be subject to the provisions of Section [].1 or [].2.

The Trustee, subject to the provisions of Section [] [Duties and Obligations of Trustee], shall be entitled to rely on the delivery to it of a written notice by a Representative or a person representing himself to be a holder of Senior Indebtedness (or a trustee on behalf of such holder) to establish that such notice has been given by a Representative or a holder of Senior Indebtedness or a trustee on behalf of any such holder or holders. In the event that the Trustee

-5-

determines in good faith that further evidence is required with respect to the right of any person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article [], the Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such person, the extent to which such person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such person under this Article [] and if such evidence is not furnished the Trustee may defer any payment to such person pending judicial determination as to the right of such person to receive such payment.

Section [].6 Trustee Is Relation to Senior Indebtedness. The

Trustee in its individual capacity shall be entitled to all the rights set forth in this Article [] in respect of any Senior Indebtedness at any time held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in Section [] [Limitations on Rights of Trustee as Creditor] or elsewhere in this Indenture shall deprive the Trustee of any of its rights as such holder.

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

Section [].7 No Impairment of Subordination. No right of any

present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of [Quantum Corporation] or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by [Quantum Corporation] with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

Section [].8 Certain Conversions Deemed Payment. For the purposes

of this Article [] only, (1) the issuance and delivery of junior securities upon conversion of Notes in accordance with Article [] [Conversion of Notes] shall not be deemed to constitute a payment or distribution on account of the principal of (or premium, if any) or interest on Notes or on account of the purchase or other acquisition of Notes, and (2) the payment, issuance or delivery of cash (except in satisfaction of fractional shares pursuant to Section 15.[] [Cash Payment in Lieu of Fractional Shares]), property or securities (other than junior securities) upon conversion of a Note shall be deemed to constitute payment on account of the principal of such Note. For the purposes of this Section [].8, the term "junior securities" means (a) shares

of any stock of any class of [Quantum Corporation], or (b) securities of [Quantum Corporation] which are subordinated in right of payment to all Senior Indebtedness which may be outstanding at the time of issuance or delivery of such securities to substantially the same extent as, or to a greater extent than, the Notes are so subordinated as provided in this Article [__]. Nothing contained in this Article [__] or elsewhere in this Indenture or in the Notes is intended to or shall impair, as among [Quantum Corporation], its creditors other than holders of Senior Indebtedness and the

-6-

Noteholders, the right, which is absolute and unconditional, of the Holder of any Note to convert such Note in accordance with Article [__] [Conversion of Notes].

Section [__].9 Article Applicable to Paying Agents. If at any time

any paying agent other than the Trustee shall have been appointed by [Quantum Corporation] and be then acting hereunder, the term "Trustee" as used in this Article [__] shall (unless the context otherwise requires) be construed as extending to and including such paying agent within its meaning as fully for all intents and purposes as if such paying agent were named in this Article [__] in addition to or in place of the Trustee; provided, however, E-hat the first paragraph of Section [__].5 shall not apply to [Quantum Corporation] or any Affiliate of [Quantum Corporation] if it or such Affiliate acts as paying agent.

Section [__].10 Senior Indebtedness Entitled to Rely. The holders of

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

Definitions:

Designated Senior Indebtedness: The term "Designated Senior

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

Senior Indebtedness: The term "Senior Indebtedness" means the principal

of, premium, if any, interest (including all interest accruing subsequent to the commencement of any bankruptcy or similar proceeding, whether or not a claim for post-petition interest is allowable as a claim in any such proceeding) and rent payable on or in connection with, and all fees, costs, expenses and other amounts accrued or due on or in connection with, Indebtedness of [Quantum Corporation], whether outstanding on the date of this Indenture or thereafter created, incurred, assumed, guaranteed or in effect guaranteed by [Quantum Corporation] (including all deferrals, renewals, extensions or refundings of, or amendments, modifications or supplements to, the foregoing), unless in the case of any particular Indebtedness the instrument creating or evidencing the same or the assumption or guarantee thereof expressly provides that such Indebtedness shall not be senior in right of payment to the Notes or expressly provides that such Indebtedness is "pari passu" or "junior" to the Notes. Notwithstanding the foregoing, the term Senior Indebtedness shall not include any Indebtedness of [Quantum Corporation] to any subsidiary of [Quantum

-7-

Corporation], a majority of the voting stock of which is owned, directly or indirectly, by [Quantum Corporation] or [Quantum Corporation]'s 5% Convertible Subordinated Debentures due April 1, 2002. If any payment made to any holder of any Senior Indebtedness or its Representative with respect to such Senior Indebtedness is rescinded or must otherwise be returned by such holder or Representative upon the insolvency, bankruptcy or reorganization of [Quantum Corporation] or otherwise, the reinstated Indebtedness of [Quantum Corporation] arising as a result of such rescission or return shall constitute Senior Indebtedness effective as of the date of such rescission or return.

Sumitomo Credit Agreement: The term "Sumitomo Credit Agreement" means

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

SCHEDULE 10.02

OFFSHORE AND DOMESTIC LENDING OFFICES,
ADDRESSES FOR NOTICES

QUANTUM CORPORATION

500 McCarthy Boulevard
Milpitas, CA 95035
Attn: Lauren Halden, Assistant Treasurer
Telephone: (408) 894-4906
Facsimile: (408) 894-4562
E-mail: lauren.halden@quantum.com

ADMINISTRATIVE AGENT'S OFFICE:

Notices for Borrowing, Conversions/Continuations, and Payments:

Bank of America, N.A.
Mail Code: CA4-706-05-09
Agency Administrative Services #5596
1850 Gateway Boulevard, 5th Floor
Concord, CA 94520
Attn: Nawaporn Wongbuddhapitak
Telephone: (925) 675-8427
Facsimile: (925) 969-2827
E-mail: nawaporn.wongbuddhapitak@bankofamerica.com

Other Notices:

Bank of America, N.A.
Technology #3697
Mail Code: CA5-705-41-01
555 California Street, 41st Floor
San Francisco, CA 94104
Attn: Kevin McMahan
Telephone: (415) 622-8088
Facsimile: (415) 622-2385
E-mail: kevin.mcmahan@bankofamerica.com

-1-

Agent's Payment Office:

Bank of America, N.A.
1850 Gateway Boulevard
Concord, CA 94520
Attn: Agency Services--West #5596
Reference: Quantum Corporation (3-yr)
For credit to FTA Acct. No. 3750836479
ABA Number: 111-000-012

BANK OF AMERICA, N.A., as Issuing Lender

Trade Operations-Los Angeles #226521
333 S. Beaudry Avenue, 19th Floor
Mail Code: CA9-703-19-23
Los Angeles, CA 90017-1466
Attn: Sandra Leon
Telephone: (212) 345-5231
Facsimile: (212) 345-6694
E-mail: sandra.leon@bankofamerica.com

BANK OF AMERICA, N.A., as Lender

Domestic and Offshore Lending Office:
(Borrowing Notices, Notices of Conversion/Continuation and Payments)

Bank of America, N.A.
Mail Code: CA4-706-05-09
Agency Administrative Services #5596
1850 Gateway Boulevard, 5th Floor

Concord, CA 94520
Attn: Nawaporn Wongbuddhapitak
Telephone: (925) 675-8427
Facsimile: (925) 969-2827
E-mail: nawaporn.wongbuddhapitak@bankofamerica.com

-2-

BANQUE NATIONALE DE PARIS

Domestic and Offshore Lending Office:

Banque Nationale de Paris
180 Montgomery Street
San Francisco, CA 94104
Attn: Donald A. Hart
Telephone: (415) 772-1300
Facsimile: (415) 989-9041
E-mail: donald.hart@usa.bnpgroup.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

Banque Nationale de Paris
180 Montgomery Street
San Francisco, CA 94104
Attn: Michael D. McCorriston
Telephone: (415) 772-1324
Facsimile: (415) 296-8954
E-mail: michael.mccorriston@usa.bnpgroup.com

THE BANK OF NOVA SCOTIA

Domestic and Offshore Lending Office:

The Bank of Nova Scotia
600 Peachtree Street N.E., Suite 2700
Atlanta, GA 30308
Attn: Joseph Legista
Telephone: (404) 877-1563
Facsimile: (404) 888-8998
E-mail: jlegista@scotiacapital.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

The Bank of Nova Scotia
580 California Street
San Francisco, CA 94104
Attn: Chris Osborn
Telephone: (415) 986-1100
Facsimile: (415) 397-0791
E-mail: cosborn@scotiacapital.com

-3-

CITICORP USA, INC.

Domestic and Offshore Lending Office:

Citicorp USA, Inc.
2 Penn's Way, Suite 200
Newcastle, DE 19720
Attn: Sally Schoenleber
Telephone: (302) 894-6061
Facsimile: (302) 894-6120
E-mail: sally.schoenleber@citicorp.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

Citicorp USA, Inc.
One Sansome Street
27th Floor
San Francisco, CA 94104
Attn: Avrum Spiegel
Telephone: (415) 627-6358
Facsimile: (415) 433-0307
E-mail: avrum.spiegel@citicorp.com

FLEET NATIONAL BANK

Domestic and Offshore Lending Office:

Fleet National Bank

100 Federal Street
Boston, MA 02110

Attn: Karen Francoeur
Telephone: (617) 346-5424
Facsimile: (617) 346-0151
E-mail: karen_i_francoeur@fleet.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

Fleet National Bank
435 Tasso Street, Suite 250
Palo Alto, CA 94301
Attn: Andrew Lee
Telephone: (650) 470-4135
Facsimile: (650) 853-1425
E-mail: andrew_d_lee@fleet.com

-4-

THE INDUSTRIAL BANK OF JAPAN, LIMITED

Domestic and Offshore Lending Office:

The Industrial Bank of Japan, Limited
1251 Avenue of the Americas

New York, NY 10020
Attn: Richard Emmich
Telephone: (212) 282-3000
Facsimile: (212) 282-4478
E-mail: remmich@ibjsf.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

The Industrial Bank of Japan, Limited
One Market

Spear Street Tower, 1610
San Francisco, CA 94105
Attn: Joe Endoso
Telephone: (415) 693-1822
Facsimile: (415) 982-1917
E-mail: jendoso@ibjsf.com

KEYBANK NATIONAL ASSOCIATION

Domestic and Offshore Lending Office:

KeyBank National Association
831 South Parkcenter Blvd.
Boise, ID 83705
Attn: Andrea Eaton/Specialty Services Team
Telephone: (800) 297-5518
Facsimile: (800) 297-5495
E-mail: andrea_eaton@keybank.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

KeyBank National Association
700 Fifth Avenue, 46th Floor

Seattle, WA 98104
Attn: Mary K. Young
Telephone: (206) 684-6085
Facsimile: (206) 684-6035
E-mail: mary_k_young@keybank.com

-5-

THE SUMITOMO BANK, LIMITED

Domestic and Offshore Lending Office:

The Sumitomo Bank, Limited
277 Park Avenue

New York, NY 10172
Attn: Claire Kowalski
Telephone: (212) 224-4278
Facsimile: (212) 224-5197

E-mail: clair_kowalski@sumitomobank.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

The Sumitomo Bank, Limited
555 California Street
San Francisco, CA 94104
Attn: Azar Shakeri
Telephone: (415) 616-3010
Facsimile: (415) 362-6527
E-mail: azar_shakeri@sumitomobank.com

UNION BANK OF CALIFORNIA, N.A.

Domestic and Offshore Lending Office:

Union Bank of California, N.A.
1980 Saturn Street
Monterey Park, CA 91755
Attn: Gohar Karapetyan
Telephone: (323) 720-2679
Facsimile: (323) 724-6198
E-mail: gohar.karapetyan@uboc.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

Union Bank of California, N.A.
350 California Street, 10th Floor
San Francisco, CA 94104
Attn: Glenn Leyrer
Telephone: (415) 705-7578
Facsimile: (415) 705-7111
E-mail: glenn.leyrer@uboc.com

Credit Agreement
(364-Day/1-Year)

among

Quantum Corporation

and

Bank of America, N.A.,
as Administrative Agent

and

Fleet National Bank as Syndication Agent,
and
The Bank of Nova Scotia as Documentation Agent

and

The Other Financial
Institutions Party Hereto

Dated as of April 19, 2000

Banc of America Securities LLC,
as
Sole Arranger and Sole Book Manager

Bank of America[LOGO]

TABLE OF CONTENTS

<TABLE>
<CAPTION>

	Page

	<C>
<S>	
SECTION 1. DEFINITIONS AND ACCOUNTING TERMS.....	1
1.01 Defined Terms.....	1
1.02 Use of Certain Terms.....	21
1.03 Accounting Terms.....	21
1.04 Rounding.....	21
1.05 Exhibits and Schedules.....	21
1.06 References to Agreements and Laws.....	21
SECTION 2. THE COMMITMENTS AND EXTENSIONS OF CREDIT.....	22
2.01 Loans.....	22
2.02 Borrowings, Conversions and Continuations of Loans.....	22
2.03 Prepayments.....	23
2.04 Reduction or Termination of Commitments.....	23
2.05 Principal and Interest.....	24
2.06 Fees.....	24
2.07 Computation of Interest and Fees.....	25
2.08 Making Payments.....	26
2.09 Funding Sources.....	27
SECTION 3. TAXES, YIELD PROTECTION AND ILLEGALITY.....	27
3.01 Taxes.....	27
3.02 Illegality.....	28
3.03 Inability to Determine Rates.....	28
3.04 Increased Cost and Reduced Return; Capital Adequacy.....	28
3.05 Breakfunding Costs.....	29
3.06 Matters Applicable to all Requests for Compensation.....	29
3.07 Survival.....	30
SECTION 4. CONDITIONS PRECEDENT TO EXTENSIONS OF CREDIT.....	30
4.01 Conditions of Initial Extension of Credit.....	30
4.02 Conditions to all Extensions of Credit.....	31
SECTION 5. REPRESENTATIONS AND WARRANTIES.....	32
5.01 Existence and Qualification; Power; Compliance with Laws.....	32
5.02 Power; Authorization; Enforceable Obligations.....	32
5.03 No Legal Bar.....	32
5.04 Financial Statements; No Material Adverse Effect.....	33
5.05 Litigation.....	33
5.06 No Default.....	33

5.07	Ownership of Property; Liens.....	33
5.08	Taxes.....	33

</TABLE>

-i-

<TABLE>		<C>
<S>		
5.09	Margin Regulations; Investment Company Act; Public Utility Holding Company Act.....	33
5.10	ERISA Compliance.....	34
5.11	Intangible Assets.....	34
5.12	Compliance With Laws.....	35
5.13	Environmental Compliance.....	35
5.14	Insurance.....	35
5.15	Swap Obligations.....	35
5.16	Disclosure.....	35
SECTION 6.	AFFIRMATIVE COVENANTS.....	35
6.01	Financial Statements.....	35
6.02	Certificates, Notices and Other Information.....	36
6.03	Payment of Taxes.....	37
6.04	Preservation of Existence.....	37
6.05	Maintenance of Properties.....	38
6.06	Maintenance of Insurance.....	38
6.07	Compliance With Laws.....	38
6.08	Inspection Rights.....	38
6.09	Keeping of Records and Books of Account.....	38
6.10	Compliance with ERISA.....	38
6.11	Compliance With Agreements.....	38
6.12	Use of Proceeds.....	38
SECTION 7.	NEGATIVE COVENANTS.....	39
7.01	Indebtedness.....	39
7.02	Liens.....	40
7.03	Fundamental Changes.....	41
7.04	Dispositions.....	42
7.05	Investments.....	42
7.06	Restricted Payments.....	43
7.07	ERISA.....	43
7.08	Change in Nature of Business.....	43
7.09	Transactions with Affiliates.....	44
7.10	Use of Proceeds.....	44
7.11	Certain Indebtedness Payments, Etc.....	44
7.12	Financial Covenants.....	45
7.13	Accounting Changes.....	46
SECTION 8.	EVENTS OF DEFAULT AND REMEDIES.....	46
8.01	Events of Default.....	46
8.02	Certain Financial Covenant Defaults.....	48
8.03	Remedies Upon Event of Default.....	48
SECTION 9.	ADMINISTRATIVE AGENT.....	49
9.01	Appointment and Authorization of Administrative Agent.....	49
9.02	Delegation of Duties.....	50

</TABLE>

-ii-

<TABLE>		<C>
<S>		
9.03	Liability of Administrative Agent.....	50
9.04	Reliance by Administrative Agent.....	50
9.05	Notice of Default.....	51
9.06	Credit Decision; Disclosure of Information by Administrative Agent.....	51
9.07	Indemnification of Administrative Agent.....	52
9.08	Administrative Agent in Individual Capacity.....	52
9.09	Successor Administrative Agent.....	52
9.10	Syndication Agent; Documentation Agent.....	53
SECTION 10.	MISCELLANEOUS.....	53
10.01	Amendments; Consents.....	53
10.02	Transmission and Effectiveness of Communications and Signatures.....	54
10.03	Attorney Costs, Expenses and Taxes.....	55
10.04	Binding Effect; Assignment.....	55
10.05	Set-off.....	57
10.06	Sharing of Payments.....	57
10.07	No Waiver; Cumulative Remedies.....	57
10.08	Usury.....	58
10.09	Counterparts.....	58
10.10	Integration.....	58
10.11	Nature of Lenders' Obligations.....	59
10.12	Survival of Representations and Warranties.....	59
10.13	Indemnity by Borrower.....	59
10.14	Nonliability of Lenders.....	59
10.15	No Third Parties Benefited.....	60

10.16	Severability.....	60
10.17	Confidentiality.....	60
10.18	Further Assurances.....	61
10.19	Headings.....	61
10.20	Time of the Essence.....	61
10.21	Foreign Lenders.....	61
10.22	Removal and Replacement of Lenders.....	62
10.23	Governing Law.....	63
10.24	Waiver of Right to Trial by Jury.....	63
10.25	Entire Agreement.....	64

</TABLE>

-iii-

EXHIBITS

Form of

- A Request for Extension of Credit
- B Compliance Certificate
- C Form of Note
- D Notice of Assignment and Acceptance
- E Term Conversion Request

SCHEDULES

- 2.01 Commitments and Pro Rata Shares
- 5.05 Litigation
- 7.01 Existing Indebtedness and Liens
- 7.13 Subordination Provisions
- 10.02 Offshore and Domestic Lending Offices, Addresses for Notices

-iv-

CREDIT AGREEMENT

This CREDIT AGREEMENT ("Agreement") is entered into as of April 19, 2000,

by and among Quantum Corporation, a Delaware corporation ("Borrower"), each

lender from time to time party hereto (collectively, "Lenders" and individually,

a "Lender"), and BANK OF AMERICA, N.A., as Administrative Agent.

RECITAL

Borrower has requested that Lenders provide a revolving line of credit, and Lenders and Administrative Agent are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

SECTION 1.
DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"Acquisitions" means any transaction or series of related transactions for

the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any line of business or any division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests or equity of any Person, or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary).

"Administrative Agent" means Bank of America, N.A., in its capacity as

administrative agent under any of the Loan Documents, or any successor administrative agent.

"Administrative Agent's Office" means Administrative Agent's address and,

as appropriate, account as set forth on Schedule 10.02, or such other address or

account as Administrative Agent hereafter may designate by written notice to Borrower and Lenders.

"Administrative Agent-Related Persons" means Administrative Agent

(including any successor agent), together with its Affiliates (including, in the case of Bank of America in its capacity as Administrative Agent, the Arranger),

and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Affiliate" means any Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, another Person. A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power (a) to vote 10% or more of the securities (on a fully diluted basis) having ordinary voting power

-1-

for the election of directors or managing general partners; or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise; provided that Persons, other than Subsidiaries, in which Quantum Technology Ventures holds Equity Securities shall not be "Affiliates" for purposes of this definition.

"Agreement" means this Credit Agreement, as amended, restated, extended, supplemented or otherwise modified in writing from time to time.

"Applicable Amount" means the following amounts per annum, based upon the Leverage Ratio as set forth in the most recent Compliance Certificate received by Administrative Agent pursuant to Section 6.02(a), provided, however, that, until the six month anniversary of the Closing Date, such amounts shall be fixed as indicated for pricing level 3 set forth below:

<TABLE>
<CAPTION>

Applicable Amount (in basis points per annum)

Level	Leverage Ratio	Applicable LIBOR Margin	Applicable Base Rate Margin	Commitment fee	Utilization Fee
1	<0.75:1	112.50	12.50	20.00	12.50
2	*0.75:1 but <1.00:1	125.00	25.00	22.50	12.50
3	*1.00:1 but <1.25:1	137.50	37.50	25.00	12.50
4	*1.25:1 but <1.50:1	150.00	50.00	27.50	12.50
5	*1.50	175.00	75.00	32.50	12.50

</TABLE>

* More than or equal to

The Applicable Amount shall be in effect from the date the most recent Compliance Certificate is received by Administrative Agent to but excluding the date the next Compliance Certificate is received.

"Applicable Payment Date" means, (a) as to any Offshore Rate Loan, the last day of the relevant Interest Period, any date that such Loan is prepaid or converted in whole or in part and, with respect to Revolving Loans, the Revolving Termination Date, and with respect to Term Loans, the Term Maturity Date; provided, however, that if any Interest Period for an Offshore Rate Loan exceeds three months, interest shall also be paid on the date which falls every three months after the beginning of such Interest Period; and (b) as to any other Obligations, the last Business Day of each calendar quarter and, with respect to Revolving Loans, the Revolving Termination Date, and, with respect to Term Loans, the Term Maturity Date; provided, further, that interest accruing at the Default Rate shall be payable from time to time upon demand of Administrative Agent.

"Applicable Time" means California time.

"Arranger" means Banc of America Securities LLC, in its capacity as sole

arranger and sole book manager.

"Assignment and Acceptance" means an Assignment and Acceptance

substantially in the form of Exhibit D.

-2-

"Attorney Costs" means and includes all fees and disbursements of any law

firm or other external counsel and the allocated cost of internal legal services
and all disbursements of internal counsel.

"Audited Financial Statements" means the audited consolidated balance sheet

of Borrower and its Subsidiaries for the fiscal year ended March 31, 1999, and
the related consolidated statements of income and cash flows for such fiscal
year of Borrower.

"Bank of America" means Bank of America, N.A.

"Base Rate" means a fluctuating rate per annum equal to the higher of (a)

the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for
such day as publicly announced from time to time by Bank of America as its
"prime rate." Such rate is a rate set by Bank of America based upon various
factors including Bank of America's costs and desired return, general economic
conditions and other factors, and is used as a reference point for pricing some
loans, which may be priced at, above, or below such announced rate. Any change
in such rate announced by Bank of America shall take effect at the opening of
business on the day specified in the public announcement of such change.

"Base Rate Loan" means a Loan made hereunder and specified to be a Base

Rate Loan in accordance with Section 2.

"Borrower" has the meaning set forth in the introductory paragraph hereto.

"Borrowing" and "Borrow" each mean a borrowing of Loans hereunder.

"Borrowing Date" means the date that a Loan is made, which shall be a

Business Day.

"Business Day" means any day other than a Saturday, Sunday, or other day on

which commercial banks are authorized to close under the Laws of, or are in fact
closed in, the state where Administrative Agent's Office is located and, if such
day relates to any Offshore Rate Loan, means any such day on which dealings in
Dollar deposits are conducted by and between banks in the offshore Dollar
interbank market.

"Capital Leases" means any and all leases under which certain obligations

are required to be capitalized on the books of a lessee in accordance with GAAP.

"Change of Control" means the direct or indirect acquisition by any person

(as such term is used in Section 13(d) and Section 14(d)(2) of the Exchange
Act), or related persons constituting a group (as such term is used in Rule 13d-
5 under the Exchange Act), of (a) beneficial ownership of the issued and
outstanding shares of voting stock of a corporation or other entity, the result
of which acquisition is that such person or group possesses in excess of 40% of
the combined voting power of all then-issued and outstanding voting stock of
such corporation or other entity, or (b) the power to elect, appoint, or cause
the election or appointment of at least a majority of the members of the board
of directors of such corporation or other entity.

-3-

"Closing Date" means the date all the conditions precedent in Section 4.01

are satisfied or waived in accordance with Section 4.01.

"Code" means the Internal Revenue Code of 1986.

"Commitment" means, for each Lender, the amount set forth opposite such

Lender's name on Schedule 2.01, as such amount may be reduced or adjusted from

time to time in accordance with the terms of this Agreement (collectively, the
"combined Commitments").

