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, 2015

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

224 Airport Parkway, Suite 300, 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 has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" 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 30, 2015, there were 263,919,475 shares of Quantum Corporation's common stock issued and outstanding.

QUANTUM CORPORATION
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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2015	March 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 46,229	$ 67,948
Restricted cash	19,042	2,621
Accounts receivable, net of allowance for doubtful accounts of $41 and $27, respectively	92,263	124,159
Manufacturing inventories	37,992	50,274
Service parts inventories	23,267	24,640
Other current assets	12,091	11,942
Total current assets	230,884	281,584
Long-term assets:		
Property and equipment, less accumulated depreciation	14,697	14,653
Intangible assets, less accumulated amortization	546	731
Goodwill	55,613	55,613
Other long-term assets	3,645	4,577
Total long-term assets	74,501	75,574
	$ 305,385	$ 357,158
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 56,707	$ 54,367
Accrued warranty	3,473	4,219
Deferred revenue, current	85,310	95,899
Accrued restructuring charges, current	1,868	3,855
Convertible subordinated debt, current, net of unamortized debt issuance costs of $78 and $390, respectively	17,540	83,345
Accrued compensation	24,585	35,414
Other accrued liabilities	14,216	20,740
Total current liabilities	203,699	297,839
Long-term liabilities:		
Deferred revenue, long-term	33,692	39,532
Accrued restructuring charges, long-term	961	991
Convertible subordinated debt, long-term, net of unamortized debt issuance costs of $977 and $1,207, respectively	135,140	68,793
Other long-term liabilities	10,352	10,441
Total long-term liabilities	180,145	119,757
Stockholders' deficit:		
Common stock, $0.01 par value; 1,000,000 shares authorized; 263,893 and 258,208 shares issued and outstanding at September 30, 2015 and March 31, 2015, respectively	2,639	2,582
Capital in excess of par	460,093	456,411
Accumulated deficit	(545,293)	(523,311)
Accumulated other comprehensive income	4,102	3,880
Total stockholders' deficit	(78,459)	(60,438)
	$ 305,385	$ 357,158

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Six Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Product revenue	$ 71,057	$ 85,216	$ 133,776	$ 165,410
Service revenue	37,247	39,157	75,186	77,657
Royalty revenue	8,721	10,733	18,919	20,167
Total revenue	117,025	135,106	227,881	263,234
Cost of product revenue	53,073	55,593	100,037	110,501
Cost of service revenue	17,635	17,584	34,562	35,278
Total cost of revenue	70,708	73,177	134,599	145,779
Gross margin	46,317	61,929	93,282	117,455
Operating expenses:				
Research and development	13,370	15,157	26,693	29,711
Sales and marketing	28,043	28,218	55,648	55,923
General and administrative	14,136	14,085	28,122	28,456
Restructuring charges	387	624	645	1,489
Total operating expenses	55,936	58,084	111,108	115,579
Gain on sale of assets	—	—	—	462
Income (loss) from operations	(9,619)	3,845	(17,826)	2,338
Other income and expense	714	215	428	90
Interest expense	(1,975)	(2,456)	(3,898)	(4,900)
Income (loss) before income taxes	(10,880)	1,604	(21,296)	(2,472)
Income tax provision	347	356	686	604
Net income (loss)	$ (11,227)	$ 1,248	$ (21,982)	$ (3,076)
Basic and diluted net income (loss) per share	$ (0.04)	$ 0.00	$ (0.08)	$ (0.01)
Weighted average shares:				
Basic	263,058	254,760	260,766	252,724
Diluted	263,058	257,579	260,766	252,724

See accompanying Notes to Condensed Consolidated Financial Statements.

QUANTUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net income (loss)	$ (11,227)	$ 1,248	$ (21,982)	$ (3,076)
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustments	(340)	(1,101)	101	(1,092)
Net unrealized gain on revaluation of long-term intercompany balances	207	225	121	283
Total other comprehensive income (loss)	(133)	(876)	222	(809)
Total comprehensive income (loss)	$ (11,360)	$ 372	$ (21,760)	$ (3,885)

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended	
	September 30, 2015	September 30, 2014
Cash flows from operating activities:		
Net loss	$ (21,982)	$ (3,076)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	3,361	4,272
Amortization of intangible assets	185	3,377
Amortization of debt issuance costs	648	829
Service parts lower of cost or market adjustment	3,050	2,007
Gain on sale of assets	—	(462)
Deferred income taxes	35	(50)
Share-based compensation	5,100	5,737
Changes in assets and liabilities, net of effect of acquisition:		
Accounts receivable	31,896	8,723
Manufacturing inventories	10,050	(3,213)
Service parts inventories	(526)	(687)
Accounts payable	1,624	390
Accrued warranty	(746)	(826)
Deferred revenue	(16,429)	(11,867)
Accrued restructuring charges	(2,017)	(1,393)
Accrued compensation	(10,871)	2,151
Other assets and liabilities	(5,723)	2,639
Net cash provided by (used in) operating activities	(2,345)	8,551
Cash flows from investing activities:		
Purchases of property and equipment	(1,611)	(1,912)
Proceeds from sale of assets	—	462
Change in restricted cash	(110)	(69)
Return of principal from other investments	—	104
Payment for business acquisition, net of cash acquired	—	(517)
Net cash used in investing activities	(1,721)	(1,932)
Cash flows from financing activities:		
Restricted cash to repay convertible subordinated debt	(16,280)	—
Payment of taxes due upon vesting of restricted stock	(3,101)	(2,187)
Proceeds from issuance of common stock	1,740	1,533
Net cash used in financing activities	(17,641)	(654)
Effect of exchange rate changes on cash and cash equivalents	(12)	(59)
Net increase (decrease) in cash and cash equivalents	(21,719)	5,906
Cash and cash equivalents at beginning of period	67,948	99,125
Cash and cash equivalents at end of period	$ 46,229	$ 105,031
Supplemental disclosure of cash flow information:		
Purchases of property and equipment included in accounts payable	$ 1,136	$ 237

See accompanying Notes to Condensed Consolidated Financial Statements.

