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

Form 10-Q

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

For the quarterly period ended June 30, 2008

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 1-13449

QUANTUM CORPORATION

Incorporated Pursuant to the Laws of the State of Delaware

IRS Employer Identification Number 94-2665054

1650 Technology Drive, Suite 800, San Jose, California 95110

(408) 944-4000

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 ☒ No ☐

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act).

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of the close of business on July 31, 2008, approximately 207.6 million shares of Quantum Corporation’s common stock were issued and outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

QUANTUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per-share data)
(Unaudited)

	Three Months Ended	
	June 30, 2008	June 30, 2007
Product revenue	$ 157,584	$ 181,631
Service revenue	42,257	40,104
Royalty revenue	21,950	24,033
Total revenue	221,791	245,768
Cost of product revenue	115,003	137,143
Cost of service revenue	31,949	30,331
Restructuring charges related to cost of revenue	—	237
Total cost of revenue	146,952	167,711
Gross margin	74,839	78,057
Operating expenses:		
Research and development	18,990	26,358
Sales and marketing	40,037	35,356
General and administrative	22,025	21,517
Restructuring charges (benefits)	(50)	9,114
	81,002	92,345
Loss from operations	(6,163)	(14,288)
Interest income and other, net	1,482	4,357
Interest expense	(8,775)	(13,634)
Loss before income taxes	(13,456)	(23,565)
Income tax provision (benefit)	882	(980)
Net loss	$ (14,338)	$ (22,585)
Basic and diluted net loss per share	$ (0.07)	$ (0.11)
Basic and diluted weighted-average common and common equivalent shares	206,915	198,289

See accompanying notes to Condensed Consolidated Financial Statements.

QUANTUM CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	June 30, 2008 (Unaudited)	March 31, 2008 (1)
Assets		
Current assets:		
Cash and cash equivalents	$ 67,486	$ 93,643
Accounts receivable, net of allowance for doubtful accounts of $5,797 and $5,746, respectively	149,464	182,998
Inventories	78,525	75,995
Deferred income taxes	12,327	12,060
Other current assets	31,345	30,601
Total current assets	339,147	395,297
Long-term assets:		
Property and equipment, less accumulated depreciation	36,352	39,271
Service parts for maintenance, less accumulated amortization	75,753	77,211
Purchased technology, less accumulated amortization	67,649	74,667
Other intangible assets, less accumulated amortization	71,067	75,223
Goodwill	390,776	390,776
Other long-term assets	12,812	13,280
Total long-term assets	654,409	670,428
	$ 993,556	$1,065,725
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 87,676	$ 97,965
Accrued warranty	18,519	19,862
Deferred revenue, current	71,665	73,525
Current portion of long-term debt	4,000	4,000
Accrued restructuring charges	3,341	3,834
Other accrued liabilities	86,142	82,997
Total current liabilities	271,343	282,183
Long-term liabilities:		
Deferred revenue, long-term	31,757	31,152
Deferred income taxes	13,887	13,640
Long-term debt	286,000	336,000
Convertible subordinated debt	160,000	160,000
Other long-term liabilities	14,024	14,746
Total long-term liabilities	505,668	555,538
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value; 1,000,000 shares authorized; 206,970 and 206,927 shares issued and outstanding at June 30, 2008 and March 31, 2008, respectively	2,070	2,069
Capital in excess of par value	340,058	337,332
Accumulated deficit	(133,837)	(119,499)
Accumulated other comprehensive income	8,254	8,102
Total stockholders' equity	216,545	228,004
	$ 993,556	$1,065,725

(1) Derived from our March 31, 2008 audited Consolidated Financial Statements included in the Annual Report on Form 10-K for fiscal 2008, as filed with the Securities and Exchange Commission on June 13, 2008.

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	June 30, 2008	June 30, 2007
Cash flows from operating activities:		
Net loss	$ (14,338)	$ (22,585)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	4,508	9,667
Amortization	16,251	17,575
Realized gain on sale of investment	—	(2,122)
Deferred income taxes	(20)	17
Share-based compensation	2,694	2,850
Fixed assets written off in restructuring	—	360
Changes in assets and liabilities, net of effects of assets held for sale:		
Accounts receivable	33,534	(25,869)
Inventories	(4,973)	6,730
Service parts for maintenance	(484)	131
Accounts payable	(10,289)	(6,839)
Accrued warranty	(1,343)	(3,862)
Deferred revenue	(1,255)	(459)
Income taxes payable	(321)	(1,533)
Accrued restructuring charges	(493)	1,976
Other assets and liabilities	2,043	2,698
Net cash provided by (used in) operating activities	25,514	(21,265)
Cash flows from investing activities:		
Purchases of marketable securities	—	(65,000)
Proceeds from sale of marketable securities	—	90,000
Purchases of property and equipment	(1,704)	(4,746)
Net cash provided by (used in) investing activities	(1,704)	20,254
Cash flows from financing activities:		
Borrowings of long-term debt	—	50,000
Repayments of long-term debt	(50,000)	(26,250)
Proceeds from issuance of common stock, net	33	2,678
Net cash provided by (used in) financing activities	(49,967)	26,428
Net increase (decrease) in cash and cash equivalents	(26,157)	25,417
Cash and cash equivalents at beginning of period	93,643	59,926
Cash and cash equivalents at end of period	$ 67,486	$ 85,343
Supplemental disclosure of cash flow information:		
Cash paid (received) during the period for:		
Interest	$ 5,837	$ 10,627
Income taxes, net of refunds	$ (809)	$ (2,074)
Value of common stock tendered in satisfaction of employees' income taxes on vesting of employee share-based awards	$ 9	$ 129

See accompanying notes to Condensed Consolidated Financial Statements.

QUANTUM CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: DESCRIPTION OF BUSINESS

Quantum Corporation ("Quantum", the "Company", "us" or "we") (NYSE: QTM), founded in 1980, is a leading global storage company specializing in backup, recovery and archive solutions. Combining focused expertise, customer-driven innovation, and platform independence, we provide a comprehensive, integrated range of disk, tape and software solutions supported by our sales and service organization. We work closely with a broad network of value-added resellers ("VARs"), original equipment manufacturers ("OEMs") and other suppliers to meet customers' evolving data protection needs.

Note 2: BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of Quantum and its wholly-owned subsidiaries. All 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, 2008 has been derived from the audited financial statements at that date. However, it does not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. The accompanying financial statements should be read in conjunction with the audited Consolidated Financial Statements for the fiscal year ended March 31, 2008, included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on June 13, 2008. Certain prior period balances in the Condensed Consolidated Financial Statements have been reclassified to conform to current period presentation. These reclassifications have no effect on total assets, stockholders' equity, net loss or cash flows as previously presented.

Note 3: SIGNIFICANT ACCOUNTING POLICIES; ADOPTION OF ACCOUNTING STANDARDS

The significant accounting policies used in the preparation of our Condensed Consolidated Financial Statements are disclosed in our Annual Report on Form 10-K for the year ended March 31, 2008, as filed with the Securities and Exchange Commission on June 13, 2008.

Adoption of SFAS No. 157, Fair Value Measurements

We adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS No. 157"), on April 1, 2008 for financial assets and liabilities. We elected to defer adoption for our non-financial assets and liabilities until April 1, 2009 as permitted by FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*.

Following is a summary table of fair values and the related carrying amounts of our financial assets and liabilities (in thousands):

	As of June 30, 2008		As of March 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and cash equivalents	$ 67,486	$ 67,486	$ 93,643	$ 93,643
Other investments	2,339	2,339	2,063	2,063
Liabilities				
Convertible subordinated debt	160,000	128,194	160,000	136,386
Term loans	290,000	290,000	340,000	340,000
Derivatives	873	873	2,188	2,188

SFAS No. 157 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (or exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS No. 157 establishes a fair value hierarchy based on three levels of inputs that may be used to measure fair value. The input levels are:

Level 1: Quoted (observable) market prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability.

Following are the fair values of our financial instruments as of June 30, 2008 by input level as defined by SFAS No. 157:

	Fair Value Measurements Using Input Levels:			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 67,486	$ —	$ —	$ 67,486
Other investments	—	—	2,339	2,339
Liabilities				
Convertible subordinated debt	128,194	—	—	128,194
Term loans	—	290,000	—	290,000
Derivatives	—	873	—	873

The fair value of our cash, accounts receivable and accounts payable approximate their carrying values due to their short-term nature.

Following is a reconciliation of our fair value measurements using significant unobservable inputs, or Level 3 inputs, for our other investments for the three months ended June 30, 2008:

March 31, 2008 beginning balance	$2,063
Total gains or losses (realized and unrealized):	
Included in earnings	137
Included in other comprehensive income	—
Purchases, sales, issuances and settlements, net	139
Transfers in (out) of Level 3	—
June 30, 2008 ending balance	$2,339

Note 4: STOCK INCENTIVE PLANS AND SHARE-BASED COMPENSATION

Overview

Our stock incentive plans ("Plans") are broad-based, long-term retention programs that are intended to attract and retain talented employees and align stockholder and employee interests. The Plans provide for the issuance of stock options, stock appreciation rights, stock purchase rights and long-term performance awards to our employees, consultants, officers and affiliates. The Plans have 110.6 million shares of stock authorized of which 23.6 million shares of stock were available for grant as of June 30, 2008.

We also have an employee stock purchase plan ("Purchase Plan") that allows for the purchase of stock at 85% of fair market value at the date of grant or the exercise date, whichever value is less. There were 11.1 million shares available for issuance as of June 30, 2008.

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Share-Based Compensation

The following table summarizes share-based compensation (in thousands):

	Three Months Ended	
	June 30, 2008	June 30, 2007
Share-based compensation:		
Cost of revenue	$ 355	$ 366
Research and development	765	859
Sales and marketing	741	583
General and administrative	833	1,042
	$ 2,694	$ 2,850
Share-based compensation (by type of award):		
Stock options	$ 1,013	$ 1,370
Restricted stock	1,145	1,072
Stock purchase plan	536	408
	$ 2,694	$ 2,850

The Black-Scholes option pricing model is used to estimate the fair value of options granted under our Plans and rights to acquire stock granted under our Purchase Plan.

Stock Options

The weighted-average grant date fair values of employee stock option grants, as well as the weighted-average assumptions used in calculating these values for the first quarter of fiscal 2009 and 2008 were based on estimates at the date of grant as follows:

	Three Months Ended	
	June 30, 2008	June 30, 2007
Option life (in years)	4.0	3.8
Risk-free interest rate	2.53%	4.59%
Stock price volatility	46%	45%
Dividend yield	—	—
Weighted-average grant date fair value	$ 0.82	$ 1.23

Restricted Stock

The fair value of the restricted stock awards granted is the intrinsic value as of the respective grant date since the restricted stock awards are granted at no cost to the employees. The weighted-average grant date fair values of restricted stock awards granted during the first quarter of fiscal 2009 and 2008 were $2.16 and $3.01, respectively.

Stock Purchase Plan

Under the Purchase Plan, rights to purchase shares are granted during the second and fourth quarter of each fiscal year. No rights to purchase shares were granted during the first quarter of fiscal 2009 or 2008.

Stock Activity

Stock Options

A summary of activity relating to our stock options follows (options and aggregate intrinsic value in thousands):

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of March 31, 2008	28,167	$ 3.27		
Granted	1,058	2.12		
Exercised	(30)	1.42		
Expired	(125)	18.04		
Forfeited	(1,124)	3.30		
Outstanding as of June 30, 2008	27,946	3.16	4.27	$ 161
Vested and expected to vest at June 30, 2008	26,602	3.19	4.22	160
Exercisable as of June 30, 2008	17,900	3.53	3.96	155

Restricted Stock

A summary of activity relating to our restricted stock follows (shares in thousands):

	Shares	Weighted-Average Grant Date Fair Value
Nonvested at March 31, 2008	4,908	$ 2.48
Granted	130	2.16
Vested	(24)	2.80
Forfeited	(86)	2.81
Nonvested at June 30, 2008	4,928	2.46

Note 5: SALE OF MALAYSIA SUBSIDIARY

On July 1, 2007 we sold a Malaysia subsidiary to a third party contract manufacturer ("the Purchaser") for approximately $8.3 million in cash. We effectively sold the assets of our Malaysian manufacturing operation, including the facility, inventory and other assets, and the Purchaser assumed certain liabilities in the sale. There was no gain or loss from this sale. We received net proceeds of $2.2 million, net of cash sold. In connection with the sale agreement, a workforce of approximately 600 employees employed by us at June 30, 2007 transferred their employment to the Purchaser on July 1, 2007. The value of assets sold to and liabilities assumed by the Purchaser on July 1, 2007 was as follows (in thousands):

	Amount
Cash and cash equivalents	$ 6,140
Inventories	7,031
Property and equipment, net	5,111
Other assets	422
Accounts payable	(8,305)
Other accrued liabilities	(2,083)
	$ 8,316

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Note 6: MARKETABLE SECURITITES AND OTHER INVESTMENTS

Marketable Securities

During the first quarter of fiscal 2009, we did not hold any marketable securities and had no gains or losses from marketable securities. During the first quarter of fiscal 2008, we realized a gain of $2.1 million from the sale of shares in a privately held technology company that completed an initial public offering during June 2007. As of June 30, 2007, marketable securities were comprised of auction rate securities for which both the cost basis and the fair value was $10.0 million. During the first quarter of fiscal 2008, sales of marketable securities resulted in no gains or losses.

