

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 September 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 October 31, 2008, approximately 210.1 million shares of Quantum Corporation's common stock were issued and outstanding.

QUANTUM CORPORATION

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

QUANTUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per-share data)

	Three Months Ended		Six Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Product revenue	\$ 143,192	\$ 184,973	\$ 300,776	\$ 366,604
Service revenue	41,579	39,008	83,836	79,112
Royalty revenue	30,619	24,526	52,569	48,559
Total revenue	215,390	248,507	437,181	494,275
Cost of product revenue	99,631	141,595	214,634	278,738
Cost of service revenue	32,884	28,637	64,833	58,968
Restructuring charges related to cost of revenue	—	—	—	237
Total cost of revenue	132,515	170,232	279,467	337,943
Gross margin	82,875	78,275	157,714	156,332
Operating expenses:				
Research and development	18,766	22,500	37,756	48,858
Sales and marketing	38,148	34,253	78,185	69,609
General and administrative	19,820	17,986	41,845	39,503
Restructuring charges	457	217	407	9,331
	77,191	74,956	158,193	167,301
Income (loss) from operations	5,684	3,319	(479)	(10,969)
Interest income and other, net	(385)	1,512	1,097	5,869
Interest expense	(7,510)	(24,199)	(16,285)	(37,833)
Loss before income taxes	(2,211)	(19,368)	(15,667)	(42,933)
Income tax provision	1,053	1,099	1,935	119
Net loss	\$ (3,264)	\$ (20,467)	\$ (17,602)	\$ (43,052)
Basic and diluted net loss per share	\$ (0.01)	\$ (0.10)	\$ (0.08)	\$ (0.21)
Basic and diluted weighted-average common and common equivalent shares	208,960	201,142	207,943	199,700

See accompanying notes to Condensed Consolidated Financial Statements.

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

	September 30, 2008	March 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 33,177	\$ 93,643
Accounts receivable, net of allowance for doubtful accounts of \$5,916 and \$5,746, respectively	148,022	182,998
Inventories, net	77,318	75,995
Deferred income taxes	12,138	12,060
Other current assets	29,761	30,601
Total current assets	300,416	395,297
Long-term assets:		
Property and equipment, less accumulated depreciation	33,505	39,271
Service parts for maintenance, less accumulated amortization	75,409	77,211
Purchased technology, less accumulated amortization	60,819	74,667
Other intangible assets, less accumulated amortization	66,925	75,223
Goodwill	390,776	390,776
Other long-term assets	12,496	13,280
Total long-term assets	639,930	670,428
	<u>\$ 940,346</u>	<u>\$1,065,725</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 77,992	\$ 97,965
Accrued warranty	15,240	19,862
Deferred revenue, current	74,137	73,525
Current portion of long-term debt	4,000	4,000
Accrued restructuring charges	3,514	3,834
Other accrued liabilities	79,915	82,997
Total current liabilities	254,798	282,183
Long-term liabilities:		
Deferred revenue, long-term	33,896	31,152
Deferred income taxes	13,892	13,640
Long-term debt	246,000	336,000
Convertible subordinated debt	160,000	160,000
Other long-term liabilities	14,176	14,746
Total long-term liabilities	467,964	555,538
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Common stock, \$0.01 par value; 1,000,000 shares authorized; 210,067 and 206,927 shares issued and outstanding at September 30, 2008 and March 31, 2008, respectively	2,101	2,069
Capital in excess of par value	345,040	337,332
Accumulated deficit	(137,101)	(119,499)
Accumulated other comprehensive income	7,544	8,102
Stockholders' equity	217,584	228,004
	<u>\$ 940,346</u>	<u>\$1,065,725</u>

See accompanying notes to Condensed Consolidated Financial Statements

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

	Six Months Ended	
	September 30, 2008	September 30, 2007
Cash flows from operating activities:		
Net loss	\$ (17,602)	\$ (43,052)
Adjustments to reconcile net loss to net cash provided by (used in) used in operating activities:		
Depreciation	8,524	15,245
Amortization	32,401	42,763
Realized gain on sale of investment	—	(2,122)
Deferred income taxes	174	(14)
Share-based compensation	5,760	6,519
Fixed assets written off in restructuring	—	568
Changes in assets and liabilities, net of effects from acquisition and sale of subsidiary:		
Accounts receivable, net	34,976	(48,828)
Inventories, net	(7,490)	9,650
Service parts for maintenance	(1,099)	62
Accounts payable	(19,973)	512
Accrued warranty	(4,622)	(6,587)
Deferred revenue	3,356	4,709
Income taxes payable	(154)	(621)
Accrued restructuring charges	(320)	(3,647)
Other assets and liabilities	(3,352)	1,294
Net cash provided by (used in) operating activities	30,579	(23,549)
Cash flows from investing activities:		
Purchases of marketable securities	—	(65,000)
Proceeds from sale of marketable securities	—	100,000
Purchases of property and equipment	(3,025)	(13,831)
Proceeds from sale of investment	—	5,441
Proceeds from sale of subsidiary, net of cash sold	—	2,176
Net cash provided by (used in) investing activities	(3,025)	28,786
Cash flows from financing activities:		
Borrowings of long-term debt	—	441,953
Repayments of long-term debt	(90,000)	(432,500)
Proceeds from issuance of common stock, net	1,980	9,018
Net cash provided by (used in) financing activities	(88,020)	18,471
Net increase (decrease) in cash and cash equivalents	(60,466)	23,708
Cash and cash equivalents at beginning of period	93,643	59,926
Cash and cash equivalents at end of period	<u>\$ 33,177</u>	<u>\$ 83,634</u>
Supplemental disclosure of cash flow information:		
Cash paid (received) during the period for:		
Interest	\$ 14,571	\$ 26,446
Income taxes, net of refunds	\$ 1,216	\$ (3,582)
Value of common stock tendered in satisfaction of employees' income taxes on vesting of employee share-based awards	\$ 759	\$ 1,082

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 disclosures 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 of SFAS No. 157 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 September 30, 2008		As of March 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Money Market Funds	\$ 13,550	\$ 13,550	\$ 59,985	\$ 59,985
Liabilities				
Derivatives	419	419	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.

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- 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 September 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				
Money Market Funds	\$13,550	\$ —	\$ —	\$13,550
Liabilities				
Derivatives	—	419	—	419

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 as of September 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. The Purchase Plan has 51.8 million shares authorized as of September 30, 2008.

Share-Based Compensation

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

	Three Months Ended		Six Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Share-based compensation				
Cost of revenue	\$ 603	\$ 572	\$ 958	\$ 938
Research and development	807	1,058	1,572	1,917
Sales and marketing	972	1,000	1,713	1,583
General and administrative	684	1,039	1,517	2,081
	<u>\$ 3,066</u>	<u>\$ 3,669</u>	<u>\$ 5,760</u>	<u>\$ 6,519</u>
Share-based compensation (by type of award)				
Stock options	\$ 783	\$ 1,449	\$ 1,796	\$ 2,819
Restricted stock	1,813	1,734	2,959	2,806
Stock purchase plan	470	486	1,005	894
	<u>\$ 3,066</u>	<u>\$ 3,669</u>	<u>\$ 5,760</u>	<u>\$ 6,519</u>

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.

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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 second quarter and first six months of fiscal 2009 and 2008 were based on estimates at the date of grant as follows:

	Three Months Ended		Six Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Option life (in years)	4.0	3.8	4.0	3.8
Risk-free interest rate	3.10%	4.74%	2.79%	4.61%
Stock price volatility	48.27%	44.09%	47.05%	44.55%
Dividend yield	—	—	—	—
Weighted-average grant date fair value	\$ 0.72	\$ 1.25	\$ 0.77	\$ 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 second quarter and first six months of fiscal 2009 were \$1.40 and \$1.43, respectively. The weighted-average grant date fair values of restricted stock awards granted during the second quarter and first six months of fiscal 2008 were \$3.09 and \$3.02, respectively.

Stock Purchase Plan

Under the Purchase Plan, rights to purchase shares are granted during the second and fourth quarter of each fiscal year. The value of rights to purchase shares granted in the second quarter of fiscal 2009 and 2008, respectively, was estimated at the date of the grant. The weighted-average fair values and the assumptions used in calculating fair values during the three and six month periods ended September 30, 2008 and 2007 were as follows:

	Three Months Ended		Six Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Option life (in years)	0.5	0.5	0.5	0.5
Risk-free interest rate	1.98%	5.04%	1.98%	5.04%
Stock price volatility	61.57%	35.72%	61.57%	35.72%
Dividend yield	—	—	—	—
Weighted-average grant date fair value	\$ 0.51	\$ 0.77	\$ 0.51	\$ 0.77

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Stock Activity

Stock Options

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

	<u>Options</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding as of March 31, 2008	28,167	\$ 3.27		
Granted	1,941	1.95		
Exercised	(61)	1.41		
Expired	(878)	5.24		
Forfeited	(2,338)	3.55		
Outstanding as of September 30, 2008	<u>26,831</u>	3.09	4.35	\$ 47
Vested and expected to vest at September 30, 2008	<u>25,748</u>	3.12	4.30	47
Exercisable as of September 30, 2008	<u>19,189</u>	3.36	3.96	47

Restricted Stock

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

	<u>Shares</u>	<u>Weighted- Average Grant Date Fair Value</u>
Nonvested at March 31, 2008	4,908	\$ 2.48
Granted	3,781	1.43
Vested	(1,684)	2.74
Forfeited	(213)	2.75
Nonvested at September 30, 2008	<u>6,792</u>	1.82

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):

	<u>Amount</u>
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)
	<u>\$ 8,316</u>

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Note 6: 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 September 30, 2008 and March 31, 2008, we held \$2.5 million and \$2.1 million, respectively, of investments in private technology venture limited partnerships that are accounted for under the equity method. We recorded income of \$0.2 million and \$0.3 million for the three and six months ended September 30, 2008, respectively, related to these limited partnership investments as compared to negligible losses for the three and six month periods ending September 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 are stated at the lower of cost or market. Cost is determined on a first-in, first out basis. We evaluate the need for inventory allowances associated with obsolete, slow-moving and nonsalable inventory by reviewing current transactions and forecasted product demand. Inventories, net, consisted of the following (in thousands):

	<u>September 30,</u> <u>2008</u>	<u>March 31,</u> <u>2008</u>
Raw materials and purchased parts	\$ 50,977	\$ 45,006
Work in process	4,401	3,256
Finished goods	<u>37,203</u>	<u>44,240</u>
	92,581	92,502
Allowance for inventory obsolescence	<u>(15,263)</u>	<u>(16,507)</u>
	<u>\$ 77,318</u>	<u>\$ 75,995</u>

Note 8: GOODWILL AND INTANGIBLE ASSETS

As of September 30, 2008 and March 31, 2008, goodwill and intangible assets, net of amortization, were \$518.5 million and \$540.7 million, respectively, and represented approximately 55% 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. One of the indicators of impairment under SFAS No. 142, *Goodwill and Other Intangible Assets*, is a significant adverse change in legal factors or in the business climate. As a result of the financial market downturn in September, we performed an interim impairment review during the second quarter of fiscal 2009. Based on this review, we concluded no goodwill impairment existed as of September 30, 2008 as our estimated fair value exceeded carrying value. We will continue to monitor relevant market and economic conditions, including the price of our stock, and will perform the appropriate impairment reviews in the future as necessary should conditions continue to deteriorate such that we believe the value of our goodwill or other intangible assets could be impaired. 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.

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

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- Our ability to leverage core technology into backup, recovery and archive solutions and, therefore, to extend the lives of these technologies.

The 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 and related accumulated amortization (in thousands):

	As of September 30, 2008			As of March 31, 2008		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Purchased technology	\$ 188,619	\$ (127,800)	\$ 60,819	\$ 188,619	\$ (113,952)	\$ 74,667
Trademarks	27,260	(24,291)	2,969	27,260	(22,678)	4,582
Non-compete agreements	500	(218)	282	500	(168)	332
Customer lists	108,218	(44,544)	63,674	108,218	(37,909)	70,309
	<u>\$ 324,597</u>	<u>\$ (196,853)</u>	<u>\$ 127,744</u>	<u>\$ 324,597</u>	<u>\$ (174,707)</u>	<u>\$ 149,890</u>

The total amortization expense related to intangible assets was (in thousands):

	Three Months Ended		Six Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Purchased technology	\$ 6,830	\$ 8,253	\$ 13,848	\$ 16,967
Trademarks	807	899	1,613	1,797
Non-compete agreements	25	25	50	50
Customer lists	3,310	3,324	6,635	6,649
	<u>\$ 10,972</u>	<u>\$ 12,501</u>	<u>\$ 22,146</u>	<u>\$ 25,463</u>

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

	Amortization
Six months ending March 31, 2009	\$ 18,057
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 September 30, 2008	<u>\$ 127,744</u>

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Note 9: ACCRUED WARRANTY AND INDEMNIFICATIONS

The quarterly and year-to-date changes in the accrued warranty balance were (in thousands):

	Three Months Ended		Six Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Beginning balance	\$ 18,519	\$ 26,807	\$ 19,862	\$ 30,669
Additional warranties issued	3,548	6,413	8,153	12,218
Adjustments for warranties issued in prior fiscal years	(1,432)	—	(872)	—
Settlements	(5,395)	(9,138)	(11,903)	(18,805)
Ending balance	<u>\$ 15,240</u>	<u>\$ 24,082</u>	<u>\$ 15,240</u>	<u>\$ 24,082</u>

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 is 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 September 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 the 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 \$160.0 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. As of August 5, 2008, we may redeem the notes per our convertible subordinated debt agreement; however, our current senior secured credit agreement described below prohibits cash redemption of the convertible subordinated notes.

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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 \$150.0 million revolving credit line, a \$225.0 million term loan and a \$125.0 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 \$50.0 million revolving credit facility and a \$400.0 million term loan. We borrowed \$400.0 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. In conjunction with the repayment of our August 2006 credit facility, the unamortized debt costs of \$8.1 million related to that borrowing were written off to interest expense in the second quarter of fiscal 2008 and are included as a component of amortization in the Condensed Consolidated Statements of Cash Flows. Additionally, we incurred \$4.5 million in prepayment fees when we repaid our August 2006 credit facility.