QUANTUM CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1: BASIS OF PRESENTATION

Quantum Corporation (“Quantum”, the “Company”, “us” or “we”) is a leading expert in scale-out storage, archive and data protection, providing solutions for capturing, sharing, transforming and preserving digital assets over the entire data lifecycle. Our customers, ranging from small businesses to large/multi-national enterprises, trust us to address their most demanding content workflow challenges. We provide solutions for storing and protecting information in physical, virtual and cloud environments that are designed to help customers Be Certain™ that they have an end-to-end storage foundation to maximize the value of their data by making it accessible whenever and wherever needed, retaining it indefinitely and reducing total cost and complexity. We work closely with a broad network of distributors, value-added resellers (“VARs”), direct marketing resellers (“DMRs”), original equipment manufacturers (“OEMs”) and other suppliers to meet customers’ evolving needs. Our stock is traded on the New York Stock Exchange under the symbol QTM.

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of Quantum and our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated. In the Condensed Consolidated Balance Sheets, prior period convertible subordinated debt, current and long-term, have been presented net of debt issuance costs to conform to current period presentation. The interim financial statements reflect all adjustments, consisting of normal recurring adjustments that, in the opinion of management, are necessary for a fair statement 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, 2015 has been derived from the audited financial statements at that date, but it does not include all 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, 2015 included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on June 12, 2015.

Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest (Topic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by ASU 2015-03. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. We adopted ASU 2015-03 in the first quarter of fiscal 2016 and reclassified debt issuance costs from other current and long-term assets to convertible subordinated debt on the Condensed Consolidated Balance Sheets. Adoption did not otherwise impact our statements of financial position or results of operations.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”). ASU 2014-09 requires entities to recognize revenue through the application of a five-step model, which includes identification of the contract, identification of the performance obligations, determination of the transaction price, allocation of the transaction price to the performance obligations and recognition of revenue as the entity satisfies the performance obligations. ASU 2014-09 will become effective for us beginning April 1, 2018, or fiscal 2019. We are currently evaluating the guidance to determine the potential impact on our financial condition, results of operations, cash flows and financial statement disclosures.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern (Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (“ASU 2014-15”). ASU 2014-15 requires that management assess an entity’s ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. We plan to adopt ASU 2014-15 as of the end of our fiscal year ending March 31, 2017 and do not anticipate adoption will impact our statements of financial position or results of operations.

In April 2015, the FASB issued ASU No. 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* ("ASU 2015-05"). ASU 2015-05 requires that customers apply the same criteria as vendors to determine whether a cloud computing arrangement ("CCA") contains a software license or is solely a service contract. Under ASU 2015-05, fees paid by a customer in a CCA will be within the scope of internal-use software guidance if both of the following criteria are met: 1) the customer has the contractual right to take possession of the software at any time without significant penalty, and 2) it is feasible for the customer to run the software on its own hardware (or to contract with another party to host the software). ASU 2015-05 will be effective for us beginning April 1, 2016, or fiscal 2017. We do not anticipate adoption will impact our statements of financial position or results of operations.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330)* ("ASU 2015-11"). ASU 2015-11 requires that an entity measure all inventory at the lower of cost and net realizable value, except for inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. ASU 2015-11 will become effective for us beginning April 1, 2017, or fiscal 2018. We are currently evaluating the guidance to determine the potential impact on our financial condition, results of operations, cash flows and financial statement disclosures.

NOTE 2: ACQUISITION

On July 29, 2014, we acquired a majority of the assets of Symform, Inc., a Washington corporation, for cash of approximately $0.5 million. The assets, consisting primarily of Symform technology, were recorded as purchased technology and are expected to enhance our cloud software capabilities and service offerings for data protection and scale-out storage. This acquisition was recorded as a business combination and the effect was not material to our financial position, results of operations or cash flows.

NOTE 3: FAIR VALUE

Our assets measured and recorded at fair value on a recurring basis consist of money market funds, which are included in cash and cash equivalents in our Condensed Consolidated Balance Sheets and are valued using quoted market prices (level 1 fair value measurements) at the respective balance sheet dates (in thousands):

	As of	
	September 30, 2015	March 31, 2015
Money market funds	$ 6,154	$ 34,278

We did not record impairments to any non-financial assets in the second quarter or first six months of fiscal 2016 or 2015. We do not have any non-financial liabilities measured and recorded at fair value on a non-recurring basis.

Our financial liabilities were comprised primarily of convertible subordinated debt at September 30, 2015 and March 31, 2015. The carrying value and fair value based on quoted market prices in less active markets (level 2 fair value measurement) were as follows (in thousands):

	As of			
	September 30, 2015		March 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Convertible subordinated debt	$ 152,680	$ 142,811	$ 152,138	$ 166,551

NOTE 4: INVENTORIES

Manufacturing inventories and service parts inventories consisted of the following (in thousands):

	As of	
	September 30, 2015	March 31, 2015
Manufacturing inventories:		
Finished goods	$ 20,246	$ 28,022
Work in process	105	58
Materials and purchased parts	17,641	22,194
	$ 37,992	$ 50,274

	As of	
	September 30, 2015	March 31, 2015
Service parts inventories:		
Finished goods	$ 18,675	$ 18,143
Component parts	4,592	6,497
	$ 23,267	$ 24,640

NOTE 5: INTANGIBLE ASSETS AND GOODWILL

We evaluate our amortizable and indefinite-lived intangible assets ("long-lived assets") for impairment whenever indicators of impairment exist. We concluded the carrying amount of our long-lived assets was recoverable and there was no impairment in the second quarter or first six months of fiscal 2016 or 2015. The following provides a summary of the carrying value of intangible assets (in thousands):

	As of					
	September 30, 2015			March 31, 2015		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Purchased technology	$ 179,992	$ (179,446)	$ 546	$ 179,992	$ (179,261)	$ 731
Trademarks	3,900	(3,900)	—	3,900	(3,900)	—
Customer lists	66,219	(66,219)	—	66,219	(66,219)	—
	$ 250,111	$ (249,565)	$ 546	$ 250,111	$ (249,380)	$ 731

We evaluate goodwill for impairment annually during the fourth quarter of our fiscal year, or more frequently when indicators of impairment are present. There were no changes to goodwill balances during the second quarter or first six months of fiscal 2016. The following table provides a summary of the goodwill balance at bothSeptember 30, 2015 and March 31, 2015 (in thousands):

	Goodwill	Accumulated Impairment Losses	Net Amount
Balance	$ 394,613	$ (339,000)	$ 55,613

NOTE 6: ACCRUED WARRANTY

The changes in the accrued warranty balance were (in thousands):

	Three Months Ended		Six Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Beginning balance	$ 3,600	$ 5,898	$ 4,219	$ 6,116
Additional warranties issued	1,523	1,519	3,130	3,247
Adjustments for warranties issued in prior fiscal years	298	(243)	(69)	140
Settlements	(1,948)	(1,884)	(3,807)	(4,213)
Ending balance	$ 3,473	$ 5,290	$ 3,473	$ 5,290

We warrant our products against certain defects for one to three years. A provision for estimated future costs and estimated returns for repair or replacement relating to warranty is recorded when products are shipped and revenue recognized. Our estimate of future costs to satisfy warranty obligations is primarily based on historical trends and, if believed to be significantly different from historical trends, estimates of future failure rates and future costs of repair. Future costs of repair include materials consumed in the repair, labor and overhead amounts necessary to perform the repair. If we determine in a future period that either actual failure rates or actual costs of repair were to differ from our estimates, we record the impact of those differences in that future period.