"Compliance Certificate" means a certificate substantially in the form of

Exhibit B, properly completed and signed by a Responsible Officer of Borrower.

"Consolidated EBITDA" means, for any period, for Borrower and its

Subsidiaries on a consolidated basis, an amount equal to the sum of (a)
Consolidated Net Income, (b) Consolidated Interest Charges, (c) the amount of
taxes, based on or measured by income, used or included in the determination of
such Consolidated Net Income, (d) the amount of depreciation and amortization
expense deducted in determining such Consolidated Net Income, (e) the amount
written off in connection with In-Process Research & Development related to the
Meridian Acquisition in the second fiscal quarter of year 2000, (f) the charge
taken in the second fiscal quarter of year 2000 in connection with HDD, (g) the
charge taken in the fourth fiscal quarter of year 2000 in connection with DSS,
and (h) the amount of any charges taken in connection with In-Process Research &
Development associated with Acquisitions provided that (i) any such charges are
taken during the fiscal quarter in which the related Acquisition was completed
and (ii) for purposes of calculating In-Process Research & Development charges
under this clause (h), the aggregate amount of any such charges does not exceed
\$100,000,000 over the term of this Agreement.

"Consolidated Funded Indebtedness" means, as of any date of determination,

for Borrower and its Subsidiaries on a consolidated basis, the sum of (a) the
outstanding principal amount of all obligations and liabilities, whether current
or long-term, for borrowed money (including Obligations to the extent consisting
of principal), (b) that portion of obligations with respect to Capital Leases
that would in conformity with GAAP be capitalized on the consolidated balance
sheet of Borrower and its Subsidiaries, and (c) Synthetic Lease Obligations.

"Consolidated Interest Charges" means, for any period, for Borrower and its

Subsidiaries on a consolidated basis, the sum of (a) all interest, premium
payments, fees, charges and related expenses payable by Borrower and its
Subsidiaries in connection with borrowed money (including capitalized interest)
or in connection with the deferred purchase price of assets, in each case to the
extent treated as interest in accordance with GAAP, (b) the portion of rent
payable by Borrower and its Subsidiaries with respect to such period under
Capital Leases that is treated as interest in accordance with GAAP and (c) the
portion of rent under any Synthetic Lease Obligation that would be treated as
interest in accordance with GAAP if the Synthetic Lease Obligation were treated
as a Capital Lease under GAAP.

"Consolidated Net Income" means, for any period, for Borrower and its

Subsidiaries on a consolidated basis, the net income of Borrower and its
Subsidiaries from continuing operations after extraordinary items for that
period.

-4-

"Consolidated Tangible Net Worth" means, as of any date of determination,

for Borrower and its Subsidiaries on a consolidated basis, Shareholders' Equity
of Borrower and its Subsidiaries on that date minus the Intangible Assets of
Borrower and its Subsidiaries on that date.

"Continuation" and "Continue" mean, with respect to any Offshore Rate Loan,

the continuation of such Offshore Rate Loan as an Offshore Rate Loan on the last
day of the Interest Period for such Loan.

"Contractual Obligation" means, as to any Person, any provision of any

security issued by such Person or of any agreement, instrument or undertaking to
which such Person is a party or by which it or any of its property is bound.

"Conversion" and "Convert" mean, with respect to any Loan, the conversion

of such Loan from or into another type of Loan.

"Convertible Subordinated Debentures" means the 7% Convertible Subordinated

Notes due 2004 issued by Borrower pursuant to the Indenture dated as of August
1, 1997 and the Supplemental Indenture dated as of August 1, 1997 between
Borrower and LaSalle National Trust Company, N.A., as Trustee.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of

America, and all other liquidation, conservatorship, bankruptcy, assignment for
the benefit of creditors, moratorium, rearrangement, receivership, insolvency,
reorganization, or similar debtor relief Laws of the United States of America or
other applicable jurisdictions from time to time in effect affecting the rights
of creditors generally.

"Default" means any event that, with the giving of any notice, the passage

of time, or both, would be an Event of Default.

"Default Rate" means an interest rate equal to the Base Rate plus the

Applicable Amount, if any, applicable to Base Rate Loans plus 2% per annum;
provided, however, that with respect to an Offshore Rate Loan, the Default Rate

shall be an interest rate equal to the interest rate (including any Applicable
Amount) otherwise applicable to such Loan plus 2% per annum, in each case to the
fullest extent permitted by applicable Laws.

"Designated Deposit Account" means a deposit account maintained by Borrower

with Bank of America, as from time to time designated by Borrower to
Administrative Agent by Requisite Notice.

"Disposition" or "Dispose" means the sale, transfer, License Disposition or

other disposition (including any sale and leaseback transaction) of any property
by any Person, including any sale, assignment, transfer or other disposal with
or without recourse of any notes or accounts receivable or any rights and claims
associated therewith.

"Dollar" and "\$" means lawful money of the United States of America.

-5-

"DSS" means DLT and Storage Systems Group, a reportable business segment of

Borrower, as indicated in Borrower's latest quarterly report filed with the
Securities and Exchange Commission on form 10-Q.

"Eligible Assignee" means (a) a financial institution organized under the

laws of the United States, or any state thereof, and having a combined capital
and surplus of at least \$100,000,000; (b) a commercial bank organized under the
laws of any other country which is a member of the Organization for Economic
Cooperation and Development, or a political subdivision of any such country, and
having a combined capital and surplus of at least \$100,000,000, provided that

such bank is acting through a branch or agency located in the United States; (c)
a Person that is primarily engaged in the business of commercial banking and
that is (i) a Subsidiary of a Lender, (ii) a Subsidiary of a Person of which a
Lender is a Subsidiary, or (iii) a Person of which a Lender is a Subsidiary; (d)
another Lender; (e) any other entity which is an "accredited investor" (as
defined in Regulation D under the Securities Act of 1933, as amended) which
extends credit or buys loans as one of its businesses, including but not limited
to, insurance companies, mutual funds and lease financing companies; or (f)
other lenders or institutional investors consented to in writing in advance by
Administrative Agent and Borrower. Neither Borrower nor any Affiliate of
Borrower shall be an Eligible Assignee.

"Employee Benefit Plan" means any employee benefit plan within the meaning

of section 3(3) of ERISA, maintained or contributed to by Borrower or any ERISA
Affiliate, other than a Multiemployer Plan.

"Environmental Laws" means all Laws relating to environmental, health,

safety and land use matters applicable to any property.

"Equity Securities" of any Person means (a) all common stock, preferred

stock, participations, shares, partnership interests or other equity interests
in such Person (regardless of how designated and whether or not voting or
non-voting) and (b) all warrants, options and other rights to acquire any of the
foregoing, other than convertible debt securities which have not been converted
into common stock, preferred stock, participations, shares, partnership
interests or other equity interests in any such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any trade or business (whether or not incorporated)

under common control with Borrower within the meaning of Sections 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan;

(b) a withdrawal by Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment

-6-

as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon Borrower or any ERISA Affiliate.

"Event of Default" means any of the events specified in Section 8.

"Existing Credit Facility" means that certain Credit Agreement, dated as of

June 6, 1997, among Borrower, Canadian Imperial Bank of Commerce, as administrative agent, and a syndicate of lenders.

"Extension of Credit" means a Borrowing, Conversion, Continuation or Term

Conversion of Loans.

"Federal Funds Rate" means, for any day, the rate per annum (rounded

upwards to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided that

(a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to Bank of America on such day on such transactions as determined by Administrative Agent.

"GAAP" means generally accepted accounting principles set forth in the

opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination, consistently applied. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either Borrower or Requisite Lenders shall so request, Administrative Agent, Lenders and Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of Requisite Lenders), provided that, until so amended, (a) such

ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (b) Borrower shall provide to Administrative Agent and Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

"Governmental Authority" means (a) any international, foreign, federal,

state, county or municipal government, or political subdivision thereof, (b) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality, central bank or public body, or (c) any court, administrative tribunal or public utility.

-7-

"Guaranty Obligation" means, as to any Person, any (a) guaranty by such

Person of Indebtedness of, or other obligation payable or performable by, any other Person or (b) assurance, agreement, letter of responsibility, letter of awareness, undertaking or arrangement given by such Person to an obligee of any other Person with respect to the payment or performance of an obligation by, or the financial condition of, such other Person, whether direct, indirect or contingent, including any purchase or repurchase agreement covering such obligation or any collateral security therefor, any agreement to provide funds (by means of loans, capital contributions or otherwise) to such other Person, any agreement to support the solvency or level of any balance sheet item of such other Person or any "keep-well" or other arrangement of whatever nature, in each such case, given for the purpose of assuring or holding harmless such obligee against loss with respect to any obligation of such other Person; provided,

however, that the term Guaranty Obligation shall not include endorsements of

instruments for deposit or collection in the ordinary course of business. The amount of any Guaranty Obligation shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, covered by such Guaranty Obligation or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the Person in good faith.

"HDD" means Hard Disk Drive Group, a reportable business segment of

Borrower, as indicated in Borrower's latest quarterly report filed with the Securities and Exchange Commission on form 10-Q.

"In-Process Research & Development" means purchased in-process research

and development, as specified on Borrower's statement of income in accordance with GAAP.

"Indebtedness" means, as to any Person at any date of determination, all

items which would, in conformity with GAAP, be classified as liabilities on a balance sheet of such Person as at such date excluding (i) trade and other

accounts payable in the ordinary course of business in accordance with customary trade terms and which are not overdue for a period of more than 60 days (unless contested in good faith by Borrower or any Subsidiary), (ii) deferred taxes, and (iii) accrued interest and expenses, except to the extent capitalized, and in any event including:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(b) any direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), banker's acceptances, bank guaranties, surety bonds and similar instruments;

(c) whether or not so included as liabilities in accordance with GAAP, net obligations under any Swap Contract in an amount equal to (i) if such Swap Contract has been closed out, the termination value thereof, or (ii) if such Swap Contract has not been closed out, the mark-to-market value thereof determined on the basis of readily available quotations provided by any recognized dealer in such Swap Contract;

(d) whether or not so included as liabilities in accordance with GAAP and whether with or without recourse, all obligations of such Person to pay the deferred

-8-

purchase price of property or services, and indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements);

(e) lease payment obligations under Capital Leases or Synthetic Lease Obligations; and

(f) all Guaranty Obligations of such Person in respect of any of the foregoing obligations of any other Person.

For all purposes of this Agreement, the Indebtedness of any Person shall include, at any such time as such partnership or joint venture is not Solvent, the Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person (subject to customary recourse exceptions acceptable to Requisite Lenders).

"Indemnified Liabilities" has the meaning set forth in Section 10.13.

"Indemnitees" has the meaning set forth in Section 10.13.

"Intangible Assets" means assets that are required to be disclosed as

intangible assets in accordance with GAAP on Borrower's balance sheet, including customer lists, goodwill, computer software, copyrights, trade names, trade marks, patents, unamortized deferred charges, unamortized debt discount and capitalized research and development costs.

"Interest Period" means for each Offshore Rate Loan, (i) initially, the

period commencing on the date such Offshore Rate Loan is disbursed or Continued or Converted into such Offshore Rate Loan and (ii) thereafter, the period commencing on the last day of the preceding Interest Period, and ending, in each case, on the earlier of (x) the scheduled Revolving Termination Date (in the case of Revolving Loans) or the scheduled Term Maturity Date (in the case of Term Loans), or (y) one, two, three or six months thereafter or, to the extent acceptable to all Lenders, as otherwise requested by Borrower; provided that:

(A) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(B) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(C) unless Administrative Agent otherwise consents, there may not be more than eight Interest Periods for Offshore Rate Loans in effect at any time.

-9-

"Investment" means, as to any Person, any investment by such Person,

whether by means of the purchase or other acquisition of stock or other securities of any other Person or by means of a loan, creating a debt, capital contribution, guaranty or other debt or equity participation or interest in any other Person. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

"IRS" means the United States Internal Revenue Service.

"Laws" or "Law" means all international, foreign, federal, state and local

statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"Lender" means each lender from time to time party hereto.

"Lending Office" means, as to any Lender, the office or offices of such

Lender described as such on Schedule 10.02, or such other office or offices as a Lender may from time to time notify Administrative Agent.

"Leverage Ratio" means, as of any date of determination, for Borrower and

its Subsidiaries on a consolidated basis, the ratio of (a) Consolidated Funded Indebtedness as of such date to (b) Consolidated EBITDA for the period of the four fiscal quarters ending on, or ending most recently prior to, such date.

"License Disposition" means, in respect of any patent, trademark,

copyright, mask work, trade secret or other intellectual property right owned or held by Borrower or any of its Subsidiaries (the "IP Holder") which is material

to Borrower or any of its Subsidiaries (together, "Material IP"), (i) the

granting by the IP Holder of an exclusive license across all or substantially all fields, uses or regions to any Person other than Borrower or another

Subsidiary, (ii) the granting of any license by the IP Holder that conveys directly or indirectly to any Person other than Borrower or its Subsidiaries all or substantially all of the economic value of such Material IP, or (iii) the abandonment by the IP Holder of such Material IP.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit

arrangement (including in the nature of, cash collateral accounts or security interests), encumbrance, lien (statutory or other), fixed or floating charge, or other security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable Laws of any jurisdiction), including the interest of a purchaser of accounts receivable.

"Loan" means a Revolving Loan or a Term Loan made to Borrower by a Lender

in accordance with its Pro Rata Share, in each case pursuant to Section 2

(collectively, the "Loans").

-10-

"Loan Documents" means this Agreement and each Note, each Request for

Extension of Credit, each certificate, each fee letter, and each other instrument, or agreement from time to time executed by Borrower or any of its Subsidiaries or any Responsible Officer and delivered in connection with this Agreement.

"Master Agreement" has the meaning set forth in the definition of "Swap

Contract".

"Material Adverse Effect" means any set of circumstances or events which

(a) has any material adverse effect upon the validity or enforceability of any Loan Document, (b) is material and adverse to the financial condition, business, assets or operations of Borrower, or (c) materially impairs the ability of Borrower to perform the Obligations.

"Material Subsidiaries" means each Subsidiary of Borrower which has assets

with a total book value greater than 10% of the consolidated total assets of Borrower and its Subsidiaries, determined as of the end of the fiscal quarter immediately preceding the date of determination.

"Meridian Acquisition" means the acquisition by DSS of Meridian Data, Inc.,

which was completed on or about September 10, 1999.

"Minimum Amount" means, with respect to each of the following actions, the

minimum amount and any multiples in excess thereof set forth opposite such action:

<TABLE>
<CAPTION>

Type of Action	Minimum Amount	Multiples in excess thereof
<S>	<C>	<C>
Borrowing or prepayment of, or Conversion into, Base Rate Loans	\$ 5,000,000	\$1,000,000
Borrowing, prepayment or Continuation of, or Conversion into, Offshore Rate Loans	\$ 5,000,000	\$1,000,000
Reduction in Commitments	\$10,000,000	\$1,000,000
Assignments	\$10,000,000	None

</TABLE>

"MKE" means Matsushita-Kotobuki Electronics Industries, Ltd., a Japanese

corporation.

"Multiemployer Plan" means any employee benefit plan of the type described

in Section 4001(a)(3) of ERISA.

"Net Proceeds" means, with respect to any sale or issuance of any Equity

Security or other security by any Person (including in the case of Borrower, any

sale or issuance of any Subordinated Debt), the aggregate consideration received by such Person from such sale or issuance less the actual amount of fees and

commissions payable to Persons other than such Person or any Affiliate of such Person.

-11-

"Note" means a promissory note made by Borrower in favor of a Lender

evidencing Loans made by such Lender, substantially in the form of Exhibit C (collectively, the "Notes").

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, Borrower arising under any Loan Document, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest that accrues after the commencement of any proceeding under any Debtor Relief Laws by or against Borrower or any Subsidiary or Affiliate of Borrower.

"Offshore Base Rate" has the meaning set forth in the definition of Offshore Rate.

"Offshore Rate" means for any Interest Period with respect to each Offshore Rate Loan comprising part of the same Borrowing, a rate per annum determined by Administrative Agent pursuant to the following formula:

$$\text{Offshore Rate} = \frac{\text{Offshore Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Where,

"Offshore Base Rate" means, for such Interest Period:

(a) the rate per annum equal to the rate determined by Administrative Agent to be the offered rate that appears on the page of the Telerate LIBOR screen (currently, page 3750) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) if the rate referenced in the preceding subsection (a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum (rounded upwards to the fourth decimal place) equal to the rate determined by Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding subsections (a) and (b) are not available, the rate per annum determined by Administrative Agent as the rate of interest at which Dollar deposits (for delivery on the first day of such Interest Period) in same day funds in the approximate amount of the Offshore Rate Loan being made, Continued or Converted into by the Administrative Agent or its Affiliate in its capacity as a Lender hereunder, and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch to major banks in the offshore Dollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period .

-12-

"Eurodollar Reserve Percentage" means, for any day during any Interest

Period, the reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"). The Offshore Rate for each outstanding Offshore Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage. The determination of the Eurodollar Reserve

Percentage and the Offshore Base Rate by Administrative Agent shall be conclusive in the absence of manifest error.

"Offshore Rate Loan" means a Loan made hereunder and specified to be a

Offshore Rate Loan in accordance with Section 2.

"Ordinary Course Dispositions" means:

(a) Dispositions of surplus equipment or damaged, obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business;

(b) Dispositions in the ordinary course of business;

(c) Dispositions of property to the extent that such property is exchanged for credit against the purchase price of similar replacement property, or the proceeds of such sale are reasonably promptly applied to the purchase price of such replacement property or where Borrower or its Subsidiary determine in good faith that the failure to replace such equipment will not be detrimental to the business of Borrower or such Subsidiary;

(d) Dispositions of assets or property by any Subsidiary of Borrower to Borrower or another Subsidiary of Borrower;

(e) Dispositions which constitute the making or liquidating of Permitted Investments; and

(f) Dispositions which constitute the incurrence (but not the enforcement) of Permitted Liens;

provided, however, that, other than with respect to Dispositions of the

types described in clauses (a) and (d) of this definition, no such Disposition shall be for less than the fair market value of the property being disposed of.

"Ordinary Course Indebtedness" means:

(a) Indebtedness under the Loan Documents;

(b) intercompany Guaranty Obligations of Borrower or any of its Subsidiaries guarantying Indebtedness otherwise permitted hereunder of Borrower or any Subsidiary of Borrower;

-13-

(c) Indebtedness arising from the honoring of a check, draft or similar instrument against insufficient funds or from the endorsement of instruments for collection in the ordinary course of Borrower's or any Subsidiary's business;

(d) Permitted Swap Obligations; and

(e) Indebtedness of Borrower or any of its Subsidiaries with respect to surety, appeal, indemnity, performance or other similar bonds in the ordinary course of business.

"Ordinary Course Investments" means Investments consisting of:

(a) Investments in other assets properly classified as "marketable securities" or "cash" or "cash equivalents" under GAAP, and which conform to the investment policies adopted by the Board of Directors of Borrower from time to time;

(b) advances to officers, directors and employees of Borrower and its Subsidiaries for travel, entertainment, relocation and analogous ordinary business purposes;

(c) Investments of Borrower in any of its Subsidiaries and Investments of any Subsidiary of Borrower in Borrower or another Subsidiary of Borrower;

(d) extensions of credit to customers or suppliers of Borrower and its Subsidiaries in the ordinary course of business and any Investments received in satisfaction or partial satisfaction thereof;

(e) Guaranty Obligations permitted by Section 7.01.

(f) Investments received by Borrower or any of its Subsidiaries as

distributions on claims in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(g) Investments of any Subsidiary existing at the time it becomes a Subsidiary of Borrower, provided that such Investments were not made in anticipation of such Person becoming a Subsidiary of Borrower; and

(h) Investments consisting of loans to employees, officers and directors, the proceeds of which shall be used to purchase Equity Securities of Borrower or its Subsidiaries and other loans to employees, officers and directors.

"Ordinary Course Liens" means:

(a) Liens pursuant to any Loan Document;

(b) Liens for taxes not yet due or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

-14-

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(d) pledges or deposits in connection with worker's compensation, unemployment insurance and other social security legislation;

(e) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of any Person;

(g) attachment, judgment or other similar Liens arising in connection with litigation or other legal proceedings (and not otherwise an Event of Default hereunder) in the ordinary course of business that is currently being contested in good faith by appropriate proceedings, adequate reserves have been set aside, and no material property is subject to a material risk of loss or forfeiture;

(h) Liens on the property or assets of any Subsidiary of Borrower in favor of Borrower or any other Subsidiary of Borrower;

(i) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties and in connection with the importation of goods in the ordinary course of Borrower's and its Subsidiaries' businesses;

(j) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by Borrower in excess of those set forth by regulations promulgated by the Federal Reserve Board, and (ii) such deposit account is not intended by Borrower or any Subsidiary to provide collateral to the depository institution; and

(k) Liens on insurance proceeds in favor of insurance companies with respect to the financing of insurance premiums.

"Organization Documents" means, (a) with respect to any corporation, the

certificate or articles of incorporation and the bylaws; (b) with respect to any limited liability company, the articles of formation and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership or joint venture agreement and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation

with the secretary of state or other department in the state of its formation, in each case as amended from time to time.

"Outstanding Obligations" means, as of any date, and giving effect to

making any Extensions of Credit requested on such date and all payments, repayments and prepayments made on such date, (a) when reference is made to all Lenders, the aggregate outstanding principal amount of all Loans, and (b) when reference is made to one Lender, the aggregate outstanding principal amount of all Loans made by such Lender.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor

thereto established under ERISA.

"Pension Plan" means any "employee pension benefit plan" (as such term is

defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by Borrower or any ERISA Affiliate or to which Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five plan years.

"Permitted Indebtedness" has the meaning specified in Section 7.01.

"Permitted Investments" has the meaning specified in Section 7.05.

"Permitted Liens" has the meaning specified in Section 7.02.

"Permitted Receivables Facility" means one or more accounts receivable

financing arrangements including (i) the sale of accounts receivable and any related property by Borrower and/or any of its Subsidiaries to a financing party or a special purpose vehicle, and/or (ii) the granting of a security interest in accounts receivable and any related property by Borrower and/or any of its Subsidiaries, provided, however, that the aggregate advances under such accounts receivable financing arrangements shall not exceed \$200,000,000 at any one time.

"Permitted Swap Obligations" means all obligations (contingent or

otherwise) of Borrower or any of its Subsidiaries existing or arising under Swap Contracts, provided that such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments or assets held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person in conjunction with a securities repurchase program not otherwise prohibited hereunder, and not for purposes of speculation or taking a "market view."

"Person" means any individual, trustee, corporation, general partnership,

limited partnership, limited liability company, joint stock company, trust, unincorporated organization, bank, business association, firm, joint venture, Governmental Authority, or otherwise.

"Plan" means any employee benefit plan maintained or contributed to by

Borrower or by any trade or business (whether or not incorporated) under common control with Borrower as defined in Section 4001(b) of ERISA and insured by the Pension Benefit Guaranty Corporation under Title IV of ERISA.

"Pro Rata Share" means, with respect to each Lender, the percentage of the

combined Commitments set forth opposite the name of such Lender on Schedule 2.01, as such share may be adjusted as contemplated herein.

"Quantum Technology Ventures" means Quantum Technology Ventures, a Delaware

corporation in formation.

"Quick Ratio" means, with respect to Borrower and its Subsidiaries at any

time, the ratio, determined on a consolidated basis in accordance with GAAP, of: (a) the sum at such time of all (i) cash and cash equivalents of Borrower and

its Subsidiaries (excluding restricted cash) and (ii) accounts receivable of Borrower and its Subsidiaries, less all reserves therefor; to (b) the sum at

such time of (i) the current liabilities of Borrower and its Subsidiaries (including any such liabilities outstanding under this facility), plus (ii) to

the extent not included in clause (i), Outstanding Obligations.

"Reportable Event" means any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder, a withdrawal from a Plan described in Section 4063 of ERISA, or a cessation of operations described in Section 4062(e) of ERISA.

"Request for Extension of Credit" means, unless otherwise specified herein, with respect to a Borrowing, Conversion or Continuation of Loans, a written request substantially in the form of Exhibit A, and, with respect to a Term Conversion, a Term Conversion Request, in each case, duly completed and signed by a Responsible Officer of Borrower and delivered by Requisite Notice.