Other Investments

Other investments consist of private technology venture limited partnerships that are recorded in other long-term assets on the Condensed Consolidated Balance Sheets. At June 30, 2008 and March 31, 2008, we held $2.3 million and $2.1 million, respectively, of investments in private technology venture limited partnerships that are accounted for under the equity method. We recorded a $0.1 million gain for the three months ended June 30, 2008, related to these limited partnership investments as compared to an immaterial loss for the period ending June 30, 2007. Gains and losses realized from these investments are included in interest and other income, net on the Condensed Consolidated Statements of Operations.

We review non-marketable equity investments on a regular basis to determine if there has been any impairment of value which is other than temporary by reviewing their financial information, gaining knowledge of any new financing or other business agreements and assessing their operating viability.

Note 7: INVENTORIES

Inventories consisted of the following (in thousands):

	June 30, 2008	March 31, 2008
Raw materials and purchased parts	$ 35,366	$ 28,499
Work in process	4,594	3,256
Finished goods	38,565	44,240
	$ 78,525	$ 75,995

Note 8: GOODWILL AND INTANGIBLE ASSETS

As of June 30, 2008 and March 31, 2008, goodwill and intangible assets, net of amortization, were $529.5 million and $540.7 million, respectively, and represented approximately 53% and 51% of total assets, respectively. We evaluate goodwill for impairment annually during the fourth quarter of our fiscal year, or more frequently when indicators of impairment are present.

Intangible Assets

Acquired intangible assets are amortized over their estimated useful lives, which generally range from one to ten years. In estimating the useful lives of intangible assets, we consider the following factors:

- The cash flow projections used to estimate the useful lives of the intangible assets showed a trend of growth that was expected to continue for an extended period of time;
- Our tape automation products and our disk-based backup products, in particular, have long development cycles; these products and our software products have experienced long product life cycles; and
- Our ability to leverage core technology into backup, recovery and archive solutions and, therefore, to extend the lives of these technologies.

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Following is the weighted average amortization period for our intangible assets:

	Amortization (Years)
Purchased technology	6.2
Trademarks	7.5
Non-compete agreements	5.0
Customer lists	7.0
All intangible assets	6.6

The following provides a summary of the carrying value of intangible assets that will continue to be amortized (in thousands):

	As of June 30, 2008			As of March 31, 2008		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Purchased technology	$ 188,619	$ (120,970)	$ 67,649	$ 188,619	$ (113,952)	$ 74,667
Trademarks	27,260	(23,484)	3,776	27,260	(22,678)	4,582
Non-compete agreements	500	(193)	307	500	(168)	332
Customer lists	108,218	(41,234)	66,984	108,218	(37,909)	70,309
	$ 324,597	$ (185,881)	$ 138,716	$ 324,597	$ (174,707)	$ 149,890

The total amortization expense related to intangible assets is provided in the table below (in thousands):

	Three Months Ended	
	June 30, 2008	June 30, 2007
Purchased technology	$ 7,018	$ 8,714
Trademarks	806	898
Non-compete agreements	25	25
Customer lists	3,325	3,325
	$ 11,174	$ 12,962

The total expected future amortization related to intangible assets is (in thousands):

	Amortization
Nine months ending March 31, 2009	$ 29,029
Fiscal 2010	36,113
Fiscal 2011	28,679
Fiscal 2012	20,498
Fiscal 2013	12,904
Fiscal 2014 and thereafter	11,493
Total as of June 30, 2008	$ 138,716

Note 9: ACCRUED WARRANTY AND INDEMNIFICATION

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

	Three Months Ended	
	June 30, 2008	June 30, 2007
Beginning balance	$ 19,862	$ 30,669
Additional warranties issued	4,605	5,805
Adjustments for warranties issued in prior fiscal years	560	—
Settlements	(6,508)	(9,667)
Ending balance	$ 18,519	$ 26,807

Warranties

We generally warrant our products against defects for periods ranging from 3 to 36 months. A provision for estimated future costs and estimated returns for credit relating to warranty is recorded when products are shipped and revenue recognized. Our estimate of future costs to satisfy warranty obligations is primarily based on historical trends and, if believed to be significantly different from historical trends, estimates of future failure rates and future costs of repair including materials consumed in the repair and labor and overhead amounts necessary to perform the repair.

If future actual failure rates differ from our estimates, we would record the impact in subsequent periods as a change in estimate. If future actual costs to repair were to differ significantly from our estimates, we would record the impact of these unforeseen cost differences in subsequent periods as a change in estimate.

Indemnifications

We have certain financial guarantees, both express and implied, related to product liability and potential infringement of intellectual property. Other than certain product liabilities recorded as of June 30, 2008, we did not record a liability associated with these guarantees, as we have little or no history of costs associated with such indemnification requirements. Contingent liabilities associated with product liability may be mitigated by insurance coverage that we maintain.

In the normal course of business to facilitate transactions of our services and products, we indemnify certain parties with respect to certain matters. We have agreed to hold certain parties harmless against losses arising from a breach of representations or covenants, or out of intellectual property infringement or other claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, we have entered into indemnification agreements with our officers and directors, and our bylaws contain similar indemnification obligations to our agents.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these agreements have not had a material impact on our operating results, financial position or cash flows.

Note 10: CONVERTIBLE SUBORDINATED DEBT AND LONG-TERM DEBT

Convertible subordinated debt

On July 30, 2003, we issued 4.375% convertible subordinated notes in the aggregate principal amount of $160 million in a private placement transaction. The notes are unsecured obligations subordinated in right of payment to all of our existing and future senior indebtedness. The notes mature on August 1, 2010, and are convertible at the option of the holders at any time prior to maturity into an aggregate of 36.8 million shares of Quantum common stock at a conversion price of $4.35 per share. We cannot redeem the notes prior to August 5, 2008.

Long-term debt

To fund our acquisition of Advanced Digital Information Corporation ("ADIC") in August 2006, we entered into a secured senior credit facility ("August 2006 credit facility") with a group of lenders that provided a $150 million revolving credit line, a $225 million term loan and a $125 million second lien term loan with maturity dates of August 22, 2009, August 22, 2012 and August 22, 2013, respectively.

On July 12, 2007, we refinanced our August 2006 credit facility by entering into another senior secured credit agreement ("current credit agreement") with a different group of lenders, providing a $50 million revolving credit facility and a $400 million term loan. We borrowed $400 million on the term loan to repay all borrowings under our August 2006 credit facility. We incurred and capitalized $8.1 million of loan fees related to this current credit agreement which are included in other long-term assets in our Condensed Consolidated Balance Sheets. These fees are being amortized to interest expense over the respective loan terms.

Under the current credit agreement, the $400 million term loan matures on July 12, 2014, but is subject to accelerated maturity on February 1, 2010 if we do not repay, refinance to extend the maturity date, or convert into equity the existing $160 million convertible subordinated debt prior to February 1, 2010. Interest accrues on the term loan at our option based on either, a prime rate plus a margin of 2.5%, or a LIBOR rate plus a margin of 3.5%. The interest rate on the term loan was 6.30% at June 30, 2008. Commencing September 30, 2007, we began to make required quarterly principal payments of $1.0 million on the term loan and we will make a final payment of all outstanding principal and interest at maturity. The term loan may be prepaid at any time, subject to an additional payment of 1.0% of the principal amount being prepaid for any prepayment made before July 12, 2008. In addition, on an annual basis commencing with the fiscal year ending March 31, 2008, we are required to perform a calculation of excess cash flow which may require an additional payment of the principal amount if the excess cash flow requirements are not met. The fiscal 2008 calculation of excess cash flow did not require additional principal payments. During the first quarter of fiscal 2009, we made principal payments of $50 million on the term loan and incurred $0.5 million in prepayment fees.

Under the current credit agreement we have the ability to borrow up to $50 million under a senior secured revolving credit facility which expires July 12, 2012. As of June 30, 2008, we have letters of credit totaling $2.3 million, reducing the available borrowings on the revolver to $47.7 million. Interest accrues on the revolving credit facility at our option based on either, a prime rate plus a margin of 2.5%, or a LIBOR rate plus a margin of 3.5%. Annually, we are required to pay a 0.5% commitment fee on undrawn amounts under the revolving credit facility.

The revolving credit facility and term loan are secured by a blanket lien on all of our assets and contain certain financial and reporting covenants which we are required to satisfy as a condition of the credit line and term loan including a limitation on issuing dividends or repurchasing our stock. As of June 30, 2008, we were in compliance with the debt covenants. We did not borrow on the revolving credit facility during the first quarter of fiscal 2009. Our outstanding term debt was $290 million at June 30, 2008. We drew $15 million from our revolving credit facility in July 2008 at an interest rate of 5.96%.

Note 11: DERIVATIVES

We do not engage in hedging activity for speculative or trading purposes. Since the third quarter of fiscal 2007, we have had an interest rate collar instrument with a financial institution that fixes the interest rate on $87.5 million of our variable rate term loan between a three month LIBOR rate floor of 4.64% and a cap of 5.49% through December 2008. Whenever the three month LIBOR rate is greater than the cap, we receive from the financial institution the difference between 5.49% and the current three month LIBOR rate on the notional amount. Conversely, whenever the three month LIBOR rate is lower than the floor, we remit to the financial institution the difference between 4.64% and the current three month LIBOR rate on the notional amount. During the first quarter of fiscal 2009, the three month LIBOR rate was below the floor and we incurred $0.4 million in additional interest expense. During the first quarter of fiscal 2008, the three month LIBOR rate was within the floor and cap.

Under the terms of the current credit agreement, we are required to hedge floating interest rate exposure on 50% of our funded debt balance beginning December 31, 2007 through December 31, 2009. During the third quarter of fiscal 2008, we entered into a separate interest rate collar instrument effective as of December 31, 2007 with another financial institution that fixes the interest rate on an additional $12.5 million of our variable rate term loan between a three month LIBOR rate floor of 2.68% and a cap of 5.25% through December 31, 2008 and fixes the interest rate on $100 million of our variable rate term loan between the same floor and cap from December 31, 2008 through December 31, 2009. The three month LIBOR rate was within the floor and cap of this interest rate collar during the first quarter of fiscal 2009.

Our interest rate collars did not meet all of the criteria necessary for hedge accounting prescribed by SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. We record the change in fair market value in other accrued liabilities and other long-term liabilities in the Consolidated Balance Sheets and in interest income and other, net in the Consolidated Statements of Operations. As of June 30, 2008, the cumulative loss on the interest rate collars was $0.9 million and as of March 31, 2008, the cumulative loss on the interest rate collar was $2.2 million.

Note 12: RESTRUCTURING CHARGES

In recent years, we have taken steps to reduce costs in an effort to return to profitability and rationalize our operations following acquisitions. During fiscal 2008, management continued executing plans to restructure certain operations of Quantum and pre-merger ADIC to eliminate redundant costs resulting from the acquisition of ADIC, implement strategic roadmap decisions and improve efficiencies in operations. The restructuring charges that resulted from these cost reduction efforts relate to the outsourcing of certain manufacturing, repair and service operations, consolidation of our operations and partnering with a third party on certain research and development efforts. Substantially all restructuring efforts related to the ADIC acquisition have been completed as of June 30, 2008.

The types of restructuring expense (benefit) for the three months ended June 30, 2008 and 2007 were (in thousands):

	Three Months Ended	
	June 30, 2008	June 30, 2007
By expense (benefit) type		
Severance and benefits	$ (50)	$ 7,541
Facilities	—	899
Fixed assets	—	360
Other	—	551
Total	$ (50)	$ 9,351
By cost reduction actions		
Partner with third party on certain research and development efforts	$ —	$ 5,564
Consolidate operations supporting our business	(50)	3,787
Total	$ (50)	$ 9,351

Fiscal 2009

During the first quarter of fiscal 2009, we did not initiate any new restructuring actions as substantially all actions had been implemented. Restructuring benefits during the first quarter of fiscal 2009 were primarily the result of changes in estimates of severance and benefits payable to impacted employees.

Fiscal 2008

During the first quarter of fiscal 2008, our severance and benefits expenses were primarily the result of our decision to partner with a third party on certain research and development efforts and to a lesser extent actions to improve efficiencies in operations. The $8.1 million in severance expenses in the first quarter of fiscal 2008 were offset in part by reversals of $0.5 million primarily due to new information regarding certain employees subject to previous restructuring actions.

We continued activities to consolidate our operations into fewer locations during the first quarter of fiscal 2008. We vacated a portion of our Boulder, Colorado facility, resulting in restructuring charges of $0.9 million and had $0.4 million in fixed asset write-offs related to leasehold improvements in consolidating operations within our existing European locations.

In addition to the restructuring charges incurred in the quarter ended June 30, 2007, we had $0.5 million in net reversals related to restructuring costs associated with exiting activities of pre-merger ADIC. The reversals were primarily due to severance and benefits costs for employees whose positions were retained in a variety of functions throughout the world. These reversals were recognized as a reduction of the liability assumed in the purchase business combination and were included in the allocation of the cost to acquire ADIC and, accordingly, resulted in a decrease to goodwill rather than an expense reduction in the first quarter of fiscal 2008.

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

	For the three months ended June 30, 2008			
	Severance and Benefits	Facilities	Other	Total
Balance as of March 31, 2008	$ 503	$ 2,732	$599	$3,834
Restructuring costs	—	—	—	—
Reversals	(50)	—	—	(50)
Cash payments	(257)	(135)	—	(392)
Non-cash reversals	(2)	(49)	—	(51)
Balance as of June 30, 2008	$ 194	$ 2,548	$599	$3,341

	Severance and Benefits	Facilities	Other	Total
Estimated timing of future payouts:				
Fiscal 2009	$ 194	$ 1,491	$599	$2,284
Fiscal 2010 to 2013	—	1,057	—	1,057
	$ 194	$ 2,548	$599	$3,341

The $3.3 million restructuring accrual as of June 30, 2008 is comprised of obligations for severance and benefits and vacant facilities for both Quantum and pre-merger ADIC in addition to noncancellable purchase obligations for research and development programs. We expect both the severance and benefits and the noncancellable purchase obligations to be paid in fiscal 2009. The facilities charges relating to vacant facilities in Europe and the U.S. will be paid over their respective lease terms, which continue through fiscal 2013.