NOTE 7: DEBT

On August 7, 2015, our credit agreement with Wells Fargo (as amended, the “WF credit agreement”) was amended to modify the maturity date, increase the amount of foreign accounts receivable and intellectual property assets included in our borrowing base and add an additional liquidity covenant.

Under the WF credit agreement, we have the ability to borrow the lesser of $75 million or the amount of the monthly borrowing base under a senior secured revolving credit facility. We may use proceeds from the WF credit agreement to repay our 3.50% convertible subordinated notes due November 15, 2015 ("3.50% notes") so long as we have a fixed charge coverage ratio of at least 1.5, liquidity of at least $25 million and no default or event of default is continuing under the WF credit agreement on the date of repayment. We have letters of credit totaling $1.0 million, reducing the maximum amount available to borrow to $74.0 million at September 30, 2015. As of September 30, 2015, and during the second quarter and first six months of fiscal 2016, we were in compliance with all covenants and had no outstanding balance on the line of credit. Quarterly, we are required to pay a 0.375% commitment fee on undrawn amounts under the revolving credit facility. The 3.50% notes are included in convertible subordinated debt, current and long-term, as they are due November 15, 2015 but are being repaid using a combination of existing cash and borrowings from our WF credit agreement which matures March 29, 2017.

The WF credit agreement contains financial covenants and customary events of default for such securities, including cross-payment default and cross-acceleration to other material indebtedness for borrowed money which require notice from the trustee or holders of at least 25% of the notes and are subject to a cure period upon receipt of such notice. Average liquidity must exceed $15 million each month, and at all times we must maintain minimum liquidity of $10 million, at least $5 million of which must be excess availability under the WF revolving credit facility. The fixed charge coverage ratio is required to be greater than 1.2 for the 12 month period ending on the last day of any month in which the covenant is applicable. This covenant is applicable only in months in which borrowings exceed $5 million at any time during the month. To avoid triggering mandatory field audits and Wells Fargo controlling our cash receipts, we must maintain liquidity of at least $20 million at all times. The fixed charge coverage ratio, average liquidity, liquidity and excess availability are each defined in the WF credit agreement and/or amendments thereto. Certain schedules in the compliance certificate must be filed monthly if borrowings exceed $5 million; otherwise they are to be filed quarterly.

On October 5, 2015, we entered into a private transaction with a note holder to purchase $81.0 million of aggregate principal amount of the 3.50% notes for $82.4 million, which included $1.1 million of accrued interest. In connection with this transaction, during the third quarter of fiscal 2016, we will record a loss on debt extinguishment of $0.4 million comprised of a loss of $0.3 million from the notes purchased and $0.1 million of unamortized debt issuance costs related to the purchased notes. We used a combination of $66.1 million of proceeds from the WF credit agreement and $16.3 million of cash on hand to fund the purchase and pay the accrued interest. At September 30, 2015, we had $16.3 million of restricted cash deposited in a Wells Fargo controlled account to repay the 3.50% notes and related interest.

NOTE 8: RESTRUCTURING CHARGES

The types of restructuring expense for thethree and six months ended September 30, 2015 and September 30, 2014 were (in thousands):

	Three Months Ended		Six Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Severance and benefits	$ 155	$ (20)	$ 227	$ 105
Facilities	232	647	418	1,374
Other	—	(3)	—	10
Total	$ 387	$ 624	$ 645	$ 1,489

For the second quarter of fiscal 2016, restructuring charges were largely due to facilities costs incurred as a result of a change in the estimate of lease payments for our facilities in the U.S. Additionally, for the first six months of fiscal 2016, we incurred restructuring charges related to facilities costs as a result of further consolidating our facilities in the U.S. For the second quarter and first six months of fiscal 2015, restructuring charges were primarily due to facilities costs as a result of further consolidating our facilities in the U.S.

Accrued Restructuring

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

	Three Months Ended September 30, 2015		
	Severance and Benefits	Facilities	Total
Balance as of June 30, 2015	$ 102	$ 3,453	$ 3,555
Restructuring costs	120	95	215
Adjustment of prior estimates	35	137	172
Cash payments	—	(1,113)	(1,113)
Balance as of September 30, 2015	$ 257	$ 2,572	$ 2,829

	Six Months Ended September 30, 2015		
	Severance and Benefits	Facilities	Total
Balance as of March 31, 2015	$ 189	$ 4,657	$ 4,846
Restructuring costs	223	394	617
Adjustment of prior estimates	4	24	28
Cash payments	(159)	(2,546)	(2,705)
Other non-cash	—	43	43
Balance as of September 30, 2015	$ 257	$ 2,572	$ 2,829

	As of September 30, 2015		
	Severance and Benefits	Facilities	Total
Estimated timing of future payouts:			
Next twelve months	$ 122	$ 1,746	$ 1,868
October 2016 through December 2021	135	826	961
	$ 257	$ 2,572	$ 2,829

Facility restructuring accruals will be paid in accordance with the respective facility lease terms and amounts above are net of estimated sublease amounts.

NOTE 9: STOCK INCENTIVE PLANS AND SHARE-BASED COMPENSATION

Share-Based Compensation

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

	Three Months Ended		Six Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Share-based compensation:				
Cost of revenue	$ 331	$ 333	$ 693	$ 747
Research and development	492	603	1,041	1,383
Sales and marketing	839	887	1,709	1,797
General and administrative	785	846	1,657	1,810
	$ 2,447	$ 2,669	$ 5,100	$ 5,737
Share-based compensation by type of award:				
Stock options	$ —	$ 154	$ 2	$ 311
Restricted stock	2,167	2,315	4,597	5,013
Stock purchase plan	280	200	501	413
	$ 2,447	$ 2,669	$ 5,100	$ 5,737

Stock Incentive Plans - Grants and Fair Value

Stock Options

No stock options were granted during thesecond quarter or first six months of fiscal 2016 or 2015. The Black-Scholes option pricing model is used to estimate the fair value of stock options.