"Requisite Lenders" means, as of any date of determination: (a) if the Commitments are then in effect, Lenders (excluding any Lenders not funding when required to so hereunder) having in the aggregate more than 50% of the combined Commitments then in effect and (b) if the Commitments have then been terminated and there are Outstanding Obligations, Lenders holding Outstanding Obligations aggregating more than 50% of such Outstanding Obligations.

"Requisite Notice" means, unless otherwise provided herein, (a) irrevocable written notice to the intended recipient or (b) irrevocable telephonic notice to the intended recipient, promptly followed by a written notice to such recipient. Such notices shall be (i) delivered to such recipient at the address or telephone number specified on Schedule 10.02 or as otherwise designated by such recipient by Requisite Notice to Administrative Agent, and (ii) if made by Borrower, given or made by a Responsible Officer of Borrower. Any written notice delivered in connection with any Loan Document shall be in the form, if any, prescribed herein or therein. Any notice sent by other than hardcopy shall be promptly confirmed by a telephone call to the recipient and, if requested by Administrative Agent, by a manually-signed hardcopy thereof.

"Requisite Time" means, with respect to any of the actions listed below, the time and date set forth below opposite such action:

<TABLE>
<CAPTION>

Type of Action	Applicable Time	Date of Action
Delivery of Request for Extension of Credit for, or notice for:		
. Borrowing or prepayment of, or Conversion into, Base Rate Loans	9:00 a.m.	Same date as such Borrowing, prepayment or Conversion
. Borrowing, prepayment or Continuation of, or Conversion into, Offshore Rate Loans	9:00 a.m.	3 Business Days prior to such Borrowing, prepayment Continuation or Conversion
. Voluntary reduction in or termination of Commitments	10:00 a.m.	3 Business Days prior to such reduction or termination
. Term Conversion	10:00 a.m.	10 days prior to the Revolving Termination Date
Payments by Lenders or Borrower to Administrative Agent	11:00 a.m.	On date payment is due

</TABLE>

"Responsible Officer" means the president, chief financial officer, vice president-finance, treasurer or assistant treasurer of Borrower. Any document or certificate hereunder that is signed by a Responsible Officer of Borrower shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of Borrower and such Responsible Officer shall be conclusively presumed to have acted on behalf of Borrower.

"Restricted Payment" means:

(a) the declaration or payment of any dividend or distribution by Borrower or any Subsidiary, either in cash or property, on any shares of the capital stock of any class of Borrower or any Subsidiary; and

(b) any other payment or distribution by Borrower or any Subsidiary in respect of its capital stock, either directly or indirectly.

"Revolving Loans" means a Base Rate Loan or an Offshore Rate Loan made to

Borrower by a Lender in accordance with its Pro Rata Share pursuant to Section

2.01(a).

"Revolving Termination Date" means (a) April 17, 2001, or if such date is

not a Business Day, the immediately preceding Business Day, or (b) such earlier
date upon which the combined Commitments may be terminated in accordance with
the terms of this Agreement.

"Senior Indebtedness" means, with respect to any Person at any time, all

Indebtedness of such Person other than Subordinated Debt.

-18-

"Shareholders' Equity" means, as of any date of determination for Borrower

and its Subsidiaries on a consolidated basis, shareholders' equity as of that
date determined in accordance with GAAP.

"Solvent" means, as to any Person at any time, that (i) the fair value of

the property of such Person is greater than the amount of such Person's
liabilities (including disputed, contingent and unliquidated liabilities) as
such value is established and liabilities evaluated for purposes of Section
101(31) of the Bankruptcy Code; (ii) the present fair saleable value of the
property of such Person is not less than the amount that will be required to pay
the probable liability of such Person on its debts as they become absolute and
matured; (iii) such Person is able to realize upon its property and pay its
debts and other liabilities (including disputed, contingent and unliquidated
liabilities) as they mature in the normal course of business; (iv) such Person
does not intend to, and does not believe that it will, incur debts or
liabilities beyond such Person's ability to pay as such debts and liabilities
mature; and (v) such Person is not engaged in business or a transaction, and is
not about to engage in business or a transaction, for which such Person's
property would constitute unreasonably small capital.

"Subordinated Debt" means the Convertible Subordinated Debentures and any

other subordinated debt permitted by Section 7.01.

"Subsidiary" of a Person means a corporation, partnership, joint venture,

limited liability company or other business entity of which a majority of the
shares of securities or other interests having ordinary voting power for the
election of directors or other governing body (other than securities or
interests having such power only by reason of the happening of a contingency)
are at the time beneficially owned or controlled, directly, or indirectly
through one or more intermediaries, or both, by such Person. Unless otherwise
specified, all references to a "Subsidiary" or to "Subsidiaries" in this
Agreement shall refer to a Subsidiary or Subsidiaries of Borrower.

"Swap Contract" means (a) any and all rate swap transactions, basis swaps,

forward rate transactions, commodity swaps, commodity options, forward commodity
contracts, equity or equity index swaps or options, bond or bond price or bond
index swaps or options or forward bond or forward bond price or forward bond
index transactions, interest rate options, forward foreign exchange
transactions, cap transactions, floor transactions, collar transactions,
currency swap transactions, cross-currency rate swap transactions, currency
options, or any other similar transactions or any combination of any of the
foregoing (including any options to enter into any of the foregoing), whether or
not any such transaction is governed by or subject to any master agreement, and
(b) any and all transactions of any kind, and the related confirmations, which
are subject to the terms and conditions of, or governed by, any form of master
agreement published by the International Swaps and Derivatives Association,
Inc., or any other master agreement (any such master agreement, together with
any related schedules, as amended, restated, extended, supplemented or otherwise
modified in writing from time to time, a "Master Agreement"), including any such
obligations or liabilities under any Master Agreement.

"Swap Termination Value" means, in respect of any one or more Swap

Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and

-19-

termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include any Lender).

"Synthetic Lease Obligations" means all monetary obligations of a Person

under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations which do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as secured debt of such Person.

"Term Conversion" means a conversion by Borrower of all outstanding

Revolving Loans into Term Loans on the Revolving Termination Date pursuant to Section 2.01(b).
- -----

"Term Conversion Request" means a written request of Borrower in

substantially the form of Exhibit E.

"Term Loan" means a Base Rate Loan or an Offshore Rate Loan made to

Borrower by a Lender in accordance with its Pro Rata Share pursuant to Section 2.01(a) and converted into a Term Loan pursuant to Section 2.01(b).
- -----

"Term Maturity Date" means (a) April 17, 2002, or (b) such earlier date as

the Term Loans may be declared due and payable under the terms of this Agreement.

"3-Year Credit Agreement" has the meaning set forth in Section 2.06(b).

"Threshold Amount" means \$10,000,000.

"to the best knowledge of" means, when modifying a representation, warranty

or other statement of any Person, that the fact or situation described therein is known by such Person (or, (i) in the case of Borrower, known by any Responsible Officer or executive officer of Borrower or, (ii) in the case of any other Person other than a natural Person, known by any executive officer of such Person) making the representation, warranty or other statement, or with the exercise of reasonable due diligence under the circumstances (in accordance with the standard of what a reasonable Person in similar circumstances would have done) would have been known by such Person (or, (i) in the case of Borrower, would have been known by any Responsible Officer or executive officer of Borrower or, (ii) in the case of any other Person other than a natural Person, would have been known by any executive officer of such Person).

"type" of Loan means (a) a Base Rate Loan and (b) an Offshore Rate Loan.

"Unfunded Pension Liability" means the excess of a Pension Plan's benefit

liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

-20-

"Voluntary Redemption Event" means, in respect of any Indebtedness

consisting of bonds, debentures, senior or subordinated notes or other debt securities, any redemption, prepayment or call for redemption or prepayment of any or all of such Indebtedness at the election of the issuer and not in connection with any breach by such issuer of any term or covenant contained in any instrument, indenture or agreement evidencing such Indebtedness.

1.02 Use of Certain Terms.

(a) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto or thereto, unless otherwise defined therein.

(b) As used herein, unless the context requires otherwise, the masculine, feminine and neuter genders and the singular and plural include one another.

(c) The words "herein" and "hereunder" and words of similar import when used in any Loan Document shall refer to the Loan Documents as a whole and not to any particular provision thereof. The term "including" is by way of example and not limitation. References herein to a Section, subsection or clause shall, unless the context otherwise requires, refer to the appropriate Section, subsection or clause in this Agreement.

(d) The term "or" is disjunctive; the term "and" is conjunctive. The term "shall" is mandatory; the term "may" is permissive.

1.03 Accounting Terms. All accounting terms not specifically or completely defined in this Agreement shall be construed in conformity with, and all financial data required to be submitted by this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, and applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

1.04 Rounding. Any financial ratios required to be maintained by Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed in this Agreement and rounding the result up or down to the nearest number (with a round-up if there is no nearest number) to the number of places by which such ratio is expressed in this Agreement.

1.05 Exhibits and Schedules. All exhibits and schedules to this Agreement, either as originally existing or as the same may from time to time be supplemented, modified or amended, are incorporated herein by this reference. A matter disclosed on any Schedule shall be deemed disclosed on all Schedules.

1.06 References to Agreements and Laws. Unless otherwise expressly provided herein, (a) references to agreements (including the Loan Documents) and other contractual instruments shall include all amendments, restatements, extensions, supplements and other modifications thereto (unless prohibited by any Loan Document), and (b) references to any Law

-21-

shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

SECTION 2.
THE COMMITMENTS AND EXTENSIONS OF CREDIT

2.01 Loans.

(a) Subject to the terms and conditions set forth in this Agreement, each Lender severally agrees to make, Convert and Continue Revolving Loans until the Revolving Termination Date in such amounts as Borrower may from time to time request; provided, however, that the (i) Outstanding Obligations of any Lender

shall not at any time exceed such Lender's Commitment, and (ii) the Outstanding Obligations of all Lenders shall not exceed the combined Commitments at any time. This is a revolving credit and, subject to the foregoing and the other terms and conditions hereof, Borrower may borrow, Convert, Continue, prepay and reborrow Revolving Loans as set forth herein without premium or penalty.

(b) Subject to the other terms and provisions hereof, on a one-time basis, on the Revolving Termination Date, as specified by Borrower in a Term Conversion Request, Borrower may elect to convert all, and not less than all, Revolving Loans on such date into Term Loans. Upon any such conversion, all outstanding Revolving Loans shall become Term Loans outstanding hereunder. Borrower shall not be entitled to receive any other Term Loans, apart from those so converted on the Revolving Termination Date. Any Term Loans prepaid may not be reborrowed. Term Loans may be Converted, Continued, and prepaid as set forth herein.

(c) Loans made by each Lender shall be evidenced by one or more Notes. The date, amount and maturity of each Lender's Loans and payments and other particulars with respect thereto may be endorsed on schedule(s) attached to its Note by each Lender and/or recorded on one or more loan accounts or records maintained by such Lender in the ordinary course of business. Such Notes, loan accounts and records shall be conclusive absent manifest error of the amount of such Loans and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of Borrower to pay any amount owing with respect to the Loans.

2.02 Borrowings, Conversions and Continuations of Loans.

(a) Borrower may irrevocably request (i) (A) a Borrowing, Conversion or Continuation of Revolving Loans, or (B) a Conversion or Continuation of Term Loans, in a Minimum Amount therefor, by delivering the applicable Request for Extension of Credit therefor, or (ii) a Term Conversion of Revolving Loans by delivering the applicable Term Conversion Request therefor; in each case, by Requisite Notice to Administrative Agent not later than the Requisite Time therefor. All Borrowings, Conversions and Continuations of Loans shall constitute Base Rate Loans unless properly and timely otherwise designated as set forth in the prior sentence. Revolving Loans subject to a Term Conversion shall remain Base Rate or Offshore Rate Loans, as in existence immediately prior to such Term Conversion, subject to Conversion in accordance with the terms hereof.

-22-

(b) Following receipt of a Request for Extension of Credit, Administrative Agent shall promptly notify each Lender of its Pro Rata Share thereof by Requisite Notice. In the case of a Borrowing of Loans, each Lender shall make the funds for its Loan available to Administrative Agent at Administrative Agent's Office not later than the Requisite Time therefor on the Business Day specified in such Request for Extension of Credit. Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if the initial Extension

of Credit hereunder, Section 4.01), all funds so received shall be made

available to Borrower in like funds received. Administrative Agent shall promptly notify Borrower and Lenders of the interest rate applicable to any Loan other than a Base Rate Loan upon determination of same.

(c) Except as otherwise provided herein, an Offshore Rate Loan may be Continued or Converted only on the last day of the Interest Period for such Offshore Rate Loan. During the existence of a Default or Event of Default, no Loans may be requested as, Converted into or Continued as Offshore Rate Loans without the consent of Requisite Lenders, and Requisite Lenders may demand that any or all of the then outstanding Offshore Rate Loans be Converted immediately into Base Rate Loans.

(d) If a Loan is to be made on the same date that another Loan is due and payable, Borrower or Lenders, as the case may be, shall, unless Administrative Agent otherwise requests, make available to Administrative Agent the net amount of funds giving effect to both such Loans and the effect for purposes of this Agreement shall be the same as if separate transfers of funds had been made with respect to each such Loan.

(e) The failure of any Lender to make any Loan on any date shall not relieve any other Lender of any obligation to make a Loan on such date, but no Lender shall be responsible for the failure of any other Lender to so make its Loan.

2.03 Prepayments.

(a) Upon Requisite Notice to Administrative Agent not later than the Requisite Time therefor, Borrower may at any time and from time to time voluntarily prepay Loans in part in the Minimum Amount therefor or in full without premium or penalty. Administrative Agent will promptly notify each Lender thereof and of such Lender's Pro Rata Share of such prepayment. Any prepayment of an Offshore Rate Loan shall be accompanied by all accrued interest thereon, together with the amounts set forth in Section 3.05.

(b) If for any reason the Outstanding Obligations exceed the combined Commitments as in effect or as reduced or because of any limitation set forth in this Agreement or otherwise, Borrower shall immediately prepay Loans in an aggregate amount equal to such excess.

2.04 Reduction or Termination of Commitments. Upon Requisite Notice to Administrative Agent not later than the Requisite Time therefor, Borrower may at any time and from time to time, without premium or penalty, permanently and irrevocably reduce the Commitments in a Minimum Amount therefor to an amount not less than the Outstanding Obligations consisting of Revolving Loans at such time, or terminate the Commitments. Any such reduction or termination shall be accompanied by payment of all accrued and unpaid commitment fees with respect to the portion of the Commitments being reduced or terminated.

-23-

Administrative Agent shall promptly notify Lenders of any such request for reduction or termination of the Commitments. Each Lender's Commitment shall be reduced by an amount equal to such Lender's Pro Rata Share times the amount of such reduction.

2.05 Principal and Interest.

(a) Except as otherwise provided hereunder, if not sooner paid, Borrower agrees to pay the outstanding principal amount of each Revolving Loan on the

Revolving Termination Date, and of each Term Loan on the Term Maturity Date.

(b) Subject to subsection (c) below, and unless otherwise specified herein, Borrower shall pay interest on the unpaid principal amount of each Loan (before and after default, before and after maturity, before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Laws) from the date borrowed until paid in full (whether by acceleration or otherwise) on each Applicable Payment Date at a rate per annum equal to the interest rate determined in accordance with the definition of such type of Loan, plus, to the extent applicable in each case, the Applicable Amount.

(c) Notwithstanding subsection (b) of this Section, while any Event of Default exists or after acceleration, Borrower shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all Outstanding Obligations, at a rate per annum which is determined by adding 2% per annum to the Applicable Amount then in effect for such Loans and, in the case of Obligations not subject to an Applicable Amount, at a rate per annum equal to the Base Rate plus 2%; provided, however, that, on

and after the expiration of any Interest Period applicable to any Offshore Rate Loan outstanding on the date of occurrence of such Event of Default or after acceleration, the principal amount of such Loan shall, during the continuation of such Event of Default or after acceleration, bear interest at a rate per annum equal to the Base Rate plus 2%.

2.06 Fees.

(a) Commitment Fee. Borrower shall pay to Administrative Agent for the account of each Lender according to its Pro Rata Share, a commitment fee equal to the Applicable Amount times the actual daily amount by which the combined

Commitments exceed the Outstanding Obligations. The commitment fee shall accrue from the Closing Date until the Revolving Termination Date and shall be payable quarterly in arrears on each Applicable Payment Date. The commitment fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Amount during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Amount separately for each period during such quarter that such Applicable Amount was in effect. The commitment fee shall accrue at all times, including at any time during which one or more conditions in Section 4 are not met.

(b) Utilization Fee. Borrower shall pay to Administrative Agent for the account of each Lender pro rata according to its Pro Rata Share, a utilization fee equal to the Applicable Amount times the actual daily amount of Outstanding

Obligations. The utilization fee shall accrue from the Closing Date until the Revolving Termination Date or, if there is a Term Conversion, until the earlier of (x) the date all Term Loans hereunder are repaid or (y) the Term Maturity Date, at

-24-

all times that the Outstanding Obligations hereunder plus, if such agreement is in effect, the "Outstanding Obligations" under and as defined in that Credit Agreement (3-Year) dated as of April 19, 2000 among Borrower, Bank of America as Administrative Agent, and the lenders party thereto (the "3-Year Credit

Agreement"), exceed 50% of the Utilization Fee Base Amount, and shall be payable

quarterly in arrears on each Applicable Payment Date. For purposes hereof, the "Utilization Fee Base Amount" means, at any time of determination: (i) if at

such time the "Commitments" under and as defined in the 3-Year Credit Agreement (the "3-Year Commitments") have been terminated, (A) for all times prior to the

Revolving Termination Date, the amount of the combined Commitments, and (B) for all times after the Revolving Termination Date, infinity; and (ii) if at such time the 3-Year Commitments have not been terminated, (A) for all times prior to the Revolving Termination Date, the sum of the combined Commitments plus the 3-Year Commitments at such time, and (B) for all times after the Revolving Termination Date, provided there are outstanding Term Loans hereunder at such time, the sum of (I) the outstanding principal amount of Term Loans hereunder at such time plus (II) the amount of 3-Year Commitments at such time. The utilization fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Amount during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Amount separately for each period during such quarter that such Applicable Amount was in effect.

(c) Agency and Arrangement Fees. Borrower shall pay to Administrative Agent and Arranger an agency fee and arrangement fee, respectively, in such amounts and at such times as set forth in a separate letter agreement among Borrower, Administrative Agent and Arranger. Such fees are for the services to be performed by Administrative Agent in acting as Administrative Agent and for the services of Arranger in arranging the credit facilities under this

Agreement, respectively, and are fully earned on the date paid. Such fees are solely for Administrative Agent's and Arranger's own account and are nonrefundable.

(d) Lenders' Upfront Fee. On the Closing Date, Borrower shall pay to Administrative Agent for the account of each Lender an upfront fee in an amount agreed between Administrative Agent and Borrower, calculated based on each Lender's Commitment and allocated by Administrative Agent. Such upfront fees are for the credit facilities committed by each Lender under this Agreement and are fully earned on the date paid. The upfront fee paid to each Lender is solely for its own account and is nonrefundable.

2.07 Computation of Interest and Fees. Computation of interest on Base Rate Loans when the Base Rate is determined by Bank of America's "prime rate" shall be calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed. Computation of all other types of interest and all fees shall be calculated on the basis of a year of 360 days and the actual number of days elapsed, which results in a higher yield to Lenders than a method based on a year of 365 or 366 days. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall - - - - - bear interest for one day.

-25-

2.08 Making Payments.

(a) Except as otherwise provided herein, all payments by Borrower or any Lender hereunder shall be made to Administrative Agent at Administrative Agent's Office not later than the Requisite Time for such type of payment. All payments received after such Requisite Time shall be deemed received on the next succeeding Business Day. All payments shall be made in immediately available funds in lawful money of the United States of America. All payments by Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff.

(b) Upon satisfaction of any applicable terms and conditions set forth herein, Administrative Agent shall promptly make any amounts received in accordance with the prior subsection available in like funds as received, as follows: (i) if payable to Borrower, by crediting the Designated Deposit Account, and (ii) if payable to any Lender, by wire transfer to such Lender at its Lending Office. If such conditions are not so satisfied, Administrative Agent shall return any funds it is holding to the Lenders making such funds available, without interest.

(c) Subject to the definition of "Interest Period," if any payment to be made by Borrower shall come due on a day other than a Business Day, payment shall instead be considered due on the next succeeding Business Day, and such extension of time shall be reflected in computing interest and fees.

(d) Unless Borrower or any Lender has notified Administrative Agent prior to the date any payment to be made by it is due, that it does not intend to remit such payment, Administrative Agent may, in its sole and absolute discretion, assume that Borrower or Lender, as the case may be, has timely remitted such payment and may, in its sole and absolute discretion and in reliance thereon, make available such payment to the Person entitled thereto. If such payment was not in fact remitted to Administrative Agent in immediately available funds, then:

(i) if Borrower failed to make such payment, each Lender shall forthwith on demand repay to Administrative Agent the amount of such assumed payment made available to such Lender, together with interest thereon in respect of each day from and including the date such amount was made available by Administrative Agent to such Lender to the date such amount is repaid to Administrative Agent at the Federal Funds Rate; and

(ii) if any Lender failed to make such payment, Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender. If such Lender does not pay such corresponding amount forthwith upon Administrative Agent's demand therefor, Administrative Agent promptly shall notify Borrower, and Borrower shall pay such corresponding amount to Administrative Agent. Administrative Agent also shall be entitled to recover from such Lender interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by Administrative Agent to Borrower to the date such corresponding amount is recovered by Administrative Agent, (A) from such Lender at a rate per annum equal to the daily Federal Funds Rate. and (B) from Borrower, at a rate per annum equal to the interest rate applicable to such Borrowing. Nothing herein shall be deemed to relieve any Lender

-26-

from its obligation to fulfill its Commitment or to prejudice any rights

which Administrative Agent or Borrower may have against any Lender as a result of any default by such Lender hereunder.

(e) If Administrative Agent or any Lender is required at any time to return to Borrower, or to a trustee, receiver, liquidator, custodian, or any official under any proceeding under Debtor Relief Laws, any portion of a payments made by Borrower, each Lender shall, on demand of Administrative Agent, return its share of the amount to be returned, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the daily Federal Funds Rate .

2.09 Funding Sources. Nothing in this Agreement shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

SECTION 3.
TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Any and all payments by Borrower to or for the account of Administrative Agent or any Lender under any Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and all liabilities with respect thereto, excluding, in the case of

Administrative Agent and each Lender, taxes imposed on or measured by its net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which Administrative Agent or such Lender, as the case may be, is organized or maintains a lending office (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities being hereinafter referred to as "Taxes"). If Borrower shall be

required by any Laws to deduct any Taxes from or in respect of any sum payable under any Loan Document to Administrative Agent or any Lender, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), Administrative Agent and such Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) Borrower shall make such deductions, (iii) Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Laws, and (iv) within 30 days after the date of such payment, Borrower shall furnish to Administrative Agent (who shall forward the same to such Lender) the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, Borrower agrees to pay any and all present or future stamp, court or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under any Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document (hereinafter referred to as "Other Taxes").

-27-

(c) If Borrower shall be required by the Laws of any jurisdiction outside the United States to deduct any Taxes from or in respect of any sum payable under any Loan Document to Administrative Agent or any Lender, Borrower shall also pay to such Lender or Administrative Agent (for the account of such Lender), at the time interest is paid, such additional amount that the respective Lender specifies as necessary to preserve the after-tax yield (after factoring in United States (federal and state) taxes imposed on or measured by net income) such Lender would have received if such deductions (including deductions applicable to additional sums payable under this Section) had not been made.

(d) Borrower agrees to indemnify Administrative Agent and each Lender for the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by Administrative Agent and such Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto.