Note 13: INCOME TAXES

We had tax expense of $0.9 million for the three months ended June 30, 2008, as compared to a tax benefit of $1.0 million for the three months ended June 30, 2007. The tax provision for the first quarter of fiscal 2009 reflects expenses for foreign income taxes and state taxes. The tax benefit in the first quarter of fiscal 2008 reflects expenses for foreign income taxes and state taxes of $1.2 million offset by a benefit of $2.2 million related to tax positions in foreign jurisdictions settled during the quarter ended June 30, 2007.

Note 14: NET LOSS PER SHARE

Following is our computation of basic and diluted net loss per share (in thousands, except per-share data):

	Three Months Ended	
	June 30, 2008	June 30, 2007
Net loss	$ (14,338)	$ (22,585)
Weighted average shares outstanding used to compute basic and diluted net loss per share	206,915	198,289
Basic and diluted net loss per share	$ (0.07)	$ (0.11)

The computations of diluted net loss per share for the periods presented exclude the effect of the following because the effect would have been anti-dilutive:

- 4.375% convertible subordinated notes issued in July 2003, which are convertible into 36.8 million shares of Quantum common stock (229.885 shares per $1,000 note) at a conversion price of $4.35 per share.
- Options to purchase 27.9 million shares and 36.7 million shares of Quantum common stock, which were outstanding as of June 30, 2008 and 2007, respectively.
- Unvested restricted stock of 4.9 million shares and 6.3 million shares at June 30, 2008 and 2007, respectively.

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Note 15: COMPREHENSIVE LOSS

Total comprehensive loss, net of tax, if any, for the three months ended June 30, 2008 and 2007 was (in thousands):

	Three Months Ended	
	June 30, 2008	June 30, 2007
Net loss	$ (14,338)	$ (22,585)
Net unrealized gains (losses) on revaluation of long-term intercompany balance, net of tax	258	—
Foreign currency translation adjustment	(106)	(187)
Total comprehensive loss	$ (14,186)	$ (22,772)

Note 16: LITIGATION

On October 9, 2007, we filed a lawsuit against Riverbed Technology, Inc. ("Riverbed") in the U.S. District Court in the Northern District of California, alleging Riverbed's prior and continuing infringement of a patent held by Quantum related to data de-duplication technology. On November 13, 2007, Riverbed filed a countersuit against Quantum alleging our infringement of a data de-duplication patent held by Riverbed. The parties are currently preparing for trial, which is scheduled for March 2009. Each suit seeks a permanent injunction against the other party, as well as the recovery of monetary damages, including treble damages for willful infringement. We believe that Riverbed's claims are without merit and that Riverbed's patent is invalid, and we intend to defend ourselves vigorously. Due to the inherent uncertainty of litigation we cannot identify probable or estimable damages related to either lawsuit.

Note 17: COMMITMENTS AND CONTINGENCIES

Lease commitments

We lease certain facilities under non-cancelable lease agreements. Some of the leases have renewal options ranging from one to ten years and others contain escalation clauses and provisions for maintenance, taxes or insurance. See future minimum lease payments under operating leases and sublease income in Note 18 in the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended March 31, 2008, as filed with the Securities and Exchange Commission on June 13, 2008.

Commitment for additional investment

As of June 30, 2008, we had commitments to provide an additional $1.2 million in capital funding towards investments we currently hold in two limited partnership venture capital funds. Payments are made when commitment calls are received, thus we cannot estimate when those payments will be made. We will invest funds as required until our remaining commitments are satisfied.

Commitments to purchase inventory

We use contract manufacturers for certain manufacturing functions. Under these arrangements, the contract manufacturer procures inventory to manufacture products based upon our forecast of customer demand. We are responsible for the financial impact on the contract manufacturer of any reduction or product mix shift in the forecast relative to materials that the contract manufacturer had already purchased under a prior forecast. Such a variance in forecasted demand could require a cash payment for finished goods in excess of current customer demand or for costs of excess or obsolete inventory. As of June 30, 2008, we had issued non-cancelable purchase commitments for $61.6 million to purchase finished goods from our contract manufacturers and had accrued $2.3 million and $1.6 million as of June 30, 2008 and March 31, 2008, respectively, for finished goods in excess of current customer demand or for the costs of excess or obsolete inventory.

Note 18: RECENT ACCOUNTING PRONOUCEMENTS

In September 2006, the FASB issued SFAS No. 157 which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements. This statement applies to other accounting pronouncements that require or permit fair value measurements. Adoption of SFAS No. 157 on April 1, 2008 did not have an impact on our consolidated financial position or results of operations. See Note 3 for additional disclosures from adoption of SFAS No. 157.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses for which the fair value option has been elected will be reported in earnings. Adoption of SFAS No. 159 on April 1, 2008 did not have an impact on our consolidated financial position or results of operations because we did not elect fair value measurement for any of our qualifying, existing instruments.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations — a Replacement of FASB Statement No. 141* ("SFAS No. 141(R)"). The statement is to be applied prospectively for fiscal years beginning on or after December 15, 2008; therefore it applies to future business combinations. The statement also applies to the treatment of taxes from prior business combinations. The statement requires more assets acquired and liabilities assumed in future business combinations to be measured at fair value as of the acquisition date. In addition, expenses incurred for all acquisition-related costs are to be expensed and liabilities related to contingent consideration are to be re-measured to fair value each subsequent reporting period. We will adopt SFAS No. 141(R) at the beginning of our 2010 fiscal year, or April 1, 2009. We are currently evaluating the impact this statement may have on our consolidated financial position or results of operations as a result of re-measuring contingent tax liabilities to fair value in future periods.

In December 2007, the FASB issued SFAS No. 160, *Non-controlling Interests in Consolidated Financial Statements — an amendment of ARB No. 51* ("SFAS No. 160"). The statement changes how non-controlling interests in subsidiaries are measured to initially be measured at fair value and classified as a separate component of equity. SFAS No. 160 establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation. No gains or losses will be recognized on partial disposals of a subsidiary where control is retained. In addition, in partial acquisitions, where control is obtained, the acquiring company will recognize and measure at fair value all of the assets and liabilities, including goodwill, as if the entire target company had been acquired. The statement is to be applied prospectively for fiscal years beginning on or after December 15, 2008. We will adopt this statement on April 1, 2009, which is the beginning of our 2010 fiscal year. Currently all of our subsidiaries are wholly-owned, and therefore we do not anticipate any significant impact on our financial position or results of operations.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS No. 161"). SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand the effects of the derivative instruments on an entity's financial position, financial performance and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. Adoption of this standard is required in our fourth quarter of fiscal 2009 and is not expected to have a significant impact on our financial position or results of operations but will require additional disclosures on derivative instruments.

In April 2008, the FASB issued Staff Position No. 142-3, *Determination of the Useful Life of Intangible Assets* ("FSP No. 142-3"). FSP No. 142-3 amends the factors to be considered in assumptions used to determine the useful lives of recognized intangible assets recognized under SFAS No. 142. The new guidance applies to intangible assets with contractual lives that are acquired individually or with a group of assets as well as those assets acquired in a business combination. The new guidance is effective for fiscal years beginning after December 15, 2008 and interim periods. We will adopt the statement on April 1, 2009 which is the beginning of our 2010 fiscal year. We are currently evaluating the impact this position will have, if any, on our consolidated financial position and results of operations.

In May 2008, the FASB issued FSP No. APB 14-1, *Accounting for Convertible Debt Instruments that may be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* ("FSP No. APB 14-1"). FSP No. APB 14-1 specifies that issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) should separately account for the liability and equity components of such instruments in a manner that reflects the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This FSP is effective for fiscal years beginning after December 15, 2008. With retrospective application required, it is effective for us April 1, 2009 or the beginning of fiscal 2010. Adoption of FSP No. APB 14-1 is not expected to have an impact on our consolidated financial position or results of operations because our convertible subordinated debt cannot be settled in cash upon conversion.

Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENT

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 in this report usually contain the words "will," "estimate," "anticipate," "expect", "believe" or similar expressions and variations or negatives of these words. All such forward-looking statements including, but not limited to, (1) our expectation that we will continue to derive a substantial majority of our revenue from products based on our tape technology; (2) our expectations regarding the amounts and timing of any future restructuring charges, including cost savings resulting therefrom; (3) our belief that strong competition in the tape drive, tape media and tape automation systems markets will result in further price erosion; (4) our belief that we have sufficient resources to cover the remaining tax liability under the Tax Sharing and Indemnity Agreement with Maxtor; (5) our belief that our existing cash and capital resources will be sufficient to meet all currently planned expenditures, repayment of debt, and sustain our operations for the next 12 months; (6) our expectation that we will return to profitability; (7) our goals for future operating performance, including our revenue growth, amount and mix, our expectations regarding revenue, gross margin and operating expenses for the remainder of fiscal 2009 and our cash flows; (8) our belief that our ultimate liability in any infringement claims made by any third parties against us will not be material to us; (9) our belief that we may make additional acquisitions in the future; (10) our expectations about the timing and maximum amounts of our future contractual payment obligations; (11) our expectations relating to growing our disk-based backup, software and services businesses, (12) our expectations regarding our ongoing efforts to reduce our cost structure, (13) our research and development plans and focuses; and (14) our business objectives, key focuses, opportunities and prospects are inherently uncertain as they are based on management's expectations and assumptions concerning future events, and they are subject to numerous known and unknown risks and uncertainties. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. As a result, our actual results may differ materially from the forward-looking statements contained herein. Factors that could cause actual results to differ materially from those described herein include, but are not limited to, (1) the amount of orders received in future periods; (2) our ability to timely ship our products; (3) uncertainty regarding information technology spending and the corresponding uncertainty in the demand for tape drives and tape automation products; (4) our ability to realize anticipated benefits from the ADIC acquisition; (5) our ability to achieve anticipated pricing, cost and gross margin levels, particularly on tape drives, given lower volumes and continuing price and cost pressures; (6) the successful execution of our strategy to expand our businesses into new directions; (7) our ability to successfully introduce new products; (8) our ability to achieve and capitalize on changes in market demand; (9) our ability to pay down the principal and interest on our indebtedness; (10) the availability of credit on terms that are beneficial to us; (11) our ability to maintain supplier relationships; and (12) those factors discussed under "Risk Factors" in Part II of this Quarterly Report on Form 10-Q. Our forward-looking statements are not guarantees of future performance. We disclaim any obligation to update information in any forward-looking statement.

OVERVIEW

Quantum Corporation ("Quantum", the "Company", "us" or "we") founded in 1980, is a leading global storage company specializing in backup, recovery and archive solutions. Combining focused expertise, customer-driven innovation, and platform independence, we provide a comprehensive, integrated range of disk, tape and software solutions supported by our sales and service organization. We work closely with a broad network of value-added resellers ("VARs"), original equipment manufacturers ("OEMs") and other suppliers to meet customers' evolving data protection needs. Our stock is traded on the New York Stock Exchange under the symbol "QTM."

We are dedicated to backup, recovery and archive solutions and strive to provide focused expertise, customer-driven innovation and platform independence that competitors cannot match. We believe our combination of expertise, innovation and platform independence allows us to solve customers' data protection and retention issues more easily, effectively and securely. In addition, we have the global scale and scope to support our worldwide customer base.

We offer a comprehensive range of solutions in the data storage market providing performance and value to organizations of all sizes. We have a broad portfolio of disk-based backup solutions, tape libraries, autoloaders and tape drives and media. Our data management software provides technology for shared workflow applications and multi-tiered archiving in high-performance, large-scale storage environments. We also feature software options with products that provide disk and tape integration capabilities with our core de-duplication and replication technologies. In addition, our service plan includes a broad range of coverage options to provide the level of support for the widest possible range of information technology ("IT") environments, with service available in more than 100 countries.

We earn our revenue from the sale of products, systems and services through an array of channel partners to reach end user customers, which range in size from small businesses and satellite offices to government agencies and large, multinational corporations. Our products are sold under both the Quantum brand name and under the names of various OEM customers. We face a variety of challenges and opportunities in responding to the competitive dynamics of the technology market which is characterized by rapid change, evolving customer demands and intense competition, including competition with several companies that are also significant customers.

Our top priority in fiscal 2009 is to grow our branded revenue, particularly our disk-based backup systems and software solutions, in order to improve profitability and increase shareholder value. We continue to believe delivering a better operating model, creating more growth potential and reducing our outstanding debt are also important drivers to improve profitability and increase shareholder value.

Our objectives to achieve these priorities in fiscal 2009 include continued focus on growing the higher margin areas of our business, especially our branded business; research and development efforts that continue to focus on developing additional and improved disk-based backup systems and software solutions while optimizing tape technologies; continued efforts to reduce costs while retaining a solid execution platform; and continued generation of cash flow from operations to allow us to pay down our term debt and reduce our interest costs.