Restricted Stock Units

The fair value of restricted stock units ("RSUs") granted is the intrinsic value as of the respective grant date since the RSUs are granted at no cost to the employee. The weighted-average grant date fair values of RSUs granted during the second quarter and first six months of 2016 were $1.63 and $1.64 per share, respectively. The weighted-average grant date fair value of RSUs granted during the second quarter and first six months of fiscal 2015 was $1.25 per share.

During the second quarter of fiscal 2015, we granted 2.4 million RSUs with performance conditions ("2015 performance RSUs"), and the total fair value of 2015 performance RSUs at the grant date was $3.0 million. These RSUs became eligible for vesting based on Quantum achieving certain revenue and operating income targets through the end of fiscal 2015. During the second quarter and first six months of fiscal 2016, shared-based compensation expense of $0.1 million and $0.2 million, respectively, was recognized for 2015 performance RSUs. During the second quarter and first six months of fiscal 2015, share-based compensation expense for these RSUs was immaterial.

During the second quarter of fiscal 2016, we granted 1.5 million RSUs with performance conditions ("2016 performance RSUs"), and the total fair value of 2016 performance RSUs at the grant date was $2.6 million. These RSUs will become eligible for vesting based on Quantum achieving certain revenue and operating income targets through the end of fiscal 2016. Share-based compensation expense for 2016 performance RSUs is recognized when it is probable that the performance conditions will be achieved. As of September 30, 2015, no share-based compensation expense was recognized for these performance RSUs.

Stock Purchase Plan

Under the Stock Purchase Plan, rights to purchase shares are typically granted during the second and fourth quarter of each fiscal year. The value of rights to purchase shares granted in the second quarter and first six months of fiscal 2016 and fiscal 2015, respectively, was estimated at the date of grant using the Black-Scholes option pricing model. The weighted-average grant date fair values and the assumptions used in calculating fair values for the three and six month periods ended September 30, 2015 and 2014 were as follows:

	Three and Six Months Ended	
	September 30, 2015	September 30, 2014
Option life (in years)	0.5	0.5
Risk-free interest rate	0.09%	0.06%
Stock price volatility	64.61%	32.19%
Weighted-average grant date fair value per share	$ 0.38	$ 0.30

Stock Incentive Plans - Activity

Stock Options

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

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of March 31, 2015	4,944	$ 1.47		
Exercised	(252)	1.05		
Forfeited	(5)	0.58		
Expired	(176)	1.80		
Outstanding as of September 30, 2015	4,511	$ 1.48	1.30	$ 10
Vested and expected to vest at September 30, 2015	4,511	$ 1.48	1.30	$ 10
Exercisable as of September 30, 2015	4,511	$ 1.48	1.30	$ 10

Restricted Stock Units

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

	Shares	Weighted-Average Grant Date Fair Value Per Share
Nonvested at March 31, 2015	13,791	$ 1.34
Granted	6,542	1.64
Vested	(5,814)	1.46
Forfeited	(424)	1.39
Nonvested at September 30, 2015	14,095	$ 1.43

NOTE 10: INCOME TAXES

Income tax provisions for the second quarter and first six months of fiscal 2016 were $0.3 million and $0.7 million, respectively. Income tax provisions for the second quarter and first six months of fiscal 2015 were $0.4 million and $0.6 million, respectively. Income tax provisions for each of these periods reflect expenses for foreign income taxes and state taxes. We have provided a full valuation allowance against our U.S. net deferred tax assets due to our history of net losses, difficulty in predicting future results and our conclusion that we cannot rely on projections of future taxable income to realize the deferred tax assets. Significant management judgment is required in determining our deferred tax assets and liabilities and valuation allowances for purposes of assessing our ability to realize any future benefit from our net deferred tax assets. We intend to maintain this valuation allowance until sufficient positive evidence exists to support a reversal or decrease in this allowance. Future income tax expense will be reduced to the extent that we have sufficient positive evidence to support a reversal of, or decrease in, our valuation allowance.

NOTE 11: NET INCOME (LOSS) PER SHARE

The following is the computation of basic and diluted income (loss) per share (in thousands, except per share data):

	Three Months Ended		Six Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Numerator:				
Net income (loss)	$ (11,227)	$ 1,248	$ (21,982)	$ (3,076)
Denominator:				
Weighted average shares:				
Basic	263,058	254,760	260,766	252,724
Dilutive shares from stock plans	—	2,819	—	—
Diluted	263,058	257,579	260,766	252,724
Basic and diluted net income (loss) per share	$ (0.04)	$ 0.00	$ (0.08)	$ (0.01)

Dilutive and potentially dilutive common shares from the Stock Incentive Plans are determined by applying the treasury stock method to the assumed exercise of outstanding options and the assumed vesting of outstanding restricted stock units. The dilutive impact related to our convertible subordinated notes is determined by applying the if-converted method, which includes adding the related weighted average shares to the denominator and the related interest expense to net income.

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

- For the second quarter and first six months of fiscal 2016 and 2015, 42.5 million weighted average shares related to our 4.50% convertible subordinated notes were excluded. For the second quarter of fiscal 2016 and 2015, $0.9 million of related interest expense was excluded. For the first six months of fiscal 2016 and 2015, $1.8 million of related interest expense was excluded.

- For the second quarter and first six months of fiscal 2016, 19.3 million weighted average shares related to our 3.50% convertible subordinated notes were excluded. For the second quarter and first six months of fiscal 2015, 30.9 million weighted average shares related to these notes were excluded. For the second quarter and first six months of fiscal 2016, $0.9 million and $1.8 million, respectively, of related interest expense was excluded. For the second quarter and first six months of fiscal 2015, $1.4 million and $2.8 million of related interest expense was excluded.

- For the second quarter and first six months of fiscal 2016, options to purchase 4.6 million and 4.7 million, respectively, weighted average shares were excluded. For the second quarter and first six months of fiscal 2015, options to purchase 2.3 million and 7.0 million, respectively, weighted average shares were excluded.

- For the second quarter and first six months of fiscal 2016, unvested RSUs of 12.1 million and 12.6 million, respectively, weighted average shares were excluded. For the second quarter and first six months of fiscal 2015, unvested RSUs of 0.2 million and 12.0 million, respectively, weighted average shares were excluded.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Lease Commitments

During the second quarter of fiscal 2016, we negotiated a five year extension of an operating lease on a building in Irvine, California, which increased our future minimum lease payments under non-cancelable lease agreements by $3.7 million.