3.02 Illegality. If any Lender determines that any Laws have made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Offshore Rate Loans, or materially restricts the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the applicable offshore Dollar market, or to determine or charge interest rates based upon the Offshore Rate, then, on notice thereof by Lender to Borrower through Administrative Agent, any obligation of such Lender to make Offshore Rate Loans shall be suspended until Lender notifies Administrative Agent and Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, Borrower shall, upon demand from such Lender (with a copy to

Administrative Agent), prepay or Convert all Offshore Rate Loans of such Lender, either on the last day of the Interest Period thereof, if Lender may lawfully continue to maintain such Offshore Rate Loans to such day, or immediately, if Lender may not lawfully continue to maintain such Offshore Rate Loans. Each Lender agrees to designate a different Lending Office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

3.03 Inability to Determine Rates. If, in connection with any Request for Extension of Credit involving any Offshore Rate Loan, Administrative Agent determines that (a) Dollar deposits are not being offered to banks in the applicable offshore dollar market for the applicable amount and Interest Period of the requested Offshore Rate Loan, (b) adequate and reasonable means do not exist for determining the underlying interest rate for such Offshore Rate Loan, or (c) such underlying interest rate does not adequately and fairly reflect the cost to Lender of funding such Offshore Rate Loan, Administrative Agent will promptly notify Borrower and all Lenders. Thereafter, the obligation of all Lenders to make or maintain such Offshore Rate Loan shall be suspended until Administrative Agent revokes such notice. Upon receipt of such notice, Borrower may revoke any pending request for a Borrowing of Offshore Rate Loans or, failing that, be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

3.04 Increased Cost and Reduced Return; Capital Adequacy.

(a) If any Lender determines that any Laws:

-28-

(i) subject such Lender to any Tax, duty, or other charge with respect to any Offshore Rate Loans or its obligation to make Offshore Rate Loans, or change the basis on which taxes are imposed on any amounts payable to such Lender under this Agreement in respect of any Offshore Rate Loans;

(ii) shall impose or modify any reserve, special deposit, or similar requirement (other than the reserve requirement utilized in the determination of the Offshore Rate) relating to any extensions of credit or other assets of, or any deposits with or other liabilities or commitments of, such Lender (including its Commitment); or

(iii) shall impose on such Lender or on the offshore Dollar interbank market any other condition affecting this Agreement or any of such extensions of credit or liabilities or commitments;

and the result of any of the foregoing is to increase the cost to such Lender of making, Converting into, Continuing, or maintaining any Offshore Rate Loans or to reduce any sum received or receivable by such Lender under this Agreement with respect to any Offshore Rate Loans, then from time to time upon demand of Lender (with a copy of such demand to Administrative Agent), Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such increased cost or reduction.

(b) If any Lender determines that any change in or the interpretation of any Laws have the effect of reducing the rate of return on the capital of such Lender or compliance by such Lender (or its Lending Office) or any corporation controlling such Lender as a consequence of such Lender's obligations hereunder (taking into consideration its policies with respect to capital adequacy and such Lender's desired return on capital), then from time to time upon demand of such Lender (with a copy to Administrative Agent), Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such reduction.

3.05 Breakfunding Costs. Upon demand of any Lender (with a copy to Administrative Agent) from time to time, Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any Continuation, Conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or

(b) any failure by Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, Continue or Convert any Loan other than a Base Rate Loan on the date or in the amount notified by Borrower;

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

3.06 Matters Applicable to all Requests for Compensation.

(a) A certificate of any Lender claiming compensation under this Section 3

and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of clearly demonstrable error. In determining such amount, Lenders may use any reasonable averaging and attribution methods. For purposes of this Section 3, a Lender shall be deemed to have funded each

Offshore Rate Loan at the Offshore Base Rate used in determining the Offshore Rate for such Loan by a matching deposit or other borrowing in the offshore Dollar interbank market, whether or not such Offshore Rate Loan was in fact so funded.

(b) Borrower shall not be obligated to pay any amount under this Section 3

which arose prior to the date which is 180 days preceding the date of such demand or is attributable to periods prior to the date which is 180 days preceding the date of such demand.

(c) Upon any Lender making a claim for compensation under Section 3.01 or

3.04, Borrower may remove and replace such Lender in accordance with Section

10.22.

3.07 Survival. All of Borrower's obligations under this Section 3 shall

survive for a period of one year after the later of (i) termination of the Commitments and (ii) payment in full of all Obligations.

SECTION 4.
CONDITIONS PRECEDENT TO EXTENSIONS OF CREDIT

4.01 Conditions of Initial Extension of Credit. The obligation of each Lender to make its initial Extension of Credit hereunder is subject to satisfaction of the following conditions precedent:

(a) Unless waived by all Lenders (or by Administrative Agent with respect to immaterial matters or items specified in subsections (v) or (vi) below with respect to which Borrower has given assurances satisfactory to Administrative Agent that they will be delivered promptly following the Closing Date), Administrative Agent's receipt of the following, each of which shall be originals or facsimiles (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of Borrower, each dated on, or in the case of third-party certificates, recently before the Closing Date and each in form and substance satisfactory to Administrative Agent, Lenders and their legal counsel:

(i) executed counterparts of this Agreement, sufficient in number for distribution to Administrative Agent, Lenders and Borrower;

(ii) Notes executed by Borrower in favor of each Lender, each in a principal amount equal to such Lender's Commitment;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of Borrower as Administrative Agent and any Lender may require to establish the identities of and verify the authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer thereof;

(iv) such evidence as Administrative Agent and any Lender may reasonably require to verify that Borrower is duly organized or formed, validly existing, in good standing and qualified to engage in business in each jurisdiction in which it is required to be qualified to engage in business, including certified copies of Borrower's Organization Documents, certificates of good standing and/or qualification to engage in business, tax clearance certificates, and the like;

(v) a certificate signed by a Responsible Officer of Borrower certifying (A) that the representations and warranties made by Borrower herein, or which are contained in any certificate, document or financial or other statement furnished at any time under or in connection herewith or therewith, are true and correct on and as of the Closing Date, (B) that Borrower is in compliance with all the terms and provisions of the Loan Documents to which it is a party, and no Default or Event of Default shall have occurred and be continuing, and (C) that there has been no event or circumstance since the date of the Audited Financial Statements which has a Material Adverse Effect;

(vi) an opinion of counsel to Borrower in form and substance satisfactory to Administrative Agent and the Lenders;

(vii) written evidence that the Existing Credit Agreement and all commitments thereunder have been or concurrently herewith are being terminated; and

(viii) such other assurances, certificates, documents, consents or opinions as Administrative Agent or Requisite Lenders reasonably may require.

(b) Any fees required to be paid on or before the Closing Date shall have been paid.

(c) Unless waived by Administrative Agent, Borrower shall have paid all Attorney Costs of Administrative Agent to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute its reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not

thereafter preclude final settling of accounts between Borrower and Administrative Agent).

4.02 Conditions to all Extensions of Credit. In addition to any applicable conditions precedent set forth elsewhere in this Section 4 or in Section 2, the

obligation of each Lender to honor any Request for Extension of Credit other than a Conversion or Continuation is subject to the following conditions precedent:

(a) the representations and warranties of Borrower contained in Section 5, -----
or which are contained in any certificate, document or financial or other statement furnished at any time under or in connection herewith or therewith, shall be correct on and as of the date of such Extension of Credit, except to the extent that such representations and warranties specifically refer to an earlier date;

(b) no Default or Event of Default exists, or would result from such proposed Extension of Credit;

-31-

(c) Administrative Agent shall have timely received a Request for Extension of Credit by Requisite Notice by the Requisite Time therefor; and

(d) Administrative Agent shall have received, in form and substance satisfactory to it, such other assurances, certificates, documents or consents related to the foregoing as Administrative Agent or Requisite Lenders reasonably may require.

Each Request for Extension of Credit by Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a)

and (b) have been satisfied on and as of the date of such Extension of Credit.

SECTION 5.
REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Administrative Agent and Lenders that:

5.01 Existence and Qualification; Power; Compliance with Laws. Borrower is a corporation duly organized or formed, validly existing and in good standing under the Laws of the state of its incorporation or organization, has the power and authority and the legal right to own and operate its properties, to lease the properties it operates and to conduct its business, is duly qualified and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, and is in compliance with all Laws except to the extent that noncompliance could not be reasonably expected to have a Material Adverse Effect.

5.02 Power; Authorization; Enforceable Obligations. Borrower has the power and authority and the legal right to make, deliver and perform each Loan Document to which it is a party and Borrower has power and authority to borrow hereunder and has taken all necessary action to authorize the borrowings on the terms and conditions of this Agreement and to authorize the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party. No consent or authorization of, filing with, or other act by or in respect of any Governmental Authority, is required in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents. The Loan Documents have been duly executed and delivered by Borrower, and constitute a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with their respective terms.

5.03 No Legal Bar. The execution, delivery, and performance by Borrower of

the Loan Documents to which it is a party and compliance with the provisions thereof have been duly authorized by all requisite action on the part of Borrower and do not and will not (a) violate or conflict with, or result in a breach of, or require any consent under (i) any Organization Documents of Borrower or any of its Subsidiaries, (ii) any material applicable Laws, rules, or regulations or any order, writ, injunction, or decree of any Governmental Authority or arbitrator, or (iii) any material Contractual Obligation of Borrower or any of its Subsidiaries or by which any of them or any of their property is bound or subject, (b) constitute a default under any such

-32-

material agreement or instrument, or (c) result in, or require, the creation or imposition of any Lien on any of the properties of Borrower or any of its Subsidiaries.

5.04 Financial Statements; No Material Adverse Effect.

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of Borrower and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness in accordance with GAAP consistently applied throughout the period covered thereby.

(b) Since the date of the Audited Financial Statements, there has been no event or circumstance which has a Material Adverse Effect.

5.05 Litigation. No litigation, investigation or proceeding of or before an arbitrator or Governmental Authority is pending or, to the knowledge of Borrower after due and diligent investigation, threatened by or against Borrower or any of its Subsidiaries or against any of their properties or revenues which could reasonably be expected to have a Material Adverse Effect.

5.06 No Default. Neither Borrower nor any its Subsidiaries are in default under or with respect to any Contractual Obligation which could reasonably be expected to have a Material Adverse Effect, and no Default or Event of Default has occurred and is continuing or will result from the consummation of this Agreement or any of the other Loan Documents, or the making of the Extensions of Credit hereunder.

5.07 Ownership of Property; Liens. Borrower and its Subsidiaries have valid fee or leasehold interests in all real property which they use in their respective businesses, and Borrower and its respective Subsidiaries have good and marketable title to all their other property, and none of such property is subject to any Lien, except as permitted in Section 7.02.

5.08 Taxes. Borrower and its Subsidiaries have filed all material tax returns which are required to be filed, and have paid, or made provision for the payment of, all taxes with respect to the periods, property or transactions covered by said returns, or pursuant to any assessment received by Borrower or its respective Subsidiaries, except (a) such taxes, if any, as are being

contested in good faith by appropriate proceedings and as to which adequate reserves have been established and maintained, and (b) immaterial taxes; provided, however, that in each case no material item or portion of property of

Borrower or any of its Subsidiaries is in jeopardy of being seized, levied upon or forfeited.

5.09 Margin Regulations; Investment Company Act; Public Utility Holding Company Act.

-33-

(a) Borrower is not engaged nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect. No part of the proceeds of any Extensions of Credit hereunder will be used for "purchasing" or "carrying" "margin stock" as so defined or for any purpose which violates, or which would be inconsistent with, the provisions of Regulations U or X of such Board of Governors.

(b) Neither Borrower nor any of its Subsidiaries (i) is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, or (ii) is or is required to be registered as an "investment company" under the Investment

5.10 ERISA Compliance.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state Laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the best knowledge of Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification. Borrower and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has or could reasonably be expected to have a Material Adverse Effect.

(b) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Sections 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA.

5.11 Intangible Assets. Borrower and its Subsidiaries own, or possess the right to use, all trademarks, trade names, copyrights, patents, patent rights, franchises, licenses and other intangible assets that are used in the conduct of their respective businesses as now operated or could obtain such right without causing a Material Adverse Effect, and none of such items, to the best knowledge of Borrower, conflicts with the valid trademark, trade name, copyright, patent, patent right or intangible asset of any other Person to the extent that such conflict has or could reasonably be expected to have a Material Adverse Effect.

5.12 Compliance With Laws. Borrower and its Subsidiaries are in compliance in all material respects with all material Laws that are applicable to it.

5.13 Environmental Compliance. Borrower and its Subsidiaries conduct in the ordinary course of business a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof Borrower has reasonably concluded that such Environmental Laws and claims do not, individually or in the aggregate, have a Material Adverse Effect.

-34-

5.12 Compliance With Laws. Borrower and its Subsidiaries are in compliance in all material respects with all material Laws that are applicable to it.

5.13 Environmental Compliance. Borrower and its Subsidiaries conduct in the ordinary course of business a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof Borrower has reasonably concluded that such Environmental Laws and claims do not, individually or in the aggregate, have a Material Adverse Effect.

5.14 Insurance. The properties of Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where Borrower or such Subsidiary operates.

5.15 Swap Obligations. Neither Borrower nor any of its Subsidiaries has incurred any outstanding obligations under any Swap Contracts, other than Permitted Swap Obligations. Borrower has undertaken its own independent assessment of its consolidated assets, liabilities and commitments and has considered appropriate means of mitigating and managing risks associated with such matters and has not relied on any swap counterparty or any Affiliate of any swap counterparty in determining whether to enter into any Swap Contract.

5.16 Disclosure. No statement, information, report, representation, or warranty made by Borrower in any Loan Document or furnished to Administrative Agent or any Lender in connection with any Loan Document contains any untrue statement of a material fact or, when viewed together with Borrower's periodic reports filed under the Securities and Exchange Act of 1934, omits to state any material fact necessary to make the statements herein or therein not misleading.

AFFIRMATIVE COVENANTS

So long as any Obligation remains unpaid or unperformed, or any portion of the Commitments remains outstanding, Borrower shall, and shall (except in the case of Borrower's reporting covenants) cause each Subsidiary, to:

6.01 Financial Statements. Deliver to Administrative Agent and each Lender, in form and detail satisfactory to Administrative Agent and Requisite Lenders:

(a) as soon as available, but in any event within (i) 90 days after the end of each fiscal year of Borrower or, (ii) if Borrower has been granted an extension by the Securities and Exchange Commission permitting the late filing by Borrower of any annual report on form 10-K, the earlier of (x) 120 days after the end of each fiscal year of Borrower or (y) the last day of any such extension, a consolidated balance sheet of Borrower and its Subsidiaries as at the end of

-35-

such fiscal year, and the related consolidated statements of income and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, audited and accompanied by a report and opinion of an independent certified public accountant of nationally recognized standing, which report and opinion shall be prepared in accordance with GAAP and shall not be subject to any qualifications or exceptions as to the scope of the audit nor to any qualifications and exceptions not reasonably acceptable to Requisite Lenders;

(b) as soon as available, but in any event within (i) 45 days after the end of each of the first three fiscal quarters of each fiscal year of Borrower or, (ii) if Borrower has been granted an extension by the Securities and Exchange Commission permitting the late filing by Borrower of any quarterly report on form 10-Q, the earlier of (x) 60 days after the end of each of the first three fiscal quarters of each fiscal year of Borrower or (y) the last day of any such extension, a consolidated balance sheet of Borrower and its Subsidiaries as at the end of such fiscal quarter, and the related consolidated statements of income and cash flows for such fiscal quarter and for the portion of Borrower's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of Borrower as fairly presenting the financial condition, results of operations and cash flows of Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes; and

(c) Reports required to be delivered pursuant to clauses (a) and (b) of this Section 6.01 shall be deemed to have been delivered on the date on which

Borrower posts such reports on Borrower's website on the Internet at the website address listed on Schedule 10.02 hereof or when such report is posted on the

Securities and Exchange Commission's website at www.sec.gov.; provided that (x)

Borrower shall deliver paper copies of the reports referred to in such clauses (a) and (b) of this Section 6.01 to Administrative Agent or any Lender who

requests Borrower to deliver such paper copies until written request to cease delivering paper copies is given by Administrative Agent or such Lender, (y) Borrower shall notify Administrative Agent and Lenders of the posting of any such new material, and (z) in every instance Borrower shall provide paper copies of the Compliance Certificates required by clause (a) of Section 6.02 to

Administrative Agent and each Lender. Except for the Compliance Certificates referred to in such clause (a) of Section 6.02, Administrative Agent shall have

no obligation to request the delivery or to maintain copies of the reports referred to in clauses (a) and (b) of this Section 6.01, and in any event shall

have no responsibility to monitor compliance by Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such reports.

6.02 Certificates, Notices and Other Information. Deliver to Administrative Agent and each Lender, in form and detail satisfactory to Administrative Agent and Requisite Lenders:

(a) concurrently with the delivery of the financial statements referred to in Sections 6.01(a) and (b), a duly completed Compliance Certificate signed by a

Responsible Officer of Borrower;

-36-

(b) promptly after the same are available, copies of each annual report,

proxy or financial statement or other report or communication sent to the stockholders of Borrower, and copies of all annual, regular, periodic and special reports and registration statements which Borrower may file or be required to file with the Securities and Exchange Commission under Sections 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to Administrative Agent pursuant hereto;

(c) promptly after the occurrence thereof, notice of any Default or Event of Default;

(d) notice of any change in accounting policies or financial reporting practices by Borrower or any Subsidiary that is material to Borrower or to Borrower and its Subsidiaries on a consolidated basis;

(e) promptly after the commencement thereof, notice of any litigation, investigation or proceeding affecting Borrower where the reasonably expected damages to Borrower exceed the Threshold Amount, or in which injunctive relief or similar relief is sought, which relief, if granted, has a Material Adverse Effect;

(f) promptly after the occurrence thereof, notice of any Reportable Event with respect to any Plan or the intent to terminate any Plan, or the institution of proceedings or the taking or expected taking of any other action to terminate any Plan or withdraw from any Plan;

(g) promptly after the occurrence thereof, notice of any Material Adverse Effect; and

(h) promptly, such other data and information as from time to time may be reasonably requested by Administrative Agent, or, through Administrative Agent or any Lender. Notwithstanding any provision of this Agreement to the contrary, so long as no Default or Event of Default shall have occurred and be continuing, neither Borrower nor any of its Subsidiaries shall be required to disclose, permit the inspection, examination, photocopying or making extracts of, or discuss, any document, information or other matter that (i) constitutes non-financial trade secrets or non-financial proprietary information or (ii) the disclosure of which to any Lender, or their designated representative, is then prohibited by law or any agreement binding on Borrower or any of its Subsidiaries that was not entered into by Borrower or any such Subsidiary for the purpose of concealing information from the Lenders.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer of Borrower setting forth details of the occurrence referred to therein and stating what action Borrower has taken and proposes to take with respect thereto.

6.03 Payment of Taxes. Pay and discharge when due all material taxes, assessments, and governmental charges, except for any such tax, assessment, charge, or levy which is an Ordinary Course Lien under subsection (b) of the definition of such term.

6.04 Preservation of Existence. Preserve and maintain its existence, licenses, permits, rights, franchises and privileges necessary or desirable in the normal conduct of its business, except (i) as permitted by Section 7.03 or

(ii) where failure to do so does not have a Material Adverse Effect.

-37-

6.05 Maintenance of Properties. Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good order and condition, subject to wear and tear in the ordinary course of business, and not permit any waste of its properties, except where failure to do so would not reasonably be expected to have a Material Adverse Effect.

6.06 Maintenance of Insurance. Maintain liability and casualty insurance with responsible insurance companies satisfactory to Lender in such amounts and against such risks as is customary for similarly situated businesses.

6.07 Compliance With Laws.

(a) Comply with the requirements of all applicable Laws and orders of any Governmental Authority, noncompliance with which has a Material Adverse Effect.

(b) Conduct its operations and keep and maintain its property in material compliance with all Environmental Laws.

6.08 Inspection Rights. At any time during regular business hours and as often as reasonably requested upon reasonable notice, permit Administrative Agent or any Lender, or any employee, agent or representative thereof, to examine, audit and make copies and abstracts from Borrower's records and books of account and to visit and inspect its properties and to discuss its affairs, finances and accounts with any of its officers and key employees, and, upon request, furnish promptly to Administrative Agent or any Lender true copies of all financial information and internal management reports made available to

their senior management.

6.09 Keeping of Records and Books of Account. Keep adequate records and books of account reflecting all financial transactions in conformity with GAAP, consistently applied, and in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over Borrower or any applicable Subsidiary.

6.10 Compliance with ERISA. Cause, and cause each of its ERISA Affiliates to: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification; and (c) make all required contributions to any Plan subject to Section 412 of the Code.

6.11 Compliance With Agreements. Promptly and fully comply with all Contractual Obligations to which any one or more of them is a party, except for any such Contractual Obligations (a) the nonperformance of which would not cause a Default or Event of Default, (b) then being contested by any of them in good faith by appropriate proceedings, or (c) if the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

6.12 Use of Proceeds. Use the proceeds of Extensions of Credit for lawful general corporate purposes including working capital and capital expenditures not otherwise in contravention of this Agreement.

-38-

SECTION 7.
NEGATIVE COVENANTS

So long as any Obligations remain unpaid or unperformed, or any portion of the Commitments remains outstanding, Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly:

7.01 Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except for the following ("Permitted Indebtedness"):

(a) Indebtedness outstanding on the date hereof and listed on Schedule 7.01

and any refinancings, refundings, renewals or extensions thereof, provided that

the amount of such Indebtedness is not increased at the time of such
refinancing, refunding, renewal or extension except by an amount equal to the
premium or other amount paid, and fees and expenses incurred, in connection with
such refinancing and by an amount equal to any utilized commitments thereunder;

(b) Ordinary Course Indebtedness;

(c) Indebtedness of Borrower under the Convertible Subordinated Debentures;

(d) Indebtedness of Borrower under any letter of credit facility (a
"Permitted LC Agreement"), provided that (i) the only credit extended to

Borrower pursuant to any Permitted LC Agreement consists of letters of credit
issued for the benefit of MKE or its affiliates to secure obligations owed by
Borrower to the beneficiaries for the purchase price of inventory; (ii) the sum
at any time of the aggregate face amount of all letters of credit issued and
outstanding under all Permitted LC Agreements, plus the aggregate amount of all

unremedied drawings under such letters of credit, does not exceed \$85,000,000;
and (iii) the Indebtedness of Borrower under any Permitted LC Agreement is at
all times either unsecured or secured by Liens permitted pursuant to Section

7.02(d).

(e) Indebtedness of Borrower and its Subsidiaries under loans and Capital
Leases incurred by Borrower or any of its Subsidiaries to finance the
acquisition by such Person of real property, improvements, fixtures, equipment
or other fixed assets (together with attachments, ascensions, additions, "soft
costs" and proceeds thereof), provided that in each case, (i) such Indebtedness

is incurred by such Person at the time of, or not later than 6 months after, the
acquisition by such Person of the property so financed and (ii) such
Indebtedness does not exceed the purchase price of the property so financed;

(f) Indebtedness of Borrower and any of its Subsidiaries under Synthetic
Lease Obligations;

(g) Indebtedness of Borrower and its Subsidiaries under initial or
successive refinancings, refundings, renewals or extensions of any Indebtedness
permitted by subsections (d), (e) and (f) above, provided that the amount of

such Indebtedness is not increased at the time of such refinancing, refunding, renewal or extension except by an amount equal to the premium or other amount paid, and fees and expenses incurred, in connection with such refinancing;

-39-

(h) Indebtedness of Borrower and its Subsidiaries in respect of any Permitted Receivables Facility;

(i) Indebtedness of Borrower to any of Borrower's Subsidiaries, Indebtedness of any of Borrower's Subsidiaries to Borrower or Indebtedness of any of Borrower's Subsidiaries to any of Borrower's other Subsidiaries;

(j) Subordinated Indebtedness of Borrower to any Person, provided that (A) such Indebtedness contains subordination provisions no less favorable to Administrative Agent and Lenders than those set forth in Schedule 7.13 or as otherwise approved by Requisite Lenders and (B) the aggregate principal amount of all Subordinated Debt of Borrower outstanding (including the Convertible Subordinated Debentures) does not exceed \$700,000,000 at any time; and

(k) Indebtedness not exceeding, in the aggregate at any time, 10% of the total consolidated assets of Borrower and its Subsidiaries determined as of the end of the most recent fiscal quarter.