Under the current credit agreement, the \$400.0 million term loan matures on July 12, 2014, but is subject to accelerated maturity on February 1, 2010 if we do not refinance to extend the maturity date or convert into equity \$135.0 million of the existing \$160.0 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 7.26% at September 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. We were 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 second quarter of fiscal 2009, we made principal payments of \$40.0 million on the term loan. For the six months ended September 30, 2008, we made principal payments of \$90.0 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 \$50.0 million under a senior secured revolving credit facility which expires July 12, 2012. 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. We drew \$15.0 million from our revolving credit facility in July 2008 at an interest rate of 5.96% which was fully repaid in August 2008. As of September 30, 2008, we have letters of credit totaling \$2.3 million, reducing the available borrowings on the revolver to \$47.7 million. We drew \$16.0 million from our revolving credit facility in early October 2008 at an initial interest rate of 7.50%, a portion of which was repaid in October 2008.

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 September 30, 2008, we were in compliance with all debt covenants. Our outstanding term debt was \$250.0 million at September 30, 2008.

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. During the second quarter and first six months of fiscal 2009, the three month LIBOR rate was below the floor and we incurred \$0.4 million and \$0.8 million, respectively, in additional interest expense. During the second quarter and first six months of fiscal 2008, the three month LIBOR rate was within the floor and cap.

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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. To address this requirement, 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 \$100.0 million of our variable rate term loan between the same floor and cap from December 31, 2008 through December 31, 2009. For this interest rate collar, the three month LIBOR rate was within the floor and cap during the second quarter and first six months 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 Condensed Consolidated Balance Sheets and in interest income and other, net in the Condensed Consolidated Statements of Operations. As of September 30, 2008, the cumulative loss on the interest rate collars was \$0.4 million and as of March 31, 2008, the cumulative loss on the interest rate collars 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. In the second quarter of fiscal 2009, we initiated a restructuring action to better align our research and development investments with market growth opportunities. 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 those cost reduction efforts related 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 were completed as of March 31, 2008.

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

	Three Months Ended		Six Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
By expense type				
Severance and benefits	\$ 1,253	\$ (468)	\$ 1,203	\$ 7,073
Facilities	(796)	612	(796)	1,511
Fixed assets	—	208	—	568
Other	—	(135)	—	416
Total	<u>\$ 457</u>	<u>\$ 217</u>	<u>\$ 407</u>	<u>\$ 9,568</u>
By cost reduction action				
Consolidate operations supporting our business	\$ 44	\$ 217	\$ (6)	\$ 4,004
Partner with third party on certain research and development efforts	413	—	413	5,564
Total	<u>\$ 457</u>	<u>\$ 217</u>	<u>\$ 407</u>	<u>\$ 9,568</u>

Fiscal 2009

During the second quarter of fiscal 2009, severance and benefits expenses were primarily the result of canceling a next-generation tape automation project and to realize additional efficiencies identified as a result of our fiscal 2008 partnership with a third party on certain research and development efforts. We finalized liquidation of a European subsidiary and its related facilities, originally accrued in the third quarter of fiscal 2008. This liquidation resulted in an \$0.8 million reversal of facility restructuring in the second quarter of fiscal 2009, largely offsetting the \$1.3 million severance restructuring described above. For the six months ended September 30, 2008 restructuring for severance and benefits also included a reversal primarily due to changes in estimates of severance and benefits payable to impacted employees.

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Fiscal 2008

During the first six months 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 \$7.1 million in severance expenses in the first six months of fiscal 2008 were offset in part by reversals of \$1.5 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 six months of fiscal 2008. We vacated a facility in the United Kingdom and incurred early termination fees for telephone and data services, including such costs related to the Malaysia facility that was sold at the beginning of the quarter. In addition, we vacated a portion of our Boulder, Colorado facility. We also recorded \$0.2 and \$0.6 million in fixed asset write-offs in the second quarter and first six months of fiscal 2008, respectively, related to disposal of fixed assets due to consolidating operations within our European locations.

In addition to the restructuring charges incurred, 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):

	Three Months Ended September 30, 2008			
	Severance and Benefits	Facilities	Other	Total
Balance as of June 30, 2008	\$ 194	\$ 2,548	\$599	\$3,341
Restructuring costs	1,253	—	—	1,253
Reversals	—	(796)	—	(796)
Cash payments	(3)	(196)	—	(199)
Non-cash reversals	(16)	(69)	—	(85)
Balance as of September 30, 2008	<u>\$ 1,428</u>	<u>\$ 1,487</u>	<u>\$599</u>	<u>\$3,514</u>
	Six Months Ended September 30, 2008			
	Severance and Benefits	Facilities	Other	Total
Balance as of March 31, 2008	\$ 503	\$ 2,732	\$599	\$3,834
Restructuring costs	1,253	—	—	1,253
Reversals	(50)	(796)	—	(846)
Cash payments	(260)	(331)	—	(591)
Non-cash reversals	(18)	(118)	—	(136)
Balance as of September 30, 2008	<u>\$ 1,428</u>	<u>\$ 1,487</u>	<u>\$599</u>	<u>\$3,514</u>
	Estimated timing of future payouts:			
	Severance and Benefits	Facilities	Other	Total
Fiscal 2009	\$ 1,253	\$ 480	\$599	\$2,332
Fiscal 2010 to 2013	175	1,007	—	1,182
	<u>\$ 1,428</u>	<u>\$ 1,487</u>	<u>\$599</u>	<u>\$3,514</u>

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The \$3.5 million restructuring accrual as of September 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 the noncancellable purchase obligations to be paid in fiscal 2009 and the severance and benefits to be paid in fiscal 2009 and early fiscal 2010. 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 income tax expense of \$1.1 million and \$1.9 million for the second quarter and first six months of fiscal 2009, respectively, as compared to \$1.1 million and \$0.1 million for the second quarter and first six months of fiscal 2008, respectively. Tax expense for the second quarter and first six months of fiscal 2009 and for the second quarter of fiscal 2008 was primarily comprised of foreign income taxes and state taxes. The \$0.1 million tax expense for the six months ended September 30, 2007 included expense for foreign income taxes and state taxes of \$2.3 million offset by a benefit of \$2.2 million related to tax positions in foreign jurisdictions settled during the first quarter of fiscal 2008.

Note 14: NET LOSS PER SHARE

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>September 30, 2008</u>	<u>September 30, 2007</u>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Net loss	\$ (3,264)	\$ (20,467)	\$ (17,602)	\$ (43,052)
Weighted average shares outstanding used to compute basic and diluted net loss per share	208,960	201,142	207,943	199,700
Basic and diluted net loss per share	<u>\$ (0.01)</u>	<u>\$ (0.10)</u>	<u>\$ (0.08)</u>	<u>\$ (0.21)</u>

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

- 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 26.8 million shares and 32.6 million shares of Quantum common stock, which were outstanding as of September 30, 2008 and 2007, respectively.
- Unvested restricted stock of 6.8 million shares and 5.2 million shares at September 30, 2008 and 2007, respectively.

Note 15: COMPREHENSIVE LOSS

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>September 30, 2008</u>	<u>September 30, 2007</u>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Net loss	\$ (3,264)	\$ (20,467)	\$ (17,602)	\$ (43,052)
Net unrealized gains on revaluation of long-term intercompany balance, net of tax	188	—	446	—
Foreign currency translation adjustment	(898)	652	(1,004)	465
Total comprehensive loss	<u>\$ (3,974)</u>	<u>\$ (19,815)</u>	<u>\$ (18,160)</u>	<u>\$ (42,587)</u>

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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. On September 30, 2008, Quantum and Riverbed settled their mutual patent infringement lawsuits that were pending. The settlement agreement included a mutual covenant not to sue related to the parties’ data de-duplication patents and a one-time \$11.0 million payment from Riverbed to Quantum. The mutual covenant not to sue provided for in the settlement agreement operates similarly to a cross license. This \$11.0 million was based on prior sales of the parties’ data de-duplication products. In addition, the parties agreed, for a period of three years, not to file any patent infringement lawsuits against the other party. The \$11.0 million settlement is recorded in royalty revenue for the second quarter of fiscal 2009 and in accounts receivable as of September 30, 2008. We received this payment from Riverbed in October 2008.

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 September 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 September 30, 2008, we have issued non-cancelable purchase commitments for \$52.4 million to purchase finished goods from our contract manufacturers in future periods. We also accrued \$1.6 million at both September 30, 2008 and March 31, 2008 for finished goods in excess of current customer demand or for the costs of excess or obsolete inventory.

Note 18: RECENT ACCOUNTING PRONOUNCEMENTS

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. 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 do not expect this statement will have a significant impact on our consolidated financial position or results of operations when adopted.

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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 when adopted.

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 do not expect adoption of FSP No. 142-3 to have a significant impact on our consolidated financial position or 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.

Note 19: SUBSEQUENT EVENT

We received notification from the New York Stock Exchange (“NYSE”) on October 27, 2008 that we are not in compliance with the NYSE’s continued listing standard requiring that stocks trade at a minimum average closing price of \$1.00 for thirty consecutive trading days. Under NYSE rules, we must inform the NYSE by November 10, 2008, of our intent to cure the average stock price deficiency, and we intend to do so. Under the NYSE rules, we have until April 27, 2009, to comply with the listing standard. Our stock will continue to be listed on the NYSE during the six-month cure period, subject to compliance with other NYSE continued listing requirements.

We may choose to cure the stock price deficiency through a reverse stock split. On August 19, 2008, our shareholders authorized our Board of Directors to select and file one of several possible amendments to our amended and restated certificate of incorporation which would effect a reverse stock split, pursuant to which any whole number of outstanding shares of our common stock between and including four and twelve would be combined into one share of such stock. The authorization granted our directors the flexibility to decide whether or not a reverse stock split, and at what ratio, would be in the best interests of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 regarding our remaining tax liability under the Tax Sharing and Indemnity Agreement with Maxtor; (4) our belief that our existing cash and capital resources will be sufficient for the next 12 months; (5) our goals for future operating performance; (6) our belief that our ultimate liability in any infringement claims made by any third parties against us will not be material to us; (7) our expectations about the timing and maximum amounts of our future contractual payment obligations; (8) our expectations relating to growing our disk-based backup, software and services businesses; (9) our expectations regarding our ongoing efforts to reduce our cost structure; (10) our research and development plans and focuses; (11) our intent to cure and comply with the average stock price listing standard of the New York Stock Exchange ("NYSE") by improving our results or enacting a reverse stock split; and (12) 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) the consequences of the U.S. and global financial crisis resulting from adverse changes in the U.S. housing and asset-backed securities markets; (4) uncertainty regarding information technology spending and the corresponding uncertainty in the demand for tape drives and tape automation products; (5) our ability to realize anticipated benefits from the Advanced Digital Information Corporation ("ADIC") acquisition; (6) our ability to achieve anticipated pricing, cost and gross margin levels, particularly on tape drives, given lower volumes and continuing price and cost pressures; (7) the successful execution of our strategy to expand our businesses into new directions; (8) our ability to successfully introduce new products; (9) our ability to achieve and capitalize on changes in market demand; (10) our ability to pay down the principal and interest on our indebtedness; (11) the availability of credit on terms that are beneficial to us, particularly in light of the continuing global credit crisis; (12) our ability to maintain supplier relationships; and (13) 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.

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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 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.

The worldwide economic climate deteriorated significantly during the second quarter of fiscal 2009, creating challenges for many companies. The global financial crisis has impacted our business; however, our top priority in fiscal 2009 continues to be growing 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 the second half of fiscal 2009 include our continued focus on growth opportunities by building upon our disk-based backup systems and software solutions; shifting our revenue mix to higher margin areas of our business, especially our branded business; and continued generation of cash flow from operations to allow us to pay down our term debt and reduce our interest costs. In addition, we have reduced investments in declining market segments and will continue our efforts to reduce costs while retaining a solid execution platform.

Our revenue performance for the second quarter of fiscal 2009 was below expectations. We believe we have taken many actions to deliver improved revenue results; however, the global financial crisis impacted our ability to close business at the end of the quarter. We had numerous customers defer purchases that typically would have closed during the quarter. We believe that many of these sales will close in the coming quarters given the strong demand for data de-duplication and replication in the storage market, but there remains a significant risk that demand for backup, storage and archive solutions will soften further as our customers manage their IT investments more carefully. Additionally, we are observing longer sales cycles for many of our products for this same reason.

Despite the revenue decline, we made progress in the second quarter of fiscal 2009 toward achievement of our goals. Although our branded revenue was lower than plan, our gross margins increased due to revenue mix improvements. We settled litigation with Riverbed Technology, Inc. ("Riverbed") and received a one-time payment of \$11.0 million which was recorded as royalty revenue. The \$11.0 million royalty revenue contributed to improved gross margins and was the primary driver of income from operations.

For the second quarter of fiscal 2009, branded revenue increased to 66% of non-royalty revenue from 63% in the second quarter of fiscal 2008. We continued to demonstrate growth in our higher margin disk-based backup systems and software solutions in the second quarter of fiscal 2009. We generated additional cash flow from operations and repaid \$40.0 million of our term debt during the quarter. We had a \$5.7 million quarterly operating profit in the second quarter of fiscal 2009 compared to a \$6.2 million quarterly operating loss in the first quarter of fiscal 2009. Quarterly operating profits increased \$2.4 million from the second quarter of fiscal 2008.

During the second quarter of fiscal 2009, revenue decreased by \$33.1 million to \$215.4 million from the same quarter last year. The revenue decrease was primarily due to a decrease in product revenue from tape automation systems and to a lesser extent from devices and media products. Partially offsetting these decreases were increased product revenues from disk-based backup systems and software solutions from the newly released DXi7500 and software licensing and distribution with our software partner EMC. Moderating the total revenue decrease was increased royalty revenue due to the Riverbed settlement and increased service revenue.

Although revenue decreased for the quarter, our gross margin percentage increased 700 basis points to 38.5% due to the change in product revenue sales mix and the \$11.0 million royalty revenue resulting from the Riverbed settlement. Gross margin also increased because product sales through our branded channels comprised a larger percentage of non-royalty revenue in the second 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.

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Operating expenses increased for the current quarter compared to the same quarter last year primarily due to increased sales and marketing expenses and general and administrative expenses partially offset by decreased research and development costs. Sales and marketing expenses increased in line with our emphasis on growing our branded business while increased legal expenses to protect our intellectual property were the primary driver of increased general and administrative expenses. Research and development costs declined in the quarter primarily due to decreased compensation expenses from headcount reductions implemented in prior periods. Although operating expenses increased, we generated income from operations largely due to increased gross margins.