Commitments to Purchase Inventory

We use contract manufacturers for our manufacturing operations. Under these arrangements, the contract manufacturer procures inventory to manufacture products based upon our forecast of customer demand. We have similar arrangements with certain other suppliers. We are responsible for the financial impact on the supplier or contract manufacturer of any reduction or product mix shift in the forecast relative to materials that the third party had already purchased under a prior forecast. Such a variance in forecasted demand could require a cash payment for inventory in excess of current customer demand or for costs of excess or obsolete inventory. As of September 30, 2015 and March 31, 2015, we had issued non-cancelable commitments for $27.5 million and $46.0 million, respectively, to purchase inventory from our contract manufacturers and suppliers.

Legal Proceedings

On February 18, 2014, Crossroads Systems, Inc. (“Crossroads”) filed a patent infringement lawsuit against Quantum in the U.S. District Court for the Western District of Texas, alleging infringement of U.S. patents 6,425,035 and 7,934,041. An amended complaint filed on April 15, 2014 also alleged infringement of U.S. patent 7,051,147. Crossroads asserts that we have incorporated Crossroads' patented technology into our StorNext QX and Q-Series lines of disk array products and into our Scalar libraries. Crossroads seeks unspecified monetary damages and injunctive relief. Crossroads has already dismissed all claims of infringement with respect to the StorNext QX and Q-Series products. In July and September of 2014, we filed for Inter Partes Review of all three asserted Crossroads patents before the Patent Trial and Appeal Board and a review has been initiated for all claims. On June 16, 2015, the U.S. District Court, Western District of Texas stayed the Crossroads trial proceedings pending resolution of the Inter Partes Review proceedings. We believe the probability that this lawsuit will have a material adverse effect on our business, operating results or financial condition is remote.

On September 23, 2014, we filed a lawsuit against Crossroads in the U.S. District Court for the Northern District of California alleging patent infringement of our patent 6,766,412 by Crossroads' StrongBox VSeries Library Solution product. We are seeking injunctive relief and the recovery of monetary damages. On December 4, 2014, we amended our complaint alleging infringement of a second patent, 5,940,849, related to Crossroads' SPHiNX product line. On December 16, 2014, we withdrew the amended complaint alleging infringement of the second patent, 5,940,849.

NOTE 13: SUBSEQUENT EVENT

On November 6, 2015, we approved a plan to eliminate approximately65 positions and reduce other expenses to improve our cost structure in order to align spending with revenue expectations. These actions are expected to be completed by March 31, 2016, with the majority occurring by December 31, 2015. The costs associated with these actions consist of one-time termination benefits. Our preliminary estimate of these costs is approximately $2 million, substantially all of which will result in future cash expenditures.

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

FORWARD-LOOKING STATEMENT

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements in this report usually contain the words "will," "estimate," "anticipate," "expect," "believe," "project" or similar expressions and variations or negatives of these words. All such forward-looking statements including, but not limited to, (1) our goals, strategy and expectations for future operating performance including increasing market share, continuing to add customers and increasing revenue and earnings; (2) our expectation that we will continue to derive a substantial portion of our revenue from products based on tape technology; (3) our belief that our existing cash and capital resources will be sufficient to meet all currently planned expenditures, debt service and sustain our operations for at least the next 12 months; (4) our expectations regarding our ongoing efforts to control our cost structure; (5) our expectations regarding the outcome of any litigation in which we are involved; and (6) our business goals, 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, about which we speak only as of the date hereof. As a result, our actual results may differ materially from the forward-looking statements contained herein. Factors that could cause actual results to differ materially from those described herein include, but are not limited to: (1) the amount of orders received in future periods; (2) our ability to timely ship our products; (3) uncertainty regarding information technology spending and the corresponding uncertainty in the demand for our products and services; (4) our ability to maintain supplier relationships; (5) general economic, political and fiscal conditions in the U.S. and internationally; (6) our ability to successfully introduce new products; (7) our ability to capitalize on market demand; (8) our ability to achieve anticipated gross margin levels and (9) those factors discussed under "Risk Factors" in Part II, Item 1A. Our forward-looking statements are not guarantees of future performance. We disclaim any obligation to update information in any forward-looking statement.

OVERVIEW

We believe our combination of expertise, innovation and platform independence enables us to solve scale-out storage and data protection challenges more easily, cost-effectively and securely than competitive offerings. We earn our revenue from the sale of products, systems and services through an array of channel partners and our sales force. Our products are sold under both the Quantum brand name and the names of various OEM customers. Our scale-out storage solutions include StorNext® software, StorNext appliances, which include StorNext disk storage and StorNext-related tape storage, StorNext Pro™ Solutions, Lattus®™ extended online storage systems and Q-Cloud®™ Archive and are designed to help customers manage large unstructured data sets in an information workflow, encompassing high-performance ingest, real-time collaboration, scalable processing, intelligent protection and high-value monetization. Our data protection solutions include DXi® deduplication backup systems and Scalar® automated tape libraries that optimize backup and recovery, simplify management and lower cost. Our vmPRO™ virtual server backup and disaster recovery offerings protect virtual environments while minimizing the impact on servers and storage. In addition, we offer software for cloud backup and disaster recovery of physical and virtual servers. We have a full range of services and the global scale and scope to support our worldwide customer base.

Our goal for fiscal 2016 is to continue to focus on growing scale-out storage revenue, leveraging our data protection install base and infrastructure and increasing overall profitability to deliver shareholder value. We are focused on expanding our scale-out storage footprint in key vertical markets and use cases, which include video production, surveillance and intelligence and technical applications, on investing in new solutions and dedicating specialized resources to capitalize on the opportunities, and leveraging our broader sales force for market coverage and customer relationships. Outside of scale-out storage, our strategy is to continue leveraging our technology leadership, our extensive customer base and our channel and technology partnerships to generate profit and cash from our data protection offerings.

During the second quarter of fiscal 2016, the storage market continued to undergo significant change, and the overall environment remained challenging, but we continued to gain traction in scale-out storage markets and use cases beyond media and entertainment including video surveillance and technical applications. Building on our strength in tape automation, we announced enhancements to the Scalar i6000, including doubling drive density and adding web services management capabilities. We established a new partnership with Veeam to maximize data availability for virtual environments. Leveraging Veeam Backup & Replication software and our DXi, customers can restore files in seconds and virtual machines in minutes, while reducing both on-premise and disaster recovery site storage costs compared to traditional backup applications.