7.02 Liens. Incur, assume or suffer to exist, any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except for the following ("Permitted Liens"):

(a) Liens existing on the date hereof and listed on Schedule 7.01 and any renewals or extensions thereof, provided that the property covered thereby is not increased and any renewal or extension of the obligations secured or benefited thereby is permitted by Section 7.01(a);

(b) Ordinary Course Liens;

(c) Liens securing Investments which constitute Permitted Investments under Section 7.05(d);

(d) Liens on cash or cash equivalents securing reimbursement obligations of Borrower under letters of credit in an aggregate amount of all such cash and cash equivalents not to exceed \$100,000,000;

(e) Liens in respect of any Permitted Receivables Facility;

(f) Liens on the property or assets of any corporation which becomes a Subsidiary of Borrower after the date of this Agreement, provided that (i) such Liens exist at the time such corporation became a Subsidiary and (ii) such Liens were not created in contemplation of such acquisition by Borrower;

(g) Rights of vendors or lessors under conditional sale agreements, Capital Leases or other title retention agreements, provided that in each case, (i) such rights secure or otherwise relate to Permitted Indebtedness, (ii) such rights do not extend to any property other than property acquired with the proceeds of such Permitted Indebtedness (together with accessions, additions, replacements and proceeds thereof) and (iii) such rights do not secure any Indebtedness other than Permitted Indebtedness;

-40-

(h) Liens securing Indebtedness and any related obligations of Borrower or any of its Subsidiaries which constitutes Permitted Indebtedness under Section 7.01(f) (or refinancings of such Indebtedness under Section 7.01(g)), provided that such Liens cover only those assets subject to Synthetic Lease Obligations (together with accessions, additions, replacements and proceeds thereof);

(i) Liens incurred in connection with leases, subleases, licenses and sublicenses granted to Persons not interfering in any material respect with the business of Borrower and its Subsidiaries and any interest or title of a lessee or licensee under any such leases, subleases, licenses or sublicenses;

(j) Liens in favor of the "Lenders" in connection with the "Letter of Credit Cash Collateral Account" under and as such terms are defined in the 3-Year Credit Agreement; and

(k) Liens not otherwise permitted hereunder on the property or assets of Borrower and any of its Subsidiaries securing (i) borrowed money Indebtedness, (ii) all obligations of Borrower arising other than in connection with any securitization which are evidenced by bonds, debentures, notes or other similar instruments, or (iii) Indebtedness consisting of letter of credit reimbursement obligations (including pursuant to a Permitted LC Agreement), provided that, in -----
each case, (x) the aggregate principal amount of all Indebtedness secured by such Liens does not exceed at any time 10% of the total assets of Borrower and its Subsidiaries determined as of the end of the fiscal quarter immediately preceding the date of determination and (y) such Liens do not encumber current assets of Borrower and its Subsidiaries in excess of \$50,000,000.

7.03 Fundamental Changes. Merge or consolidate with or into any Person or liquidate, wind-up or dissolve itself, or permit or suffer any liquidation or dissolution or sell all or substantially all of its assets, except that:

(a) any Subsidiary may merge with (i) Borrower, provided that Borrower -----
shall be the continuing or surviving corporation, (ii) any one or more Subsidiaries, and (iii) any joint venture, partnership or other Person, so long as such joint venture, partnership and other Person will, as a result of making such merger and all other contemporaneous related transactions, become a Subsidiary;

(b) any Subsidiary may sell all or substantially all of its assets (upon voluntary liquidation or otherwise), to Borrower or to another Subsidiary;

(c) Borrower may merge into or consolidate with any other, provided that -----
(i) Borrower is the surviving corporation and (ii) immediately after giving effect to such merger or consolidation, no Default or Event of Default shall have occurred and be continuing; and

(d) any Subsidiary may merge or consolidate with or into any other Person or sell all or substantially all of its assets to the extent such transaction is a Disposition otherwise permitted under Section 7.04 or an Investment otherwise -----
permitted under Section 7.05 and immediately after giving effect to such merger -----
or consolidation, no Default or Event of Default shall have occurred and be continuing.

-41-

7.04 Dispositions. Make any Dispositions, except:

(a) Ordinary Course Dispositions;

(b) Dispositions permitted by Section 7.03;

(c) Dispositions which constitute the making of or liquidation of Permitted Investments;

(d) Dispositions of assets on commercially reasonable terms or accounts receivables in connection with a Permitted Receivables Facility by Borrower and its Subsidiaries (it being understood that any determination as to whether a particular Disposition is on commercially reasonable terms shall take into consideration any larger business transaction to which such particular Disposition is related); and

(e) Dispositions not otherwise permitted hereunder not exceeding 20% of Consolidated Tangible Net Worth for the four fiscal quarter period ending as of the end of the fiscal quarter immediately preceding the date of determination.

7.05 Investments. Make any Investments, except for the following -----
("Permitted Investments"):

(a) Investments existing on the date hereof;

(b) Ordinary Course Investments;

(c) Investments permitted by Section 7.01 or Section 7.03;

(d) Investments arising from rights received by Borrower and its Subsidiaries upon the required payment of any permitted contingent obligations of Borrower and its Subsidiaries;

(e) Investments in the nature of Acquisitions, provided that the aggregate

amount of such Acquisitions in any period of four consecutive fiscal quarters
does not exceed 20% of Consolidated Tangible Net Worth as determined as of the
fiscal quarter immediately preceding the date of determination;

(f) Investments of Borrower and its Subsidiaries in Swap Contracts,
provided that all such arrangements are entered into in connection with bona

fide hedging operations and not for speculation;

(g) Investments by Quantum Technology Ventures (or any other Subsidiary of
Borrower with the primary purpose of making venture investments) and other
Investments which Borrower's Board of Directors determines to be strategic for
Borrower in an aggregate cost basis, at any time invested for all such entities
and investments together, not to exceed the sum of (x) \$150,000,000 and (y) the
aggregate gain or loss on such Investments previously made under this clause
(g); and

(h) Investments not otherwise permitted hereunder, provided that the

aggregate amount of such other Investments made after the Closing Date (less any
return on any such Investments)

-42-

does not exceed 20% of Consolidated Tangible Net Worth as determined as of the
fiscal quarter immediately preceding the date of determination.

7.06 Restricted Payments. Make any Restricted Payments, except as follows:

(a) Borrower may pay dividends or other distributions payable solely in
shares of capital stock of Borrower or any Subsidiary or payable by a Subsidiary
to Borrower or to another Subsidiary;

(b) Borrower may distribute rights pursuant to a shareholder rights plan or
redeem such rights, provided that such redemption is in accordance with the

terms of such shareholder rights plan;

(c) Borrower may make Restricted Payments in connection with or pursuant to
any of its Employee Benefits Plans or in connection with the employment,
termination or compensation of its employees, officers or directors;

(d) Borrower may make Restricted Payments with the Net Proceeds received
from a substantially concurrent issuance of Equity Securities or capital stock
or with its Equity Securities or capital stock or Borrower may convert any
Equity Securities in accordance with their terms into other Equity Securities;

(e) Borrower may purchase Equity Securities pursuant to one or more stock
repurchase programs, provided that (i) no Default or Event of Default shall have

occurred and be continuing and (ii) after giving effect to any such repurchases
Borrower shall be in compliance with Section 7.12; and

(f) Any Subsidiary of Borrower may declare or pay any dividends in respect
of its Equity Securities or purchase or redeem shares of its Equity Securities
or make distributions to shareholders not otherwise permitted hereunder,
provided that the aggregate amount paid or distributed in any period of four

consecutive quarters (excluding any amounts covered by subsection (b) above)
does not exceed 5% of Consolidated Tangible Net Worth as determined as of the
fiscal quarter immediately preceding the date of determination.

7.07 ERISA. At any time engage in a transaction which could be subject to
Sections 4069 or 4212(c) of ERISA, or permit any Pension Plan to (a) engage in
any non-exempt "prohibited transaction" (as defined in Section 4975 of the
Code); (b) fail to comply with ERISA or any other applicable Laws; or (c) incur
any material "accumulated funding deficiency" (as defined in Section 302 of
ERISA), which, with respect to each event listed above, has a Material Adverse
Effect.

7.08 Change in Nature of Business. Engage, either directly or indirectly
through Affiliates, in any line of business other than the digital storage
business, any other business incidental or reasonably related thereto, or any
businesses that are, as determined by the Board of Directors of Borrower,
appropriate extensions thereof.

-43-

7.09 Transactions with Affiliates. Enter into any transaction of any kind
with any Affiliate (other than transactions among Borrower or any of its
Subsidiaries and any Subsidiary) of Borrower other than arm's-length

transactions with Affiliates that are otherwise permitted hereunder.

7.10 Use of Proceeds. Borrower shall not, and shall not suffer or permit any Subsidiary to, use any portion of the Loan proceeds, directly or indirectly, (i) for any Acquisition unless the prior, effective written consent or approval to such Acquisition of the board of directors or equivalent governing body of the acquiree is obtained, or (ii) to acquire any security in any transaction that is subject to Section 13 (other than an Investment Transaction) or Section 14 of the Exchange Act, unless, prior to the time such transaction becomes subject to such Section 13 or 14, the board of directors or other applicable governing body of the Person that is the issuer of such securities has adopted a resolution approving such transaction and approving any "change in control" with respect to such Person whereby Borrower or such Subsidiary may acquire control of such Person. For purposes of this Section 7.10, (x) an "Investment

Transaction" means a transaction subject to Section 13(d), but not Section 16,

of the Exchange Act, provided that in connection with such transaction Borrower or its Subsidiary (as the case may be) has reported and at all times continues to report to the SEC that such transaction is undertaken for investment purposes only and not for any of the purposes specified in clauses 4(a) through (j), inclusive, of the special instructions for complying with Schedule 13D under the Exchange Act, and (y) "change in control" means, for any Person, an Acquisition with respect to such Person.

7.11 Certain Indebtedness Payments, Etc.. Neither Borrower nor any of its Subsidiaries shall pay, prepay, redeem, purchase, defease or otherwise satisfy in any manner prior to the scheduled payment thereof any Subordinated Debt except as otherwise permitted under this Section 7.11; amend, modify or

otherwise change the terms of any document, instrument or agreement evidencing Subordinated Debt such that such amendment, modification or change would (i) cause the outstanding aggregate principal amount of all such Subordinated Debt so amended, modified or changed to be increased as a consequence of such amendment, modification or change, (ii) cause the subordination provisions applicable to such Subordinated Debt to be less favorable to Administrative Agent and Lenders than those set forth on Schedule 7.13, (iii) increase the

interest rate applicable thereto or (iv) accelerate the scheduled payment thereof, except that, subject to the other terms and provisions hereof, Borrower may (a) (1) call for redemption of the entire outstanding amount of the Convertible Subordinated Debentures and, (2) to the extent such Convertible Subordinated Debentures are not converted prior to the redemption date, redeem up to 30% of any such outstanding Convertible Subordinated Debentures less the amount of Subordinated Debt purchased by Borrower pursuant to clause (b) (ii) of this Section, provided that (A) no Default or Event of Default has occurred and

is continuing or would result from such call for redemption or redemption and (B) the closing price of the common stock shall have exceeded 120% of the then applicable conversion price for 20 trading days within a period of 30 consecutive trading days ending within 5 trading days prior to the notice of redemption. Borrower shall not cause or permit any of its obligations, except the obligations constituting Senior Indebtedness to constitute "Designated Senior Indebtedness" under the Indenture governing the Convertible Subordinated Debentures (it being understood that the Obligations of Borrower under this Agreement shall at all times constitute "Designated

-44-

Senior Indebtedness"); (b) (i) pay, prepay, redeem, purchase, defease or otherwise satisfy in any manner any Subordinated Debt, with the Net Proceeds from the substantially contemporaneous issuance of Equity Securities by Borrower or in exchange for Equity Securities of Borrower, and (ii) otherwise purchase outstanding Subordinated Debt, provided that the aggregate value of all such

Subordinated Debt repurchased, together with the amount of all redemptions undertaken pursuant to clause (a) of this Section, does not at any time exceed 30% of the total amount of all Convertible Subordinated Debentures outstanding as of the Closing Date; and (c) Borrower may convert, or honor a conversion request with respect to, any such Subordinated Debt into Equity Securities of Borrower in accordance with the terms of, and pay any cash to holders of such Subordinated Debt in connection with, such a conversion solely to the extent representing the value of any fractional shares.

7.12 Financial Covenants.

(a) Consolidated Tangible Net Worth. Permit Consolidated Tangible Net Worth on the last day of any fiscal quarter (such date to be referred to herein as a "determination date"), commencing with the fiscal quarter ended March 31, 2000, to be less than the greater of (i) 75% of Consolidated Tangible Net Worth as of March 31, 2000 or (ii) the sum of (A) an amount equal to 75% of Consolidated Tangible Net Worth as of March 31, 2000; plus (B) an amount equal to 75% of the

sum of positive Consolidated Net Income (ignoring any quarterly losses) for each fiscal quarter after the quarter ended March 31, 2000, through and including the

quarter ending on the determination date; plus (C) an amount equal to 75% of the

Net Proceeds of all Equity Securities issued by Borrower (excluding any issuance where the Net Proceeds to the Borrower therefor are less than \$10,000,000) during the period commencing on March 31, 2000 and ending on the determination date; plus (D) an amount equal to 75% of the increase in the value of

outstanding Equity Securities resulting, in accordance with GAAP, from any conversion of Convertible Subordinated Debentures into such Equity Securities; minus (E) the lesser of (x) the aggregate amount paid by Borrower to repurchase

Equity Securities during the period commencing on March 31, 2000 and ending on the determination date and (y) \$200,000,000; and minus (F) the lesser of (x) the

aggregate amount of charges taken by Borrower for In-Process Research & Development associated with Acquisitions during the period commencing on March 31, 2000 and ending on the determination date, and (y) \$100,000,000, provided

that any such charges were taken by Borrower during the quarter in which any such Acquisition was completed.

(b) Minimum Quick Ratio. Permit the Quick Ratio determined as of the last day of any fiscal quarter of Borrower (commencing with the quarter ending March 31, 2000) to be less than 1.10:1.

(c) Maximum Leverage Ratio. Permit the Leverage Ratio, determined as of the last day of any fiscal quarter of Borrower, commencing with the fiscal quarter ending March 31, 2000 (measured on a rolling four quarter basis for the four fiscal quarters ended), to be greater than 2.00:1.

(d) Minimum Profitability. Suffer or permit there to exist, as of the last day of any fiscal quarter, for the four fiscal quarters ending on such date, commencing with the fiscal quarter ending March 31, 2000, (i) any two fiscal quarters in which the aggregate negative

-45-

Consolidated Net Income for such fiscal quarters exceeds 5% of Consolidated Tangible Net Worth as of such date, or (ii) cumulative Consolidated Net Income for such four-quarter period of less than \$1.00. For purposes of calculating this covenant, charges for In-Process Research & Development associated with Acquisitions shall be excluded, provided that (x) any such charges are taken

during the quarter in which any such Acquisitions are completed, and (y) the aggregate amount of any such charges taken does not exceed \$100,000,000 during the term of this Agreement.

7.13 Accounting Changes. Change (i) its fiscal year (currently April 1 to March 31) or (ii) its accounting practices except as permitted by GAAP.

SECTION 8. EVENTS OF DEFAULT AND REMEDIES

8.01 Events of Default. Any one or more of the following events shall constitute an Event of Default:

(a) Borrower fails to pay any principal on any Outstanding Obligation (other than fees) as and on the date when due; or

(b) Borrower fails to pay any interest on any Outstanding Obligation or any commitment fees due hereunder within three days after the date when due; or fails to pay any other fees or amount payable to Administrative Agent or any Lender under any Loan Document within five days after the date due; or

(c) Any default occurs in the observance or performance of any agreement contained in Section 6.12 or 7; or

(d) The occurrence of an Event of Default (as such term is or may hereafter be specifically defined in any other Loan Document) under any other Loan Document; or Borrower fails to perform or observe any other covenant or agreement (not specified in subsections (a), (b) or (c) above) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days; or

(e) Any representation or warranty in any Loan Document proves to have been incorrect in any material respect when made or deemed made; or

(f) (i) Borrower (x) defaults in any payment when due of principal of or interest on any Indebtedness (other than Indebtedness hereunder) under any Permitted LC Agreement or having an aggregate principal amount in excess of the Threshold Amount, or (y) defaults in the observance or performance of any other agreement or covenant relating to any Indebtedness (other than Indebtedness hereunder) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur, the effect of which default or

other event is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, (I) Indebtedness under any Permitted LC Agreement or having an aggregate

-46-

principal amount in excess of the Threshold Amount to become due (automatically or otherwise) prior to its stated maturity, (II) if in respect of a Guaranty Obligation, any Guaranty Obligation in excess of the Threshold Amount to become payable or cash collateral in respect thereof to be demanded on account of such default or other event, or, (III) if in respect of a Permitted LC Agreement, cash collateral to be demanded or such agreement to be terminated on account of such default or other event; (ii) Borrower is unable or admits in writing its inability to pay its debts generally as they mature; or (iii) the occurrence under any Swap Contract of an Early Termination Date (as defined in such Swap Contract) resulting from (x) any event of default under such Swap Contract as to which Borrower or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (y) any termination event under any Swap Contract (as defined therein) as to which Borrower or any Subsidiary is an affected party (as so defined) (other than termination events resulting solely from changes in the value of Borrower's stock price or other rates, prices or indices underlying any such Swap Contract), and as to which, in either event, the Swap Termination Value owed by Borrower or such Subsidiary as a result thereof is greater than the Threshold Amount; provided, however, that a Voluntary Redemption Event shall

not constitute an Event of Default under this Section 8.01(f); or

(g) Any Loan Document, at any time after its execution and delivery and for any reason other than the agreement of all Lenders or satisfaction in full of all the Obligations, ceases to be in full force and effect or is declared by a court of competent jurisdiction to be null and void, invalid or unenforceable in any respect; or Borrower denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document; or

(h) (i) A final judgment against Borrower is entered for the payment of money in excess of the Threshold Amount, or any non-monetary final judgment is entered against Borrower which has a Material Adverse Effect and, in each case if such judgment remains unsatisfied without procurement of a stay of execution within 30 calendar days after the date of entry of judgment; or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded (A) within 30 calendar days after its issue or levy or (B) if earlier, five days prior to the date of any proposed sale.

(i) Borrower or any of its Material Subsidiaries institutes or consents to the institution of any proceeding under Debtor Relief Laws, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of that Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under Debtor Relief Laws relating to any such Person or to all or any part of its property is instituted without the consent of that Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(j) (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in

-47-

excess of the Threshold Amount; (ii) the aggregate amount of Unfunded Pension Liability among all Pension Plans at any time exceeds the Threshold Amount; or (iii) Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of the Threshold Amount; or

(k) There occurs (i) any Change of Control, or (ii) any event relating to a change in the corporate ownership, control or governance of Borrower or any Subsidiary as issuer ("Issuer") of any notes, bonds, debentures, Subordinated

Debt or other debt securities, the result of which is to cause Indebtedness evidenced by any such notes, bonds, debentures, Subordinated Debt or other debt securities to be subject to mandatory redemption or repurchase by Issuer, provided the outstanding amount of such outstanding Indebtedness exceeds the

Threshold Amount.

8.02 Certain Financial Covenant Defaults. In the event that, after taking into account any extraordinary charge to earnings taken or to be taken as of the end of any fiscal period of Borrower (a "Charge"), and if solely by virtue of

such Charge, there would exist an Event of Default due to breach of Section 7.12

as of such fiscal period end date, such Event of Default shall be deemed to arise upon the earlier of (i) the date after such fiscal period end date on which Borrower announces publicly it will take, is taking or has taken such Charge (including an announcement in the form of a statement in a report filed with the SEC) or, if such announcement is made prior to such fiscal period end date, the date that is such fiscal period end date, and (ii) the date Borrower delivers to Administrative Agent its audited annual or unaudited quarterly financial statements in respect of such fiscal period reflecting such Charge as taken.

8.03 Remedies Upon Event of Default. Without limiting any other rights or remedies of Administrative Agent or Lenders provided for elsewhere in this Agreement, or the other Loan Documents, or by applicable Law, or in equity, or otherwise:

(a) Upon the occurrence, and during the continuance, of any Event of Default other than an Event of Default described in Section 8.01(i), Requisite

Lenders may request Administrative Agent to, and Administrative Agent thereupon shall, terminate the Commitments and/or declare all or any part of the unpaid principal of all Loans, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents to be immediately due and payable, whereupon the same shall become and be immediately due and payable, without protest, presentment, notice of dishonor, or further notice of any kind, all of which are expressly waived by Borrower; and

(b) Upon the occurrence of any Event of Default described in Section

8.01(i):

(i) the Commitments and all other obligations of Administrative Agent or Lenders shall automatically terminate without notice to or demand upon Borrower, which are expressly waived by Borrower; and

(ii) the unpaid principal of all Loans, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents shall be immediately due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by Borrower.

-48-

(c) Upon the occurrence of any Event of Default, Lenders and Administrative Agent, or any of them, without notice to (except as expressly provided for in any Loan Document) or demand upon Borrower, which are expressly waived by Borrower (except as to notices expressly provided for in any Loan Document), may proceed to (but only with the consent of Requisite Lenders) protect, exercise and enforce their rights and remedies under the Loan Documents against Borrower and such other rights and remedies as are provided by Law or equity.

(d) Except as permitted by Section 10.05, no Lender may exercise any

rights or remedies with respect to the Obligations without the consent of Requisite Lenders in their sole and absolute discretion. The order and manner in which Administrative Agent's and Lenders' rights and remedies are to be exercised shall be determined by Requisite Lenders in their sole and absolute discretion. Regardless of how a Lender may treat payments for the purpose of its own accounting, for the purpose of computing the Obligations hereunder, payments shall be applied first, to costs and expenses (including Attorney Costs) incurred by Administrative Agent and each Lender, second, to the payment of accrued and unpaid interest on the Loans to and including the date of such application, third, to the payment of the unpaid principal of the Loans, and fourth, to the payment of all other amounts (including fees) then owing to Administrative Agent and Lenders under the Loan Documents, in each case paid pro rata to each Lender in the same proportions that the aggregate Obligations owed to each Lender under the Loan Documents bear to the aggregate Obligations owed under the Loan Documents to all Lenders, without priority or preference among Lenders. No application of payments will cure any Event of Default, or prevent acceleration, or continued acceleration, of amounts payable under the Loan Documents, or prevent the exercise, or continued exercise, of rights or remedies of Administrative Agent and Lenders hereunder or thereunder or at Law or in equity.

SECTION 9.
ADMINISTRATIVE AGENT

9.01 Appointment and Authorization of Administrative Agent. Each Lender

hereby irrevocably (subject to Section 9.09) appoints, designates and authorizes

Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall Administrative Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" in this Agreement with reference to Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

-49-

9.02 Delegation of Duties. Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

9.03 Liability of Administrative Agent. No Administrative Agent-Related Person shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any Lender for any recital, statement, representation or warranty made by Borrower or any Subsidiary or Affiliate of Borrower, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Administrative Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of Borrower or any of Borrower's Subsidiaries or Affiliates.

9.04 Reliance by Administrative Agent.

(a) Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrower), independent accountants and other experts selected by Administrative Agent. Administrative Agent shall be fully justified in failing or refusing to take any action under any other Loan Document unless it shall first receive such advice or concurrence of Requisite Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of Requisite Lenders or all Lenders, if required hereunder, and such request and any action taken or failure to act pursuant thereto shall be binding upon all of Lenders. Where this Agreement expressly permits or prohibits an action unless Requisite Lenders otherwise determine, and in all other instances, Administrative Agent may, but shall not be required to, initiate any solicitation for the consent or a vote of Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 4.01, each Lender that has executed this Agreement shall be deemed to

have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or

-50-

required thereunder to be consented to or approved by or acceptable or satisfactory to such Lender.

(c) Each Lender hereby authorizes Administrative Agent, upon payment of the amount certified by Borrower as the full and final payment of all principal, interest, fees and other charges outstanding under this Agreement, and following termination of the Commitments, to execute with and in favor of Borrower a termination letter that, inter alia, terminates Borrower's obligation to observe

any or all of the covenants in Sections 3, 6 and 7 hereof.
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9.05 Notice of Default. Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to Administrative Agent for the account of Lenders, unless Administrative Agent shall have received written notice from a Lender or Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". Administrative Agent will notify Lenders of its receipt of any such notice. Administrative Agent shall take such action with respect to such Default or Event of Default as may be directed by Requisite Lenders in accordance with Section 8; provided,

however, that unless and until Administrative Agent has received any such
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direction, Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of Lenders.

9.06 Credit Decision; Disclosure of Information by Administrative Agent. Each Lender acknowledges that no Administrative Agent-Related Person has made any representation or warranty to it, and that no act by Administrative Agent hereinafter taken, including any consent to and acceptance of any assignment or review of the affairs of Borrower and its Subsidiaries, shall be deemed to constitute any representation or warranty by any Administrative Agent-Related Person to any Lender as to any matter, including whether Administrative Agent-Related Persons have disclosed material information in their possession. Each Lender, including any Lender by assignment, represents to Administrative Agent that it has, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to Borrower hereunder. Each Lender also represents that it will, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower. Except for notices, reports and other documents expressly required to be furnished to Lenders by Administrative Agent herein, Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of Borrower or any of its Subsidiaries which may come into the possession of any Administrative Agent-Related Person.