During the quarter, we repaid \$40.0 million of the term loan on our credit facility. Since August 2006, we have repaid approximately 50%, or \$246.5 million, of our acquisition-related debt. Interest expense continued to decrease from prior quarters due to the combination of lower interest rates on a lower outstanding debt balance. As of September 30, 2008, our outstanding term debt balance was \$250.0 million.

We received notification from the NYSE on October 27, 2008 that we are not in compliance with the NYSE's continued listing standard requiring that stocks trade at a minimum average closing price of \$1.00 for thirty consecutive trading days. Under NYSE rules, we must inform the NYSE by November 10, 2008, of our intent to cure the average stock price deficiency, and we intend to do so. Under the NYSE rules, we have until April 27, 2009, to comply with the listing standard. Our stock will continue to be listed on the NYSE during the six-month cure period, subject to compliance with other NYSE continued listing requirements. We expect we will comply with the listing standard by April 27, 2009 either by sufficiently improving our results leading to an increased stock price or through a reverse stock split to cure the deficiency. At our August 19, 2008 annual meeting, our shareholders authorized our Board of Directors to select and file one of several possible amendments to our amended and restated certificate of incorporation which would effect a reverse stock split, pursuant to which any whole number of outstanding shares of our common stock between and including four and twelve would be combined into one share of such stock. The authorization granted our directors the flexibility to decide whether or not a reverse stock split, and at what ratio, would be in the best interests of the Company.

RESULTS OF OPERATIONS

Revenue

(in thousands)	Three Months Ended					
	September 30, 2008	% of revenue	September 30, 2007	% of revenue	Change	% Change
Product revenue	\$ 143,192	66.5%	\$ 184,973	74.4%	\$(41,781)	(22.6)%
Service revenue	41,579	19.3%	39,008	15.7%	2,571	6.6%
Royalty revenue	30,619	14.2%	24,526	9.9%	6,093	24.8%
Total revenue	<u>\$ 215,390</u>	<u>100.0%</u>	<u>\$ 248,507</u>	<u>100.0%</u>	<u>\$(33,117)</u>	<u>(13.3)%</u>

(in thousands)	Six Months Ended					
	September 30, 2008	% of revenue	September 30, 2007	% of revenue	Change	% Change
Product revenue	\$ 300,776	68.8%	\$ 366,604	74.2%	\$(65,828)	(18.0)%
Service revenue	83,836	19.2%	79,112	16.0%	4,724	6.0%
Royalty revenue	52,569	12.0%	48,559	9.8%	4,010	8.3%
Total revenue	<u>\$ 437,181</u>	<u>100.0%</u>	<u>\$ 494,275</u>	<u>100.0%</u>	<u>\$(57,094)</u>	<u>(11.6)%</u>

Total revenue decreased in the second quarter and first six months of fiscal 2009 compared to the second quarter and first six months of fiscal 2008 primarily due to lower tape automation systems revenue in North America and Europe and to a lesser extent decreased revenue from devices and non-royalty media. Moderating the total revenue decrease were increases in royalty revenue due to the Riverbed settlement and increased service revenue. We expect total revenue for the second half of fiscal 2009 between \$400 million and \$450 million, approximating total revenue for the first six months of fiscal 2009. Our fiscal third quarter has been our strongest revenue quarter in past years; however, the risks of lower demand and longer sales cycles due to uncertainty about the economic environment may diminish or eliminate the traditional strength of our fiscal third quarter.

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Product Revenue

Our product revenue, which includes sales of our hardware and software products sold through both our Quantum branded and OEM channels, decreased for the second quarter and first six months of fiscal 2009 compared to the same periods of fiscal 2008. Decreased branded product sales comprised slightly more of the product revenue decline in the second quarter of fiscal 2009 than was attributable to decreased sales to our OEM customers. The product revenue decrease for the first six months of fiscal 2009 was primarily due to decreased sales to our OEM customers. Product revenue decreases in the second quarter and first six months of fiscal 2009 were primarily due to decreased revenue from tape automation systems and decreased revenue from devices and media products. These decreases were partially offset by increased sales of disk-based backup systems and software solutions in the second quarter and first six months of fiscal 2009.

(in thousands)	Three Months Ended		
	September 30, 2008	September 30, 2007	Change
Tape automation systems	\$ 85,841	\$ 110,642	\$(24,801)
Devices and non-royalty media	38,822	59,538	(20,716)
Disk-based backup systems and software solutions	18,529	14,793	3,736
Total product revenue	<u>\$ 143,192</u>	<u>\$ 184,973</u>	<u>\$(41,781)</u>

(in thousands)	Six Months Ended		
	September 30, 2008	September 30, 2007	Change
Tape automation systems	\$ 171,525	\$ 219,084	\$(47,559)
Devices and non-royalty media	92,514	123,618	(31,104)
Disk-based backup systems and software solutions	36,737	23,902	12,835
Total product revenue	<u>\$ 300,776</u>	<u>\$ 366,604</u>	<u>\$(65,828)</u>

Approximately two-thirds of the tape automation systems revenue decreases for the second quarter and first six months of fiscal 2009 compared to the prior year periods were attributable to reduced sales of OEM products and approximately one-third due to lower branded sales in North America and Europe. We expect increased tape automation systems sales in the future as a result of changes implemented in our branded sales force and our continued focus on selling across our entire portfolio.

Product revenue from devices, which includes tape drives and removable hard drives, and non-royalty media sales declined in the second quarter and first six months of fiscal 2009 compared to the prior year periods primarily due to decreased branded and OEM sales of older device technology that is nearing end of life. Media sales also decreased for the second quarter of fiscal 2009 compared to fiscal 2008. We continue to manage our media business opportunistically to maintain sufficient gross margins from media sales. Due to market pricing for media during the second quarter of fiscal 2009, we chose not to pursue additional media sales. For the first six months of fiscal 2009 compared to the prior year period, the decline in device revenues was partially offset by increased media revenue from media sales during the first quarter of fiscal 2009. We expect further declines in our OEM device revenue in the future resulting from older device technology products nearing end of life and our emphasis on higher margin opportunities.

Revenue increases from disk-based backup systems and software solutions in the second quarter and first six months of fiscal 2009 compared to the same periods of fiscal 2008 were primarily due to the addition of the DXi7500 to our disk-based backup systems portfolio and software license revenue from EMC. These increases were offset in part by declines in sales of our legacy disk-based products in both the second quarter and first six months of fiscal 2009. 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 continue to 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, to provide faster service response time, or both. Service revenue increased \$2.6 million and \$4.7 million compared to the second quarter and first six months of the prior year, respectively, largely due to increased sales of service contracts to customers of our branded products. We expect continued increases in service revenue in the future as our installed base of branded products continues to grow.

Royalty Revenue

In the second quarter of fiscal 2009, we recorded \$11.0 million in royalty revenue in connection with a settlement agreement with Riverbed that contains a mutual covenant to not sue related to the parties' data de-duplication patents. The covenant not to sue is similar to a cross-license. This \$11.0 million was based on prior sales of the parties' data de-duplication products. See Note 16, "Litigation" for additional information.

Tape media royalties decreased \$4.9 million and \$7.0 million in the second quarter and first six months of fiscal 2009, respectively, compared to the prior year periods primarily due to lower tape media unit sales sold to licensees. Royalties related to our newer LTO products continue to increase, 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 DLTape® drives.

We expect LTO royalties will continue to increase as the installed base grows and DLT royalties will further decline over time as its installed base continues to decrease. For the second half of fiscal 2009, we continue to expect moderately lower tape media royalties compared to the first six months of fiscal 2009.

Gross Margin

(in thousands)	Three Months Ended					
	September 30, 2008	Gross margin%	September 30, 2007	Gross margin%	Change	% Change
Gross margin	\$ 82,875	38.5%	\$ 78,275	31.5%	\$ 4,600	5.9%
Product gross margin	43,561	30.4%	43,378	23.5%	183	0.4%
Service gross margin	8,695	20.9%	10,371	26.6%	(1,676)	(16.2)%
Royalty gross margin	30,619	100.0%	24,526	100.0%	6,093	24.8%

(in thousands)	Six Months Ended					
	September 30, 2008	Gross margin%	September 30, 2007	Gross margin%	Change	% Change
Gross margin	\$ 157,714	36.1%	\$ 156,332	31.6%	\$ 1,382	0.9%
Product gross margin	86,142	28.6%	87,866	24.0%	(1,724)	(2.0)%
Service gross margin	19,003	22.7%	20,144	25.5%	(1,141)	(5.7)%
Royalty gross margin	52,569	100.0%	48,559	100.0%	4,010	8.3%

Approximately half of the 700 basis point increase in gross margin percentage during the second quarter of fiscal 2009 compared to the second quarter of fiscal 2008 was due to the change in product revenue sales mix and approximately half was due to the \$11.0 million royalty revenue resulting from the Riverbed settlement. The 450 basis point increase in gross margin percentage during the six months ended September 30, 2008 compared to the prior year was primarily due to the change in product revenue sales mix. Over one-third of the gross margin improvement for the first six months of fiscal 2009 was due to the \$11.0 million royalty revenue resulting from the Riverbed settlement. Branded sales comprised 66% of non-royalty revenue for both the second quarter and first six months of fiscal 2009 compared to 63% and 60% of non-royalty revenue for the second quarter and first six months of fiscal 2008, respectively. Sales of branded products typically generate higher gross margins than sales to our OEM customers. We expect our gross margin percentage in the second half of fiscal 2009 to remain approximately the same or decrease slightly from the results for the first six months of fiscal 2009. This expectation assumes certain improvements to offset lower gross margin pressure from decreased royalty revenue. Margin improvements due to product mix could be offset by increases in product costs caused by higher fuel prices and other economic factors.

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Product Margin

Our product gross margin dollars were relatively unchanged in the second quarter of fiscal 2009 compared to fiscal 2008. Decreased product gross margin dollars for the first six months of fiscal 2009 were primarily due to decreased product revenue for the first six months of fiscal 2009 compared to the first six months of fiscal 2008.

Product gross margin rates increased 690 basis points and 460 basis points in the second quarter and first six months of fiscal 2009, respectively, primarily due to the shift in sales mix toward higher margin disk-based systems and software solutions and away from devices and non-royalty media. Product gross margin rates were favorably impacted by our higher proportion of product sales through branded channels. Cost cutting measures implemented during the prior fiscal year also contributed to improved product gross margins in the second quarter and first six months of fiscal 2009 compared to the same periods of fiscal 2008.

Service Margin

For the three and six months ended September 30, 2008 and 2007, service gross margins decreased 570 basis points and 280 basis points, respectively, largely due to service costs increasing at a higher amount and rate than service revenue increases. Service cost increases were higher for third party service providers, amortization of service parts for maintenance and salaries and benefits. Third party service providers are used to provide service to customers when the third party provider is more cost effective, frequently due to contractual response times and geographic coverage. Our outstanding balance of service parts for maintenance has increased from the prior year, in part due to new product offerings. Salaries and benefits have increased due to increased headcount to provide service to customers due to our larger installed base of branded products.

Research and Development Expenses

(in thousands)	Three Months Ended				Change	% Change
	September 30, 2008	% of revenue	September 30, 2007	% of revenue		
Research and development	\$ 18,766	8.7%	\$ 22,500	9.1%	\$ (3,734)	(16.6)%

(in thousands)	Six Months Ended				Change	% Change
	September 30, 2008	% of revenue	September 30, 2007	% of revenue		
Research and development	\$ 37,756	8.6%	\$ 48,858	9.9%	\$ (11,102)	(22.7)%

Research and development expenses decreased \$3.7 million and \$11.1 million in the three and six month periods ended September 30, 2008, respectively, compared to the same periods of the prior year due in part to \$1.4 million and \$4.2 million, respectively, in reduced salaries and benefits from decreased headcount. External service provider expenses decreased \$1.3 million and \$2.8 million in the second quarter and first six months of fiscal 2009, respectively, compared to the prior year periods largely due to completion of DXi7500 development and new projects underway that did not require significant outside resources. Depreciation expense was \$0.8 million and \$2.1 million lower than the second quarter and first six months of fiscal 2008, respectively, primarily due to a number of assets supporting our research and development efforts becoming fully depreciated during the past year. For the second quarter and first six months of fiscal 2009, facilities expenses decreased \$0.5 million and \$1.1 million, respectively, from the prior year periods due to reductions in the scope of research and development operations during fiscal 2008. We expect research and development costs for the remainder of fiscal 2009 to be about the same as the first half of fiscal 2009. We continue to align our research and development investments with market growth potential, focusing on disk-based backup systems and software solutions development while managing our cost structure in a softening economy.

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Sales and Marketing Expenses

(in thousands)	Three Months Ended					
	September 30, 2008	% of revenue	September 30, 2007	% of revenue	Change	% Change
Sales and marketing	\$ 38,148	17.7%	\$ 34,253	13.8%	\$3,895	11.4%

(in thousands)	Six Months Ended					
	September 30, 2008	% of revenue	September 30, 2007	% of revenue	Change	% Change
Sales and marketing	\$ 78,185	17.9%	\$ 69,609	14.1%	\$8,576	12.3%

The \$3.9 million and \$8.6 million increase in sales and marketing expenses for the second quarter and first six months of fiscal 2009, respectively, compared to the prior year periods was primarily due to \$2.3 million and \$6.6 million increases, respectively, 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 sales and marketing expenses for the second half of fiscal 2009 will decrease slightly from the first half of fiscal 2009 from actions undertaken to control our cost structure in uncertain economic times.

General and Administrative Expenses

(in thousands)	Three Months Ended					
	September 30, 2008	% of revenue	September 30, 2007	% of revenue	Change	% Change
General and administrative	\$ 19,820	9.2%	\$ 17,986	7.2%	\$1,834	10.2%

(in thousands)	Six Months Ended					
	September 30, 2008	% of revenue	September 30, 2007	% of revenue	Change	% Change
General and administrative	\$ 41,845	9.6%	\$ 39,503	8.0%	\$2,342	5.9%

The \$1.8 million and \$2.3 million increase in general and administrative expenses for the second quarter and first six months of fiscal 2009, respectively, compared to the second quarter and first six months of fiscal 2008 was primarily due to \$2.2 million and \$4.8 million of increased legal expenses related to our activities to protect our intellectual property in the second quarter and first six months of fiscal 2009, respectively. See Note 16 "Litigation" for additional information related to legal actions. During the second quarter of fiscal 2009, we also had \$0.9 million in increased facilities expenses which was largely offset by \$1.0 million of decreased audit and accounting related services. During fiscal 2009, a higher proportion of our facilities costs were attributable to general corporate operations as a result of consolidation and outsourcing of certain manufacturing operations and reductions in the scope of research and development operations during fiscal 2008. For the first six months of fiscal 2009, depreciation expense decreased \$2.8 million, partially offsetting the increased legal expenses. The decreased depreciation expense for the six months ended September 30, 2008 was due to accelerated depreciation in the prior year related to our former Oracle enterprise resource planning system that was retired during the first quarter of fiscal 2008. We expect quarterly general and administrative expenses during the remainder of fiscal 2009 will be lower than the first half of fiscal 2009 due to a reduction in legal expenses and cost containment measures enacted in recognition of the softening economy.