On October 5, 2015, we entered into a private transaction with a note holder to purchase $81.0 million of aggregate principal amount of the 3.50% notes for $82.4 million, which included $1.1 million of accrued interest. In connection with this transaction, during the third quarter of fiscal 2016, we will record a loss on debt extinguishment of $0.4 million comprised of a loss of $0.3 million from the notes purchased and $0.1 million of unamortized debt issuance costs related to the purchased notes. We used a combination of $66.1 million of proceeds from the WF credit agreement and $16.3 million of cash on hand to fund the purchase and pay the accrued interest. We plan to repay the remaining $2.7 million balance of the 3.50% notes no later than maturity utilizing our line of credit. We believe our current cash, balance sheet resources and line of credit availability are sufficient to repay the remaining outstanding balance of the 3.50% notes and operate our business. For additional information regarding our 3.50% notes, refer to "Liquidity and Capital Resources."

Results

We had total revenue of $117.0 million in the second quarter of fiscal 2016, an $18.1 million decrease from the second quarter of fiscal 2015, primarily due to decreased revenue from data protection tape automation systems, disk backup systems, royalties and service, partially offset by an increase in revenue from scale-out storage solutions. Our branded product and service revenue decreased 10% from the second quarter of fiscal 2015 primarily due to decreased data protection tape automation and disk backup systems revenue, partially offset by increased scale-out storage solutions revenue. Revenue from branded scale-out storage solutions increased compared to the prior year in both North America and EMEA. Our continued focus on our branded business is reflected in a greater proportion of non-royalty revenue from branded business, reaching 90% in the second quarter of fiscal 2016, compared to 86% in the second quarter of fiscal 2015.

Our gross margin percentage decreased 620 basis points from the second quarter of fiscal 2015 to 39.6% primarily due to a combination of lower revenue and a decrease in material margin related to changes in our overall revenue mix. Higher margin service and royalty revenue decreased, and lower margin products comprised a higher portion of our product revenue. In addition, we are experiencing overall pricing pressure in the storage market, which has resulted in increased discounting.

Operating expenses decreased $2.1 million, or 4% from the second quarter of fiscal 2015 primarily due to a decrease in compensation and benefits from recognition of a profit sharing bonus in fiscal 2015 and reduced staffing levels in our engineering operations. Commission expense also decreased on lower branded revenue. These decreases were partially offset by an increase in advertising and marketing expense.

Our operating results declined by $13.5 million, from $3.8 million in income from operations in the second quarter of fiscal 2015 to a loss from operations of $9.6 million in the second quarter of fiscal 2016. We used $2.3 million in cash from operations in the first six months of fiscal 2016 compared to $8.6 million of cash generated from operations in the first six months of fiscal 2015. Interest expense decreased by $0.5 million in the second quarter of fiscal 2016 as a result of the purchase of $50.0 million of aggregate principal amount of 3.50% notes in January 2015. We ended the quarter with $65.3 million in cash, cash equivalents and restricted cash.

RESULTS OF OPERATIONS

Revenue

(Dollars in thousands)	Three Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
Product revenue	$ 71,057	60.7%	$ 85,216	63.1%	$ (14,159)	(16.6)%
Service revenue	37,247	31.8%	39,157	29.0%	(1,910)	(4.9)%
Royalty revenue	8,721	7.5%	10,733	7.9%	(2,012)	(18.7)%
Total revenue	$ 117,025	100.0%	$ 135,106	100.0%	$ (18,081)	(13.4)%

(Dollars in thousands)	Six Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
Product revenue	$ 133,776	58.7%	$ 165,410	62.8%	$ (31,634)	(19.1)%
Service revenue	75,186	33.0%	77,657	29.5%	(2,471)	(3.2)%
Royalty revenue	18,919	8.3%	20,167	7.7%	(1,248)	(6.2)%
Total revenue	$ 227,881	100.0%	$ 263,234	100.0%	$ (35,353)	(13.4)%

Total revenue decreased from the second quarter of fiscal 2015 primarily due to decreased revenue from data protection tape automation systems, disk backup systems, royalties and service, partially offset by an increase in revenue from scale-out storage solutions. Total revenue decreased from the first six months of fiscal 2015 primarily due to reduced revenue from branded and OEM tape automation, disk backup systems and devices and media, partially offset by increased revenue from scale-out storage solutions.

We believe the changes in our product and service revenue are driven by the changing storage environment, including increased market demand for scale-out storage solutions and reduced demand for data protection tape products. Revenue from branded data protection products and services decreased $14.8 million, or 18%, from the second quarter of fiscal 2015 and $36.3 million, or 22%, from the first six months of fiscal 2015 largely due to decreases in tape automation systems, disk backup systems and media revenue. Data protection products include our tape automation systems, disk backup systems and devices and media offerings. Revenue from branded scale-out storage solutions and services increased $4.4 million, or 17%, from the second quarter of fiscal 2015 and $14.2 million, or 33%, from the first six months of fiscal 2015 largely due to increased sales of our StorNext appliances. Scale-out storage solutions include StorNext software, StorNext appliances, which include StorNext disk storage and StorNext-related tape storage, StorNext Pro Solutions, Lattus extended online storage solutions and Q-Cloud Archive. In addition, OEM product and service revenue, which primarily is comprised of data protection tape automation systems, decreased $5.7 million from the second quarter of fiscal 2015 and $12.0 million from the first six months of fiscal 2015. Royalty revenue decreased primarily due to lower LTO media technology royalties during the second quarter and first six months of fiscal 2016.

Product Revenue

Total product revenue, which includes sales of our hardware and software products sold through both our Quantum branded and OEM channels, decreased $14.2 million and $31.6 million, respectively, in the second quarter and first six months of fiscal 2016 compared to the prior year periods. The decrease in product revenue for the second quarter of fiscal 2016 was primarily due to lower sales of branded and OEM tape automation systems and disk backup systems, partially offset by increased sales of scale-out storage solutions. The decrease in product revenue for the first six months of fiscal 2016 was largely due to lower sales of branded and OEM tape automation systems, media and disk backup systems, partially offset by increased sales of scale-out storage solutions. Revenue from sales of branded products decreased 13% and 15%, respectively, and sales of products to our OEM customers decreased 34% and 37%, respectively, in the second quarter and first six months of fiscal 2016 compared to the prior year periods.