-51-

9.07 Indemnification of Administrative Agent. Whether or not the transactions contemplated hereby are consummated, Lenders shall indemnify upon demand each Administrative Agent-Related Person (to the extent not reimbursed by or on behalf of Borrower and without limiting the obligation of Borrower to do so), pro rata, and hold harmless each Administrative Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; provided,

however, that no Lender shall be liable for the payment to any Administrative
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Agent-Related Person of any portion of such Indemnified Liabilities resulting from such Person's gross negligence or willful misconduct; provided, however,

that no action taken in accordance with the directions of Requisite Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that Administrative Agent is not reimbursed for such expenses by or on behalf of Borrower. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of Administrative Agent.

9.08 Administrative Agent in Individual Capacity. Bank of America and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with Borrower and its Subsidiaries and Affiliates as though Bank of America were not Administrative Agent hereunder and without notice to or consent of Lenders. Lenders acknowledge that, pursuant to such activities, Bank of America or its Affiliates may receive information regarding Borrower or its Affiliates (including information that may be subject to confidentiality obligations in favor of Borrower or such Affiliate) and acknowledge that Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, Bank of America shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not Administrative Agent.

9.09 Successor Administrative Agent. Administrative Agent may, and at the request of Requisite Lenders shall, resign as Administrative Agent upon 30 days' notice to Lenders. If Administrative Agent resigns under this Agreement, Requisite Lenders shall appoint from among Lenders a successor administrative agent for Lenders which successor administrative agent shall be approved by Borrower. If no successor administrative agent is appointed prior to the effective date of the resignation of Administrative Agent, Administrative Agent may appoint, after consulting with Lenders and Borrower and upon approval of Borrower (other than at any time as there exists an Event of Default) which will not be unreasonably withheld, a successor administrative agent from among Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor administrative agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring

-52-

Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 9 and Sections 10.03 and 10.11 shall inure to its

benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent (whether due to absence of Borrower approval or otherwise) by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and Lenders shall perform all of the duties of Administrative Agent hereunder until such time, if any, as Requisite Lenders appoint a successor agent as provided for above.

9.10 Syndication Agent; Documentation Agent.. None of Lenders (or Affiliates of Lenders) identified on the facing page or signature pages of this Agreement as a "Syndication Agent" or "Documentation Agent" shall have any right, power, obligation, liability, responsibility or duty under this Agreement in such capacity. Without limiting the foregoing, none of Lenders (or Affiliates of Lenders) so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of Lenders (or Affiliates of Lenders) so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

SECTION 10. MISCELLANEOUS

10.01 Amendments; Consents. No amendment, modification, supplement, extension, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent thereunder, and no consent to any departure by Borrower therefrom shall be effective unless in writing signed by Requisite Lenders and acknowledged by Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Except as otherwise expressly provided herein, without the approval in writing of Administrative Agent and all Lenders, no amendment, modification, supplement, termination, waiver or consent may be effective:

(a) To reduce the amount of principal, principal prepayments or the rate of interest payable on, any Loan, or the amount of any fee or other amount payable to any Lender under the Loan Documents (unless such modification is consented to by each Lender entitled to receive such fee) or to waive an Event of Default consisting of the failure of Borrower to pay when due principal, interest or any commitment fee;

(b) To postpone any date fixed for any payment of principal of, prepayment of principal of, or any installment of interest on, any Loan or any installment of any commitment fee, to extend the term of, or increase the amount of, any Lender's Commitment (it being understood that a waiver of an Event of Default shall not constitute an extension or increase in the Commitment of any Lender) or modify the Pro Rata Share of any Lender;

(c) To amend the definition of "Requisite Lenders" or the provisions of Section 4, Section 9, this Section 10.01 or Section 10.06; or

(d) To amend any provision of this Agreement that expressly requires the consent or approval of all Lenders; provided, however, that (i) no amendment, waiver or consent shall, unless in writing and signed by Administrative Agent in addition to Requisite Lenders or all Lenders, as the case may be, affect the rights or duties of Administrative Agent, and (ii) the fee letters may be amended, or rights or privileges thereunder waived, in a writing executed by the parties thereto. Any amendment, modification, supplement, termination, waiver or consent pursuant to this Section shall apply equally to, and shall be binding upon, all Lenders and Administrative Agent.

10.02 Transmission and Effectiveness of Communications and Signatures.

(a) Modes of Delivery. Except as otherwise provided in any Loan Document, notices, requests, demands, directions, agreements and documents delivered in connection with the Loan Documents (collectively, "communications") shall be

transmitted by Requisite Notice to the number and address set forth on Schedule

10.02, may be delivered by the following modes of delivery, and shall be

effective as follows:

Mode of Delivery	Effective on earlier of actual receipt and:
Courier	Scheduled delivery date
Facsimile	When transmission in legible form complete
Mail	Fourth Business Day after deposit in U.S. mail first class postage pre-paid
Personal delivery	When received
Telephone	When conversation completed

provided, however, that communications delivered to Administrative Agent

pursuant to Section 2 must be in writing and shall not be effective until

actually received by Administrative Agent.

(b) Reliance by Administrative Agent and Lenders. Administrative Agent and Lenders shall be entitled to rely and act on any communications purportedly given by or on behalf of Borrower even if (i) such communications (A) were not made in a manner specified herein, (B) were incomplete, or (C) were not preceded or followed by any other notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any subsequent related communications provided for herein. Borrower shall indemnify Administrative Agent and Lenders from any loss, cost, expense or liability as a result of relying on any communications permitted herein.

(c) Effectiveness of Facsimile Documents and Signatures. Documents and agreements delivered from time to time in connection with the Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as hardcopies with manual signatures and shall be binding on all Borrower Parties and Administrative Agent and Lenders. Administrative Agent may also request that any such documents and signature be confirmed by a manually-signed hardcopy thereof; provided, however, that the failure to request

or deliver any such

manually-signed hardcopy shall not affect the effectiveness of any facsimile documents or signatures.

10.03 Attorney Costs, Expenses and Taxes. Borrower agrees (a) to pay or reimburse Administrative Agent for all reasonable costs and expenses incurred in connection with the development, preparation, negotiation and execution of the Loan Documents, and the development, preparation, negotiation and execution of any amendment, waiver, consent, supplement or modification to, any Loan Documents, and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including all reasonable Attorney Costs, and (b) to pay or reimburse Administrative Agent and each Lender for all costs and expenses incurred in connection with any refinancing, restructuring, reorganization (including a bankruptcy reorganization) and enforcement or attempted enforcement, or preservation of any rights under any Loan Documents, and any other documents prepared in connection herewith or therewith, or in connection with any refinancing, or restructuring of any such documents in the nature of a

"workout" or of any insolvency or bankruptcy proceeding, including Attorney Costs. The foregoing costs and expenses shall include all reasonable search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by Administrative Agent and the cost of independent public accountants and other outside experts retained by Administrative Agent or any Lender. Such costs and expenses shall also include administrative costs of Administrative Agent reasonably attributable to the administration of the Loan Documents. Any amount payable by Borrower under this Section shall bear interest from the second Business Day following the date of demand for payment at the Default Rate, unless waived by Administrative Agent. The agreements in this Section shall survive repayment of all Obligations.

10.04 Binding Effect; Assignment.

(a) This Agreement and the other Loan Documents to which Borrower is a party will be binding upon and inure to the benefit of Borrower, Administrative Agent, Lenders and their respective successors and assigns, except that, Borrower may not assign its rights hereunder or thereunder or any interest herein or therein without the prior written consent of all Lenders and any such attempted assignment shall be void. Any Lender may at any time pledge its Note or any other instrument evidencing its rights as a Lender under this Agreement to a Federal Reserve Bank, but no such pledge shall release such Lender from its obligations hereunder or grant to such Federal Reserve Bank the rights of a Lender hereunder absent foreclosure of such pledge.

(b) From time to time following the Closing Date, each Lender may assign to one or more Eligible Assignees all or any portion of its Commitment and/or Extensions of Credit; provided that (i) such assignment, if not to a Lender or

an Affiliate of the assigning Lender, shall be consented to by Borrower at all times other than during the existence of a Default or Event of Default and by Administrative Agent (which approval of Borrower shall not be unreasonably withheld), (ii) a copy of a duly signed and completed Assignment and Acceptance shall be delivered to Administrative Agent, (iii) except in the case of an assignment (A) to an Affiliate of the assigning Lender or to another Lender or (B) of the entire remaining Commitment of the assigning Lender, the portion of the Commitment assigned shall not be less than the Minimum Amount therefor, and (iv) the effective date of any such assignment shall be as specified in the

-55-

Assignment and Acceptance, but not earlier than the date which is five Business Days after the date Administrative Agent has received the Assignment and Acceptance. Upon any required consent by Administrative Agent and Borrower to such assignment and payment of the requisite fee described below, the assignee named therein shall be a Lender for all purposes of this Agreement, with the Pro Rata Share therein set forth and, to the extent of such Pro Rata Share, the assigning Lender shall be released from its further obligations under this Agreement. Borrower agrees that it shall execute and deliver upon request (against delivery by the assigning Lender to Borrower of any Note) to such assignee Lender, one or more Notes evidencing such assignee Lender's Loans, and to the assigning Lender if requested, one or more Notes evidencing Loans under any Commitment retained by the assigning Lender. Administrative Agent's consent to any assignment shall not be deemed to constitute any representation or warranty by any Administrative Agent-Related Person as to any matter. For purposes hereof, each mutual fund that is an Affiliate of a Lender shall be deemed to be a single Eligible Assignee, whether or not such fund is managed by the same fund manager as other mutual funds that are Affiliates of the same Lender.

(c) After receipt of a completed Assignment and Acceptance, and receipt of an assignment fee of \$4,000 from such Eligible Assignee (including in the case of assignments to Affiliates of assigning Lenders), Administrative Agent shall, promptly following the effective date thereof, provide to Borrower and Lenders a revised Schedule 10.02 giving effect thereto.

(d) Each Lender may from time to time, without the consent of any other Person, grant participations to one or more other Person (including another Lender) of all or any portion of its Pro Rata Share of its Commitment or Extensions of Credit; provided, however, that (i) such Lender's obligations

under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other financial institutions shall not be a Lender hereunder for any purpose except, if the participation agreement so provides, for the purposes of Section 3 (but only to the extent that the cost

of such benefits to Borrower does not exceed the cost which Borrower would have incurred in respect of such Lender absent the participation) and subject to Sections 10.05 and 10.06, (iv) Borrower, Administrative Agent and the other

Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, (v)

the participation agreement shall not restrict an increase in the combined Commitments or in granting Lender's Pro Rata Share, so long as the amount of the participation interest is not affected thereby, and (vi) the consent of the holder of such participation interest shall not be required for amendments or waivers of provisions of the Loan Documents; provided, however, that the

assigning Lender may, in any agreement with a participant, give such participant the right to consent to any matter which (A) extends the Revolving Termination Date or Term Maturity Date as to such participant or any other date upon which any payment of money is due to such participant, (B) reduces the rate of interest owing to such participant, any fee or any other monetary amount owing to such participant, or (C) reduces the amount of any installment of principal owing to such participant. Any Lender that sells a participation to any Person that is a "foreign corporation, partnership or trust" within the meaning of the Code shall include in its participation agreement with such Person a covenant by such Person that such Person will comply with the provisions of Section 10.21 as

if such Person were a Lender and provide that Administrative Agent and Borrower shall be third party beneficiaries of such covenant.

-56-

10.05 Set-off. In addition to any rights and remedies of Administrative Agent and Lenders or any assignee or participant of any Lender or any Affiliate thereof (each, a "Proceeding Party") provided by law, upon the occurrence and

during the continuance of any Event of Default, each Proceeding Party is authorized at any time and from time to time, without prior notice to Borrower, any such notice being waived by Borrower to the fullest extent permitted by law, to proceed directly, by right of set-off, banker's lien, or otherwise, against any assets of Borrower Parties which may be in the hands of such Proceeding Party (including all general or special, time or demand, provisional or other deposits and other indebtedness owing by such Proceeding Party to or for the credit or the account of Borrower) and apply such assets against the Obligations, irrespective of whether such Proceeding Party shall have made any demand therefor and although such Obligations may be unmatured. Each Lender agrees promptly to notify Borrower and Administrative Agent after any such set-off and application made by such Lender; provided, however, that the failure to

give such notice shall not affect the validity of such set-off and application.

10.06 Sharing of Payments. Each Lender severally agrees that if it, through the exercise of any right of setoff, banker's lien or counterclaim against Borrower or otherwise, receives payment on account of the Outstanding Obligations held by it that is ratably more than any other Lender receives in payment on account of the Outstanding Obligations held by such other Lender, then, subject to applicable Laws: (a) the Lender exercising the right of setoff, banker's lien or counterclaim or otherwise receiving such payment shall purchase, and shall be deemed to have simultaneously purchased, from the other Lender a participation in the Outstanding Obligations held by the other Lender and shall pay to the other Lender a purchase price in an amount so that the share of the Outstanding Obligations held by each Lender after the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment shall be in the same proportion that existed prior to the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment; and (b) such other adjustments and purchases of participations shall be made from time to time as shall be equitable to ensure that all Lenders share any payment obtained in respect of the Outstanding Obligations ratably in accordance with each Lender's share of the Outstanding Obligations immediately prior to, and without taking into account, the payment; provided that, if all or any portion of a

disproportionate payment obtained as a result of the exercise of the right of setoff, banker's lien, counterclaim or otherwise is thereafter recovered from the purchasing Lender by Borrower or any Person claiming through or succeeding to the rights of Borrower, the purchase of a participation shall be rescinded and the purchase price thereof shall be restored to the extent of the recovery, but without interest. Each Lender that purchases a participation in the Outstanding Obligations pursuant to this Section shall from and after the purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Outstanding Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Outstanding Obligations purchased. Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in an Obligation so purchased may exercise any and all rights of setoff, banker's lien or counterclaim with respect to the participation as fully as if Lender were the original owner of the Obligation purchased.

10.07 No Waiver; Cumulative Remedies.

-57-

(a) No failure by any Lender or Administrative Agent to exercise, and no delay by any Lender or Administrative Agent in exercising, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any

single or partial exercise of any right, remedy, power or privilege under any Loan Document preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. Without limiting the generality of the foregoing, the terms and conditions of Section 4 may be waived in whole or

in part, with or without terms or conditions, in respect of any Extension of Credit without prejudicing Administrative Agent's or Lenders' rights to assert them in whole or in part in respect of any other Extension of Credit.

(b) The rights, remedies, powers and privileges herein or therein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law. Any decision by Administrative Agent or any Lender not to require payment of any interest (including Default Interest), fee, cost or other amount payable under any Loan Document or to calculate any amount payable by a particular method on any occasion shall in no way limit or be deemed a waiver of Administrative Agent's or such Lender's right to require full payment thereof, or to calculate an amount payable by another method that is not inconsistent with this Agreement, on any other or subsequent occasion.

(c) The terms and conditions of Section 9 are for the sole benefit of

Administrative Agent and Lenders.

10.08 Usury. Notwithstanding anything to the contrary contained in any Loan Document, the interest and fees paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If Administrative Agent or any Lender

shall receive interest or a fee in an amount that exceeds the Maximum Rate, the excessive interest or fee shall be applied to the principal of the Outstanding Obligations or, if it exceeds the unpaid principal, refunded to Borrower. In determining whether the interest or a fee contracted for, charged, or received by Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations.

10.09 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.10 Integration. This Agreement, together with the other Loan Documents and any letter agreements referred to herein, comprises the complete and integrated agreement of the parties on the subject matter hereof and supersedes all prior agreements, written or oral, on the subject matter hereof. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control and govern; provided that the inclusion of supplemental rights or remedies in favor of

Administrative Agent or Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and

-58-

shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

10.11 Nature of Lenders' Obligations. Nothing contained in this Agreement or any other Loan Document and no action taken by Administrative Agent or Lenders or any of them pursuant hereto or thereto may, or may be deemed to, make Lenders a partnership, an association, a joint venture or other entity, either among themselves or with Borrower or any Affiliate of Borrower. Each Lender's obligation to make any Extension of Credit pursuant hereto is several and not joint or joint and several, and in the case of the initial Extension of Credit only is conditioned upon the performance by all other Lenders of their obligations to make the initial Extension of Credit. A default by any Lender will not increase the Pro Rata Share attributable to any other Lender.

10.12 Survival of Representations and Warranties. All representations and warranties made hereunder and in any Loan Document, certificate or statement delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery thereof but shall terminate the later of (a) when the Commitments are terminated and (b) when no Obligations remain outstanding under any Loan Document. Such representations and warranties have been or will be relied upon by Administrative Agent and each Lender, notwithstanding any investigation made by Administrative Agent or any Lender or on their behalf.

10.13 Indemnity by Borrower. Borrower agrees to indemnify, save and hold harmless each Administrative Agent-Related Person and each Lender and their respective Affiliates, directors, officers, agents, attorneys and employees (collectively, the "Indemnitees") from and against: (a) any and all claims,

demands, actions or causes of action that are asserted against any Indemnitee by any Person (other than Administrative Agent or any Lender) relating directly or indirectly to a claim, demand, action or cause of action that such Person asserts or may assert against Borrower, any of its Affiliates or any its officers or directors; (b) any and all claims, demands, actions or causes of action arising out of or relating to, the Loan Documents, any predecessor loan documents, the Commitments, the use or contemplated use of the proceeds of any Loan, or the relationship of Borrower, Administrative Agent and Lenders under this Agreement; (c) any administrative or investigative proceeding by any Governmental Authority arising out of or related to a claim, demand, action or cause of action described in subsection (a) or (b) above; and (d) any and all liabilities, losses, costs or expenses (including Attorney Costs) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action or proceeding, in all cases, whether or not an Indemnitee is a party to such claim, demand, action, cause of action or proceeding, including those liabilities caused by an Indemnitee's own negligence (all the foregoing, collectively, the "Indemnified Liabilities"); provided that

no Indemnitee shall be entitled to indemnification for any loss caused by its own gross negligence or willful misconduct or for any loss asserted against it by another Indemnitee.

10.14 Nonliability of Lenders.

Borrower acknowledges and agrees that:

-59-

(a) Any inspections of any property of Borrower made by or through Administrative Agent or Lenders are for purposes of administration of the Loan Documents only, and Borrower is not entitled to rely upon the same (whether or not such inspections are at the expense of Borrower);

(b) By accepting or approving anything required to be observed, performed, fulfilled or given to Administrative Agent or Lenders pursuant to the Loan Documents, neither Administrative Agent nor Lenders shall be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance or approval thereof shall not constitute a warranty or representation to anyone with respect thereto by Administrative Agent or Lenders;

(c) The relationship between Borrower and Administrative Agent and Lenders is, and shall at all times remain, solely that of borrower and lenders; neither Administrative Agent nor any Lender shall under any circumstance be deemed to be in a relationship of confidence or trust or a fiduciary relationship with Borrower or its Affiliates, or to owe any fiduciary duty to Borrower or its Affiliates; neither Administrative Agent nor any Lender undertakes or assumes any responsibility or duty to Borrower or its Affiliates to select, review, inspect, supervise, pass judgment upon or inform Borrower or its Affiliates of any matter in connection with their property or the operations of Borrower or its Affiliates; Borrower and its Affiliates shall rely entirely upon their own judgment with respect to such matters; and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by Administrative Agent or any Lender in connection with such matters is solely for the protection of Administrative Agent and Lenders and neither Borrower nor any other Person is entitled to rely thereon; and

(d) Neither Administrative Agent nor any Lender shall be responsible or liable to any Person for any loss, damage, liability or claim of any kind relating to injury or death to Persons or damage to property caused by the actions, inaction or negligence of Borrower and/or its Affiliates and Borrower hereby indemnifies and holds Administrative Agent and Lenders harmless from any such loss, damage, liability or claim.

10.15 No Third Parties Benefited. This Agreement is made for the purpose of defining and setting forth certain obligations, rights and duties of Borrower, Administrative Agent and Lenders in connection with the Extensions of Credit, and is made for the sole benefit of Borrower, Administrative Agent and Lenders, and Administrative Agent's and Lenders' successors and assigns. Except as provided in Sections 10.04 and 10.13, no other Person shall have any rights

of any nature hereunder or by reason hereof.

10.16 Severability. Any provision of the Loan Documents that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.17 Confidentiality. Administrative Agent and each Lender shall use any confidential non-public information concerning Borrower and its Subsidiaries

that is furnished to

-60-

Administrative Agent or such Lender by or on behalf of Borrower and its Subsidiaries in connection with the Loan Documents (collectively, "Confidential Information") solely for the purpose of evaluating and providing products and

services to them and administering and enforcing the Loan Documents, and it will hold the Confidential Information in confidence. Notwithstanding the foregoing, Administrative Agent and each Lender may disclose Confidential Information (a) to their Affiliates or any of their or their Affiliates' directors, officers, employees, advisors, or representatives (collectively, the "Representatives")

whom it determines need to know such information for the purposes set forth in this Section; (b) to any bank or financial institution or other entity to which such Lender has assigned or desires to assign an interest or participation in the Loan Documents or the Obligations, provided that any such foregoing

recipient of such Confidential Information agrees to keep such Confidential Information confidential as specified herein; (c) to any governmental agency or regulatory body having or claiming to have authority to regulate or oversee any aspect of Administrative Agent's or such Lender's business or that of its Representatives in connection with the exercise of such authority or claimed authority; (d) to the extent necessary or appropriate to effect or preserve Administrative Agent's or such Lender's or any of their Affiliates' security (if any) for any Obligation or to enforce any right or remedy or in connection with any claims asserted by or against Administrative Agent or such Lender or any of their Representatives; and (e) pursuant to any subpoena or any similar legal process. For purposes hereof, the term "Confidential Information" shall not include information that (x) is in Administrative Agent's or a Lender's possession prior to its being provided by or on behalf of the Borrower Parties, provided that such information is not known by Administrative Agent or such

Lender to be subject to another confidentiality agreement with, or other legal or contractual obligation of confidentiality to, Borrower, (y) is or becomes publicly available (other than through a breach hereof by Administrative Agent or such Lender), or (z) becomes available to Administrative Agent or such Lender on a nonconfidential basis, provided that the source of such information was not

known by Administrative Agent or such Lender to be bound by a confidentiality agreement or other legal or contractual obligation of confidentiality with respect to such information.

10.18 Further Assurances. Borrower and its Subsidiaries shall, at their expense and without expense to Lenders or Administrative Agent, do, execute and deliver such further acts and documents as any Lender or Administrative Agent from time to time reasonably requires for the assuring and confirming unto Lenders or Administrative Agent of the rights hereby created or intended now or hereafter so to be, or for carrying out the intention or facilitating the performance of the terms of any Loan Document.

10.19 Headings. Section headings in this Agreement and the other Loan Documents are included for convenience of reference only and are not part of this Agreement or the other Loan Documents for any other purpose.

10.20 Time of the Essence. Time is of the essence of the Loan Documents.

10.21 Foreign Lenders. Each Lender that is a "foreign corporation, partnership or trust" within the meaning of the Code shall deliver to Administrative Agent, prior to receipt of any payment subject to withholding under the Code (or after accepting an assignment of an interest herein), two duly signed completed copies of either Form W-8BEN or any successor thereto (relating to such Person and entitling it to a complete exemption from withholding on all

-61-

payments to be made to such Person by Borrower pursuant to this Agreement) or Form W-8ECI or any successor thereto (relating to all payments to be made to such Person by Borrower pursuant to this Agreement) of the United States Internal Revenue Service or such other evidence satisfactory to Borrower and Administrative Agent that no withholding under the federal income tax laws is required with respect to such Person. Thereafter and from time to time, each such Person shall (a) promptly submit to Administrative Agent such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to Borrower and Administrative Agent of any available exemption from, United States withholding taxes in respect of all payments to be made to such Person by Borrower pursuant to this Agreement, and (b) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Lending Office) to

avoid any requirement of applicable Laws that Borrower make any deduction or withholding for taxes from amounts payable to such Person. If such Persons fails to deliver the above forms or other documentation, then Administrative Agent may withhold from any interest payment to such Person an amount equivalent to the applicable withholding tax imposed by Sections 1441 and 1442 of the Code, without reduction. If any Governmental Authority asserts that Administrative Agent did not properly withhold any tax or other amount from payments made in respect of such Person, such Person shall indemnify Administrative Agent therefor, including all penalties and interest and costs and expenses (including Attorney Costs) of Administrative Agent. The obligation of Lenders under this Section shall survive the payment of all Obligations and the resignation or replacement of Administrative Agent.