In late May 2008, we released the DXi7500, a product based on our second generation DXi technology. Our DXi7500 is a disk-based backup system with de-duplication and replication capabilities for large, enterprise customers. We believe the DXi7500 provides the capacity, performance, scalability and availability required in enterprise environments and is the first solution in the industry to provide policy-based de-duplication. The DXi7500 has been designed to allow customers to choose the de-duplication method that best meets their needs for a specific backup job, taking into account disk capacity and backup window constraints. In late July 2008, we released a 9 terabyte version of the DXi7500 which is targeted for smaller remote offices. We believe our DXi-Series products and technology provide us long-term opportunities in the storage industry.

We made progress in the first quarter of fiscal 2009 toward achievement of our goals, although our branded business was relatively flat compared to the fourth quarter of fiscal 2008 and slightly below our plan for the first quarter of fiscal 2009. For the first quarter of fiscal 2009, branded revenue increased to 66% of non-royalty revenue from 58% in the first quarter of fiscal 2008. We had significant growth in our higher margin disk-based backup systems and software solutions in the first quarter of fiscal 2009. We generated $25.5 million in cash flow from operations and repaid $50 million of our term debt. We reduced operating expenses and operating losses from the first quarter of fiscal 2008.

During the first quarter of fiscal 2009, revenue decreased by $24.0 million to $221.8 million from the same quarter last year. The revenue decrease was primarily due to a decrease in product revenue mainly as a result of decreased revenue from tape automation systems and to a lesser extent decreased revenue from OEM devices and media products. We doubled our revenue from disk-based backup systems and software solutions due to revenue from the recently released DXi7500 and our continued emphasis on this business, partially offsetting the other product revenue decreases.

Although revenue decreased for the quarter, our gross margin percentage increased 190 basis points to 33.7% primarily due to the change in sales mix as the proportion of product sales through our branded channels comprised a larger percentage of non-royalty revenue in the first quarter of fiscal 2009 compared to the same quarter of the prior year. Sales of branded products typically generate higher gross margins than sales to our OEM customers. Gross margin was also favorably impacted due to our shift in sales mix toward higher margin disk-based systems and software solutions and from cost reduction measures implemented in prior periods.

Operating expenses decreased for the current quarter compared to the prior year primarily due to decreased restructuring charges and research and development costs, partially offset by increased sales and marketing expenses. Restructuring charges decreased due to substantially completing our restructuring actions during fiscal 2008. Research and development expenses decreased in the quarter primarily due to reduced compensation expenses from headcount reductions. Sales and marketing expenses increased in line with our emphasis on growing our branded business. Although gross margin percentage increased and operating expenses decreased, we had operating losses primarily due to lower revenues than the prior year. We have narrowed our operating losses compared to the first quarter of fiscal 2008.

During the quarter, we repaid $50 million of the term loan on our credit facility, and since August 2006, we have repaid 42%, or $206.5 million, of our acquisition-related debt. Interest expense has decreased $4.9 million since the first quarter of fiscal 2008, primarily due to interest rate decreases. The weighted average interest rate on our term loan decreased to 6.80% for the first quarter of fiscal 2009, inclusive of our interest rate collars that fix a portion of the interest rate on the term debt. This compares to a weighted average interest rate of 10.53% in the first quarter of fiscal 2008. As of June 30, 2008, our outstanding term debt balance was $290 million at an interest rate of 6.30%. We subsequently drew $15 million from our revolving credit facility in July 2008 at an interest rate of 5.96%.

RESULTS OF OPERATIONS

Revenue

	Three Months Ended					
(In thousands)	June 30, 2008	% of revenue	June 30, 2007	% of revenue	Change	% Change
Product revenue	$ 157,584	71.1%	$ 181,631	73.9%	$(24,047)	(13.2)%
Service revenue	42,257	19.0%	40,104	16.3%	2,153	5.4%
Royalty revenue	21,950	9.9%	24,033	9.8%	(2,083)	(8.7)%
Total revenue	$ 221,791	100.0%	$ 245,768	100.0%	$(23,977)	(9.8)%

Total revenue decreased in the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008 primarily due to lower tape automation systems revenue in North America. We expect total revenue for fiscal 2009 to be comparable to or slightly higher than total revenue in fiscal 2008. For the second quarter of fiscal 2009, we expect growth in our branded revenue and in our disk-based backup systems and software solutions.

Product Revenue

Our product revenue, which includes sales of our hardware and software products sold through both our Quantum branded and OEM channels, decreased $24.0 million for the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008, primarily due to decreased sales to our OEM customers. We had a slight increase in branded sales compared to the first quarter of fiscal 2008. Product revenue decreases in the first quarter of fiscal 2009 were primarily due to decreased revenue from tape automation systems and to a lesser extent decreased revenue from devices and media products. These decreases were partially offset by increased sales of disk-based backup systems and software solutions.

Tape automation systems revenue for the quarter decreased $22.7 million to $85.7 million, with approximately two-thirds of the decline related to reduced sales of OEM products and approximately one-third due to lower branded sales in North America. We believe our targeted focus on disk-based backup systems contributed to the decrease in tape automation systems revenue. We expect increased tape automation systems sales in the future as we refocus on selling across our entire portfolio.

Product revenue from devices, which includes tape drives and removable hard drives, and non-royalty media sales declined $10.4 million to $53.7 million compared to the first quarter of fiscal 2008, primarily due to decreased sales to OEMs of older technology devices that are nearing end of life. Partially offsetting the decline in device revenues was an increase in branded media sales for the three months ended June 30, 2008 compared to the three months ended June 30, 2007. We had increased revenues from our drives and devices based on LTO technology compared to the first quarter of fiscal 2008. We expect further declines in our OEM device revenue in the future resulting from certain products nearing end of life and our emphasis on higher margin opportunities.

Revenue from disk-based backup systems and software solutions increased $9.1 million in the first quarter of fiscal 2009 to $18.2 million compared to the first quarter of fiscal 2008. This increase was primarily due to sales of our DXi-Series disk-based products, including the newly released DXi7500, offset in part by declines in sales of our legacy disk-based products. We also had a sequential increase in our disk-based backup systems and software solutions revenue from the fourth quarter of fiscal 2008 primarily driven by the release of our new DXi7500 product. As noted earlier, we are focused on growing our branded revenue in fiscal 2009, particularly our disk-based backup systems and software revenue. We expect increases in our disk-based backup systems and software solutions revenue in the future as our disk-based backup systems gain traction in the market.

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Service Revenue

Service revenue includes revenue from sales of hardware service contracts, product repair, installation and professional services. Sales of hardware service contracts are typically purchased by our customers to extend the warranty or to provide faster service response time, or both. Service revenue increased $2.2 million compared to the first quarter of the prior year, largely due to increased service contract revenues from branded customers. We expect continued increases in service revenue as our installed base continues to grow.

Royalty Revenue

Tape media royalties decreased $2.1 million in the first quarter of fiscal 2009 compared to the prior year primarily due to lower media unit sales sold through our OEM customers. Royalties related to our newer LTO products have been increasing, but at a slower rate than declines in royalties from our maturing DLT products, where we experienced a net reduction in the installed base of DLTtape® drives. We expect LTO royalties will continue to increase as the installed base grows and DLT royalties will further decline over time as its install base continues to decrease. For fiscal 2009, we expect moderately lower media royalties than fiscal 2008.

Gross Margin

	Three Months Ended					
(In thousands)	June 30, 2008	Gross margin%	June 30, 2007	Gross margin%	Change	% Change
Gross margin	$ 74,839	33.7%	$ 78,057	31.8%	$(3,218)	(4.1)%
Product gross margin	42,581	27.0%	44,488	24.5%	(1,907)	(4.3)%
Service gross margin	10,308	24.4%	9,773	24.4%	535	5.5%
Royalty gross margin	21,950	100.0%	24,033	100.0%	(2,083)	(8.7)%

The 190 basis point increase in gross margin percentage during the three months ended June 30, 2008 compared to the prior year was largely due to a higher proportion of our product sales through branded channels. Branded sales comprised 66% of non-royalty revenue for the first quarter of fiscal 2009 compared to 58% for the first quarter of fiscal 2008. Sales of branded products typically generate higher gross margins than sales to our OEM customers. We expect gross margin to continue to improve during fiscal 2009 although margin improvements due to product mix could be offset by increases in product costs caused by higher fuel prices and other economic factors.

Product Margin

Our product gross margin dollars decreased primarily due to decreased product revenue in the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008. Product gross margin rate increased 250 basis points primarily due to the higher proportion of product sales through branded channels. Product gross margin rate was favorably impacted by our shift in sales mix toward higher margin disk-based systems and software solutions. Cost cutting measures implemented during the prior fiscal year also contributed to improved product gross margins in the first quarter of fiscal 2009 compared to the same period of fiscal 2008.

Service Margin

For the three months ended June 30, 2008 and 2007 service gross margins were flat at 24.4%. Service costs increased at a similar rate as service revenues in the first quarter of fiscal 2009 compared to fiscal 2008, increasing service gross margin dollars.

Research and Development Expenses

	Three Months Ended					
(In thousands)	June 30, 2008	% of revenue	June 30, 2007	% of revenue	Change	% Change
Research and development	$ 18,990	8.6%	$ 26,358	10.7%	$(7,368)	(28.0)%

Research and development expenses decreased $7.4 million in the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008 due in part to $2.8 million in reduced salaries and benefits from decreased headcount. External service provider expenses and project material costs decreased $2.5 million due to completion of DXi7500 development and new projects underway that did not require significant materials expenditures during the first quarter of fiscal 2009. We also had $1.3 million lower depreciation expense primarily due to a number of assets supporting our research and development efforts becoming fully depreciated during the past year. We expect quarterly research and development costs for the remainder of fiscal 2009 to increase slightly from the first quarter of fiscal 2009 as we continue to invest in disk-based backup systems and software solutions development.

Sales and Marketing Expenses

	Three Months Ended					
(In thousands)	June 30, 2008	% of revenue	June 30, 2007	% of revenue	Change	% Change
Sales and marketing	$ 40,037	18.1%	$ 35,356	14.4%	$4,681	13.2%

The $4.7 million increase in sales and marketing expense for the three months ended June 30, 2008 was primarily due to a $4.2 million increase in salaries and benefits as a result of our larger branded sales force. We are focused on sales of our higher margin branded products, which typically require higher sales and marketing related expenses than sales through OEM channels. We anticipate quarterly sales and marketing expenses will remain relatively consistent with the first quarter of fiscal 2009 during the remainder of fiscal 2009.

General and Administrative Expenses

	Three Months Ended					
(In thousands)	June 30, 2008	% of revenue	June 30, 2007	% of revenue	Change	% Change
General and administrative	$ 22,025	9.9%	$ 21,517	8.8%	$ 508	2.4%

The $0.5 million increase in general and administrative expenses for the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008 was primarily due to $2.6 million of increased legal expenses in the current quarter related to our activities to protect our intellectual property offset by reduced depreciation expense. See Note 16 “Litigation” for additional information related to legal actions. Largely offsetting the increase was $2.2 million of decreased depreciation expense in the first quarter of fiscal 2009 compared to fiscal 2008. During the first quarter of fiscal 2008, we accelerated depreciation related to our prior Oracle enterprise resource planning system that was retired during that period. We expect quarterly general and administrative expenses will be relatively consistent with the first quarter of fiscal 2009 during the remainder of fiscal 2009.

Restructuring Charges

	Three Months Ended					
(In thousands)	June 30, 2008	% of revenue	June 30, 2007	% of revenue	Change	% Change
Restructuring charges related to cost of revenue	$ —	— %	$ 237	0.1%	$ (237)	(100.0)%
Restructuring charges (benefits) in operating expense	(50)	0.0%	9,114	3.7%	(9,164)	(100.5)%
Total restructuring charges (benefits).	$ (50)	0.0%	$ 9,351	3.8%	$(9,401)	(100.5)%

During the first quarter of fiscal 2009, we did not initiate any new restructuring actions as substantially all restructuring actions have been implemented. Restructuring benefits during the first quarter of fiscal 2009 were primarily due to changes in estimates of severance and benefits due to impacted employees. Restructuring charges during the first quarter of fiscal 2008 were primarily the result of severance and benefits incurred as a result of our decision to partner with a third party on certain research and development efforts and to a lesser extent actions to improve efficiencies in operations. We also continued consolidating our operations into fewer locations during the first quarter of fiscal 2008 and incurred facility exit costs. For additional information, refer to Note 12 “Restructuring Charges.”

Until we achieve sustained profitability, we may incur additional charges in the future related to further cost reduction steps. During the remainder of fiscal 2009, we do not expect to incur additional restructuring charges and anticipate our scheduled payments will reduce the outstanding accrued restructuring balances.

Interest Income and Other, Net

	Three Months Ended					
(In thousands)	June 30, 2008	% of revenue	June 30, 2007	% of revenue	Change	% Change
Interest income and other, net	$ 1,482	0.7%	$ 4,357	1.8%	$(2,875)	(66.0)%

The $2.9 million decrease in interest income and other, net for the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008 was primarily due to the net impact of four items. $2.1 million of the decrease relates to a realized gain in the first quarter of fiscal 2008 on the sale of Data Domain shares we sold in its initial public offering in July 2007. We originally received the shares as a licensing fee completed in a prior period. Interest income decreased $1.1 million in the first quarter of fiscal 2009 compared to fiscal 2008. Interest income was lower due to both lower average balances of interest-earning assets, including cash and cash equivalents and marketable securities, in the first quarter of fiscal 2009 than the first quarter of fiscal 2008 and lower market interest rates. We also had a $0.9 million net decrease in foreign exchange gains and losses due to losses during the first quarter of fiscal 2009 compared to gains in the first quarter of fiscal 2008. These decreases in the current quarter were partially offset by a $1.3 million gain on the market value of our interest rate hedges required by our term debt agreement.