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Restructuring Charges

	Three Months Ended					
	September 30, 2008	% of revenue	September 30, 2007	% of revenue	Change	% Change
Restructuring charges in operating expense	\$ 457	0.2%	\$ 217	0.1%	\$ 240	110.6%

	Six Months Ended					
	September 30, 2008	% of revenue	September 30, 2007	% of revenue	Change	% Change
Restructuring charges related to cost of revenue	\$ —	—	\$ 237	0.0%	\$ (237)	0.0%
Restructuring charges in operating expense	407	0.1%	9,331	1.9%	(8,924)	(95.6)%
Total restructuring charges	\$ 407	0.1%	\$ 9,568	1.9%	\$ (9,161)	(95.7)%

During the second quarter of fiscal 2009, we initiated a \$1.3 million restructuring action to better align our research and development investments with market growth opportunities and to realize additional efficiencies identified as a result of our fiscal 2008 partnership with a third party on certain research and development efforts. We finalized liquidation of a European subsidiary and its related facilities, originally accrued in the third quarter of fiscal 2008. This liquidation resulted in an \$0.8 million reversal of facility restructuring in the second quarter of fiscal 2009, largely offsetting the \$1.3 million severance restructuring described above. These activities resulted in a \$0.2 million increase in restructuring expense compared to the second quarter of fiscal 2008.

Restructuring expense decreased \$9.2 million for the first six months of fiscal 2009 largely due to cost reduction actions during the first quarter of the prior year. Restructuring charges during the first six months of fiscal 2008 were primarily the result of severance and benefits incurred from our decision to partner with a third party on certain research and development efforts and to a lesser extent actions taken to improve efficiencies in operations. We also continued consolidating our operations into fewer locations during the second 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.

Interest Income and Other, net

(in thousands)	Three Months Ended					
	September 30, 2008	% of revenue	September 30, 2007	% of revenue	Change	% Change
Interest income and other, net	\$ (385)	(0.2)%	\$ 1,512	0.6%	\$ (1,897)	(125.5)%

	Six Months Ended					
	September 30, 2008	% of revenue	September 30, 2007	% of revenue	Change	% Change
Interest income and other, net	\$ 1,097	0.3%	\$ 5,869	1.2%	\$ (4,772)	(81.3)%

The \$1.9 million decrease in interest income and other, net for the second quarter of fiscal 2009 compared to the second quarter of fiscal 2008 was primarily due to the net impact of three items. We had a \$2.2 million net decrease in foreign exchange gains and losses due to losses during the second quarter of fiscal 2009 compared to gains in the second quarter of fiscal 2008, as the U.S. dollar strengthened against the euro, the British pound sterling and the Australian dollar in the second quarter of fiscal 2009. Interest income decreased \$0.8 million in the second quarter of fiscal 2009 compared to fiscal 2008 due to both lower average balances of interest-earning assets, including cash and cash equivalents and marketable securities, and lower market interest rates. These decreases in the current quarter were partially offset by a \$0.8 million increase resulting from gains in the second quarter of fiscal 2009 on the market value of our interest rate hedges required by our term debt agreement compared to a loss in the second quarter of fiscal 2008.

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The \$4.8 million decrease in interest income and other, net for the first six months of fiscal 2009 compared to the first six months of fiscal 2008 was primarily due to the net impact of four items. We had a \$3.1 million net decrease in foreign exchange gains and losses due to losses during the first six months of fiscal 2009 compared to gains in the first six months of fiscal 2008 due to the U.S. dollar strengthening. An additional \$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. Interest income decreased \$1.9 million in the first six months of fiscal 2009 compared to the first six months of fiscal 2008 due to lower average balances of interest-earning assets and lower market interest rates. These decreases were partially offset by a \$2.0 million increase resulting from gains in the first six months of fiscal 2009 on the market value of our interest rate hedges required by our term debt agreement compared to a loss in the first six months of fiscal 2008.

Interest Expense

(in thousands)	Three Months Ended					
	September 30, 2008	% of revenue	September 30, 2007	% of revenue	Change	% Change
Interest expense	\$ 7,510	3.5%	\$ 24,199	9.7%	\$(16,689)	(69.0)%

Interest expense	Six Months Ended					
	September 30, 2008	% of revenue	September 30, 2007	% of revenue	Change	% Change
Interest expense	\$ 16,285	3.7%	\$ 37,833	7.7%	\$(21,548)	(57.0)%

Interest expense decreased \$16.7 million and \$21.5 million compared to the second quarter and first six months of fiscal 2008, respectively, primarily due to \$12.6 million in costs to retire our prior debt facility in the second quarter of fiscal 2008. The \$12.6 million included recognizing \$8.1 million of capitalized debt costs related to the prior debt facility and \$4.5 million in prepayment fees. Interest rate decreases also contributed to lower interest expense in the second quarter and first six months of fiscal 2009 compared to the same periods of the prior year. 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 current credit agreement decreased to 6.95% for the second quarter of fiscal 2009, inclusive of our interest rate collars that fix the interest rate in a specified range for a portion of the term debt. This compares to a weighted average interest rate of 9.07% for the second quarter of fiscal 2008.

Also contributing to reduced interest expense for the second quarter and first six months of fiscal 2009 is the reduction of our outstanding term debt balance resulting from principal payments over the past year. During the second quarter of fiscal 2009, we repaid \$40.0 million of the term loan. During the first six months of fiscal 2009, we repaid \$90.0 million of the term loan and incurred \$0.5 million in prepayment fees. Interest expense decreases from principal payments were partially offset by draws from our revolving credit facility during the second quarter of fiscal 2009. In July 2008 we drew \$15.0 million from our revolving credit facility at an interest rate of 5.96% and repaid it in August 2008. Our acquisition-related debt was \$250.0 million at September 30, 2008 compared to \$380.0 million at September 30, 2007.

In addition to the items noted above, interest expense 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." We expect our interest expense in the second half of fiscal 2009 to be slightly lower than interest expense in the first half of fiscal 2009. We anticipate continued use of our revolving credit facility for short term liquidity as business conditions warrant. In early October 2008, we drew \$16.0 million from our revolving credit facility at an initial interest rate of 7.50%, a portion of which was repaid in October 2008.

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Income Taxes

(in thousands)	Three Months Ended					
	September 30, 2008	% of pre- tax income	September 30, 2007	% of pre- tax loss	Change	% Change
Income tax provision	\$ 1,053	(47.6)%	\$ 1,099	(5.7)%	\$ (46)	(4.2)%

	Six Months Ended					
	September 30, 2008	% of pre- tax income	September 30, 2007	% of pre- tax loss	Change	% Change
Income tax provision	\$ 1,935	(12.4)%	\$ 119	(0.3)%	\$ 1,816	1526.1%

We had income tax expense of \$1.1 million and \$1.9 million for the second quarter and first six months of fiscal 2009, respectively, as compared to \$1.1 million and \$0.1 million for the second quarter and first six months of fiscal 2008, respectively. Tax expense for the second quarter and first six months of fiscal 2009 and for the second quarter of fiscal 2008 was primarily comprised of foreign income taxes and state taxes. The \$0.1 million tax expense for the six months ended September 30, 2007 included expense for foreign income taxes and state taxes of \$2.3 million offset by a benefit of \$2.2 million related to tax positions in foreign jurisdictions settled during the first quarter of fiscal 2008.

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 our valuation allowance until sufficient positive evidence exists to support a reversal or decrease in the 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 tables detail intangible asset amortization expense by classification within our Condensed Consolidated Statements of Operations (in thousands):

	Three Months Ended		
	September 30, 2008	September 30, 2007	Change
Cost of revenue	\$ 6,730	\$ 8,047	\$(1,317)
Research and development	100	206	(106)
Sales and marketing	4,117	4,223	(106)
General and administrative	25	25	—
	<u>\$ 10,972</u>	<u>\$ 12,501</u>	<u>\$(1,529)</u>

	Six Months Ended		
	September 30, 2008	September 30, 2007	Change
Cost of revenue	\$ 13,648	\$ 16,556	\$(2,908)
Research and development	200	411	(211)
Sales and marketing	8,248	8,446	(198)
General and administrative	50	50	—
	<u>\$ 22,146</u>	<u>\$ 25,463</u>	<u>\$(2,499)</u>

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

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. One of the indicators of impairment under SFAS No. 142, *Goodwill and Other Intangible Assets*, is a significant adverse change in legal factors or in the business climate. As a result of the financial market downturn in September, we performed an interim impairment review during the second quarter of fiscal 2009. Based on this review, we concluded no goodwill impairment exists as of September 30, 2008. During October 2008, we observed that stock prices have declined significantly across industries in markets worldwide, including the U.S. Our stock price has decreased along with virtually all publicly traded companies. We continue to monitor relevant market and economic conditions, including the price of our stock, and will perform the appropriate impairment reviews in the future should conditions deteriorate such that we believe the value of our goodwill could be impaired. 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.

Intangible assets are reviewed for impairment whenever events or circumstances indicate impairment might exist. Although the financial market downturn has negatively impacted our stock price, we believe the carrying values of our individual intangible assets were recoverable as of September 30, 2008. If the economic environment continues to deteriorate, it is possible the fair value of one or more of our intangibles could be reduced below carrying value and we could record an impairment in that period.

Share-based Compensation

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

	Three Months Ended		
	September 30, 2008	September 30, 2007	Change
Cost of revenue	\$ 603	\$ 572	\$ 31
Research and development	807	1,058	(251)
Sales and marketing	972	1,000	(28)
General and administrative	684	1,039	(355)
	<u>\$ 3,066</u>	<u>\$ 3,669</u>	<u>\$ (603)</u>

	Six Months Ended		
	September 30, 2008	September 30, 2007	Change
Cost of revenue	\$ 958	\$ 938	\$ 20
Research and development	1,572	1,917	(345)
Sales and marketing	1,713	1,583	130
General and administrative	1,517	2,081	(564)
	<u>\$ 5,760</u>	<u>\$ 6,519</u>	<u>\$ (759)</u>

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LIQUIDITY AND CAPITAL RESOURCES

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

	Six Months Ended	
	September 30, 2008	September 30, 2007
Net cash provided by (used in) operating activities	\$ 30,579	\$ (23,549)
Net cash provided by (used in) investing activities	\$ (3,025)	\$ 28,786
Net cash provided by (used in) financing activities	\$ (88,020)	\$ 18,471

Six Months Ended September 30, 2008

The \$48.2 million difference between net loss and cash provided by operating activities during the six months ended September 30, 2008 was primarily due to \$46.9 million in non-cash expenses, the largest of which were amortization, depreciation and share-based compensation. We also had a \$35.0 million reduction in accounts receivable which was largely offset by uses of cash in operations including a \$20.0 million decrease in accounts payable and a \$7.5 million increase in inventories. The decrease in accounts receivable was primarily due to lower sales and strong collections during the first six months of fiscal 2009. Accounts payable decreased due to lower expenditures and timing of payments to vendors. Inventories increased primarily due to ramping for production of the DXi7500 released during the first quarter of fiscal 2009 and lower than anticipated shipments in the last days of the quarter.

Cash used in investing activities reflects \$3.0 million of equipment purchases during the six months ended September 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 six months of fiscal 2009 was primarily due to repaying \$90.0 million of the term debt.

Six Months Ended September 30, 2007

The difference between reported net loss and cash used in operating activities during the six months ended September 30, 2007 was primarily due to cash used to fund operations offset largely by non-cash items such as depreciation, amortization and share-based compensation. Cash used to fund operations during the six months ended September 30, 2007 was primarily due to a \$48.8 million increase in accounts receivable offset by a \$9.7 million decrease in inventories. Accounts receivable increased primarily due to slower collections in fiscal 2008 after particularly strong collections during the fourth quarter of fiscal 2007. Inventories decreased as a result of inventory reduction efforts.

Cash provided by investing activities during the first six months of fiscal 2008 reflects proceeds from the sale of marketable securities and investments of \$105.4 million offset in part by \$65.0 million in purchases of marketable securities. In addition, we purchased \$13.8 million of property and equipment during the six months ended September 30, 2007 primarily comprised of hardware and software related to our computer system conversions to bring us onto a single platform for our enterprise resource planning system and engineering test equipment for our DXi-series products under development. We received \$2.2 million in net proceeds from the sale of a Malaysia subsidiary in the second quarter of fiscal 2008.

Cash provided by financing activities during the first six months of fiscal 2008 was primarily due to borrowings of \$442.0 million offset by repayments of \$432.5 million, as well as \$9.0 million net proceeds received from the issuance of common stock related to employee stock incentive plans and employee stock purchase plan. Borrowings and repayments were primarily due to borrowings under our new credit facility and repayment of our prior credit facility.

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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 and gross margin around current projections 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 September 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 September 30, 2008, this would mean \$250.0 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 \$160.0 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. As of August 5, 2008, we may redeem the notes per our convertible subordinated debt agreement; however, our current senior secured credit agreement described below prohibits cash redemption of the convertible subordinated notes.

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 \$150.0 million revolving credit line, a \$225.0 million term loan and a \$125.0 million second lien term loan with maturity dates of August 22, 2009, August 22, 2012 and August 22, 2013, respectively.

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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 \$50.0 million revolving credit facility and a \$400.0 million term loan. We borrowed \$400.0 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. In conjunction with the repayment of our August 2006 credit facility, the unamortized debt costs of \$8.1 million related to that borrowing were written off to interest expense in the second quarter of fiscal 2008 and are included as a component of amortization in the Condensed Consolidated Statements of Cash Flows. Additionally, we incurred \$4.5 million in prepayment fees when we repaid our August 2006 credit facility.