(Dollars in thousands)	Three Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
Tape automation systems	$ 25,414	21.7%	$ 37,857	28.0%	$ (12,443)	(32.9)%
Disk backup systems	9,874	8.4%	12,860	9.5%	(2,986)	(23.2)%
Devices and media	11,525	9.8%	12,993	9.6%	(1,468)	(11.3)%
Scale-out storage solutions	24,244	20.8%	21,506	16.0%	2,738	12.7 %
Total product revenue	$ 71,057	60.7%	$ 85,216	63.1%	$ (14,159)	(16.6)%

(Dollars in thousands)	Six Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
Tape automation systems	$ 46,036	20.2%	$ 75,763	28.8%	$ (29,727)	(39.2)%
Disk backup systems	18,568	8.1%	22,671	8.6%	(4,103)	(18.1)%
Devices and media	22,429	9.8%	30,718	11.7%	(8,289)	(27.0)%
Scale-out storage solutions	46,743	20.6%	36,258	13.7%	10,485	28.9 %
Total product revenue	$ 133,776	58.7%	$ 165,410	62.8%	$ (31,634)	(19.1)%

Branded data protection tape automation revenue declined 32%, or $7.5 million, and 41%, or $19.6 million, respectively, compared to OEM tape automation revenue decreases of 34%, or $4.9 million, and 36%, or $10.1 million, respectively, in the second quarter and first six months of 2016 compared to the prior year periods. The decline in branded data protection tape automation revenue for both the second quarter and first six months of fiscal 2016 resulted from decreased sales in all product categories - enterprise, midrange, and entry-level systems, with decreases in enterprise systems accounting for the largest portion of the overall decline.

Revenue from disk backup systems decreased in the second quarter and first six months of 2016 compared to the prior year periods. During the second quarter and first six months of fiscal 2016, decreases in revenue from our midrange systems, enterprise systems and OEM deduplication software revenue were offset by increased sales of entry-level systems, driven by sales of DXi 4700.

Product revenue from devices, which includes tape drives and removable hard drives, and non-royalty media sales decreased during the second quarter and first six months of fiscal 2016 primarily due to lower media sales.

Our scale-out storage solutions revenue increased during the second quarter and first six months of fiscal 2016 compared to the prior year periods primarily due to increased sales of StorNext appliances, which include StorNext disk storage and StorNext-related tape storage. Increased revenue from StorNext appliances during the second quarter of fiscal 2016 was partially offset by decreased revenue from Lattus extended online storage.

Service Revenue

Service revenue is primarily comprised of hardware service contracts, which are typically purchased by our customers to extend the warranty, to provide faster service response time, or both. Service revenue decreased during the second quarter and first six months of fiscal 2016 due to decreased service revenue for our data protection products which was partially offset by increased revenue from branded service contracts for our StorNext appliances.

Royalty Revenue

Royalty revenue decreased compared to the second quarter and first six months of fiscal 2016 primarily due to lower LTO media royalties from LTO generations 1 through 5, offset by an increase in LTO 6.

Gross Margin

(Dollars in thousands)	Three Months Ended					
	September 30, 2015	Gross margin %	September 30, 2014	Gross margin %	Change	Basis point change
Product gross margin	$ 17,984	25.3%	$ 29,623	34.8%	$ (11,639)	(950)
Service gross margin	19,612	52.7%	21,573	55.1%	(1,961)	(240)
Royalty gross margin	8,721	100.0%	10,733	100.0%	(2,012)	—
Gross margin	$ 46,317	39.6%	$ 61,929	45.8%	$ (15,612)	(620)

(Dollars in thousands)	Six Months Ended					
	September 30, 2015	Gross margin %	September 30, 2014	Gross margin %	Change	Basis point change
Product gross margin	$ 33,739	25.2%	$ 54,909	33.2%	$ (21,170)	(800)
Service gross margin	40,624	54.0%	42,379	54.6%	(1,755)	(60)
Royalty gross margin	18,919	100.0%	20,167	100.0%	(1,248)	—
Gross margin	$ 93,282	40.9%	$ 117,455	44.6%	$ (24,173)	(370)

The decrease in gross margin percentage for the second quarter and first six months of fiscal 2016 compared to the prior year periods was primarily driven by decreased product revenue and a shift in revenue mix from higher margin products to lower margin products during the second quarter and first six months of fiscal 2016.

Product Margin

Product gross margin decreased 950 basis points and 800 basis points, respectively, during the second quarter and first six months of fiscal 2016 compared to the prior year periods. This decrease was the result of a combination of lower revenue and a decrease in material margin. The decrease in material margin was due to both a shift in revenue mix from higher margin products to lower margin products and increased discounting from overall pricing pressure in the storage market.

Service Margin

Service gross margin decreased 9%, or 240 basis points and 4%, or 60 basis points, respectively, in the second quarter and first six months of 2016 compared to the prior year periods. The decreased service margin percentage was primarily due to decreases in service revenue during the respective periods.

Royalty Margin

Royalties typically do not have related cost of sales and have a 100% gross margin percentage. Therefore, royalty gross margin dollars vary directly with royalty revenue. Royalty revenue and related gross margin dollars decreased $2.0 million and $1.2 million, respectively, in the second quarter and first six months of fiscal 2016 compared to the prior year periods.

Research and Development Expenses

(Dollars in thousands)	Three Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
Research and development	$ 13,370	11.4%	$ 15,157	11.2%	$ (1,787)	(11.8)%

(Dollars in thousands)	Six Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
Research and development	$ 26,693	11.7%	$ 29,711	11.3%	$ (3,018)	(10.2)%

The decrease in research and development expense in the second quarter and first six months of fiscal 2016 compared to the second quarter and first six months of fiscal 2015 was primarily due to decreases of $2.0 million and a $2.8 million, respectively, in compensation and benefits related to lower staffing levels and a recognition of a profit sharing bonus in fiscal 2015.

Sales and Marketing Expenses

(Dollars in thousands)	Three Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
Sales and marketing	$ 28,043	24.0%	$ 28,218	20.9%	$ (175)	(0.6)%

(Dollars in thousands)	Six Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
Sales and marketing	$ 55,648	24.4%	$ 55,923	21.2%	$ (275)	(0.5)%

The small decrease in sales and marketing expense in the second quarter and first six months of fiscal 2016 compared to the second quarter and first six months of fiscal 2015 was primarily the net result of decreases of $0.9 million and $2.8 million, respectively, in intangible amortization expense due to certain intangibles becoming fully amortized during fiscal 2015 and decreases of $0.9 million and $1.4 million, respectively, in commission expense due to lower branded product revenue, mostly offset by increases of $1.2 million and $2.2 million, respectively, in advertising and marketing expense and increases of $0.3 million and $0.3 million, respectively, in travel expenses. In addition, the decreases in the first six months of fiscal 2016 compared to the first six months of fiscal 2015 were offset by a $0.6 million increase in sponsored employee activities from higher spending on sales-related meetings and a $0.3 million increase in compensation and benefits due to increased staffing levels.