Interest Expense

	Three Months Ended					
(In thousands)	June 30, 2008	% of revenue	June 30, 2007	% of revenue	Change	% Change
Interest expense	$ 8,775	4.0%	$ 13,634	5.5%	$(4,859)	(35.6)%

Interest expense decreased $4.9 million compared to the first quarter of fiscal 2008, primarily due to interest rate decreases on our term debt. Interest rate decreases were attributable to both market interest rate decreases of LIBOR and refinancing our debt at more favorable terms in July 2007. Our weighted average interest rate on our term debt decreased to 6.80% for the first quarter of fiscal 2009, inclusive of our interest rate collars that fix a portion of the interest rate on the term debt. This compares to a weighted average interest rate of 10.53% in the first quarter of fiscal 2008. Also contributing to reduced interest expense is the reduction of our outstanding debt balance resulting from principal payments over the past year. During the quarter, we repaid $50 million of the term loan and incurred $0.5 million in prepayment fees. Our acquisition-related debt was $290 million at June 30, 2008 compared to $386 million at June 30, 2007.

Interest expense also includes the amortization of debt issuance costs for debt facilities and prepayment fees. For further information, refer to Note 10 “Convertible Subordinated Debt and Long-Term Debt” and Note 11 “Derivatives.” During July 2008 we drew $15 million from our revolving credit facility at an interest rate of 5.96%. We expect our interest expense for fiscal 2009 will be approximately $28 million to $30 million.

Income Taxes

	Three Months Ended					
(In thousands)	June 30, 2008	% of pre-tax loss	June 30, 2007	% of pre-tax loss	Change	% Change
Income tax provision (benefit)	$ 882	(6.6)%	$ (980)	4.2%	$1,862	(190.0)%

We had income tax expense of $0.9 million for the three months ended June 30, 2008 as compared to a benefit of $1.0 million for the three months ended June 30, 2007. The tax expense for the first quarter of fiscal 2009 is primarily comprised of foreign income taxes and state taxes. The tax benefit for the first quarter of fiscal 2008 includes expense for foreign income taxes and state taxes of $1.2 million offset by a benefit of $2.2 million related to tax positions in foreign jurisdictions settled during the quarter.

We have provided a full valuation allowance against our U.S. net deferred tax assets due to our history of net losses, difficulty in predicting future results and our conclusion that we cannot rely on projections of future taxable income to realize the deferred tax assets.

Significant management judgment is required in determining our deferred tax assets and liabilities and valuation allowances for purposes of assessing our ability to realize any future benefit from our net deferred tax assets. We intend to maintain this valuation allowance until sufficient positive evidence exists to support a reversal or decrease in this allowance. Future income tax expense will be reduced to the extent that we have sufficient positive evidence to support a reversal of, or decrease in, our valuation allowance.

Amortization of Intangible Assets

The following table details intangible asset amortization expense within our Condensed Consolidated Statements of Operations (in thousands):

	Three Months Ended		
	June 30, 2008	June 30, 2007	Change
Cost of revenue	$ 6,918	$ 8,509	$(1,591)
Research and development	100	205	(105)
Sales and marketing	4,131	4,223	(92)
General and administrative	25	25	—
	$ 11,174	$ 12,962	$(1,788)

The decrease of intangible asset amortization for the first quarter of fiscal 2009 was primarily due to purchased technology intangible assets related to the ADIC acquisition that became fully amortized after the first quarter of fiscal 2008. For further information regarding amortization of intangible assets, refer to Note 8 “Goodwill and Intangible Assets.”

Intangible assets are reviewed for impairment whenever events or circumstances indicate impairment might exist. We are monitoring relevant economic and market conditions and will perform the appropriate impairment reviews in the future as necessary should conditions deteriorate such that we believe the value of our intangibles could be impaired. We evaluate our goodwill for impairment annually during the fourth quarter of our fiscal year, or more frequently when indicators of impairment are present. We evaluate goodwill at the entity level because we operate in a single segment. Decreases in our stock price in recent months have negatively impacted the fair value of our business. Currently our fair value exceeds our carrying value. If our stock price continues to decrease, it is possible that our fair value could fall below our carrying value, which may result in goodwill impairment in the future.

Share-based Compensation

The following table summarizes share-based compensation within our Condensed Consolidated Statements of Operations (in thousands):

	Three Months Ended		
	June 30, 2008	June 30, 2007	Change
Share-based compensation			
Cost of revenue	$ 355	$ 366	$ (11)
Research and development	765	859	(94)
Sales and marketing	741	583	158
General and administrative	833	1,042	(209)
	$ 2,694	$ 2,850	$ (156)

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LIQUIDITY AND CAPITAL RESOURCES

Following is a summary of cash flows from operating, investing and financing activities (in thousands):

	Three Months Ended	
	June 30, 2008	June 30, 2007
Net cash provided by (used in) operating activities	$ 25,514	$ (21,265)
Net cash provided by (used in) investing activities	(1,704)	20,254
Net cash provided by (used in) financing activities	(49,967)	26,428

Three Months Ended June 30, 2008

The difference between reported net loss and cash provided by operating activities during the three months ended June 30, 2008 was primarily due a $33.5 million reduction in accounts receivable and $23.4 million in non-cash items such as depreciation, amortization and share-based compensation. The decrease in accounts receivable was primarily due to lower sales and strong collections during the first quarter of fiscal 2009. Partially offsetting these items were uses of cash in operations from a $10.3 million decrease in accounts payable and a $5.0 million increase in inventories. Accounts payable decreased due to timing of payments to vendors and lower expenses. Inventories increased primarily due to ramping for production of the DXi7500 released during the quarter and lower than anticipated shipments in the last days of the quarter.

Cash used in investing activities reflects $1.7 million of equipment purchases during the three months ended June 30, 2008. Equipment purchases were primarily the result of maintaining our day to day business operations infrastructure and included voice communication system upgrades and hardware and software to equip our consolidated data center.

Cash used in financing activities during the first three months of fiscal 2009 was primarily due to repaying $50.0 million of the term debt.

Three Months Ended June 30, 2007

The difference between reported net loss and cash used in operating activities during the first quarter of fiscal 2008 was primarily due to cash used to fund operations offset largely by non-cash items such as depreciation and amortization. Cash used to fund operations during the period was primarily due to a $25.9 million increase in accounts receivable and a $6.8 million decrease in accounts payable offset in part by a $6.7 million decrease in inventories. Accounts receivable increased primarily due to slower collections in the first quarter of fiscal 2008 after strong collections in the fourth quarter of fiscal 2007. Accounts payable decreased primarily due to lower inventory levels and the timing of payments to suppliers. Inventories decreased as a result of ongoing inventory reduction efforts.

Cash provided by investing activities during the first three months of fiscal 2008 reflects proceeds from the sale of marketable securities of $90.0 million offset in part by $65.0 million in purchases of marketable securities. In addition, we purchased $4.7 million of property and equipment during the quarter ended June 30, 2007.

Cash provided by financing activities during the first quarter of fiscal 2008 was primarily due to borrowings of $50.0 million reduced by repayments of $26.3 million, as well as $2.7 million net proceeds received from the issuance of common stock related to employee stock incentive plans.

Capital Resources and Financial Condition

We have made progress in reducing operating costs, and we will continue to focus on improving our operating performance, including increasing revenue and improving margins in an effort to return to consistent profitability and to generate positive cash flows from operating activities. We believe that our existing cash and capital resources will be sufficient to meet all currently planned expenditures, repayment of debt, contractual obligations and sustain operations for at least the next 12 months. This belief is dependent upon our ability to maintain revenue around current levels, to sustain or improve gross margins, and to control operating expenses in order to provide positive cash flow from operating activities. This belief also assumes we will not be forced to make any additional significant cash payments or otherwise be impacted by restrictions of available cash associated with our existing credit facilities.

Should any of the above assumptions prove incorrect, either in combination or individually, it would likely have a material negative effect on our cash balances and capital resources. As of June 30, 2008, we had credit available on our credit facility, described further in the "Long-Term Debt" section below.

Generation of positive cash flow from operating activities has historically been an important source of our cash to fund operating needs and, prospectively, will be required for us to fund our business and to meet our current and long-term obligations. We have taken many actions to offset the negative impact of increased competition in the backup, archive and recovery market. We cannot provide assurance that the actions we have taken in the past or any actions we may take in the future will ensure a consistent, sustainable and sufficient level of net income and positive cash flow from operating activities to fund, sustain or grow our businesses. Certain events that are beyond our control, including prevailing economic, competitive and industry conditions, as well as various legal and other disputes, may prevent us from achieving these financial objectives. Any inability to achieve consistent and sustainable net income and cash flow could result in:

(i) Restrictions on our ability to manage or fund our existing operations, which could result in a material and adverse effect on our future results of operations and financial condition.

(ii) Unwillingness on the part of the group lenders that provide our credit facility to do any of the following:

- Provide a waiver or amendment for any covenant violations we may experience in future periods, thereby triggering a default under, or termination of, the revolving credit line and term loan, or
- Approve any other amendments to our credit facility we may seek to obtain in the future.

Any lack of renewal, waiver, or amendment, if needed, could result in the revolving credit line and term loan becoming unavailable to us and any amounts outstanding becoming immediately due and payable. In the case of our borrowings at June 30, 2008, this would mean $290.0 million would become immediately payable.

(iii) Further impairment of our financial flexibility, which could require us to raise additional funding in the capital markets sooner than we otherwise would, and on terms less favorable to us, if available at all.

Any of the above mentioned items, individually or in combination, would have a material and adverse effect on our results of operations, available cash and cash flows, financial condition, access to capital and liquidity.

Convertible Subordinated Debt

On July 30, 2003, we issued 4.375% convertible subordinated notes in the aggregate principal amount of $160 million in a private placement transaction. The notes are unsecured obligations subordinated in right of payment to all of our existing and future senior indebtedness. The notes mature on August 1, 2010 and are convertible at the option of the holders at any time prior to maturity into an aggregate of 36.8 million shares of Quantum common stock at a conversion price of $4.35 per share. We cannot redeem the notes prior to August 5, 2008.

Long-term Debt

To fund our acquisition of ADIC in August 2006, we entered into a secured senior credit facility ("August 2006 credit facility") with a group of lenders that provided a $150 million revolving credit line, a $225 million term loan and a $125 million second lien term loan with maturity dates of August 22, 2009, August 22, 2012 and August 22, 2013, respectively.

On July 12, 2007, we refinanced our August 2006 credit facility by entering into another senior secured credit agreement ("current credit agreement") with a different group of lenders, providing a $50 million revolving credit facility and a $400 million term loan. We borrowed $400 million on the term loan to repay all borrowings under our August 2006 credit facility. We incurred and capitalized $8.1 million of loan fees related to this current credit agreement which are included in other long-term assets in our Condensed Consolidated Balance Sheet. These fees are being amortized to interest expense over the respective loan terms.

Under the current credit agreement, the $400 million term loan matures on July 12, 2014, but is subject to accelerated maturity on February 1, 2010 if we do not repay, refinance to extend the maturity date, or convert into equity the existing $160 million convertible subordinated debt prior to February 1, 2010. Interest accrues on the term loan at our option based on either, a prime rate plus a margin of 2.5%, or a LIBOR rate plus a margin of 3.5%. The interest rate on the term loan was 6.30% at June 30, 2008. Commencing September 30, 2007, we began to make required quarterly principal payments of $1.0 million on the term loan and we will make a final payment of all outstanding principal and interest at maturity. The term loan may be prepaid at any time, subject to an additional payment of 1.0% of the principal amount being prepaid for any prepayment made before July 12, 2008. In addition, on an annual basis commencing with the fiscal year ending March 31, 2008, we are required to perform a calculation of excess cash flow which may require an additional payment of the principal amount if the excess cash flow requirements are not met. The fiscal 2008 calculation of excess cash flow did not require additional principal payments. During the first quarter of fiscal 2009, we made principal payments of $50 million on the term loan and incurred $0.5 million in prepayment fees.

Under the current credit agreement we have the ability to borrow up to $50 million under a senior secured revolving credit facility which expires July 12, 2012. As of June 30, 2008, we have letters of credit totaling $2.3 million, reducing the available borrowings on the revolver to $47.7 million. Interest accrues on the revolving credit facility at our option based on either, a prime rate plus a margin of 2.5%, or a LIBOR rate plus a margin of 3.5%. Annually, we are required to pay a 0.5% commitment fee on undrawn amounts under the revolving credit facility.

The revolving credit facility and term loan are secured by a blanket lien on all of our assets and contain certain financial and reporting covenants which we are required to satisfy as a condition of the credit line and term loan including a limitation on issuing dividends or repurchasing our stock. As of June 30, 2008, we were in compliance with the debt covenants. We did not borrow on the revolving credit facility during the first quarter of fiscal 2009. Our outstanding term debt was $290 million at June 30, 2008. We drew $15 million from our revolving credit facility in July 2008 at an interest rate of 5.96%.

Derivatives

We do not engage in hedging activity for speculative or trading purposes. Since the third quarter of fiscal 2007, we have had an interest rate collar instrument with a financial institution that fixes the interest rate on $87.5 million of our variable rate term loan between a three month LIBOR rate floor of 4.64% and a cap of 5.49% through December 2008. Whenever the three month LIBOR rate is greater than the cap, we receive from the financial institution the difference between 5.49% and the current three month LIBOR rate on the notional amount. Conversely, whenever the three month LIBOR rate is lower than the floor, we remit to the financial institution the difference between 4.64% and the current three month LIBOR rate on the notional amount. During the first quarter of fiscal 2009, the three month LIBOR rate was below the floor and we incurred $0.4 million in interest expense. During the first quarter of fiscal 2008, the three month LIBOR rate was within the floor and cap.