Under the current credit agreement, the \$400.0 million term loan matures on July 12, 2014, but is subject to accelerated maturity on February 1, 2010 if we do not refinance to extend the maturity date or convert into equity \$135.0 million of the existing \$160.0 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 7.26% at September 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. We were 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 second quarter of fiscal 2009, we made principal payments of \$40.0 million on the term loan. For the six months ended September 30, 2008, we made principal payments of \$90.0 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 \$50.0 million under a senior secured revolving credit facility which expires July 12, 2012. 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. We drew \$15.0 million from our revolving credit facility in July 2008 at an interest rate of 5.96% which was fully repaid in August 2008. As of September 30, 2008, we have letters of credit totaling \$2.3 million, reducing the available borrowings on the revolver to \$47.7 million. We drew \$16.0 million from our revolving credit facility in early October 2008 at an initial interest rate of 7.50%, a portion of which was repaid in October 2008.

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 September 30, 2008, we were in compliance with all debt covenants. Our outstanding term debt was \$250.0 million at September 30, 2008.

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. During the second quarter and first six months of fiscal 2009, the three month LIBOR rate was below the floor and we incurred \$0.4 million and \$0.8 million, respectively, in additional interest expense. During the second quarter and first six months 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. To address this requirement, 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 \$100.0 million of our variable rate term loan between the same floor and cap from December 31, 2008 through December 31, 2009. For this interest rate collar, the three month LIBOR rate was within the floor and cap during the second quarter and first six months of fiscal 2009.

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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 Condensed Consolidated Balance Sheets and in interest income and other, net in the Condensed Consolidated Statements of Operations. As of September 30, 2008, the cumulative loss on the interest rate collars was \$0.4 million and as of March 31, 2008, the cumulative loss on the interest rate collars was \$2.2 million.

Off-Balance Sheet Commitments

We have commitments to purchase inventory of \$52.4 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 September 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 September 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 September 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 PRONOUNCEMENTS

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, borrowings under our line of credit 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 six months ended September 30, 2008. A hypothetical 100 basis point decrease in interest rates would have resulted in an approximately \$0.2 million decrease in interest income for the six months ended September 30, 2008.

Our outstanding convertible subordinated notes in the aggregate principal amount of \$160.0 million have a fixed interest rate, thus a hypothetical 100 basis point increase in interest rates would not impact interest expense on these notes.

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Interest accrues on our term loan and our revolving credit facility 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%. 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):

	Six months ended September 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	\$ 1,456	\$ (1,456)
Interest expense increase (decrease) on line of credit	24	(24)
Interest expense increase (decrease) from collars	(450)	486
Net interest expense increase (decrease)	<u>\$ 1,030</u>	<u>\$ (994)</u>

FOREIGN CURRENCY EXCHANGE RATE RISK

As a multinational corporation, we are exposed to changes in foreign exchange rates. The assets and liabilities of many of our non-U.S. subsidiaries have functional currencies other than the U.S. dollar and are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the period. A 10% depreciation of the U.S. dollar would have resulted in an approximately \$2.1 million decrease in loss before income taxes for the six months ending September 30, 2008. Such a change would have resulted from applying a different exchange rate to translate and revalue the financial statements of our subsidiaries with a functional currency other than the U.S. dollar.

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.

In connection with the acquisition of ADIC in 2006, we drew on a 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 a 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 September 30, 2008, the total amount outstanding under the current credit agreement was \$250 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.

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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 and no other customers exceeded 10% of revenue as of March 31, 2008. 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.

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. Under our current credit agreement, we are required to refinance at least \$135 million of our convertible subordinated notes by February 2010. If we are not successful in such refinancing by February 2010 and are unable to obtain an amendment or waiver from the lender, we will be deemed to be in default under the current credit agreement. We cannot provide assurance that additional financing or a refinancing opportunity will be available on terms favorable to us, or at all.

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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 years, 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 in 2005. 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, in recent 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.

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 timeframe we are forecasting;

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- 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, including those we undertook recently, as described above in “Results of Operations” within Management’s Discussion and Analysis. 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.

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Economic or other business factors may lead us to write down the carrying amount of our goodwill or long-lived assets.

We evaluate our goodwill for impairment annually during the fourth quarter of our fiscal year, or more frequently when indicators of impairment are present. Intangible assets are reviewed for impairment whenever events or circumstances indicate impairment might exist. We will continue to monitor relevant market and economic conditions, including the price of our stock, and will perform the appropriate impairment reviews in the future as necessary should conditions continue to deteriorate such that we believe the value of our goodwill or other intangible assets could be impaired. It is possible that conditions may worsen due to economic factors that affect our business, resulting in the need to write down the carrying amount of our goodwill or long-lived assets to fair value at the time of such assessment. As a result, our business, financial condition, and operating results could be materially and adversely affected.

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.

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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.

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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 involved 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 held 499 U.S. patents and had 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 recent 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.

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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 manufacturers. 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, Imation, Maxell, Sony and TDK. 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.

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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.

We were notified by the New York Stock Exchange (“NYSE”) that we did not meet its continued listing requirements, and we potentially face delisting if we do not comply with NYSE standards.

We received notification from the NYSE on October 27, 2008 that we are not in compliance with the NYSE’s continued listing standard requiring that stock trade at a minimum average closing price of \$1.00 for thirty consecutive trading days. Under the NYSE rules, we have until April 27, 2009 to comply with the listing standard, and we have a plan in place that we believe will allow us to address the average stock price deficiency within the required period. If we are unable to regain compliance with the NYSE listing requirements, we will be unable to have our common stock continue to be listed on the NYSE, and, as a result, we would likely have our common stock quoted on the Over-the-Counter Bulletin Board, or the OTC BB. Securities that trade on the OTC BB generally have less liquidity and greater volatility than securities that trade on the NYSE. In addition, because issuers whose securities trade on the OTC BB are not subject to the corporate governance and other standards imposed by the NYSE, our reputation may suffer, which could result in a decrease in the trading price of our shares. The market price of our common stock has historically fluctuated and is likely to fluctuate in the future.

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.

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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.

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;

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- 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.

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. 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

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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

An annual meeting of the stockholders of Quantum was held on August 19, 2008. The following are the proposals voted upon at the meeting, and the number of votes cast for, against or withheld, as well as the number of abstentions for each proposal:

Proposal 1. Proposal to elect nine (9) directors to serve until the next Annual Meeting of Stockholders or until their successors are elected and qualified.

	<u>For</u>	<u>Withheld</u>
Paul R. Auvil III	179,806,670	10,315,383
Richard E. Belluzzo	178,318,377	11,803,676
Michael A. Brown	128,705,663	61,416,390
Thomas S. Buchsbaum	179,133,360	10,988,693
Edward M. Esber Jr.	183,983,374	6,138,679
Elizabeth A. Fetter	137,198,711	52,923,342
Joseph A. Marengi	138,263,534	51,858,519
Bruce A. Pasternack	180,018,758	10,103,295
Dennis P. Wolf	178,484,921	11,637,132

Proposal 2. Proposal to authorize the Board to select and file an amendment to the Company's certificate of incorporation effecting a reverse stock split, pursuant to which any whole number of outstanding shares of the Company's Common Stock between and including four and twelve would be combined into one share of such stock.

For: 185,675,937 Against: 4,311,276 Abstain: 134,840

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The Exhibit Index beginning on page 46 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: November 7, 2008

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QUANTUM CORPORATION

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
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
3.5	Certificate of Amendment of Amended and Restated By-laws of Registrant, effective August 18, 2008.	8-K	001-13449	3.1	August 22, 2008
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
10.1	Amended and Restated Employee Stock Purchase Plan, dated August 18, 2008.*	8-K	001-13449	10.1	August 22, 2008
10.2‡	Form of Restricted Stock Unit Agreement under the Amended and Restated Nonemployee Director Equity Incentive Plan.*				
10.3‡	Form of Restricted Stock Unit Agreement for U.S. Employees under the Amended and Restated 1993 Long-Term Incentive Plan.*				
10.4‡	Form of Restricted Stock Unit Agreement for non-U.S. Employees under the Amended and Restated 1993 Long-Term Incentive Plan.*				
10.5‡	Amendment to Richard E. Belluzzo Offer Letter.*				
10.6‡	Amendment to William C. Britts Offer Letter.*				
10.7‡	Amendment to Jon W. Gacek Offer Letter.*				
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.				

* Indicates management contract or compensatory plan, contract or arrangement.

‡ Filed herewith.

† Furnished herewith.

QUANTUM CORPORATION
RESTRICTED STOCK UNIT AGREEMENT

Quantum Corporation (the "Company") hereby grants you (the "Director"), the number of Restricted Stock Units under the Company's Nonemployee Director Equity Incentive Plan (the "Plan") indicated below. Subject to the provisions of Appendix A and of the Plan, the principal features of this award are as follows:

Number of Restricted Stock Units: [NUMBER]

Scheduled Vesting Dates:

[DATE]
[DATE]
[DATE]

Number of Units:

[NUMBER]
[NUMBER]
[NUMBER]

Termination Date: [DATE]

IMPORTANT:

By electronically accepting this award, you agree that this award is subject to all of the terms and conditions contained in Appendix A and the Plan. For example, important additional information on vesting and forfeiture of the Restricted Stock Units covered by this grant is contained in Paragraphs 3 through 5 of Appendix A. Especially, you consent that the Company may use and transfer your personal information as described in Paragraph 24 of Appendix A. **PLEASE BE SURE TO READ ALL OF APPENDIX A, WHICH CONTAINS THE SPECIFIC TERMS AND CONDITIONS OF THIS GRANT.**

In addition, by accepting this award, you agree to the following: **"This electronic contract contains my electronic signature, which I have executed with the intent to sign this Agreement."** Please be sure to retain a copy of your electronically signed Agreement; you may obtain a paper copy at any time and at the Company's expense by requesting one from the Company's Stock Administration Department (see paragraph 12 below). If you prefer not to electronically sign this Agreement, you may accept this Agreement by signing a paper copy of the Agreement and delivering it to the Company's Stock Administration Department.

APPENDIX A - TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT GRANT

1. Grant. The Company hereby grants to the Director under the Plan the number of Restricted Stock Units indicated on the first page of this Agreement, subject to the terms and conditions set forth in this Agreement and the Plan. When Shares are paid to the Director in payment for the Restricted Stock Units, par value will be deemed paid by the Director for each Restricted Stock Unit by past services rendered by the Director and will be subject to the appropriate tax withholdings.

2. Company's Obligation to Pay. On any date, a Restricted Stock Unit has a value equal to the Fair Market Value of one Share. Unless and until the Restricted Stock Units have vested in accordance with the Vesting Schedule set forth on the first page of this Agreement, the Director will have no right to payment of the Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, Restricted Stock Units represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Vesting Schedule. Except as provided in paragraph 4, and subject to paragraph 5, the Restricted Stock Units subject to this grant will vest as to the number of Restricted Stock Units, and on the dates shown, on the first page of this Agreement, but in each case, only if the Director remains a member of the Company's Board of Directors through the applicable vesting date(s).

4. Committee Discretion. The Committee, in its discretion, may accelerate the vesting of all or a portion of the Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having been earned (vested) as of the date specified by the Committee. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with the Director's "separation from service" within the meaning of Section 409A, other than due to death, and if (x) the Director is a "specified employee" within the meaning of Section 409A at the time of such interruption and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to the Director on or within the six (6) month period following the Director's "separation from service" (within the meaning of Section 409A), as determined by the Company, then the payment of such accelerated Restricted Stock Units will not be made until the date six (6) months and one (1) day following the date of such separation, unless the Director dies during such six (6) month period, in which case, the Restricted Stock Units will be paid to the Director's estate as soon as practicable following his or her death, subject to paragraph 8. It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the Restricted Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. For purposes of this Agreement, "Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

5. Forfeiture. Notwithstanding any contrary provision of this Agreement, the balance of the Restricted Stock Units that have not vested pursuant to paragraphs 3 or 4 will be forfeited and cancelled automatically on the first to occur of (a) the date the Director is no longer a member of the Company's Board of Directors or (b) the Termination Date set forth on first page of this Agreement.

6. Payment after Vesting. Subject to paragraph 4, Restricted Stock Units that vest will be paid to the Director (or in the event of the Director's death, to his or her estate) in Shares as soon as practicable following the date of vesting, but in each such case no later than the date that is two-and-one-half months from the end of the Company's tax year that includes the vesting date. Notwithstanding the foregoing, and if permitted by the Committee, the Director may elect to defer the payout of vested Restricted Stock Units by properly completing and submitting a Restricted Stock Unit Deferral Election to the Company in accordance with the directions on the Election form and such rules and procedures as shall be determined by the Committee in its sole discretion, which rules and procedures shall comply with the requirements of Section 409A, unless otherwise expressly determined by the Committee.

7. Death of the Director. Any distribution or delivery to be made to the Director under this Agreement will, if the Director is then deceased, be made to the administrator or executor of the Director's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

8. Withholding of Taxes. The Company may withhold a portion of the payment due with respect to vested Restricted Stock Units that has an aggregate market value sufficient to pay the federal, state and local income, employment and any other applicable taxes required to be withheld by the Company. Notwithstanding any contrary provision of this Agreement, no payment will be made to the Director (or his or her estate) for Restricted Stock Units unless and until satisfactory arrangements (as determined by the Committee) have been made by the Director with respect to the payment of any income and other taxes that the Company determines must be withheld or collected with respect to the Director's vested Restricted Stock Units. In addition, the Director agrees that the Company may withhold from amounts otherwise due to the Director, including compensation payable to the Director, to the extent necessary to satisfy any withholding obligation that may arise with respect to the Restricted Stock Units prior to payment of vested Restricted Stock Units. All income and other taxes related to this award of Restricted Stock Units and any Shares delivered in payment thereof are the sole responsibility of the Director. By accepting this award, the Director expressly consents to the withholding of Shares and to any additional cash withholding as provided for in this Paragraph 8.

9. Rights as Stockholder. Neither the Director nor any person claiming under or through the Director will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Director. Except as provided in paragraph 11, after such issuance, recordation, and delivery, the Director will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

10. No Effect on Service. The terms of the Director's service with the Company, whether as a member of the Board of Directors or otherwise, will be determined from time to time by the Company, and the Company will have the right, which is hereby expressly reserved, to terminate or change the terms of the service of the Director at any time for any reason whatsoever, with or without good cause. The transactions contemplated hereunder and the vesting schedule set forth on the first page of this Agreement do not constitute an express or implied promise of continued service as a member of the Board of Directors for any period of time.