10.22 Removal and Replacement of Lenders.

(a) Under any circumstances set forth in this Agreement providing that Borrower shall have the right to remove and replace a Lender as a party to this Agreement, Borrower may, upon notice to such Lender and Administrative Agent, remove such Lender by (i) non ratably terminating such Lender's Commitment and (ii) if being replaced, causing such Lender to assign its Commitment to one or more other Lenders or Eligible Assignees acceptable to Borrower and Administrative Agent; provided, however, that during the existence of any Event

of Default, Borrower may not remove or replace a Lender pursuant to this Section

10.22. Any removed or replaced Lender shall be entitled to (x) payment in full

of all principal, interest, fees and other amounts owing to such Lender or such Lender's affiliated Indemnitees under any Loan Document through the date of termination or assignment (including any amounts payable pursuant to Section

3.05), (y) a release of such Lender from its obligations under the Loan

Documents. Any Lender being replaced shall execute and deliver an Assignment and Acceptance covering such Lender's Commitment, and shall otherwise comply with Section 10.04. Administrative Agent shall distribute an amended Schedule 2.01,

which shall thereafter be incorporated into this Agreement, to reflect adjustments to Lenders and their Commitments.

(b) In order to make all Lender's interests in any outstanding Extensions of Credit ratable in accordance with any revised Pro Rata Shares after giving effect to the removal or replacement of a Lender, Borrower shall pay or prepay, if necessary, on the effective date thereof, all outstanding Extensions of Credit of all Lenders, together with any amounts due under

-62-

Section 3.05. Borrower may then request Extensions of Credit from Lenders in

accordance with their revised Pro Rata Shares.

10.23 Governing Law.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE; PROVIDED THAT ADMINISTRATIVE AGENT AND

EACH LENDER SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF CALIFORNIA OR OF THE UNITED STATES FOR THE CENTRAL DISTRICT OF SUCH STATE, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, BORROWER, ADMINISTRATIVE AGENT AND EACH LENDER CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. BORROWER, ADMINISTRATIVE AGENT AND EACH LENDER IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY LOAN DOCUMENT OR OTHER DOCUMENT RELATED HERETO. BORROWER, ADMINISTRATIVE AGENT AND EACH LENDER WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF SUCH STATE.

10.24 Waiver of Right to Trial by Jury. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

10.25 Entire Agreement. This Agreement and the other Loan Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

QUANTUM CORPORATION

By: /s/ Andrew Kryder

Andrew Kryder

Vice President, Finance & General Counsel

BANK OF AMERICA, N.A., as
Administrative Agent and Lender

By: /s/ Sugeet Manchanda

Name: Sugeet Manchanda

Title: Vice President

THE BANK OF NOVA SCOTIA, as Lender

By: /s/ Chris Osborn

Name: Chris Osborn

Title: Director, TEG

FLEET NATIONAL BANK, as Lender

By: /s/ William E. Rurode, Jr.

Name: William E. Rurode, Jr.

Title: Executive Vice President

THE INDUSTRIAL BANK OF JAPAN,
LIMITED, as Lender

By: /s/ Joe Endoso

Name: Joe Endoso

Title: Senior Vice President

BANQUE NATIONALE DE PARIS, as Lender

By: /s/ Michael D. McCorriston /s/ Debra Wright

Name: Michael D. McCorriston Debra Wright

Title: Vice President Vice President

CITICORP USA, INC., as Lender

By: /s/ Avrum Spiegel

Name: Avrum Spiegel

Title: Vice President

-71-

KEYBANK NATIONAL ASSOCIATION, as Lender

By: /s/ Mary K. Young

Name: Mary K. Young

Title: Vice President

-72-

THE SUMITOMO BANK, LIMITED, as Lender

By: /s/ Azar Shakeri

Name: Azar Shakeri

Title: Vice President & Manager

-73-

UNION BANK OF CALIFORNIA, N.A., as Lender

By: /s/ Glenn Leyrer

Name: Glenn Leyrer

Title: Vice President

-74-

EXHIBIT A

FORM OF REQUEST FOR EXTENSION OF CREDIT

Date: _____, _____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of April 19, 2000 between Quantum Corporation, a Delaware corporation ("Borrower"), Lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined).

The undersigned hereby requests (select one):

A Borrowing of Loans A Conversion or Continuation of Loans

1. On _____
2. In the amount of \$ _____
3. Comprised of _____
[type of Loan requested]
4. If applicable: with an Interest Period of _____ months.

The foregoing request complies with the requirements of Section 2.01 of the Agreement. Other than in connection with a Conversion or Continuation of Loans, the undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the above date, before and after giving effect to the Extension of Credit:

(a) The representations and warranties made by Borrower in the Agreement, or which are contained in any certificate, document or financial or other statement furnished at any time under or in connection therewith, are and will be correct on and as of the date of

this Extension of Credit, except to the extent that such representations and warranties specifically refer to any earlier date; and

A-1
Form of Request for Extension of Credit

(b) no Default or Event of Default has occurred and is continuing on the date hereof or after giving effect to this Extension of Credit.

QUANTUM CORPORATION

By: _____

Name: _____

Title: _____

A-2
Form of Request for Extension of Credit

EXHIBIT B

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: _____, ____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of April 19, 2000 between Quantum Corporation, a Delaware corporation ("Borrower"), Lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined).

The undersigned Responsible Officer hereby certifies as of the date hereof that he is the _____ of Borrower, and that, as such, he is authorized to execute and deliver this Certificate to Administrative Agent on the behalf of Borrower, and that:

[Use following for fiscal year-end financial statements]

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 6.01(a) of the Agreement for the fiscal year of _____ Borrower ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

[Use following for fiscal quarter-end financial statements]

1. Attached hereto as Schedule 1 are the unaudited financial statements required by Section 6.01(b) of the Agreement for the fiscal quarter of Borrower _____ ended as of the above date. Such financial statements fairly present the financial condition, results of operations and changes in financial position of Borrower and its Subsidiaries in accordance with GAAP as at such date and for such periods, subject only to normal year-end audit adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his supervision, a detailed review of the transactions and conditions (financial or otherwise) of Borrower during the accounting period covered by the attached financial statements.

3. A review of the activities of the Borrower Parties during such fiscal period has been made under my supervision with a view to determining whether during such fiscal period Borrower performed and observed all its respective Obligations under the Loan Documents, and

[select one:]

B-1
Form of Compliance Certificate

[to the best knowledge of the undersigned during such fiscal period, Borrower performed and observed each covenant and condition of the Loan Documents applicable to it.]

[the following covenants or conditions have not been performed or observed and the following is a list of all such Defaults and its nature and status:]

4. The following financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of

QUANTUM CORPORATION

By: _____

Name: _____

Title: _____

B-2
Form of Compliance Certificate

For the Quarter/Year ended _____ ("Statement Date")

SCHEDULE 2

to the Compliance Certificate
(\$ in 000's)

I. Section 7.12(a) - Minimum Consolidated Tangible Net Worth.

A. Actual Consolidated Tangible Net Worth at Statement Date:

- 1. Shareholders' Equity: \$ _____
- 2. Intangible Assets: \$ _____
- 3. Consolidated Tangible Net Worth
(Lines I.A.1 less Line I.A.2): \$ _____

B. 75% of Consolidated Tangible Net Worth as of
March 31, 2000 \$ _____

C. equal to 75% of the sum of positive
Consolidated Net Income (ignoring any quarterly
losses) for each fiscal quarter after the
quarter ended March 31, 2000, through and
including the quarter ending on the Statement
Date: \$ _____

D. Amount equal to 75% of the Net Proceeds of all
Equity Securities issued by Borrower (excluding
any issuance where the Net Proceeds to Borrower
are less than \$10,000,000) during the period
commencing on March 31, 2000 and ending on the
Statement Date: \$ _____

E. Amount equal to 75% of the increase in the value
of outstanding Equity Securities resulting from
any conversion of Convertible Subordinated
Debentures into Equity Securities during the
period commencing on March 31, 2000 and ending
on the Statement Date: \$ _____

F. Lesser of (i) the aggregate amount paid by
Borrower to repurchase Equity Securities during
the period commencing on March 31, 2000 and
ending on the \$ _____

B-3
Form of Compliance Certificate

Statement Date and (ii) \$200,000,000:

G. Lesser of (i) the aggregate amount of charges
taken by Borrower for In Process Research &
Development associated with Acquisitions during
the period commencing on March 31, 2000 and
ending on the Statement Date and (ii)

\$100,000,000; provided that any such amounts

were paid during the quarter in which any such
Acquisition was completed:

\$ _____
H. Sum of: Lines I.B + I.C + I.D + I.E less I.F
less I.G: \$ _____
I. Greater of Line I.B and I.H: \$ _____
J. Excess (deficiency) for covenant compliance
(Lines I.A.3 less I.I): \$ _____

II. Section 7.12(b) - Minimum Quick Ratio.

A. Quick Assets:

1. Amount of cash and cash equivalents of
Borrower and its Subsidiaries
(excluding restricted cash) as of the
Statement Date: \$ _____
2. Amount of all accounts receivable of
Borrower and its Subsidiaries, less all
reserves therefor, as of the Statement
Date: \$ _____
3. Amount of Quick Assets as of Statement
Dates II.A.1 + 2): \$ _____

B. Current Liabilities:

1. Amount of current liabilities of Borrower
and its Subsidiaries as of the Statement
Date: \$ _____
2. Amount of Outstanding Obligations (to the
extent not included in Line II.B.1): \$ _____
3. Amount of total current liabilities of
Borrower and its Subsidiaries as of the
Statement Date (Line II.B.1 + 2): \$ _____

C. Quick Ratio ((Line II.A.3 / Line II.B.3): _____ to 1

B-4
Form of Compliance Certificate

Minimum required: 1.10 to 1

III. Section 7.12(c) - Maximum Leverage Ratio.

A. Consolidated EBITDA measured on a rolling
four quarter basis for the four fiscal quarters
ended as of the Statement Date ("Subject
Period"):

1. Consolidated Net income for Subject
Period: \$ _____
2. Consolidated Interest Charges for
Subject Period: \$ _____
3. Provision for income taxes for Subject
Period: \$ _____
4. Depreciation expenses for Subject
Period: \$ _____
5. Amortization expenses for intangibles
for Subject Period: \$ _____
6. Amount written off in connection with
In-Process Research & Development
related to the Meridian Acquisition
(in the second fiscal quarter of year
2000 only): \$ _____
7. Amount of charge taken in connection
with HDD (in the second fiscal quarter
of year 2000 only): \$ _____
8. Amount of charge taken in connection
with DSS (in the fourth fiscal quarter
of year 2000 only): \$ _____

9. Lesser of (i) the aggregate amount of charges taken by Borrower for In Process Research & Development associated with Acquisitions during the period commencing on March 31, 2000 and ending on the Statement Date and (ii) \$100,000,000; provided that any such amounts were paid during the quarter in which any such Acquisition was completed \$ _____

B-5
Form of Compliance Certificate

10. Consolidated EBITDA (Lines III.A.1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9): \$ _____

B. Consolidated Funded Indebtedness at Statement Date: \$ _____

C. Leverage Ratio (Line III.B / Line III.A.10): _____ to 1
Maximum permitted: 2.00 to 1

IV. Section 7.12(d) - Minimum Profitability.

A. 5% of Consolidated Tangible Net Worth as of Statement Date: \$ _____

B. Aggregate amount of the two greatest quarterly losses incurred during the four quarters immediately preceding the Statement Date: \$ _____

C. Excess (deficiency) for covenant compliance (Line IV.A less Line IV.B): \$ _____

D. Cumulative Consolidated Net Income for the four quarters immediately preceding the Statement Date: \$ _____

E. Excess (deficiency) for covenant compliance (Line IV.D less \$1.00): \$ _____

B-6
Form of Compliance Certificate

EXHIBIT C

FORM OF NOTE

April 19, 2000

_____ April 19, 2000
FOR VALUE RECEIVED, the undersigned (the "Borrower"), hereby promises
to pay to the order of _____. (the "Lender"), on the Revolving
Termination Date or, if there has occurred a Term Conversion, on the Term
Maturity Date (as defined in the Credit Agreement referred to below) the
principal amount of _____ (\$_____), or such lesser
principal amount of Loans (as defined in the Credit Agreement referred to below)
payable by Borrower to Lender on such Revolving Termination Date or Term
Maturity Date, as applicable, under that certain Credit Agreement
(364-Day/1-Year), dated as of April 19, 2000, among Borrower, Lenders from time
to time party thereto and Bank of America, N.A., as Administrative Agent (as
amended, restated, extended, supplemented or otherwise modified in writing from
time to time, the "Agreement;" the terms defined therein being used herein as
therein defined).

Borrower promises to pay interest on the unpaid principal amount of
each Loan from the date of such Loan until such principal amount is paid in
full, at such interest rates, and payable at such times as are specified in the
Credit Agreement.

All payments of principal and interest shall be made to Administrative
Agent for the account of Lender in United States dollars in immediately
available funds at Administrative Agent's Payment office.

If any amount is not paid in full when due hereunder, such unpaid
amount shall bear interest, to be paid upon demand, from the due date thereof
until the date of actual payment (and before as well as after judgment) computed
at the per annum rate set forth in the Credit Agreement.

FORM OF ASSIGNMENT AND ACCEPTANCE

Reference is made to that certain Credit Agreement (364-Day/1-Year) dated as of April 19, 2000 between Quantum Corporation, a Delaware corporation ("Borrower"), Lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined).

The Assignor identified on Schedule 1 hereto ("Assignor") and the Assignee identified on Schedule 1 hereto ("Assignee") agree as follows:

1. Assignor hereby irrevocably sells and assigns to Assignee without recourse to Assignor, and Assignee hereby irrevocably purchases and assumes from Assignor without recourse to Assignor, as of the Effective Date (as defined below), the interest described in Schedule 1 hereto (the "Assigned Interest") in and to Assignor's rights and obligations under the Agreement with respect to those Commitment(s) and Outstanding Obligations contained in the Agreement as are set forth on Schedule 1 hereto (individually, an "Assigned Commitment"; collectively, the "Assigned Commitments"), in the principal amount for each Assigned Commitment as set forth on Schedule 1 hereto.

2. Assignor (a) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Agreement or with respect to the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Agreement, any other Loan Document or any other instrument or document furnished pursuant thereto, other than that Assignor has not created any adverse claim upon the interest being assigned by it hereunder and that such interest is free and clear of any such adverse claim; and (b) makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower or any of its Subsidiaries or any other obligor or the performance or observance by Borrower or any of its Subsidiaries or any other obligor of any of its respective obligations under the Agreement or any other Loan Document or any other instrument or document furnished pursuant hereto or thereto.

3. Assignee (a) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (b) confirms that it has received a copy of the Agreement, together with copies of the most recent financial statements delivered pursuant to Section 4.01 or 6.02 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) agrees that it will, independently and without reliance upon Assignor, Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Agreement, the other Loan

D-1
Form of Assignment and Acceptance

Documents or any other instrument or document furnished pursuant hereto or thereto as are delegated to Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Agreement and will perform in accordance with its terms all the obligations which by the terms of the Agreement are required to be performed by it as a Lender.

4. The effective date of this Assignment and Acceptance shall be the Effective Date of Assignment described in Schedule 1 hereto (the "Effective Date"). Following the execution of this Assignment and Acceptance, it will be delivered to Administrative Agent and to the Borrower for its consent (if such consent is required) and, if such consent is granted, for acceptance and recording by Administrative Agent pursuant to the Agreement, effective as of the Effective Date (which shall not, unless otherwise agreed to by Administrative Agent, be earlier than five Business Days after the date of such acceptance and recording by Administrative Agent.

5. Upon such consent, acceptance and recording, from and after the Effective Date, Administrative Agent shall make all payments in respect of the

Assigned Interest (including payments of principal, interest, fees and other amounts) to Assignee whether such amounts have accrued prior to or on or after the Effective Date. Assignor and Assignee shall make all appropriate adjustments in payments by Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

6. From and after the Effective Date, (a) Assignee shall be a party to the Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and under the other Loan Documents and shall be bound by the provisions thereof and (b) Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Agreement.

7. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed as of the date first above written by their respective duly authorized officers on Schedule 1 hereto.

D-2
Form of Assignment and Acceptance

SCHEDULE 1 TO ASSIGNMENT AND ACCEPTANCE

Commitment Assigned	Amount of Outstanding Obligations Assigned	Pro Rata Share Assigned (set forth to at least 8 decimals)

Effective Date of Assignment: _____, _____

[ASSIGNOR]

By: _____
Name: _____
Title: _____

[ASSIGNEE]

By: _____
Name: _____
Title: _____

The undersigned hereby consent to the within assignment:

QUANTUM CORPORATION

By: _____
Name: _____
Title: _____

BANK OF AMERICA, N.A., as Administrative Agent

By: _____
Name: _____
Title: _____

D-3
Form of Assignment and Acceptance

EXHIBIT E

FORM OF TERM CONVERSION REQUEST

Date: _____

To: Bank of America, N.A.,
as Administrative Agent

Ladies and Gentlemen:

The undersigned ("Borrower"), refers to the Credit Agreement (364-Day/1-

Year) dated as of April 19, 2000 (as extended, renewed, amended or restated from time to time, the "Agreement"), among Borrower, the other financial institutions

party thereto (collectively, "Lenders" and individually, a "Lender"), and Bank
of America, N.A., as Administrative Agent ("Administrative Agent"), the terms
defined therein being used herein as therein defined, and hereby gives you
notice irrevocably, pursuant to Section 2.01(b) of the Agreement, of the
conversion of all outstanding Revolving Loans into Term Loans on and as of the
Revolving Termination Date, as specified below:

The aggregate amount of the Revolving Loans to be converted into
Term Loans is \$ _____, and consist of the following:

Base Rate Loans: \$ _____

Offshore Rate Loans: \$ _____

Interest Period -----	Amount -----
--------------------------	-----------------

Total Offshore Rate Loans: \$ _____.

The undersigned hereby certifies that the following statements are true on
the date hereof, and will be true on the date of the proposed Term Conversion,
before and after giving effect thereto and to the application of the proceeds
therefrom:

(a) the representations and warranties of Borrower contained in
Section 5 of the Credit Agreement are true and correct as though made on

and as of such date, except to the extent such representations and
warranties expressly refer to an earlier date, in which case they are true
and correct as of such date, and except that this notice shall be deemed
instead to refer to the last day of the most recent year for which
financial statements have then been delivered in respect of the
representation and warranty made in Section 5.04(a) of the Credit
Agreement; and

E-1
Form of Assignment and Acceptance

(b) no Default or Event of Default has occurred and is continuing, or
would result from such proposed Term Conversion.

QUANTUM CORPORATION.

By: _____

Title: _____

E-2
Form of Assignment and Acceptance

SCHEDULE 2.01

COMMITMENTS
AND PRO RATA SHARES

Lender -----	Commitment	Pro Rata Share -----
Bank of America, N.A.	\$32,500,000	17.333333333%
The Bank of Nova Scotia	\$25,000,000	13.333333333%
Fleet National Bank	\$25,000,000	13.333333333%
The Industrial Bank of Japan, Limited	\$25,000,000	13.333333333%
Banque Nationale de Paris	\$20,000,000	10.666666667%
Citicorp USA, Inc.	\$20,000,000	10.666666667%
KeyBank National Association	\$20,000,000	10.666666667%
The Sumitomo Bank, Limited	\$10,000,000	5.333333333%
Union Bank of California, N.A.	\$10,000,000	5.333333333%

Total	\$187,500,000 -----	100.000000000% -----

LITIGATION

On August 7, 1998, the Company was named as one of several defendants in a patent infringement lawsuit filed in the U.S. District Court for the Northern District of Illinois, Eastern Division. The plaintiff, Papst Licensing GmbH, owns at least 24 U.S. patents which it asserts that the Company has infringed. The Company has studied many of these patents before and, of the patents it has studied, believes that defenses of patent invalidity and non-infringement can be asserted. However, the Company has not completed a full study of all the patents asserted by Papst and there can be no assurance that the Company has not infringed these or other patents owned by Papst. Recently, on Papst's motion, the case was transferred to a federal district court in New Orleans, Louisiana, where it has been joined with suits brought against Papst by Hewlett-Packard Company and Minebea Company, Ltd. for the purposes of coordinated discovery under multi-district litigation rules. The Company does not believe that the transfer will affect the final disposition of this matter in a significant way. The final results of this litigation, as with any litigation, are uncertain. In addition, the costs of engaging in litigation with Papst will be substantial.

The Company is also subject to other legal proceedings and claims that arise in the ordinary course of its business. For example, both Cambrian Consultants and Discovision Associates have brought patents they hold to the Company's attention. 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.

-1-

SCHEDULE 7.01

EXISTING INDEBTEDNESS AND LIENS

INDEBTEDNESS

1. Reimbursement Agreement between Sumitomo Bank, Ltd. and Quantum Peripherals (Europe), S.A., dated September 14, 1998, related to outstanding letters of credit in an amount not to exceed \$85,000,000.
2. Tax Ownership Operating Lease (Colorado Springs, CO) between Quantum Corporation and Lease Plan North America, Inc., dated August 25, 1997.
3. Mortgage (Louisville, CO and Shrewsbury, MA), dated August 22, 1995 between Quantum Corporation and QD Investors securing \$39,226,000 in outstanding principal as of December 31, 1999.
4. Reimbursement Agreement between Fleet National Bank and ATL Products, Inc., a Subsidiary of Borrower, dated February 3, 1999, related to an outstanding letter of credit in favor of National Westminster Bank, plc in the amount of (pound)300,000.

LIENS

1. Lien (State: CO, file # 19992029330, dated 5/19/99) established under the Equipment Lease Agreement between Quantum Corporation and Prentiss Property Services, as Debtor, and BCL Capital.
2. Lien (State: CO, file # 19992024197, dated 4/29/99) established under the Equipment Lease Agreement between Quantum Corporation and Colorado Business Leasing, Inc.
3. Lien (State: CO, file # 19982060561, dated 9/24/98) established under the Master Lease Agreement between Quantum Corporation and Avnet Computer, a division of Avnet, Inc.
4. Lien (State: CO, file # 19972076228, dated 9/5/97) established under the Financing Statement between Quantum Corporation and Lease Plan North America, Inc.
5. Lien (State: CO, file # 199F0722387, dated 9/5/97) established under the Financing Statement between Quantum Corporation and Lease Plan North America, Inc.
6. Lien (State: CO, file # 962097106, dated 12/30/96) established under the Agreement between Quantum Corporation and American Leasing, Inc.

-1-

7. Lien (State: CO, file # 962081967, dated 10/31/96) established under the Agreement between Quantum Corporation and Finzer Leasing, Inc.

8. Lien (State: CA, file # 9732260586, dated 11/18/97) established under the Lease Agreement between ATL Products, Inc. and Sun Microsystems Finance.
9. Lien (State: CA, file # 9807660402, dated 3/16/98) established under the Lease Agreement between ATL Products, Inc. and Union Bank of California, N.A.
10. Lien (State: CA, file # 9821760711, dated 8/4/98) established under the Subordination Agreement between ATL Products, Inc. and Mellon US Leasing, a Division of Mellon Leasing Corporation.
11. Lien (State: CA, file # 9830060877, dated 10/23/98) established under the Equipment Schedule between ATL Products, Inc. and Mellon US Leasing, a Division of Mellon Leasing Corporation.
12. Lien (State: CA, file # 9903660704, dated 2/4/99) established under the Equipment Schedule between ATL Products, Inc. and Mellon US Leasing, a Division of Mellon Leasing Corporation.
13. Lien (State: CA, file # 9714961077, dated 5/27/97) established under rental between ATL Products, Inc. and Inter-Tel Leasing, Inc.
14. Lien (State: CA, file # 9719760464, dated 7/11/97) established under the Agreement between ATL Products, Inc. and Imperial Bank.
15. Lien (State: CA, file # 9510460180, dated 4/10/95) established under the Financing Agreement between Quantum Corporation and Hewlett-Packard Company.
16. Lien (State: CA, file # 9510460187, dated 4/10/95) established under the Financing Agreement between Quantum Corporation and Hewlett-Packard Company.
17. Lien (State: CA, file # 9526460720, dated 9/18/95) established under the Alternative Purchase Plan between Quantum Corporation and AT&T Capital Services Corporation.
18. Lien (State: CA, file # 9620660866, dated 6/22/96) established under the Financing Agreement between Quantum Corporation and Hewlett-Packard Company.
19. Lien (State: CA, file # 9623360189, dated 8/16/96) established under the Security Agreement between Quantum Corporation and Orix Credit Alliance, Inc.