Under the terms of the current credit agreement, we are required to hedge floating interest rate exposure on 50% of our funded debt balance beginning December 31, 2007 through December 31, 2009. During the third quarter of fiscal 2008, we entered into a separate interest rate collar instrument effective as of December 31, 2007 with another financial institution that fixes the interest rate on an additional $12.5 million of our variable rate term loan between a three month LIBOR rate floor of 2.68% and a cap of 5.25% through December 31, 2008 and fixes the interest rate on $100 million of our variable rate term loan between the same floor and cap from December 31, 2008 through December 31, 2009. The three month LIBOR rate was within the floor and cap of this interest rate collar during the first quarter of fiscal 2009.

Our interest rate collars did not meet all of the criteria necessary for hedge accounting prescribed by SFAS No. 133,*Accounting for Derivative Instruments and Hedging Activities*. We record the change in fair market value in other accrued liabilities and other long-term liabilities in the Consolidated Balance Sheets and in interest income and other, net in the Consolidated Statements of Operations. As of June 30, 2008, the cumulative loss on the interest rate collars was $0.9 million and as of March 31, 2008, the cumulative loss on the interest rate collar was $2.2 million.

Off-Balance Sheet Commitments

We have commitments to purchase inventory of $61.6 million, described further in Note 17 “Commitments and Contingencies.” We also have commitments related to our operating leases. For additional details refer to our Annual Report on Form 10-K, for the year ended March 31, 2008, as filed with the Securities and Exchange Commission on June 13, 2008.

As of June 30, 2008, we have commitments to provide an additional $1.2 million in capital funding towards investments we currently hold in two limited partnership venture capital funds. Payments are made as capital calls are received, thus we cannot estimate when those payments will be made.

As of June 30, 2008, there was approximately $87.9 million remaining on our authorization to repurchase Quantum common stock. No stock repurchases were made during the three months ended June 30, 2008. Our ability to repurchase common stock is restricted under our current credit agreement.

Other than the indemnification obligations described in Note 9 “Accrued Warranty and Indemnification” and the commitments described above or in our Annual Report on Form 10-K, for the fiscal year ended March 31, 2008 filed with the SEC June 13, 2008, we do not have any other off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Our discussion and analysis of the financial condition and results of operations is based on the accompanying Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these statements requires us to make significant estimates and judgments about future uncertainties that affect reported assets, liabilities, revenues and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances. In the event that estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current information. We believe that the accounting policies requiring our most difficult, subjective or complex judgments because of the need to make estimates about the effect of matters that are inherently uncertain are unchanged and have been disclosed in our Annual Report on Form 10-K for the year ended March 31, 2008 filed with the SEC on June 13, 2008.

RECENT ACCOUNTING PRONOUCEMENTS

See Note 18 “Recent Accounting Pronouncements” for a description of recent accounting pronouncements including the respective expected dates of adoption and effects on our results of operations and financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of risks, including changes in interest rates and foreign currency fluctuations.

MARKET INTEREST RATE RISK

Changes in interest rates affect interest expense on our term debt and interest income earned on our cash equivalents. Changes in interest rates also affect interest expense if interest rates are not within the floor and cap on our interest rate collars.

Our cash equivalents consisted solely of money market funds during the three months ended June 30, 2008. A hypothetical 100 basis point decrease in interest rates would have resulted in an approximate $0.1 million decrease in interest income for the three months ended June 30, 2008.

Our outstanding convertible subordinated notes in the aggregate principal amount of $160 million have a fixed interest rate, thus a hypothetical 100 basis point increase in interest rates would not impact interest expense on these notes.

Interest accrues on our term loan at our option, based on either, a prime rate plus a margin of 2.5%, or a three month LIBOR rate plus a margin of 3.5%. We have selected the LIBOR rate plus 3.5% since inception; however, we have no limitation on selecting either the prime rate or LIBOR rate plus applicable margin.

Under the terms of our current credit agreement, we are required to hedge floating interest rate exposure on 50% of our funded debt balance beginning December 31, 2007 through December 31, 2009. We have two interest rate collars that meet this requirement. We have an interest rate collar that fixes the interest rate on $87.5 million of our variable rate term loan between a three month LIBOR rate floor of 4.64% and a cap of 5.49% through December 2008. We have another interest rate collar that fixes the interest rate on an additional $12.5 million of our variable rate term loan between a three month LIBOR rate floor of 2.68% and a cap of 5.25% through December 2008.

The following table shows the total impact to interest expense from a hypothetical 100 basis point increase and decrease in interest rates (in thousands):

	Three months ended June 30, 2008	
	Hypothetical 100 basis point increase in interest rates	Hypothetical 100 basis point decrease in interest rates
Interest expense increase (decrease) on term debt	$ 846	$ (846)
Interest expense increase (decrease) from collars	(224)	243
Net interest expense increase (decrease)	$ 622	$ (603)

FOREIGN CURRENCY EXCHANGE RATE RISK

As a multinational corporation, we are exposed to changes in foreign exchange rates. These exposures may change over time and could have a material adverse impact on our financial results. Our international operations can act as a natural hedge when both operating expenses and sales are denominated in local currencies. To minimize foreign currency exposure, we use foreign currency obligations to match and offset net currency exposures associated with certain assets and liabilities denominated in non-functional currencies. Corresponding gains and losses on the underlying transaction generally offset the gains and losses on these foreign currency obligations.

ITEM 4. CONTROLS AND PROCEDURES

(a) *Evaluation of disclosure controls and procedures*. Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) *Changes in internal control over financial reporting.* There was no change in our internal control over financial reporting that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

QUANTUM CORPORATION
PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information contained in Note 16 "Litigation" to the Condensed Consolidated Financial Statements is incorporated into this Part II, Item 1 by reference.

ITEM 1A. RISK FACTORS

THE READER SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED BELOW, TOGETHER WITH ALL OF THE OTHER INFORMATION INCLUDED IN THIS QUARTERLY REPORT ON FORM 10-Q, BEFORE MAKING AN INVESTMENT DECISION. THE RISKS AND UNCERTAINTIES DESCRIBED BELOW ARE NOT THE ONLY ONES FACING QUANTUM. ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO US OR THAT ARE CURRENTLY DEEMED IMMATERIAL MAY ALSO IMPAIR OUR BUSINESS AND OPERATIONS. THIS QUARTERLY REPORT ON FORM 10-Q CONTAINS "FORWARD-LOOKING" STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. PLEASE SEE "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" FOR ADDITIONAL DISCUSSION OF THESE FORWARD-LOOKING STATEMENTS.

A large percentage of our sales come from a few customers, and these customers generally have no minimum or long-term purchase commitments. The loss of, or a significant reduction in demand from, one or more key customers could materially and adversely affect our business, financial condition and operating results.

Our sales have been and continue to be concentrated among a few customers. Sales to our top five customers in fiscal 2008 represented 42% of total revenue. This sales concentration does not include revenues from sales of our media that our licensees sold to these customers, for which we earn royalty revenue. Furthermore, customers are not obligated to purchase any minimum product volume and our relationships with our customers are terminable at will. In fiscal 2008, sales to Dell contributed approximately 16% of our revenue. If we experience a significant decline in revenue from Dell, we could be materially and adversely affected.

In addition, many of our tape products are primarily incorporated into larger storage systems or solutions that are marketed and sold to end-users by our large OEM customers. Because of this, we have limited market access to these end-users, limiting our ability to reach and influence their purchasing decisions. These market conditions further our reliance on these large OEM customers. Thus if they were to significantly reduce, cancel or delay their orders with us, our results of operations could be materially adversely affected.

We derive almost all of our revenue from products incorporating tape technology. If competition from alternative storage technologies continues or increases, our business, financial condition and operating results would be materially and adversely harmed.

We derive almost all of our revenue from products that incorporate some form of tape technology and we expect to continue to derive a substantial majority of our revenue from these products for the foreseeable future. As a result, our future operating results depend on the continued market acceptance of products employing tape drive technology. Our tape products, including tape drives and automation systems, are increasingly challenged by products using hard disk drive technology, such as Virtual Tape Libraries (VTL), standard disk arrays and Network Attached Storage (NAS). Hard disk drives have experienced a trend toward lower prices while capacity and performance have increased. If disk-based backup products gain comparable or superior market acceptance, or their costs decline far more rapidly than tape drive and media costs, the competition resulting from these products would increase as customers migrate toward them. We are working to address this risk through our own targeted investment in disk-based products and other alternative technologies, but if we are not successful in our efforts, our business, financial condition and operating results would be materially and adversely affected.

In connection with the acquisition of ADIC, we drew on our credit facility substantially increasing our debt service obligations and constraining our ability to operate our business. Unless we are able to generate sufficient cash flows from operations to meet these debt obligations, our business financial condition and operating results will be materially and adversely affected.

In connection with our acquisition of ADIC, we borrowed $496.5 million under our credit facility with KeyBank in August 2006, adding a significant amount of indebtedness and interest expense to our obligations. During fiscal 2008, we refinanced our acquisition-related debt, repaying KeyBank in full and borrowing $400 million from Credit Suisse First Boston on our current credit agreement. As of June 30, 2008, the total amount outstanding under the current credit agreement was $290 million. Our level of indebtedness presents significant risks to investors, both in terms of the constraints that it places on our ability to operate our business and because of the possibility that we may not generate sufficient cash to pay the principal of and interest on our indebtedness as it becomes due.

Our substantial debt could have important consequences, such as:

- Making it more difficult or impossible for us to make payments on our convertible subordinated notes or any other indebtedness or obligations;
- Requiring us to dedicate a significant portion of our cash flow from operations and other capital resources to debt service, thereby reducing our ability to fund working capital, capital expenditures, research and development and other cash requirements;
- Requiring us to repay or refinance our convertible subordinated notes early;
- Increasing our vulnerability to adverse economic and industry conditions;
- Limiting our flexibility in planning for, or reacting to, changes and opportunities in, the electronics manufacturing industry, which may place us at a competitive disadvantage; and
- Limiting our ability to incur additional debt on acceptable terms, if at all.

In addition, there is a risk that we may not be able to repay our debt obligations as they become due. We have incurred significant losses since 2001. Our ability to meet our debt service obligations (and fund our working capital, capital expenditures, acquisitions, research and development and other general corporate needs) will depend upon our ability to generate sufficient cash flow from operations. We cannot provide assurance that we will generate sufficient cash flow from operations to service these debt obligations, or that future borrowings or equity financing will be available to us on commercially reasonable terms or at all, or available in an amount sufficient to enable us to pay our debt obligations or fund our other liquidity needs. Unless we are able to maintain our cash flows from operations we may not generate sufficient cash flow to service our debt obligations, which would require that we reduce or delay capital expenditures and/or sell assets, thereby affecting our ability to remain competitive and materially and adversely affecting our business. Such a failure to repay our debt obligations when due would also result in our default under our loan agreements, which would give our lenders the right to seize all of our assets. Any such inability to meet our debt obligations would therefore have a material and adverse effect on our business, financial condition and results of operations.

Our credit agreement contains various covenants that limit our discretion in the operation of our business, which could have an adverse effect on our business, financial condition and results of operations.

Our credit agreement contains numerous restrictive covenants that require us to comply with and maintain certain financial tests and ratios, thereby restricting our ability to:

- Incur debt;
- Incur liens;
- Redeem or prepay subordinated debt;
- Make acquisitions of businesses or entities or sell certain assets;
- Make investments, including loans, guarantees and advances;
- Make capital expenditures beyond a certain threshold;
- Engage in transactions with affiliates;
- Pay dividends or engage in stock repurchases; and
- Enter into certain restrictive agreements.

Our ability to comply with covenants contained in our credit agreement may be affected by events beyond our control, including prevailing economic, financial and industry conditions. Even if we are able to comply with all covenants, the restrictions on our ability to operate our business could harm our business by, among other things, limiting our ability to take advantage of financings, mergers, acquisitions and other corporate opportunities. In addition, we may seek to refinance certain of our indebtedness in the future. We cannot assure you that additional financing will be available on terms favorable to us, or at all.

Our credit agreement is secured by a pledge of all of our assets. If we were to default under our credit agreement and were unable to obtain a waiver for such a default, the lenders would have a right to foreclose on our assets in order to satisfy our obligations under the credit agreement. Any such action on the part of the lenders against us could have a materially adverse impact on our business, financial condition and results of operations.

In prior year periods, we violated certain financial covenants under our credit agreement and received waivers or amendments for such violations. If in the future we violate financial covenants, it could materially and adversely impact our financial condition and liquidity.

If our operating results do not improve in the future and we violate any financial or reporting covenant in our credit agreement and receive a notice of default letter from our bank group, our credit line could become unavailable, and any amounts outstanding could become immediately due and payable.

Without the availability of the credit agreement, we would have to rely on operating cash flows and debt or equity arrangements other than the credit agreement, if such alternative funding arrangements are available to us at all, in order to maintain sufficient liquidity. If we were not able to obtain sufficient cash from our operations or from these alternative funding sources under such circumstances, our operations, financial condition and liquidity would be materially and adversely affected.

Competition has increased, and may increasingly intensify, in the tape drive and tape automation markets as a result of competitors introducing products based on new technology standards, which could materially and adversely affect our business, financial condition and results of operations.