11. Changes in Shares. In the event that as a result of a stock dividend, stock split, reclassification, recapitalization, combination of Shares or the adjustment in capital stock of the Company or otherwise, or as a result of a merger, consolidation, spin-off or other reorganization, the Restricted Stock Units will be increased, reduced or otherwise changed, and by virtue of any such change the Director will in his capacity as owner of unvested Restricted Stock Units which have been awarded to him (the "Prior Units") be entitled to new or additional or different restricted stock units, cash, or securities (other than rights or warrants to purchase securities), such new or additional or different restricted stock units, cash, or securities will thereupon be considered to be unvested Restricted Stock Units and will be subject to all of the conditions and restrictions which were applicable to the Prior Units pursuant to this Agreement and the Plan. If the Director receives rights or warrants with respect to any Prior Units, such rights or warrants may be held or exercised by the Director, provided that until such exercise any such rights or warrants and after such exercise any shares or other securities acquired by the exercise of such rights or warrants will be considered to be unvested Restricted Stock Units and will be subject to all of the conditions and restrictions which were applicable to the Prior Units pursuant to the Plan and this Agreement. The Committee in its absolute discretion at any time may accelerate the vesting of all or any portion of such new or additional units, cash or securities, rights or warrants to purchase securities or shares or other securities acquired by the exercise of such rights or warrants.

12. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of the Company's Stock Administration Department, at Quantum Corporation, 1650 Technology Drive, Suite 800, San Jose, CA 95110, or at such other address as the Company may hereafter designate in writing.

13. Grant is Not Transferable. Except to the limited extent provided in paragraph 7 above, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

14. Restrictions on Sale of Securities. The Shares issued as payment for vested Restricted Stock Units under this Agreement will be registered under U.S. federal securities laws and will be freely tradable upon receipt. However, a Director's subsequent sale of the Shares may be subject to any market blackout-period that may be imposed by the Company and must comply with the Company's insider trading policies, and any other applicable securities laws.

15. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors, and assigns of the parties hereto.

16. Additional Conditions to Issuance of Certificates for Shares. If at any time the Company will determine, in its discretion, that the listing, registration or qualification of Shares upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the settlement of Restricted Stock Units pursuant to paragraph 6, such settlement will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. The Company will make all reasonable efforts to meet the requirements of any such state or federal law or securities exchange and to obtain any such consent or approval of any such governmental authority.

17. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Agreement will have the meaning set forth in the Plan.

18. Committee Authority. The Committee will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation, and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Committee in good faith will be final and binding upon the Director, the Company, and all other interested persons. No person acting as the Committee will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Agreement.

19. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

20. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

21. Modifications to the Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. The Director expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written agreement executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of the Director, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection with these Restricted Stock Units (including settlement or payment thereof).

22. Amendment, Suspension or Termination of the Plan. By accepting this award, the Director expressly warrants that he or she has received a right to an equity based award under the Plan, and has received, read, and understood a description of the Plan. The Director understands that the Plan is discretionary in nature and may be modified, suspended, or terminated by the Company at any time.

23. Notice of Governing Law. This award of Restricted Stock Units shall be governed by, and construed in accordance with, the laws of the State of California, without regard to principles of conflict of laws.

24. Data Privacy Notice. All of Director's information that is described or referenced in this Agreement and the Plan may be used by the Company and its Subsidiaries and affiliates to administer and manage Director's participation in the Plan. Director understands that he or she may contact the Company's international privacy officer if Director needs to update or correct any of the

information. The Company will transfer this information to, and store this information in one or several of its U.S. offices. In addition, if necessary to administer and manage Director's participation in the Plan, the Company may transfer to, or share this information with its Subsidiaries and affiliates and any third party agents acting on the Company's behalf to provide services to Director, or any other third parties or governmental agencies, as required or permitted by law. In particular, without limitation, the Company has engaged eTrade and any entity controlled by, controlling, or under common control with eTrade ("eTrade's affiliates"; and together with eTrade collectively "eTrade") to provide brokerage services and to help administer the Company's stock plans. eTrade is acting primarily as a data processing agent under the Company's instructions and directions, but eTrade reserved the right to share Director's information with eTrade's affiliates. Except as provided in this Paragraph 24 or as required or permitted by law, the Company will not disclose Director's information outside the Company without Director's consent.

Unless Director notifies Company within 30 days of the grant of the Restricted Stock Units the Company may use and transfer Director's personal information as described in this Paragraph 24, particularly as it concerns transfers to eTrade. Director understands that participation in the Plan is entirely voluntary and that his or her denial of consent does not have any adverse effects other than exclusion from the Plan.

25. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to this or future grants of Restricted Stock Units by electronic means or to request Director's consent to participate in the Plan by electronic means. Director hereby consents to receive such documents by electronic delivery and, if requested, to accept this or future grants of Restricted Stock Units through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

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QUANTUM CORPORATION
RESTRICTED STOCK UNIT AGREEMENT
FOR U.S. EMPLOYEES

Quantum Corporation (the "Company") hereby grants you (the "Employee"), the number of Restricted Stock Units under the Company's 1993 Long-Term Incentive Plan (the "Plan") indicated below. Subject to the provisions of Appendix A and of the Plan, the principal features of this award are as follows:

Number of Restricted Stock Units: [NUMBER]

Scheduled Vesting Dates:

[DATE]
[DATE]
[DATE]

Number of Units:

[NUMBER]
[NUMBER]
[NUMBER]

Termination Date: [DATE]

IMPORTANT:

By electronically accepting this award, you agree that this award is subject to all of the terms and conditions contained in Appendix A and the Plan. For example, important additional information on vesting and forfeiture of the Restricted Stock Units covered by this grant is contained in Paragraphs 3 through 5 of Appendix A. Especially, you consent that the Company may use and transfer your personal information as described in Paragraph 14 of Appendix A. **PLEASE BE SURE TO READ ALL OF APPENDIX A, WHICH CONTAINS THE SPECIFIC TERMS AND CONDITIONS OF THIS GRANT.**

In addition, by accepting this award, you agree to the following: **"This electronic contract contains my electronic signature, which I have executed with the intent to sign this Agreement."** Please be sure to retain a copy of your electronically signed Agreement; you may obtain a paper copy at any time and at the Company's expense by requesting one from the Company's Stock Administration Department (see paragraph 12 below).

APPENDIX A - TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT GRANT

1. Grant. The Company hereby grants to the Employee under the Plan the number of Restricted Stock Units indicated on the first page of this Agreement, subject to the terms and conditions set forth in this Agreement, this Appendix A and the Plan. When Shares are paid to the Employee in payment for the Restricted Stock Units, par value will be deemed paid by the Employee for each Restricted Stock Unit by past services rendered by the Employee and will be subject to the appropriate tax withholdings.

2. Company's Obligation to Pay. On any date, a Restricted Stock Unit has a value equal to the Fair Market Value of one Share. Unless and until the Restricted Stock Units have vested in accordance with the Vesting Schedule set forth on the first page of this Agreement, the Employee will have no right to payment of the Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, Restricted Stock Units represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Vesting Schedule. Except as provided in paragraph 4, and subject to paragraph 5, the Restricted Stock Units subject to this grant will vest as to the number of Restricted Stock Units, and on the dates shown, on the first page of this Agreement, but in each case, only if the Employee's Continuous Status as an Employee has not been interrupted.

4. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of all or a portion of the Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having been earned (vested) as of the date specified by the Administrator. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with the interruption of the Employee's Continuous Status as an Employee (provided that such interruption is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) the Employee is a "specified employee" within the meaning of Section 409A at the time of such interruption and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to the Employee on or within the six (6) month period following the interruption of the Employee's Continuous Status as an Employee, then the payment of such accelerated Restricted Stock Units will not be made until the date six (6) months and one (1) day following the date of such interruption, unless the Employee dies during such six (6) month period, in which case, the Restricted Stock Units will be paid to the Employee's estate as soon as practicable following his or her death, subject to paragraph 8. It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the Restricted Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. For purposes of this Agreement, "Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

5. Forfeiture. Notwithstanding any contrary provision of this Agreement, the balance of the Restricted Stock Units that have not vested pursuant to paragraphs 3 or 4 will be forfeited and cancelled automatically on the first to occur of (a) the date the Employee's Continuous Status as an Employee is interrupted or (b) the Termination Date set forth on first page of this Agreement.

6. Payment after Vesting. Subject to paragraph 4, Restricted Stock Units that vest will be paid to the Employee (or in the event of the Employee's death, to his or her estate) in Shares as soon as practicable following the date of vesting, but in each such case no later than the date that is two-and-one-half months from the end of the Company's tax year that includes the vesting date. Notwithstanding the foregoing, and if permitted by the Administrator, the Employee may elect to defer the payout of vested Restricted Stock Units by properly completing and submitting a Restricted Stock Unit Deferral Election to the Company in accordance with the directions on the Election form and such rules and procedures as shall be determined by the Administrator in its sole discretion, which rules and procedures shall comply with the requirements of Section 409A, unless otherwise expressly determined by the Administrator.

7. Death of the Employee. Any distribution or delivery to be made to the Employee under this Agreement will, if the Employee is then deceased, be made to the administrator or executor of the Employee's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

8. Withholding of Taxes. The Company may withhold a portion of the payment due with respect to vested Restricted Stock Units that has an aggregate market value sufficient to pay the federal, state and local income, employment and any other applicable taxes required to be withheld by the Company. Notwithstanding any contrary provision of this Agreement, no payment will be made to the Employee (or his or her estate) for Restricted Stock Units unless and until satisfactory arrangements (as determined by the Administrator) have been made by the Employee with respect to the payment of any income and other taxes that the Company determines must be withheld or collected with respect to the Employee's vested Restricted Stock Units. In addition, the Employee agrees that the Company may withhold from amounts otherwise due to the Employee, including Employee's salary, to the extent necessary to satisfy any withholding obligation that may arise with respect to the Restricted Stock Units prior to payment of vested Restricted Stock Units. All income and other taxes related to this award of Restricted Stock Units and any Shares delivered in payment thereof are the sole responsibility of the Employee. By accepting this award, the Employee expressly consents to the withholding of Shares and to any additional cash withholding as provided for in this Paragraph 8.

9. Rights as Stockholder. Neither the Employee nor any person claiming under or through the Employee will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Employee. Except as provided in paragraph 11, after such issuance, recordation, and delivery, the Employee will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

10. No Effect on Employment. The Employee's employment with the Company and its Subsidiaries is on an at-will basis only. Accordingly, the terms of the Employee's employment with the Company and its Subsidiaries will be determined from time to time by the Company or the Subsidiary employing the Employee (as the case may be), and the Company or the Subsidiary will have the right, which is hereby expressly reserved, to terminate or change the terms of the employment of the Employee at any time for any reason whatsoever, with or without good cause. The transactions contemplated hereunder and the vesting schedule set forth on the first page of this Agreement do not constitute an express or implied promise of continued employment for any period of time.

11. Changes in Shares. In the event that as a result of a stock dividend, stock split, reclassification, recapitalization, combination of Shares or the adjustment in capital stock of the Company or otherwise, or as a result of a merger, consolidation, spin-off or other reorganization, the Restricted Stock Units will be increased, reduced or otherwise changed, and by virtue of any such change the Employee will in his capacity as owner of unvested Restricted Stock Units which have been awarded to him (the "Prior Units") be entitled to new or additional or different restricted stock units, cash, or securities (other than rights or warrants to purchase securities), such new or additional or different restricted stock units, cash, or securities will thereupon be considered to be unvested Restricted Stock Units and will be subject to all of the conditions and restrictions which were applicable to the Prior Units pursuant to this Agreement and the Plan. If the Employee receives rights or warrants with respect to any Prior Units, such rights or warrants may be held or exercised by the Employee, provided that until such exercise any such rights or warrants and after such exercise any shares or other securities acquired by the exercise of such rights or warrants will be considered to be unvested Restricted Stock Units and will be subject to all of the conditions and restrictions which were applicable to the Prior Units pursuant to the Plan and this Agreement. The Administrator in its absolute discretion at any time may accelerate the vesting of all or any portion of such new or additional units, cash or securities, rights or warrants to purchase securities or shares or other securities acquired by the exercise of such rights or warrants.

12. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of the Company's Stock Administration Department, at Quantum Corporation, 1650 Technology Drive, Suite 800, San Jose, CA 95110, or at such other address as the Company may hereafter designate in writing.

13. Grant is Not Transferable. Except to the limited extent provided in paragraph 7 above, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

14. Data Privacy Notice. All of Employee's information that is described or referenced in this Agreement and the Plan may be used by the Company and its Subsidiaries and affiliates to administer and manage Employee's participation in the Plan. Employee understands that he or she may contact the Company's international privacy officer if Employee needs to update or correct any of the information. The Company will transfer this information to, and store this information in one or several of its U.S. offices. In addition, if necessary to administer and manage Employee's participation in the Plan, the Company may transfer to, or share this information with its Subsidiaries and affiliates and any third party agents acting on the Company's behalf to provide services to Employee, or any other third parties or governmental agencies, as required or permitted by law or the Safe Harbor framework established by the U.S. Department of Commerce. In particular, without limitation, the Company has engaged eTrade and any entity controlled by, controlling, or under common control with eTrade ("eTrade's affiliates"; and together with eTrade collectively "eTrade") to provide brokerage services and to help administer the Company's stock plans. eTrade is acting primarily as a data processing agent under the Company's instructions and directions, but eTrade

reserved the right to share Employee's information with eTrade's affiliates. Except as provided in this Section or as required or permitted by law or the Safe Harbor framework established by the U.S. Department of Commerce, the Company will not disclose Employee's information outside the Company without Employee's consent.

Unless Employee notifies Company within 30 days of the grant of the Restricted Stock Units the Company may use and transfer Employee's personal information as described in this Section 14, particularly as it concerns transfers to eTrade. Employee understands that participation in the Plan is entirely voluntary and that his or her denial of consent does not have any adverse effects other than exclusion from the Plan.

15. Restrictions on Sale of Securities. The Shares issued as payment for vested Restricted Stock Units under this Agreement will be registered under U.S. federal securities laws and will be freely tradable upon receipt. However, an Employee's subsequent sale of the Shares may be subject to any market blackout-period that may be imposed by the Company and must comply with the Company's insider trading policies, and any other applicable securities laws.

16. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors, and assigns of the parties hereto.

17. Additional Conditions to Issuance of Certificates for Shares. If at any time the Company will determine, in its discretion, that the listing, registration or qualification of Shares upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the settlement of Restricted Stock Units pursuant to paragraph 6, such settlement will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. The Company will make all reasonable efforts to meet the requirements of any such state or federal law or securities exchange and to obtain any such consent or approval of any such governmental authority.

18. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to this or future grants of Restricted Stock Units by electronic means or to request Employee's consent to participate in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery and, if requested, to accept this or future grants of Restricted Stock Units through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

19. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Agreement will have the meaning set forth in the Plan.

20. Administrator Authority. The Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation, and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon the Employee, the Company, and all other interested persons. No person acting as the Administrator will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Agreement.

21. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

22. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

23. Modifications to the Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. The Employee expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written agreement executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of the Employee, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection with these Restricted Stock Units (including settlement or payment thereof).

24. Amendment, Suspension or Termination of the Plan. By accepting this award, the Employee expressly warrants that he or she has received a right to an equity based award under the Plan, and has received, read, and understood a description of the Plan. The Employee understands that the Plan is discretionary in nature and may be modified, suspended, or terminated by the Company at any time.

25. Notice of Governing Law. This award of Restricted Stock Units shall be governed by, and construed in accordance with, the laws of the State of California, without regard to principles of conflict of laws.

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QUANTUM CORPORATION
RESTRICTED STOCK UNIT AGREEMENT
FOR NON-U.S. EMPLOYEES

Quantum Corporation (the "Company") hereby grants you (the "Employee"), the number of Restricted Stock Units under the Company's 1993 Long-Term Incentive Plan (the "Plan") indicated below. Subject to the provisions of Appendix A, any special terms and provisions for your country set forth in Appendix B and of the Plan, the principal features of this award are as follows:

Number of Restricted Stock Units: [NUMBER]

Scheduled Vesting Dates:

[DATE]
[DATE]
[DATE]

Number of Units:

[NUMBER]
[NUMBER]
[NUMBER]

Termination Date: [DATE]

IMPORTANT:

By electronically accepting this award, you agree that this award is subject to all of the terms and conditions contained in Appendix A, Appendix B and the Plan. For example, important additional information on vesting and forfeiture of the Restricted Stock Units covered by this grant is contained in Paragraphs 3 through 5 of Appendix A. Especially, you consent that the Company may use and transfer your personal information as described in Paragraph 15 of Appendix A. **PLEASE BE SURE TO READ ALL OF APPENDIX A AND ANY PROVISIONS FOR YOUR COUNTRY SET FORTH IN APPENDIX B, WHICH, TOGETHER, CONTAIN THE SPECIFIC TERMS AND CONDITIONS OF THIS GRANT.**

In addition, by accepting this award, you agree to the following: **"This electronic contract contains my electronic signature, which I have executed with the intent to sign this Agreement."** Please be sure to retain a copy of your electronically signed Agreement; you may obtain a paper copy at any time and at the Company's expense by requesting one from the Company's Stock Administration Department (see paragraph 13 below).

APPENDIX A - TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT GRANT

FOR NON-U.S. EMPLOYEES

1. Grant. The Company hereby grants to the Employee under the Plan the number of Restricted Stock Units indicated on the first page of this Agreement, subject to the terms and conditions set forth in the Agreement, this Appendix A, any special terms and conditions for the Employee's country set forth in Appendix B and the Plan. When Shares are paid to the Employee in payment for the Restricted Stock Units, par value will be deemed paid by the Employee for each Restricted Stock Unit by past services rendered by the Employee and will be subject to the appropriate tax withholdings.

2. Company's Obligation to Pay. On any date, a Restricted Stock Unit has a value equal to the Fair Market Value of one Share. Unless and until the Restricted Stock Units have vested in accordance with the Vesting Schedule set forth on the first page of this Agreement, the Employee will have no right to payment of the Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, Restricted Stock Units represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Vesting Schedule. Except as provided in paragraph 4, and subject to paragraph 5, the Restricted Stock Units subject to this grant will vest as to the number of Restricted Stock Units, and on the dates shown, on the first page of this Agreement, but in each case, only if the Employee's Continuous Status as an Employee has not been interrupted.

4. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of all or a portion of the Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having been earned (vested) as of the date specified by the Administrator. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with the interruption of the Employee's Continuous Status as an Employee (provided that such interruption is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) the Employee is a "specified employee" within the meaning of Section 409A at the time of such interruption and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to the Employee on or within the six (6) month period following the interruption of the Employee's Continuous Status as an Employee, then the payment of such accelerated Restricted Stock Units will not be made until the date six (6) months and one (1) day following the date of such interruption, unless the Employee dies during such six (6) month period, in which case, the Restricted Stock Units will be paid to the Employee's estate as soon as practicable following his or her death, subject to paragraph 8. It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the Restricted Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. For purposes of this Agreement, "Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

5. Forfeiture. Notwithstanding any contrary provision of this Agreement, the balance of the Restricted Stock Units that have not vested pursuant to paragraphs 3 or 4 will be forfeited and cancelled automatically on the first to occur of (a) the date the Employee's Continuous Status as an Employee is interrupted or (b) the Termination Date set forth on first page of this Agreement.

6. Payment after Vesting. Subject to paragraph 4, Restricted Stock Units that vest will be paid to the Employee (or in the event of the Employee's death, to his or her estate) in Shares as soon as practicable following the date of vesting, but in each such case no later than the date that is two-and-one-half months from the end of the Company's tax year that includes the vesting date. Notwithstanding the foregoing, and if permitted by the Administrator, the Employee may elect to defer the payout of vested Restricted Stock Units by properly completing and submitting a Restricted Stock Unit Deferral Election to the Company in accordance with the directions on the Election form and such rules and procedures as shall be determined by the Administrator in its sole discretion, which rules and procedures shall comply with the requirements of Section 409A, unless otherwise expressly determined by the Administrator.

7. Death of the Employee. Any distribution or delivery to be made to the Employee under this Agreement will, if the Employee is then deceased, be made to the administrator or executor of the Employee's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

8. Withholding of Taxes. Regardless of any action the Company or the Employee's employer (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Employee's participation in the Plan and legally applicable to the Employee ("Tax-Related Items"), the Employee acknowledges that the ultimate liability for all Tax-Related Items is and remains his or her responsibility and may exceed the amount to be withheld by the Company or the Employer. The Employee further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the issuance of Shares upon settlement of the RSU, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends; and (2) do not commit to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate the Employee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Employee has become subject to tax in more than one jurisdiction between the date of grant and the date of any relevant taxable event, the Employee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Company may withhold a portion of the payment due with respect to vested Restricted Stock Units that has an aggregate market value sufficient to pay the Tax-Related Items required to be withheld by the Company. Notwithstanding any contrary provision of this Agreement, no payment will be made to the Employee (or his or her estate) for Restricted Stock Units unless and until satisfactory arrangements (as determined by the Administrator) have been made by the Employee with respect to the payment of Tax-Related Items that the Company determines must be withheld or collected with respect to the Restricted Stock Units. In addition, the Employee agrees that the Company or the Employer may withhold from amounts otherwise due to the Employee, including Employee's salary, to the extent necessary to satisfy any withholding obligation that may arise with respect to the Restricted Stock Units prior to payment of vested Restricted Stock Units.

9. Rights as Stockholder. Neither the Employee nor any person claiming under or through the Employee will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Employee. Except as provided in paragraph 12, after such issuance, recordation, and delivery, the Employee will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

10. Nature of Grant. In accepting the grant, the Employee acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;

(b) the grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted repeatedly in the past;

(c) all decisions with respect to future Restricted Stock Units grants, if any, will be at the sole discretion of the Company;

(d) the Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Employee's employment relationship at any time;

(e) the Employee is voluntarily participating in the Plan;

(f) the Restricted Stock Units and the Shares subject to the Restricted Stock Units are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which is outside the scope of the Employee's employment contract, if any;

(g) the Restricted Stock Units and the Shares subject to the Restricted Stock Units are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Subsidiary or affiliate;

(h) the Restricted Stock Unit grant and the Employee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Company or any Subsidiary or affiliate of the Company;

(i) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(j) in consideration of the grant of the Restricted Stock Units, no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from termination of employment with the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and the Employee irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, the Employee shall be deemed irrevocably to have waived his or her entitlement to pursue such claim; and

(k) in the event of termination of employment (whether or not in breach of local labor laws), the Employee's right to vest in the Restricted Stock Units under the Plan, if any, will terminate effective as of the date that the Employee is no longer actively employed and will not be extended by any notice period mandated under local law (e.g., active employment would not include a period of "garden leave" or similar period pursuant to local law); the Administrator shall have the exclusive discretion to determine when the Employee is no longer actively employed for purposes of the Restricted Stock Unit grant.

11. No Advice Regarding Grant.

(a) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Employee's participation in the Plan, or the Employee's acquisition or sale of the underlying Shares; and

(b) the Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

12. Changes in Shares. In the event that as a result of a stock dividend, stock split, reclassification, recapitalization, combination of Shares or the adjustment in capital stock of the Company or otherwise, or as a result of a merger, consolidation, spin-off or other reorganization, the Restricted Stock Units will be increased, reduced or otherwise changed, and by virtue of any such change the Employee will in his capacity as owner of unvested Restricted Stock Units which have been awarded to him (the "Prior Units") be entitled to new or additional or different restricted stock units, cash, or securities (other than rights or warrants to purchase securities), such new or additional or different restricted stock units, cash, or securities will thereupon be considered to be unvested Restricted Stock Units and will be subject to all of the conditions and restrictions which were applicable to the Prior Units pursuant to this Agreement and the Plan. If the Employee receives rights or warrants with respect to any Prior Units, such rights or warrants may be held or exercised by the Employee, provided that until such exercise any such rights or warrants and after such exercise any shares or other securities acquired by the exercise of such rights or warrants will be considered to be unvested Restricted Stock Units and will be subject to all of the conditions and restrictions which were applicable to the Prior Units pursuant to the Plan and this Agreement. The Administrator in its absolute discretion at any time may accelerate the vesting of all or any portion of such new or additional units, cash or securities, rights or warrants to purchase securities or shares or other securities acquired by the exercise of such rights or warrants.

13. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of the Company's Stock Administration Department, at Quantum Corporation, 1650 Technology Drive, Suite 800, San Jose, CA 95110, or at such other address as the Company may hereafter designate in writing.

14. Grant is Not Transferable. Except to the limited extent provided in paragraph 7 above, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

15. Data Privacy Notice. All of Employee's information that is described or referenced in this Agreement and the Plan may be used by the Company and its Subsidiaries and affiliates to administer and manage Employee's participation in the Plan. Employee understands that he or she may contact the Company's international privacy officer if Employee needs to update or correct any of the information. The Company will transfer this information to, and store this information in one or several of its U.S. offices. In addition, if necessary to administer and manage Employee's participation in the Plan, the Company may transfer to, or share this information with its Subsidiaries and affiliates and any third party agents acting on the Company's behalf to provide services to Employee, or any other third parties or governmental agencies, as required or permitted by law or the Safe Harbor framework established by the U.S. Department of Commerce. In particular, without limitation, the Company has engaged eTrade and any entity controlled by, controlling, or under common control with eTrade ("eTrade's affiliates"; and together with eTrade collectively "eTrade") to provide brokerage services and to help administer the Company's stock plans. eTrade is acting primarily as a data processing agent under the Company's instructions and directions, but eTrade reserved the right to share Employee's information with eTrade's affiliates. Except as provided in this Section or as required or permitted by law or the Safe Harbor framework established by the U.S. Department of Commerce, the Company will not disclose Employee's information outside the Company without Employee's consent.

Unless Employee notifies Company within 30 days of the grant of the Restricted Stock Units the Company may use and transfer Employee's personal information as described in this paragraph 15, particularly as it concerns transfers to eTrade. Employee understands that participation in the Plan is entirely voluntary and that his or her denial of consent does not have any adverse effects other than exclusion from the Plan.

16. Restrictions on Sale of Securities. The Shares issued as payment for vested Restricted Stock Units under this Agreement will be registered under U.S. federal securities laws and will be freely tradable upon receipt. However, an Employee's subsequent sale of the Shares may be subject to any market blackout-period that may be imposed by the Company and must comply with the Company's insider trading policies, and any other applicable securities laws.

17. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors, and assigns of the parties hereto.

18. Additional Conditions to Issuance of Certificates for Shares. If at any time the Company will determine, in its discretion, that the listing, registration or qualification of Shares upon any securities exchange or under any state or federal law, or the consent or approval of any governmental

regulatory authority is necessary or desirable as a condition to the settlement of Restricted Stock Units pursuant to paragraph 6, such settlement will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. The Company will make all reasonable efforts to meet the requirements of any such state or federal law or securities exchange and to obtain any such consent or approval of any such governmental authority.

19. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to this or future grants of Restricted Stock Units by electronic means or to request Employee's consent to participate in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery and, if requested, to accept this or future grants of Restricted Stock Units through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

20. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Agreement will have the meaning set forth in the Plan.

21. Administrator Authority. The Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation, and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon the Employee, the Company, and all other interested persons. No person acting as the Administrator will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Agreement.

22. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

23. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

24. Modifications to the Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. The Employee expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written agreement executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of the Employee, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection with these Restricted Stock Units (including settlement or payment thereof).

25. Language. If the Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

26. Appendix. Notwithstanding any provisions in this Agreement, the Restricted Stock Unit grant shall be subject to any special terms and conditions set forth in any Appendix B to this Agreement for the Employee's country. Moreover, if the Employee relocates to one of the countries included in the Appendix B, the special terms and conditions for such country will apply to the Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix B constitutes part of this Agreement.

27. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Employee's participation in the Plan, or the Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

28. Amendment, Suspension or Termination of the Plan. By accepting this award, the Employee expressly warrants that he or she has received a right to an equity based award under the Plan, and has received, read, and understood a description of the Plan. The Employee understands that the Plan is discretionary in nature and may be modified, suspended, or terminated by the Company at any time.

29. Notice of Governing Law. This award of Restricted Stock Units shall be governed by, and construed in accordance with, the laws of the State of California, without regard to principles of conflict of laws.

For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or the Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and in no other courts, where this grant is made and/or to be performed.

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APPENDIX B – COUNTRY- SPECIFIC TERMS AND CONDITIONS

This Appendix B includes additional terms and conditions that govern the Restricted Stock Units granted to the Employee if the Employee resides in one of the countries listed herein. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Agreement or the Plan.

Australia

Restricted Stock Units Only Payable in Common Shares. Notwithstanding any provision in the Agreement, with respect to all Employees residing in Australia, the Company will pay all vested Restricted Stock Units only in Shares. Employees residing in Australia will not receive an equivalent cash payment with respect to vested Restricted Stock Units.