-2-

20. Lien (State: CA, file # 9636660392, dated 12/30/96) established under the Equipment Lease Agreement between Quantum Corporation and American Leasing, Inc.
21. Lien (State: CA, file # 9724660679, dated 9/2/97) established under the Financing Statement between Quantum Corporation and ABN AMRO Bank, N.V. San Francisco International Branch, as Agent.
22. Lien (State: CA, file # 9733960635, dated 12/1/97) established under the Security Agreement between Quantum Corporation and Unisource Worldwide, Inc.
23. Lien (State: CA, file # 9813360891, dated 5/12/98) established under the Agreement between Quantum Corporation and AT&T Capital Corporation, Instrument and Data Services.
24. Lien (State: CA, file # 9818960462, dated 7/6/98) established under the Agreement between Quantum Corporation and Employment Development Department.
25. Lien (State: CA, file # 9934060376, dated 12/1/99) established under the Agreement between Quantum Corporation and Newcourt Technologies Corp (dba Newcourt Financial-Technology Rentals & Services).
26. Lien (State: CA, file # 9934060391, dated 12/1/99) established under the Agreement between Quantum Corporation and Newcourt Technologies Corp (dba Newcourt Financial-Technology Rentals & Services).
27. Lien (State: CA, file # 0003860457, dated 2/2/00) established under the Equipment Agreement between Quantum Corporation and ATEL Business Credit, Inc.
28. Lien (State: MA, file # 345962, dated 5/25/95) established under the Schedule between Quantum Corporation and Comdisco, Inc.
29. Lien (State: MA, file # 343626, dated 10/11/95) established under the

Agreement between Quantum Corporation and Comdisco, Inc.

30. Lien (State: MA, file # 371364, dated 2/23/96) established under the Agreement between Quantum Corporation and Business Credit Leasing.
31. Lien (State: MA, file # 425668, dated 10/25/96) established under the Financing Agreement between Quantum Corporation and Hewlett-Packard Company.
32. Lien (State: MA, file # 456959, dated 3/25/97) established under the Agreement between Quantum Corporation and Sanwa Leasing Corporation.
33. Lien (State: MA, file # 449499, dated 2/18/97) established under the Financing Agreement between Quantum Corporation and Hewlett-Packard Company.

-3-

34. Lien (State: MA, file # 459264, dated 4/7/97) established under the Agreement between Quantum Corporation and Sanwa Leasing Corporation.
35. Lien (State: MA, file # 468158, dated 5/12/97) established under the Financing Agreement between Quantum Corporation and Hewlett-Packard Company.
36. Lien (State: MA, file # 518464, dated 12/22/97) established under the Agreement between Quantum Corporation and Sanwa Leasing Corporation.
37. Lien (State: MA, file # 582939, dated 10/9/98) established under the Agreement between Quantum Corporation and Hewlett-Packard Company.

-4-

SCHEDULE 7.13

SUBORDINATION PROVISIONS

Section [__].1 Agreement of Subordination. [Quantum Corporation]

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

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

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

Section [__].2 Payments to Noteholders. No payment shall be made with

respect to the principal of, or premium, if any, or interest on the Notes (including, but not limited to, the redemption price with respect to the Notes to be called for redemption in accordance with Section [__] [Notice of Redemption: Selection of Notes] or submitted for redemption in accordance with Section [__] [Redemption at Option of Holders], as the case may be, as provided in the Indenture), except payments and distributions made by the Trustee as permitted by the first or second paragraph of Section [__].5, if:

- (i) a default in the payment of principal, premium, interest, rent or other obligations due on any Senior Indebtedness occurs and is continuing (or, in the case of Senior Indebtedness for which there is a period of grace, in the event of such a default that continues beyond the period of grace, if any, specified in the instrument or lease evidencing such Senior Indebtedness), unless and until such default shall have been cured or waived or shall have ceased to exist; or
- (ii) a default, other than a payment default, on a Designated Senior Indebtedness occurs and is continuing that then permits holders of such Designated Senior Indebtedness to accelerate its maturity and the Trustee receives a notice of the default (a "Payment Blockage Notice") from a

If the Trustee receives any Payment Blockage Notice pursuant to clause (ii) above, no subsequent Payment Blockage Notice shall be effective for purposes of this Section [__].2 unless and until (A) at least 365 days shall have elapsed since the initial effectiveness of the immediately prior Payment Blockage Notice, and (B) all scheduled payments of principal,

-1-

premium, if any, and interest on the Notes that have come due have been paid in full in cash. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice.

[Quantum Corporation] may and shall resume payments on and distributions in respect of the Notes upon the earlier of:

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

(2) in the case of a default referred to in clause (ii) above, 179 days pass after notice is received if the maturity of such Designated Senior Indebtedness has not been accelerated,

unless this Article [__] otherwise prohibits the payment or distribution at the time of such payment or distribution.

Upon any payment by [Quantum Corporation], or distribution of assets of [Quantum Corporation] of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or liquidation or reorganization of [Quantum Corporation], whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all amounts due or to become due upon all Senior Indebtedness shall first be paid in full in cash or other payment satisfactory to the holders of such Senior Indebtedness, or payment thereof in accordance with its terms provided for in cash or other payment satisfactory to the holders of such Senior Indebtedness before any payment is made on account of the principal of, premium, if any, or interest on the Notes (except payments made pursuant to Article [__] [Trustee Provisions] from monies deposited with the Trustee pursuant thereto prior to commencement of proceedings for such dissolution, winding-up, liquidation or reorganization); and upon any such dissolution or winding-up or liquidation or reorganization of [Quantum Corporation] or bankruptcy, insolvency, receivership or other proceeding, any payment by [Quantum Corporation], or distribution of assets of [Quantum Corporation] of any kind or character, whether in cash, property or securities, to which the holders of the Notes or the Trustee would be entitled, except for the provision of this Article [__], shall (except as aforesaid) be paid by [Quantum Corporation] or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the holders of the Notes or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior Indebtedness (pro rata to such holders on the basis of the respective amounts of Senior Indebtedness held by such holders, or as otherwise required by law or a court order) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Senior Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay all Senior Indebtedness in full, in cash or other payment satisfactory to the holders of such Senior Indebtedness, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness, before any payment or distribution is made to the holders of the Notes or to the Trustee.

For purposes of this Article [__], the words, "cash, property or securities" shall not be deemed to include shares of stock of [Quantum Corporation] as reorganized or readjusted, or securities of [Quantum Corporation] or any other corporation provided for by a plan of

-2-

reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article [__] with respect to the Notes to the payment of all Senior Indebtedness which may at the time be outstanding; provided that (i) the Senior Indebtedness is assumed by the new corporation, if

any, resulting from any reorganization or readjustment, and (ii) the rights of the holders of Senior Indebtedness (other than leases which are not assumed by [Quantum Corporation] or the new corporation, as the case may be) are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of [Quantum Corporation] with, or the merger of [Quantum Corporation] into, another corporation or the liquidation or dissolution of [Quantum Corporation] following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article [__] [Consolidation, Merger, Sale, Conveyance and Lease] shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section [__].2 if

such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article [] [Consolidation, Merger, Sale, Conveyance and Lease].

In the event of the acceleration of the Notes because of an Event of Default, no payment or distribution shall be made to the Trustee or any holder of Notes in respect of the principal of, premium, if any, or interest on the Notes (including, but not limited to, the redemption price with respect to the Notes called for redemption in accordance with Section [] [Notice of Redemption; Selection of Notes] or submitted for redemption in accordance with Section [] [Redemption at Option of Holders], as the case may be, as provided in the Indenture), except payments and distributions made by the Trustee as permitted by the first or second paragraph of Section [].5, until all Senior Indebtedness has been paid in full in cash or other payment satisfactory to the holders of Senior Indebtedness or such acceleration is rescinded in accordance with the terms of this Indenture. If payment of the Notes is accelerated because of an Event of Default, [Quantum Corporation] shall promptly notify holders of Senior Indebtedness of the acceleration.

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

-3-

Nothing in this Section [].2 shall apply to claims of, or payments to, the Trustee under or pursuant to Section [] [Compensation and Expenses of Trustee]. This Section [].2 shall be subject to the further provisions of Section [].5.

Section [].3 Subrogation of Notes. Subject to the payment in full

of all Senior Indebtedness, the rights of the holders of the Notes shall be subrogated to the extent of the payments or distributions made to the holders of such Senior Indebtedness pursuant to the provisions of this Article [] (equally and ratably with the holders of all indebtedness of [Quantum Corporation] which by its express terms is subordinated to other indebtedness of [Quantum Corporation] to substantially the same extent as the Notes are subordinated and is entitled to like rights of subrogation) to the rights of the holders of Senior Indebtedness to receive payments or distributions of cash, property or securities of [Quantum Corporation] applicable to the Senior Indebtedness until the principal, premium, if any, and interest on the Notes shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of the Senior Indebtedness of any cash, property or securities to which the holders of the Notes or the Trustee would be entitled except for the provisions of this Article [] and no payment over pursuant to the provisions of this Article [] to or for the benefit of the holders of Senior Indebtedness by holders of the Notes or the Trustee, shall, as between [Quantum Corporation], its creditors other than holders of Senior Indebtedness, and the holders of the Notes, be deemed to be a payment by [Quantum Corporation] to or on account of the Senior Indebtedness; and no payments or distributions of cash, property or securities to or for the benefit of the holders of the Notes pursuant to the subrogation provisions of this Article [], which would otherwise have been paid to the holders of Senior Indebtedness shall be deemed to be a payment by [Quantum Corporation] to or for the account of the Notes. It is understood that the provisions of this Article [] are and are intended solely for the purposes of defining the relative rights of the holders of the Notes, on the one hand, and the holders of the Senior Indebtedness, on the other hand.

Nothing contained in this Article [] or elsewhere in this Indenture or in the Notes is intended to or shall impair, as among [Quantum Corporation] its creditors other than the holders of Senior Indebtedness, and the holders of the Notes, the obligation of [Quantum Corporation], which is absolute and unconditional, to pay to the holders of the Notes the principal of (and premium, if any) and interest on the Notes as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the holders of the Notes and creditors of [Quantum Corporation] other than the holders of the Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or the holder of any Note from

exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article [] of the holders of Senior Indebtedness in respect of cash, property or securities of [Quantum Corporation] received upon the exercise of any such remedy.

Upon any payment or distribution of assets of [Quantum Corporation] referred to in this Article [], the Trustee, subject to the provisions of Section [] [Duties and Responsibilities of Trustee], and the holders of the Notes shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such bankruptcy, dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution,

-4-

delivered to the Trustee or to the holders of the Notes, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of [Quantum Corporation], the amount thereof or payable thereon and all other facts pertinent thereto or to this Article [].

Section [].4 Authorization to Effect Subordination. Each holder of

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

Section [].5 Notice to Trustee. [Quantum Corporation] shall give

prompt written notice in the form of an Officers' Certificate to a Responsible Officer of the Trustee and to any paying agent of any fact known to [Quantum Corporation] which would prohibit the making of any payment of monies to or by the Trustee or any paying agent in respect of the Notes pursuant to the provisions of this Article []. Notwithstanding the provisions of this Article [] or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of monies to or by the Trustee in respect of the Notes pursuant to the provisions of this Article [], unless and until a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office from [Quantum Corporation] (in the form of an Officers Certificate) or a Representative or a holder or holders of Senior Indebtedness or from any trustee thereof; and before the receipt of any such written notice, the Trustee, subject to the provisions of Section [] [Duties and Responsibilities of Trustee], shall be entitled in all respects to assume that no such facts exist; provided that if on a date not fewer than one Business Day prior to the date upon which by the terms hereof any such monies may become payable for any purpose (including, without limitation, the payment of the principal of, or premium, if any, or interest on any Note) the Trustee shall not have received, with respect to such monies, the notice provided for in this Section [].5, then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such monies and to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such prior date.

Notwithstanding anything in this Article [] to the contrary, nothing shall prevent any payment by the Trustee to the Noteholders of monies deposited with it pursuant to Section [] [Discharge of Indenture], and any such payment shall not be subject to the provisions of Section [].1 or [].2.

The Trustee, subject to the provisions of Section [] [Duties and Obligations of Trustee], shall be entitled to rely on the delivery to it of a written notice by a Representative or a person representing himself to be a holder of Senior Indebtedness (or a trustee on behalf of such holder) to establish that such notice has been given by a Representative or a holder of Senior Indebtedness or a trustee on behalf of any such holder or holders. In the event that the Trustee

-5-

determines in good faith that further evidence is required with respect to the right of any person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article [], the Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such person, the extent to which such person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such person under this Article [] and if such evidence is not furnished the Trustee may defer any payment to such

person pending judicial determination as to the right of such person to receive such payment.

Section [__].6 Trustee Is Relation to Senior Indebtedness. The

Trustee in its individual capacity shall be entitled to all the rights set forth in this Article [__] in respect of any Senior Indebtedness at any time held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in Section [__] [Limitations on Rights of Trustee as Creditor] or elsewhere in this Indenture shall deprive the Trustee of any of its rights as such holder.

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

Section [__].7 No Impairment of Subordination. No right of any

present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of [Quantum Corporation] or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by [Quantum Corporation] with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

Section [__].8 Certain Conversions Deemed Payment. For the purposes

of this Article [__] only, (1) the issuance and delivery of junior securities upon conversion of Notes in accordance with Article [__] [Conversion of Notes] shall not be deemed to constitute a payment or distribution on account of the principal of (or premium, if any) or interest on Notes or on account of the purchase or other acquisition of Notes, and (2) the payment, issuance or delivery of cash (except in satisfaction of fractional shares pursuant to Section 15.[__] [Cash Payment in Lieu of Fractional Shares]), property or securities (other than junior securities) upon conversion of a Note shall be deemed to constitute payment on account of the principal of such Note. For the purposes of this Section [__].8, the term "junior securities" means (a) shares of any stock of any class of [Quantum Corporation], or (b) securities of [Quantum Corporation] which are subordinated in right of payment to all Senior Indebtedness which may be outstanding at the time of issuance or delivery of such securities to substantially the same extent as, or to a greater extent than, the Notes are so subordinated as provided in this Article [__]. Nothing contained in this Article [__] or elsewhere in this Indenture or in the Notes is intended to or shall impair, as among [Quantum Corporation], its creditors other than holders of Senior Indebtedness and the

-6-

Noteholders, the right, which is absolute and unconditional, of the Holder of any Note to convert such Note in accordance with Article [__] [Conversion of Notes].

Section [__].9 Article Applicable to Paying Agents. If at any time

any paying agent other than the Trustee shall have been appointed by [Quantum Corporation] and be then acting hereunder, the term "Trustee" as used in this Article [__] shall (unless the context otherwise requires) be construed as extending to and including such paying agent within its meaning as fully for all intents and purposes as if such paying agent were named in this Article [__] in addition to or in place of the Trustee; provided, however, E-hat the first paragraph of Section [__].5 shall not apply to [Quantum Corporation] or any Affiliate of [Quantum Corporation] if it or such Affiliate acts as paying agent.

Section [__].10 Senior Indebtedness Entitled to Rely. The holders of

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

Definitions:

Designated Senior Indebtedness: The term "Designated Senior

Indebtedness" means the Sumitomo Credit Agreement and any particular Senior Indebtedness in which the instrument creating or evidencing the same or the

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

Senior Indebtedness: The term "Senior Indebtedness" means the principal

of, premium, if any, interest (including all interest accruing subsequent to the commencement of any bankruptcy or similar proceeding, whether or not a claim for post-petition interest is allowable as a claim in any such proceeding) and rent payable on or in connection with, and all fees, costs, expenses and other amounts accrued or due on or in connection with, Indebtedness of [Quantum Corporation], whether outstanding on the date of this Indenture or thereafter created, incurred, assumed, guaranteed or in effect guaranteed by [Quantum Corporation] (including all deferrals, renewals, extensions or refundings of, or amendments, modifications or supplements to, the foregoing), unless in the case of any particular Indebtedness the instrument creating or evidencing the same or the assumption or guarantee thereof expressly provides that such Indebtedness shall not be senior in right of payment to the Notes or expressly provides that such Indebtedness is "pari passu" or "junior" to the Notes. Notwithstanding the foregoing, the term Senior Indebtedness shall not include any Indebtedness of [Quantum Corporation] to any subsidiary of [Quantum

-7-

Corporation], a majority of the voting stock of which is owned, directly or indirectly, by [Quantum Corporation] or [Quantum Corporation]'s 5% Convertible Subordinated Debentures due April 1, 2002. If any payment made to any holder of any Senior Indebtedness or its Representative with respect to such Senior Indebtedness is rescinded or must otherwise be returned by such holder or Representative upon the insolvency, bankruptcy or reorganization of [Quantum Corporation] or otherwise, the reinstated Indebtedness of [Quantum Corporation] arising as a result of such rescission or return shall constitute Senior Indebtedness effective as of the date of such rescission or return.

Sumitomo Credit Agreement: The term "Sumitomo Credit Agreement" means

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

-8-

SCHEDULE 10.02

OFFSHORE AND DOMESTIC LENDING OFFICES,
ADDRESSES FOR NOTICES

QUANTUM CORPORATION

500 McCarthy Boulevard
Milpitas, CA 95035
Attn: Lauren Halden, Assistant Treasurer
Telephone: (408) 894-4906
Facsimile: (408) 894-4562
E-mail: lauren.halden@quantum.com

ADMINISTRATIVE AGENT'S OFFICE:

Notices for Borrowing, Conversions/Continuations, and Payments:

Bank of America, N.A.
Mail Code: CA4-706-05-09
Agency Administrative Services #5596
1850 Gateway Boulevard, 5th Floor
Concord, CA 94520
Attn: Nawaporn Wongbuddhapitak
Telephone: (925) 675-8427
Facsimile: (925) 969-2827
E-mail: nawaporn.wongbuddhapitak@bankofamerica.com

Other Notices:

Bank of America, N.A.
Technology #3697
Mail Code: CA5-705-41-01
555 California Street, 41st Floor
San Francisco, CA 94104
Attn: Kevin McMahon
Telephone: (415) 622-8088
Facsimile: (415) 622-2385
E-mail: kevin.mcmahon@bankofamerica.com

-1-

Agent's Payment Office:

Bank of America, N.A.
1850 Gateway Boulevard
Concord, CA 94520
Attn: Agency Services--West #5596
Reference: Quantum Corporation (364-Day/1-Year)
For credit to FTA Acct. No. 3750836479
ABA Number: 111-000-012

BANK OF AMERICA, N.A., as Lender

Domestic and Offshore Lending Office:
(Borrowing Notices, Notices of Conversion/Continuation and Payments)

Bank of America, N.A.
Mail Code: CA4-706-05-09
Agency Administrative Services #5596
1850 Gateway Boulevard, 5th Floor
Concord, CA 94520
Attn: Nawaporn Wongbuddhapitak
Telephone: (925) 675-8427
Facsimile: (925) 969-2827
E-mail: nawaporn.wongbuddhapitak@bankofamerica.com

All other Notices:

Bank of America, N.A.
Technology #3697
Mail Code: CA5-705-41-01
555 California Street, 41st Floor
San Francisco, CA 94104
Attn: Kevin McMahon
Telephone: (415) 622-2514
Facsimile: (415) 622-4057
E-mail: kevin.mcmahon@bankofamerica.com

-2-

BANQUE NATIONALE DE PARIS

Domestic and Offshore Lending Office:

Banque Nationale de Paris
180 Montgomery Street
San Francisco, CA 94104
Attn: Donald A. Hart
Telephone: (415) 772-1300
Facsimile: (415) 989-9041
E-mail: donald.hart@usa.bnpgroup.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

Banque Nationale de Paris
180 Montgomery Street
San Francisco, CA 94104
Attn: Michael D. McCorriston
Telephone: (415) 772-1324
Facsimile: (415) 296-8954
E-mail: michael.mccorriston@usa.bnpgroup.com

THE BANK OF NOVA SCOTIA

Domestic and Offshore Lending Office:

The Bank of Nova Scotia
600 Peachtree Street N.E., Suite 2700

Atlanta, GA 30308
Attn: Joseph Legista
Telephone: (404) 877-1563
Facsimile: (404) 888-8998
E-mail: jlegista@scotiacapital.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

The Bank of Nova Scotia
580 California Street
San Francisco, CA 94104

Attn: Chris Osborn
Telephone: (415) 986-1100
Facsimile: (415) 397-0791
E-mail: cosborn@scotiacapital.com

-3-

CITICORP USA, INC.

Domestic and Offshore Lending Office:

Citicorp USA, Inc.
2 Penn's Way, Suite 200
Newcastle, DE 19720
Attn: Sally Schoenleber
Telephone: (302) 894-6061
Facsimile: (302) 894-6120
E-mail: sally.schoenleber@citicorp.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

Citicorp USA, Inc.
One Sansome Street
27th Floor
San Francisco, CA 94104

Attn: Avrum Spiegel
Telephone: (415) 627-6358
Facsimile: (415) 433-0307
E-mail: avrum.spiegel@citicorp.com

FLEET NATIONAL BANK

Domestic and Offshore Lending Office:

Fleet National Bank
100 Federal Street
Boston, MA 02110
Attn: Karen Francoeur
Telephone: (617) 346-5424
Facsimile: (617) 346-0151
E-mail: karen_i_francoeur@fleet.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

Fleet National Bank
435 Tasso Street, Suite 250
Palo Alto, CA 94301
Attn: Andrew Lee
Telephone: (650) 470-4135
Facsimile: (650) 853-1425
E-mail: andrew_d_lee@fleet.com

-4-

THE INDUSTRIAL BANK OF JAPAN, LIMITED

Domestic and Offshore Lending Office:

The Industrial Bank of Japan, Limited
1251 Avenue of the Americas
New York, NY 10020
Attn: Richard Emmich
Telephone: (212) 282-3000
Facsimile: (212) 282-4478
E-mail: remmich@ibjssf.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

The Industrial Bank of Japan, Limited
One Market
Spear Street Tower, 1610
San Francisco, CA 94105
Attn: Joe Endoso
Telephone: (415) 693-1822
Facsimile: (415) 982-1917
E-mail: jendoso@ibjssf.com

KEYBANK NATIONAL ASSOCIATION

Domestic and Offshore Lending Office:

KeyBank National Association
831 South Parkcenter Blvd.
Boise, ID 83705
Attn: Andrea Eaton/Specialty Services Team
Telephone: (800) 297-5518
Facsimile: (800) 297-5495
E-mail: andrea_eaton@keybank.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

KeyBank National Association
700 Fifth Avenue, 46th Floor
Seattle, WA 98104
Attn: Mary K. Young
Telephone: (206) 684-6085
Facsimile: (206) 684-6035
E-mail: mary_k_young@keybank.com

-5-

THE SUMITOMO BANK, LIMITED

Domestic and Offshore Lending Office:

The Sumitomo Bank, Limited
277 Park Avenue
New York, NY 10172
Attn: Claire Kowalski
Telephone: (212) 224-4278
Facsimile: (212) 224-5197
E-mail: clair_kowalski@sumitomobank.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

The Sumitomo Bank, Limited
555 California Street
San Francisco, CA 94104
Attn: Azar Shakeri
Telephone: (415) 616-3010
Facsimile: (415) 362-6527
E-mail: azar_shakeri@sumitomobank.com

UNION BANK OF CALIFORNIA, N.A.

Domestic and Offshore Lending Office:

Union Bank of California, N.A.
1980 Saturn Street
Monterey Park, CA 91755
Attn: Gohar Karapetyan
Telephone: (323) 720-2679
Facsimile: (323) 724-6198
E-mail: gohar.karapetyan@uboc.com

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

Union Bank of California, N.A.
350 California Street, 10th Floor
San Francisco, CA 94104
Attn: Glenn Leyrer
Telephone: (415) 705-7578
Facsimile: (415) 705-7111
E-mail: glenn.leyrer@uboc.com

-6-

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
FINANCIAL STATEMENTS OF QUANTUM CORPORATION FOR THE QUARTER ENDED JULY 2, 2000.

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