We compete with companies that develop, manufacture, market and sell tape drive and tape automation products. The principal competitors for our tape drive products include Hewlett-Packard, IBM and Sun. These competitors are aggressively trying to advance and develop new technologies and products to compete against our technologies and products. For instance, LTO technology, which was developed by Certance, Hewlett-Packard and IBM, targets the high-capacity data backup market and competes directly with our products based on Super DLTtape™ technology. Hewlett-Packard and IBM thus compete not only with our Super DLTtape products but now compete with the LTO product offerings that we acquired through our acquisition of Certance. This competition has resulted in a trend, which is expected to continue, toward lower prices and lower margins earned on our DLTtape® and Super DLTtape drives and media. Additionally, over the last two years, our DLT and Super DLTtape drives have lost market share to LTO based products, and we cannot provide assurance that our tape technology based products will not continue to lose market share to LTO based products in the future. These factors, and additional factors, such as the possibility of industry consolidation, when combined with the current environment of intense competition, which has resulted in reduced shipments of our tape drive products, could result in a further reduction in our prices, volumes and margins, which could materially and adversely impact our business, financial condition and results of operations.

Our tape automation products compete with product offerings of Dell, EMC, IBM and Sun, which offer tape automation systems incorporating DLTtape® and Super DLTtape™ technology as well as LTO technology. Increased competition has resulted in increased price competition. If this trend continues or worsens, if competition further intensifies, or if industry consolidation occurs, our sales and gross margins could decline, which could materially and adversely affect our business, financial condition and results of operations.

From time to time we make acquisitions, such as our 2006 acquisition of ADIC. The failure to successfully integrate recent or future acquisitions could harm our business, financial condition and operating results.

As a part of our business strategy, we have in the past and expect in the future to make acquisitions, or significant investments in, complementary companies, products or technologies, such as our 2006 acquisition of ADIC. If we fail to successfully integrate such acquisitions, it could harm our business, financial condition and operating results. Risks that we may face in our efforts to integrate any recent or future acquisitions include, among others:

- Failure to realize anticipated savings and benefits from the acquisition;

- Difficulties in assimilating and retaining employees;
- Potential incompatibility of business cultures;
- Coordinating geographically separate organizations;
- Diversion of management's attention from ongoing business concerns;
- Coordinating infrastructure operations in a rapid and efficient manner;
- The potential inability to maximize our financial and strategic position through the successful incorporation of acquired technology and rights into our products and services;
- Failure of acquired technology or products to provide anticipated revenue or margin contribution;
- Insufficient revenues to offset increased expenses associated with the acquisition;
- Costs and delays in implementing or integrating common systems and procedures;
- Reduction or loss of customer orders due to the potential for market confusion, hesitation and delay;
- Impairment of existing customer, supplier and strategic relationships of either company;
- Insufficient cash flows from operations to fund the working capital and investment requirements;
- Difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets have stronger market positions;
- The possibility that we may not receive a favorable return on our investment, the original investment may become impaired, and/or we may incur losses from these investments;
- Dissatisfaction or performance problems with the acquired company;
- The assumption of risks of the acquired company that are difficult to quantify, such as litigation;
- The cost associated with the acquisition; and
- Assumption of unknown liabilities or other unanticipated adverse events or circumstances.

Acquisitions present many risks, and we may not realize the financial and strategic goals that were contemplated at the time of any transaction. We cannot provide assurance that we will be able to successfully integrate any business, products, technologies or personnel that we may acquire in the future, and our failure to do so could harm our business, financial condition and operating results.

Our operating results depend on new product introductions, which may not be successful, in which case our business, financial condition and operating results may be materially and adversely affected.

To compete effectively, we must continually improve existing products and introduce new ones, such as our recently introduced DXi-series products, the Scalar 50, LTO-4 tape drive, GoVault and enhanced Scalar i500 and Scalar i2000 products and next generation StorNext software. We have devoted and expect to continue to devote considerable management and financial resources to these efforts. We cannot provide assurance that:

- We will introduce new products in the time frame we are forecasting;
- We will not experience technical, quality, performance-related or other difficulties that could prevent or delay the introduction of, and market acceptance of, new products;
- Our new products will achieve market acceptance and significant market share, or that the markets for these products will continue or grow as we have anticipated;
- Our new products will be successfully or timely qualified with our customers by meeting customer performance and quality specifications because a successful and timely customer qualification must occur before customers will place large product orders; or
- We will achieve high volume production of these new products in a timely manner, if at all.

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

We have taken considerable steps towards reducing our cost structure and may take further cost reduction actions. The steps we have taken and may take in the future may not reduce our cost structure to a level appropriate in relation to our future sales and therefore, these anticipated cost reductions may be insufficient to bring us back to profitability.

In the last four years, we have recorded significant restructuring charges and made cash payments in order to reduce our cost of sales and operating expenses to rationalize our operations following past acquisitions and in response to adverse economic, industry and competitive conditions. We may take future steps to further reduce our operating costs. These steps and additional future restructurings in response to rationalization of operations following future acquisitions, strategic decisions or adverse changes in our business and industry may require us to make cash payments that, if large enough, would materially and adversely affect our liquidity. We may be unable to reduce our cost of sales and operating expenses at a rate and to a level consistent with a future potential adverse sales environment, which may adversely affect our business, financial condition and operating results.

Our tape media and tape royalty business generates a relatively high gross margin rate, which significantly impacts the total company gross margin rate. If we were to experience a significant decline in the tape media or tape royalty gross margin rate, our business, financial condition, and operating results would be materially and adversely affected.

Our tape royalty and media gross margin rates and revenues are dependent on many factors, including the following factors:

- The pricing actions of other media suppliers;
- The size of the installed base of tape drives that use our tape cartridges;
- The performance of our strategic licensing partners, which sell our tape media cartridges;
- The relative growth in units of our newer tape drive products, since the associated media cartridges typically sell at higher prices than the media cartridges associated with older tape drive products;
- The relative mix of media purchased directly from us as compared to our licensees;
- The media consumption habits and rates of end-users;
- The pattern of tape drive retirements; and
- The level of channel inventories.

Competition from other tape technologies has had a significant negative impact on our income from media as well as on our sales of tape drives. Similarly, competition among media suppliers has periodically resulted in intense, price-based competition for media sales, which also affects media income. If either of these competitive factors continues or intensifies, it would further erode tape drive unit sales, tape drive installed base, media units and media pricing. To the extent that our Quantum branded media revenue and media royalties depend upon media pricing and the quantity of media consumed by the installed base of our tape drives, reduced media prices, or a reduced installed tape drive base, would result in further reductions in our Quantum branded media and media royalty revenue and gross margin rates. This would materially and adversely affect our business, financial condition, and results of operations.

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

From time to time, third parties allege our infringement of and need for a license under their patented or other proprietary technology. While we currently believe the amount of ultimate liability, if any, with respect to any such actions will not materially affect our financial position, results of operations, or liquidity, the ultimate outcome of any license discussion or litigation is uncertain. Adverse resolution of any third party infringement claim could subject us to substantial liabilities and require us to refrain from manufacturing and selling certain products. In addition, the costs incurred in intellectual property litigation can be substantial, regardless of the outcome. As a result, our business, financial condition, and operating results could be materially and adversely affected.

In addition, certain products or technologies acquired or developed by us may include so-called “open source” software. Open source software is typically licensed for use at no initial charge. Certain open source software licenses, however, require users of the open source software to license to others any software that is based on, incorporates or interacts with, the open source software under the terms of the open source license. Although we endeavor to comply fully with such requirements, third parties could claim that we are required to license larger portions of our software than we believe we are required to license under open source software licenses. If such claims were successful, they could adversely impact our competitive position and financial results by providing our competitors with access to sensitive information that may help them develop competitive products. In addition, our use of open source software may harm our business and subject us to intellectual property claims, litigation or proceedings in the future because:

- Open source license terms may be ambiguous and may subject us to unanticipated obligations regarding our products, technologies and intellectual property;

- Open source software generally cannot be protected under trade secret law; and
- It may be difficult for us to accurately determine the origin of the open source code and whether the open source software infringes, misappropriates or violates third party intellectual property or other rights.

As a result of our global manufacturing and sales operations, we are subject to a variety of risks that are unique to businesses with international operations of a similar scope, any of which could, individually or in the aggregate have a material adverse effect on our business.

A significant portion of our manufacturing and sales operations and supply chain occurs in countries other than the U.S. We also have sales outside the U.S. In addition, a significant number of our products are manufactured in Malaysia. Similarly, one of the suppliers of recording heads for our products is located in China. Because of these operations, we are subject to a number of risks including:

- Import and export duties and value-added taxes;
- Import and export and trade regulation changes that could erode our profit margins or restrict our ability to transport our products;
- Political, military, social, and infrastructure risks, especially in emerging or developing economies;
- Potential restrictions on the transfer of funds between countries;
- Natural disasters, including earthquakes, typhoons and tsunamis;
- Inflexible employee contracts and employment laws that may make it difficult to terminate employees in some foreign countries in the event of business downturns;
- Adverse movement of foreign currencies against the U.S. dollar (the currency in which our results are reported);
- Shortages in component parts and raw materials; and
- The burden and cost of complying with foreign laws.

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

We rely on indirect sales channels to market and sell our branded products. Therefore, the loss of or deterioration in our relationship with one or more of our resellers or distributors could negatively affect our operating results.

We sell the majority of our branded products to value-added resellers, or VARs, and to direct marketing resellers such as CDW Corporation, who in turn sell our products to end-users, and to distributors such as Ingram Micro, Tech Data and others. We also have a growing relationship with EMC through which we make available our branded products that complement EMC's product offerings. The success of these sales channels is hard to predict, particularly over time, and we have no purchase commitments or long-term orders from them that assure us of any baseline sales through these channels. Several of our resellers carry competing product lines that they may promote over our products. A reseller might not continue to purchase our products or market them effectively, and each reseller determines the type and amount of our products that it will purchase from us and the pricing of the products that it sells to end-user customers.

Certain of our contracts with our distributors contain "most favored nation" pricing provisions mandating that we offer our products to these customers at the lowest price offered to other similarly situated customers. In addition, sales of our enterprise-class libraries, and the revenue associated with the on-site service of those libraries, are somewhat concentrated in specific customers, including government agencies and government-related companies. Our operating results could be adversely affected by any number of factors including:

- A change in competitive strategy that adversely affects a reseller's willingness or ability to distribute our products;
- The reduction, delay or cancellation of orders or the return of a significant amount of products;
- The loss of one or more of such resellers; or
- Any financial difficulties of such resellers that result in their inability to pay amounts owed to us.

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

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

- Failure to complete shipments in the last month of a quarter during which a substantial portion of our products are typically shipped;

- Customers canceling, reducing, deferring or rescheduling significant orders as a result of excess inventory levels, weak economic conditions or other factors;
- Declines in network server demand;
- Product development and ramp cycles and product performance or quality issues;
- Reduced demand from our OEM customers;
- An inadequate supply of tape media cartridges; or
- Increased competition.

If we fail to meet our projected quarterly results, our business, financial condition, and results of operations may be materially and adversely harmed.

If our products fail to meet our or our customers' specifications for quality and reliability, our results of operations may be adversely impacted and our competitive position may suffer.

Although we place great emphasis on product quality, we may from time to time experience problems with the performance of our products. If that occurs, our operating results could be negatively impacted by one or more of the following factors:

- Increased costs related to fulfillment of our warranty obligations;
- The reduction, delay or cancellation of orders or the return of a significant amount of products;
- Focused failure analysis causing distraction of the sales, operations, and management teams; or
- The loss of reputation in the market and customer goodwill.

If we fail to meet our projected quarterly results due to quality problems, our business, financial condition, and results of operations may be materially and adversely harmed.

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

Managing change is an important focus for us. Following the acquisitions of Certance and ADIC, one of our important initiatives involves combining and integrating the information technology infrastructures of the companies, including our enterprise resource planning systems, and adapting our business processes and software to the requirements of the new organization. We are also managing several significant initiatives involving our operations, including efforts to reduce the number of contract manufacturers and suppliers we use, the outsourcing of our repair capabilities and the related closing of our facilities in Dundalk, Ireland and Irvine, Scotland. In addition, we continue to reduce headcount to streamline and consolidate our supporting functions as appropriate following past acquisitions and in response to market or competitive conditions. If we are unable to successfully manage the changes that we implement, and detect and address issues as they arise, it could disrupt our business and adversely impact our results of operations and financial condition.

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

Our future success and ability to compete depends in part on our proprietary technology. We rely on a combination of copyright, patent, trademark, and trade secrets laws and nondisclosure agreements to establish and protect our proprietary technology. As of March 31, 2008, we currently hold 499 U.S. patents and have 161 U.S. patent applications pending. However, we cannot provide assurance that patents will be issued with respect to pending or future patent applications that we have filed or plan to file or that our patents will be upheld as valid or will prevent the development of competitive products or that any actions we have taken will adequately protect our intellectual property rights. We generally enter into confidentiality agreements with our employees, consultants, customers, potential customers, and others as required, in which we strictly limit access to, and distribution of, our software, and further limit the disclosure and use of our proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain or use our products or technology. Enforcing our intellectual property rights can sometimes only be accomplished through the use of litigation, such as in our current litigation with Riverbed Technology described in Note 16 "Litigation," which can be lead to substantial costs and uncertainty. Our competitors may also independently develop technologies that are substantially equivalent or superior to our technology. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the U.S.

Because we may order components from suppliers in advance of receipt of customer orders for our products which include these components, we could face a material inventory risk.