France

Language Consent. The parties acknowledge that it is their express wish that the Agreement, including Appendix A and B, as well as all documents, notices, and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement relatif à la langue utilisée. *Les Parties reconnaissent avoir souhaité expressément la rédaction en langue anglaise de cette convention, incluant Annexe A et B ainsi que de tous les documents, notices et documentation juridique fournis ou mis en oeuvre, directement ou indirectement, relativement à ou suite à la présente convention.*

Germany

There are no country-specific terms and conditions.

India

Fringe Benefit Tax. By accepting the grant of the Restricted Stock Units, the Employee consents and agrees to assume any liability for fringe benefit tax that may be payable by the Company and/or the Employer in connection with the Restricted Stock Units.

Further, by accepting the grant of the Restricted Stock Units, the Employee agrees that the Company and/or the Employer may collect the fringe benefit tax from the Employee by any of the means set forth in paragraph 8 or any other reasonable method established by the Company. The Employee further agrees to execute any other consents or elections required to accomplish the above, promptly upon request of the Company.

Exchange Control Notification. The Employee must repatriate the proceeds from the sale of Shares and any dividends received in relation to the Shares to India within a reasonable time of receipt. The Employee must maintain the foreign inward remittance certificate received from the bank where the foreign currency is deposited in the event that the Reserve Bank of India or the Employer requests proof of repatriation.

Italy

Data Privacy Notice. The following provision replaces paragraph 15 of Appendix A in its entirety:

The Employee hereby explicitly and unambiguously consents to the collection, use, processing and transfer, in electronic or other form, of the Employee's personal data as described herein by and among, as applicable, the Employer, the Company and any Subsidiary for the exclusive purpose of implementing, administering, and managing the Employee's participation in the Plan.

The Employee understands that the Employer, the Company and any Subsidiary may hold certain personal information about the Employee, including, but not limited to, the Employee's name, home address and telephone number, date of birth, social insurance (to the extent permitted under Italian law) or other identification number, salary, nationality, job title, any shares or directorships held in the Company or any Subsidiary, details of all option granted, or any other entitlement to shares of Stock awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor, for the exclusive purpose of implementing, managing and administering the Plan ("Data").

The Employee also understand that providing the Company with Data is necessary for the performance of the Plan and that the Employee's refusal to provide such Data would make it impossible for the Company to perform its contractual obligations and may affect the Employee's ability to participate in the Plan. The Controller of personal data processing is Quantum Corporation, with registered offices at 1650 Technology Drive, Suite 800, San Jose, California 95110, U.S.A., and, pursuant to Legislative Decree no. 196/2003, its Representative in Italy for privacy purposes is Quantum Sàrl, with offices at Piazza San Babila 4/A, 20122 Milano, Italy.

The Employee understands that Data will not be publicized, but it may be transferred to banks, other financial institutions, or brokers involved in the management and administration of the Plan. The Employee understands that Data may also be transferred to the independent registered public accounting firm engaged by the Company. The Employee further understand that the Company and/or any Subsidiary will transfer Data among themselves as necessary for the purpose of implementing, administering and managing the Employee's participation in the Plan, and that the Company and/or any Subsidiary may each further transfer Data to third parties assisting the Company in the implementation, administration, and management of the Plan, including any requisite transfer of Data to a broker or other third party with whom the Employee may elect to deposit any shares of Stock acquired at vesting of the Restricted Stock Units. Such recipients may receive, possess, use, retain, and transfer Data in electronic or other form, for the purposes of implementing, administering, and managing the Employee's participation in the Plan. The Employee understands that these recipients may be located in or outside the European Economic Area, such as in the United States or elsewhere. Should the Company exercise its discretion in suspending all necessary legal obligations connected with the management and administration of the Plan, it will delete Data as soon as it has completed all the necessary legal obligations connected with the management and administration of the Plan.

The Employee understands that Data-processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data is collected and with confidentiality and security provisions, as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/2003.

The processing activity, including communication, the transfer of Data abroad, including outside of the European Economic Area, as herein specified and pursuant to applicable laws and regulations, does not require the Employee's consent thereto, as the processing is necessary to performance of contractual obligations related to implementation, administration, and management of the Plan. The Employee understands that, pursuant to Section 7 of the Legislative Decree no. 196/2003, the Employee has the right to, including but not limited to, access, delete, update, correct, or terminate, for legitimate reason, the Data-processing.

Furthermore, the Employee is aware that Data will not be used for direct-marketing purposes. In addition, Data provided can be reviewed and questions or complaints can be addressed by contacting the Employee's local human resources representative.

Japan

There are no country-specific terms and conditions.

Korea

There are no country-specific terms and conditions.

Malaysia

Director Notification. If the Employee is a director of a Malaysian Subsidiary of the Company, the Employee is subject to certain notification requirements under the Malaysian Companies Act, 1965. Among these requirements is an obligation to notify the Malaysian Subsidiary in writing when the Employee receives an interest (e.g., Restricted Stock Units) in the Company or any related companies. In addition, the Employees must notify the Malaysian Subsidiary when the Employee sells Shares of the Company or any related company (including when the Employee sells Shares acquired under the Plan). These notifications must be made within fourteen days of acquiring or disposing of any interest in the Company or any related company.

Singapore

Director Notification. If the Employee is a director, associate director or shadow director of a Singapore Subsidiary of the Company, the Employee is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singapore Subsidiary in writing when the Employee receives an interest (e.g., Restricted Stock Units) in the Company or any related companies. In addition, the Employee must notify the Singapore Subsidiary when the Employee sells Shares of the Company or any related company (including when the Employee sells Shares acquired under the Plan). These notifications must be made within two days of acquiring or disposing of any interest in the Company or any related company. In addition, a notification must be made of the Employee's interests in the Company or any related company within two days of becoming a director, associate director or shadow director.

Switzerland

There are no country-specific terms and conditions.

QUANTUM CORPORATION

AMENDMENT TO RICHARD BELLUZZO OFFER LETTER

Quantum Corporation (the "Company") and Richard Belluzzo (the "Executive") entered into an offer letter, dated July 12, 2002 (the "Offer Letter"). This Amendment to the Offer Letter is made as of August 18, 2008, by and between the Company and the Executive.

RECITALS

WHEREAS, the Company and the Executive desire to amend the Offer Letter to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended.

NOW, THEREFORE, the Company and the Executive agree that in consideration of the foregoing and the promises and covenants contained herein, the parties agree as follows:

AGREEMENT

1. Code Section 409A. The following paragraphs shall be added to the Offer Letter:

"Notwithstanding anything to the contrary in this Offer Letter, if you are a "specified employee" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the final regulations and any guidance promulgated thereunder ("Section 409A") at the time of your termination of employment (other than due to death), then the severance benefits payable to you under this Offer Letter, if any, and any other severance payments or separation benefits that may be considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits") otherwise due to you on or within the six (6) month period following your termination of employment will accrue during such six (6) month period and will become payable in a lump sum payment (less applicable withholding taxes) on the date six (6) months and one (1) day following the date of your termination of employment. All subsequent payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if you die following your termination of employment but prior to the six (6) month anniversary of your date of termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum (less applicable withholding taxes) to your estate as soon as administratively practicable after the date of your death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit.

It is the intent of this Offer Letter to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. You and the Company agree to work together in good faith to consider amendments to this Offer Letter and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition under Section 409A prior to actual payment to you."

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2. Full Force and Effect. To the extent not expressly amended hereby, the Offer Letter shall remain in full force and effect.
 3. Entire Agreement. This Amendment and the Offer Letter between the Executive and the Company, as amended, constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof.
 4. Successors and Assigns. This Amendment and the rights and obligations of the parties hereunder shall inure to the benefit of, and be binding upon, their respective successors, assigns, and legal representatives.
 5. Counterparts. This Amendment may be executed in counterparts, all of which together shall constitute one instrument, and each of which may be executed by less than all of the parties to this Amendment.
 6. Governing Law. This Amendment shall be governed in all respects by the internal laws of California, without regard to principles of conflicts of law.
 7. Amendment. Any provision of this Amendment may be amended, waived or terminated by a written instrument signed by the Company and the Executive.

(Signature page follows)

IN WITNESS WHEREOF, the undersigned parties have caused this Amendment to be executed as of the date first set forth above.

RICHARD BELLUZZO

/s/ Richard Belluzzo
Signature

Richard Belluzzo
Print Name

QUANTUM CORPORATION

/s/ Shawn Hall
Signature

Shawn Hall
Print Name

Vice President, General Counsel & Secretary
Print Title

(Signature page to Amendment to Belluzzo Offer Letter)

QUANTUM CORPORATION
AMENDMENT TO WILLIAM BRITTS OFFER LETTER

Quantum Corporation (the "Company") and William Britts (the "Executive") entered into an offer letter, dated August 25, 2006 (the "Offer Letter"). This Amendment to the Offer Letter is made as of August 18, 2008, by and between the Company and the Executive.

RECITALS

WHEREAS, the Company and the Executive desire to amend the Offer Letter to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended.

NOW, THEREFORE, the Company and the Executive agree that in consideration of the foregoing and the promises and covenants contained herein, the parties agree as follows:

AGREEMENT

1. Code Section 409A. The following paragraphs shall be added to the Offer Letter:

"Notwithstanding anything to the contrary in this Offer Letter, if you are a "specified employee" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the final regulations and any guidance promulgated thereunder ("Section 409A") at the time of your termination of employment (other than due to death), then the severance benefits payable to you under this Offer Letter, if any, and any other severance payments or separation benefits that may be considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits") otherwise due to you on or within the six (6) month period following your termination of employment will accrue during such six (6) month period and will become payable in a lump sum payment (less applicable withholding taxes) on the date six (6) months and one (1) day following the date of your termination of employment. All subsequent payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if you die following your termination of employment but prior to the six (6) month anniversary of your date of termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum (less applicable withholding taxes) to your estate as soon as administratively practicable after the date of your death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit.

It is the intent of this Offer Letter to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. You and the Company agree to work together in good faith to consider amendments to this Offer Letter and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition under Section 409A prior to actual payment to you."

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2. Full Force and Effect. To the extent not expressly amended hereby, the Offer Letter shall remain in full force and effect.
 3. Entire Agreement. This Amendment and the Offer Letter between the Executive and the Company, as amended, constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof.
 4. Successors and Assigns. This Amendment and the rights and obligations of the parties hereunder shall inure to the benefit of, and be binding upon, their respective successors, assigns, and legal representatives.
 5. Counterparts. This Amendment may be executed in counterparts, all of which together shall constitute one instrument, and each of which may be executed by less than all of the parties to this Amendment.
 6. Governing Law. This Amendment shall be governed in all respects by the internal laws of California, without regard to principles of conflicts of law.
 7. Amendment. Any provision of this Amendment may be amended, waived or terminated by a written instrument signed by the Company and the Executive.

(Signature page follows)

IN WITNESS WHEREOF, the undersigned parties have caused this Amendment to be executed as of the date first set forth above.

WILLIAM BRITTS

/s/ William Britts
Signature

William Britts
Print Name

QUANTUM CORPORATION

/s/ Shawn Hall
Signature

Shawn Hall
Print Name

Vice President, General Counsel & Secretary
Print Title

(Signature page to Amendment to Britts Offer Letter)

QUANTUM CORPORATION
AMENDMENT TO JON GACEK OFFER LETTER

Quantum Corporation (the "Company") and Jon Gacek (the "Executive") entered into an offer letter, dated August 25, 2006 (the "Offer Letter"). This Amendment to the Offer Letter is made as of August 18, 2008, by and between the Company and the Executive.

RECITALS

WHEREAS, the Company and the Executive desire to amend the Offer Letter to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended.

NOW, THEREFORE, the Company and the Executive agree that in consideration of the foregoing and the promises and covenants contained herein, the parties agree as follows:

AGREEMENT

1. Code Section 409A. The following paragraphs shall be added to the Offer Letter:

"Notwithstanding anything to the contrary in this Offer Letter, if you are a "specified employee" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the final regulations and any guidance promulgated thereunder ("Section 409A") at the time of your termination of employment (other than due to death), then the severance benefits payable to you under this Offer Letter, if any, and any other severance payments or separation benefits that may be considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits") otherwise due to you on or within the six (6) month period following your termination of employment will accrue during such six (6) month period and will become payable in a lump sum payment (less applicable withholding taxes) on the date six (6) months and one (1) day following the date of your termination of employment. All subsequent payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if you die following your termination of employment but prior to the six (6) month anniversary of your date of termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum (less applicable withholding taxes) to your estate as soon as administratively practicable after the date of your death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit.

It is the intent of this Offer Letter to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. You and the Company agree to work together in good faith to consider amendments to this Offer Letter and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition under Section 409A prior to actual payment to you."

-
2. Full Force and Effect. To the extent not expressly amended hereby, the Offer Letter shall remain in full force and effect.
 3. Entire Agreement. This Amendment and the Offer Letter between the Executive and the Company, as amended, constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof.
 4. Successors and Assigns. This Amendment and the rights and obligations of the parties hereunder shall inure to the benefit of, and be binding upon, their respective successors, assigns, and legal representatives.
 5. Counterparts. This Amendment may be executed in counterparts, all of which together shall constitute one instrument, and each of which may be executed by less than all of the parties to this Amendment.
 6. Governing Law. This Amendment shall be governed in all respects by the internal laws of California, without regard to principles of conflicts of law.
 7. Amendment. Any provision of this Amendment may be amended, waived or terminated by a written instrument signed by the Company and the Executive.

(Signature page follows)

IN WITNESS WHEREOF, the undersigned parties have caused this Amendment to be executed as of the date first set forth above.

JON GACEK

/s/ Jon Gacek
Signature

Jon Gacek
Print Name

QUANTUM CORPORATION

/s/ Shawn Hall
Signature

Shawn Hall
Print Name

Vice President, General Counsel & Secretary
Print Title

(Signature page to Amendment to Gacek Offer Letter)

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) and 15d-15(e)) 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: November 7, 2008

/s/ RICHARD E. BELLUZZO

Richard E. Belluzzo
Chairman and Chief Executive Officer

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-15(e) and 15d-15(e)) 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: November 7, 2008

/s/ JON W. GACEK

Jon W. Gacek
Executive Vice President and
Chief Financial Officer

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 September 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: November 7, 2008

QUANTUM CORPORATION

/s/ RICHARD E. BELLUZZO

Richard E. Belluzzo

Chairman and Chief Executive Officer

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 September 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: November 7, 2008

QUANTUM CORPORATION

/s/ JON W. GACEK

Jon W. Gacek
Executive Vice President and
Chief Financial Officer