Although we use third parties to manufacture certain of our products, we also manufacture products in-house. Managing our in-house manufacturing capabilities presents a number of risks that could materially and adversely affect our financial condition. For instance, as part of our component planning, we place orders with or pay certain suppliers for components in advance of receipt of customer orders. We occasionally enter into negotiated orders with vendors early in the manufacturing process of our storage products to ensure that we have sufficient components for our new products to meet anticipated customer demand. Because the design and manufacturing process for these components is complicated, it is possible that we could experience a design or manufacturing flaw that could delay or even prevent the production of the components for which we previously committed to pay. We also face the risk of ordering too many components, or conversely, not enough components, since supply orders are generally based on forecasts of customer orders rather than actual customer orders. In addition, in some cases, we make non-cancelable order commitments to our suppliers for work-in-progress, supplier's finished goods, custom sub-assemblies, discontinued (end-of-life) components and Quantum-unique raw materials that are necessary to meet our lead times for finished goods. If we cannot change or be released from supply orders, we could incur costs from the purchase of unusable components, either due to a delay in the production of the components or other supplies or as a result of inaccurately predicting supply orders in advance of customer orders. Our business and operating results could be materially and adversely affected as a result of these increased costs.

Some of our manufacturing, and our service repair, is outsourced to third party contract manufacturers. If we cannot obtain our products and parts from these third parties in a cost effective and timely manner that meets our customers' expectations, this could materially and adversely impact our business, financial condition, and results of operations.

Some of our tape drives and tape automation products are manufactured for us by contract manufactures. We face a number of risks as a result of this outsourced manufacturing, including, among others:

- *Sole source of product supply*

  In each case, our contract manufacturer is our sole source of supply for the tape drive and/or tape automation products they manufacture for us. Because we are relying on one supplier, we are at greater risk of experiencing component shortages, reduced production capacity or other delays in customer deliveries that could result in customer dissatisfaction, lost sales and increased expenses, which could materially damage customer relationships and result in lost revenue.

- *Cost and purchase commitments*

  We may not be able to control the costs we would be required to pay our contract manufacturers for the products they manufacture for us. They procure inventory to build our products based upon a forecast of customer demand that we provide. We would be responsible for the financial impact on the contract manufacturer of any reduction or product mix shift in the forecast relative to materials that they had already purchased under a prior forecast. Such a variance in forecasted demand could require us to pay them for finished goods in excess of current customer demand or for excess or obsolete inventory and generally incur higher costs. As a result, we could experience reduced gross margins and larger operating losses based on these purchase commitments.

- *Quality and supplier conduct*

  We will have limited control over the quality of products produced by our contract manufacturers. Therefore, the quality of the products may not be acceptable to our customers and could result in customer dissatisfaction, lost revenue, and increased warranty costs. In addition, we have limited control over the manner in which our contract manufacturers conduct their business. Therefore, we may face negative consequences or publicity as a result of a third party's failure to comply with trade, environmental, or employment regulations.

In addition, many of our product components and subassemblies are manufactured by other third parties, by whom we may be exposed to the same risks. Any or all of these risks could have a material adverse effect on our business.

We do not control licensee pricing or licensee sales of tape media cartridges. To the extent that our royalty revenue is dependent on the prices of cartridges sold by our licensees, should these licensees significantly lower prices on the media products that they sell, such reduced pricing would lower our royalty revenue, which would materially and adversely affect our business, financial condition, and operating results.

We receive a royalty fee based on sales of our tape media cartridges by Fuji, Maxell, Imation and Sony. Under our license agreements with these companies, each of the licensees determines the pricing and number of units of tape media cartridges that it sells. To the extent that our royalty revenue is based on the prices of cartridges sold by our licensees, our royalty revenue will vary depending on the level of sales and prices set by the licensees. In addition, lower prices set by licensees could require us to lower our prices on direct sales of tape media cartridges, which would reduce our revenue and margins on these products. As a result, lower prices on our tape media cartridges would reduce media revenue, which could materially and adversely affect our business, financial condition, and operating results.

Poor operating performance may negatively impact our ability to attract and retain employees, which could further adversely impact our business.

Increased turnover in our employee base or the inability to fill open headcount requisitions due to concerns about our performance could impair or delay our ability to realize operational and strategic objectives and cause increased expenses and lost sales opportunities.

Our stock price could become more volatile if certain institutional investors were to increase or decrease the number of shares they own. In addition, there are other factors and events that could affect the trading prices of our common stock.

Five institutional investors owned approximately 49% of our common stock as of March 31, 2008. If any or all of these investors were to decide to purchase additional shares or to sell some or all of the common shares they currently own, that may cause our stock price to be more volatile. For example, there have been instances in the past where a shareholder with a significant equity position begins selling shares, putting downward pressure on our stock price for the duration of their selling activity. In these situations, selling pressure outweighs buying demand and our stock price declined.

Trading prices of our common stock may fluctuate in response to a number of other events and factors, such as:

- General economic conditions;
- Changes in interest rates;
- Fluctuations in the stock market in general and market prices for high technology companies in particular;
- Quarterly variations in our operating results;
- New products, services, innovations and strategic developments by our competitors or us, or business combinations and investments by our competitors or us;
- Changes in financial estimates by us or securities analysts and recommendations by securities analysts;
- Changes in our capital structure, including issuance of additional debt or equity to the public; and
- Strategic acquisitions.

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

Some of our production processes and materials are environmentally sensitive, and new environmental regulation could lead to increased costs, or otherwise adversely affect our business, financial condition, and results of operations.

We are subject to a variety of laws and regulations relating to, among other things, the use, storage, discharge and disposal of chemicals, gases and other hazardous substances used in our manufacturing processes, air emissions, waste discharges, waste disposal, the investigation and remediation of soil and ground water contamination, as well as requirements for the design and disposition of and materials used in our products. Directives in the European Union impose a “take back” obligation on manufacturers for the financing of the collection, recovery and disposal of electrical and electronic equipment and the use of some heavy metals including lead and some flame retardants in electronic products and components. New European Union legislation might further restrict allowable materials in our products in the future, and we anticipate that other domestic and international jurisdictions will introduce similar requirements in the future. We have implemented procedures and will likely continue to introduce new processes to comply with this legislation. However, this legislation may adversely affect our manufacturing costs or product sales by requiring us to acquire costly equipment or materials, or to incur other significant expenses in adapting our manufacturing processes or waste and emission disposal processes. Furthermore, environmental claims or our failure to comply with present or future regulations could result in the assessment of damages or imposition of fines against us, or the suspension of affected operations, which could have an adverse effect on our business, financial condition, and results of operations.

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

We are subject to numerous domestic and international laws regarding corporate conduct, fair competition, and preventing corruption, including requirements applicable to U.S. government contractors. While we maintain a rigorous corporate ethics and compliance program, we may be subject to increased regulatory scrutiny, significant monetary fines or penalties, suspension of business opportunities, or loss of jurisdictional operating rights as a result of any failure to comply with those requirements. Any one of those consequences could materially and adversely impact our business and operating results.

We may be sued by our customers as a result of failures in our products.

We face potential liability for performance problems of our products because our end-users employ our storage technologies for the storage and backup of important data and to satisfy regulatory requirements. Although we maintain technology errors and omissions insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of our insurance coverage could harm our business.

In addition, we could potentially face claims for product liability from our customers if our products cause property damage or bodily injury. Although we maintain general liability insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of our insurance coverage could harm our business.

We must maintain appropriate levels of service parts for maintenance. If we do not have sufficient service parts for maintenance, we may experience increased levels of customer dissatisfaction. If we have too much service parts for maintenance, we may incur financial losses.

We maintain levels of service parts for maintenance to satisfy future warranty obligations and also to earn service revenue to repair products for which the warranty has expired. We estimate the required amount of service parts for maintenance based on historical usage and forecasts of future warranty requirements, including estimates of failure rates and costs to repair, and out of warranty revenue. Given the significant levels of judgment inherently involved in the process, we cannot provide assurance that we will be able to maintain appropriate levels of service parts for maintenance to satisfy customer needs and to avoid financial losses from excess service parts for maintenance. If we are unable to maintain appropriate levels of service parts for maintenance, our business, financial condition, and results of operations may be materially and adversely impacted.

Because we rely heavily on distributors and other resellers to market and sell our products, if one or more distributors were to experience a significant deterioration in its financial condition or its relationship with us, this could disrupt the distribution of our products and reduce our revenue, which could materially and adversely affect our business, financial condition, and operating results.

In certain product and geographic segments we heavily utilize distributors and value added resellers to perform the functions necessary to market and sell our products. To fulfill this role, the distributor must maintain an acceptable level of financial stability, creditworthiness and the ability to successfully manage business relationships with the customers it serves directly. Under our distributor agreements with these companies, each of the distributors determines the type and amount of our products that it will purchase from us and the pricing of the products that it sells to its customers. If the distributor is unable to perform in an acceptable manner, we may be required to reduce the amount of sales of our product to the distributor or terminate the relationship. We may also incur financial losses for product returns from distributors or for the failure or refusal of distributors to pay obligations owed to us. Either scenario could result in fewer of our products being available to the affected market segments, reduced levels of customer satisfaction and/or increased expenses, which could in turn have a material and adverse impact on our business, results of operations, and financial condition.

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

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

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

We do not use derivative financial instruments for foreign currency hedging or speculative purposes. To minimize foreign currency exposure, we use foreign currency obligations to match and offset net currency exposures associated with certain assets and liabilities denominated in non-functional currencies. Corresponding gains and losses on the underlying transaction generally offset the gains and losses on these foreign currency obligations. We have used in the past, and may use in the future, foreign currency forward contracts to hedge our exposure to foreign currency exchange rates. To the extent that we have assets or liabilities denominated in a foreign currency that are inadequately hedged or not hedged at all, we may be subject to foreign currency losses, which could be significant.

Our international operations can act as a natural hedge when both operating expenses and sales are denominated in local currencies. In these instances, although an unfavorable change in the exchange rate of a foreign currency against the U.S. dollar would result in lower sales when translated to U.S. dollars, operating expenses would also be lower in these circumstances. An increase in the rate at which a foreign currency is exchanged for U.S. dollars would require more of that particular foreign currency to equal a specified amount of U.S. dollars than before such rate increase. In such cases, and if we were to price our products and services in that particular foreign currency, we would receive fewer U.S. dollars than we would have received prior to such rate increase for the foreign currency. Likewise, if we were to price our products and services in U.S. dollars while competitors priced their products in a local currency, an increase in the relative strength of the U.S. dollar would result in our prices being uncompetitive in those markets. Such fluctuations in currency exchange rates could materially and adversely affect our business, financial condition, and results of operations.

ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The Exhibit Index beginning on page 40 of this report sets forth a list of exhibits.

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 thereunto duly authorized.

QUANTUM CORPORATION

/s/ JON W. GACEK
Jon W. Gacek
Executive Vice President and
Chief Financial Officer

Dated: August 8, 2008

QUANTUM CORPORATION

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit(s)	Filing Date
2.1	Agreement and Plan of Merger by and among Quantum Corporation, Agate Acquisition Corporation and Advanced Digital Information Corporation, dated as of May 2, 2006.	8-K	001-13449	2.1	May 5, 2006
3.1	Amended and Restated Certificate of Incorporation of Registrant.	8-K	001-13449	3.1	August 16, 2007
3.2	Amended and Restated By-laws of Registrant, as amended.	10-K	001-13449	3.2	June 28, 2000
3.3	Certificate of Designation of Rights, Preferences and Privileges of Series B Junior Participating Preferred Stock.	S-3	333-109587	4.7	October 9, 2003
3.4	Certificate of Amendment of Amended and Restated By-laws of Registrant, effective August 23, 2007	8-K	001-13449	3.1	August 29, 2007
4.1	Amended and Restated Preferred Shares Rights Agreement between the Registrant and Harris Trust and Savings Bank.	S-4/A	333-75153	4.1	June 10, 1999
4.2	First Amendment to the Amended and Restated Preferred Shares Rights Agreement and Certification Of Compliance With Section 27 Thereof, dated as of October 28, 2002.	10-Q	001-13449	4.1	November 13, 2002
4.3	Stockholder Agreement, dated as of October 28, 2002, by and between Registrant and Private Capital Management.	10-Q	001-13449	4.2	November 13, 2002
4.4	Second Amendment to the Amended and Restated Preferred Shares Rights Plan, dated November 1, 2006.	8-K	001-13449	4.1	November 6, 2006
4.5	Indenture, dated as of July 30, 2003, between Registrant and U.S. Bank National Association, related to the Registrant's convertible debt securities.	S-3	333-109587	4.1	October 9, 2003
31.1 ‡	Certification of the Chairman and Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.				
31.2 ‡	Certification of the Executive Vice President and Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.				
32.1 †	Certification of the Chairman and Chief Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002.				
32.2 †	Certification of the Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002.				

‡ Filed herewith.

† Furnished herewith

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002

I, Richard E. Belluzzo, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Quantum Corporation;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)4 and 15d-15(e)4) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting ,or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 8, 2008

/s/ RICHARD E. BELLUZZO
Richard E. Belluzzo
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002

I, Jon W. Gacek, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Quantum Corporation;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting ,or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2008

/s/ JON W. GACEK
Jon W. Gacek
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard E. Belluzzo, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Quantum Corporation, on Form 10-Q for the quarterly period ended June 30, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Quantum Corporation.

Date: August 8, 2008

QUANTUM CORPORATION

/s/ RICHARD E. BELLUZZO
Richard E. Belluzzo
Chairman and Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Jon W. Gacek, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Quantum Corporation, on Form 10-Q for the quarterly period ended June 30, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Quantum Corporation.

Date: August 8, 2008

QUANTUM CORPORATION

/s/ JON W. GACEK
Jon W. Gacek
Executive Vice President and
Chief Financial Officer