General and Administrative Expenses

(Dollars in thousands)	Three Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
General and administrative	$ 14,136	12.1%	$ 14,085	10.4%	$ 51	0.4 %

(Dollars in thousands)	Six Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
General and administrative	$ 28,122	12.3%	$ 28,456	10.8%	$ (334)	(1.2)%

The net small increase for the second quarter of fiscal 2016 and the net decrease for the first six months of fiscal 2016 in general and administrative expense compared to the prior year periods was largely due to a $0.7 million refund received for IT purchases in the second quarter of fiscal 2015, partially offset by decreases of $0.5 million and $0.6 million for the second quarter and first six months of fiscal 2016, respectively, in compensation and benefits due to recognition of a profit sharing bonus in fiscal 2015. In addition, software expense for the first six months of fiscal 2016 decreased $0.5 million due to software upgrade costs incurred in fiscal 2015.

Restructuring Charges

(Dollars in thousands)	Three Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
Restructuring charges	$ 387	0.3%	$ 624	0.5%	$ (237)	(38.0)%

(Dollars in thousands)	Six Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
Restructuring charges	$ 645	0.3%	$ 1,489	0.6%	$ (844)	(56.7)%

For the second quarter of fiscal 2016, restructuring charges were largely due to facilities costs incurred as a result of a change in the estimate of lease payments for our facilities in the U.S. Additionally, for the first six months of fiscal 2016, we incurred restructuring charges related to facilities costs as a result of further consolidating our facilities in the U.S. For the second quarter and first six months of fiscal 2015, restructuring charges were primarily due to facilities costs as a result of further consolidating our facilities in the U.S.

Gain on Sale of Assets

(Dollars in thousands)	Six Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
Gain on sale of assets	$ —	—%	$ 462	0.2%	$ (462)	(100)%

The gain on sale of assets was primarily due to the sale of IP addresses in the first six months of fiscal 2015.

Other Income and Expense

(Dollars in thousands)	Three Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
Other income and expense	$ 714	0.6%	$ 215	0.2%	$ 499	232.1%

(Dollars in thousands)	Six Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
Other income and expense	$ 428	0.2%	$ 90	0.0%	$ 338	375.6%

The increase in other income and expense in the second quarter and first six months of fiscal 2016 compared to the second quarter and first six months of fiscal 2015 was primarily due to $0.4 million and $0.3 million, respectively, of investment gains in private technology venture limited partnerships.

Interest Expense

(Dollars in thousands)	Three Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
Interest expense	$ 1,975	1.7%	$ 2,456	1.8%	$ (481)	(19.6)%

(Dollars in thousands)	Six Months Ended					
	September 30, 2015	% of revenue	September 30, 2014	% of revenue	Change	% Change
Interest expense	$ 3,898	1.7%	$ 4,900	1.9%	$ (1,002)	(20.4)%

The decrease in interest expense in the second quarter and first six months of fiscal 2016 compared to the second quarter and first six months of fiscal 2015 was primarily due to the purchase of $50.0 million of aggregate principal amount of 3.50% convertible subordinated notes in January 2015.

Income Taxes

(Dollars in thousands)	Three Months Ended September 30, 2015	% of pre-tax loss	September 30, 2014	% of pre-tax income	Change	% Change
Income tax provision	$ 347	(3.2)%	$ 356	22.2 %	$ (9)	(2.5)%

(Dollars in thousands)	Six Months Ended September 30, 2015	% of pre-tax loss	September 30, 2014	% of pre-tax loss	Change	% Change
Income tax provision	$ 686	(3.2)%	$ 604	(24.4)%	$ 82	13.6 %

The income tax provision for the second quarter and first six months of both fiscal 2016 and fiscal 2015 reflects expenses for foreign income taxes and state taxes. We have provided a full valuation allowance against our U.S. net deferred tax assets due to our history of net losses, difficulty in predicting future results and our conclusion that we cannot rely on projections of future taxable income to realize the deferred tax assets.

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

Amortization of Intangible Assets

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

	Three Months Ended September 30, 2015	September 30, 2014	Change	% Change
Cost of revenue	$ 48	$ 215	$ (167)	(77.7)%
Sales and marketing	—	928	(928)	(100.0)%
	$ 48	$ 1,143	$ (1,095)	(95.8)%

	Six Months Ended September 30, 2015	September 30, 2014	Change	% Change
Cost of revenue	$ 185	$ 593	$ (408)	(68.8)%
Sales and marketing	—	2,784	(2,784)	(100.0)%
	$ 185	$ 3,377	$ (3,192)	(94.5)%

The decrease in intangible amortization in the second quarter and first six months of fiscal 2016 compared to the second quarter and first six months of fiscal 2015 was primarily due to certain intangibles becoming fully amortized during fiscal 2015. For further information regarding amortizable intangible assets, refer to Note 5 “Intangible Assets and Goodwill.”

Share-based Compensation

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

	Three Months Ended			
	September 30, 2015	September 30, 2014	Change	% Change
Cost of revenue	$ 331	$ 333	$ (2)	(0.6)%
Research and development	492	603	(111)	(18.4)%
Sales and marketing	839	887	(48)	(5.4)%
General and administrative	785	846	(61)	(7.2)%
	$ 2,447	$ 2,669	$ (222)	(8.3)%

	Six Months Ended			
	September 30, 2015	September 30, 2014	Change	% Change
Cost of revenue	$ 693	$ 747	$ (54)	(7.2)%
Research and development	1,041	1,383	(342)	(24.7)%
Sales and marketing	1,709	1,797	(88)	(4.9)%
General and administrative	1,657	1,810	(153)	(8.5)%
	$ 5,100	$ 5,737	$ (637)	(11.1)%

The decrease in share-based compensation expense in the second quarter and first six months of fiscal 2016 compared to the second quarter and first six months of fiscal 2015 was primarily due to decreases of $0.2 million and $0.3 million, respectively, in stock options expense as options became fully vested early in the first quarter of fiscal 2016 and decreases of $0.1 million and $0.4 million, respectively, in the fair value of restricted stock units.

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources and Financial Condition

As of September 30, 2015, we had $46.2 million of cash and cash equivalents, which is comprised of money market funds and cash deposits.

We continue to focus on improving our operating performance, including efforts to increase revenue and to control costs in order to improve margins, return to consistent profitability and 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, debt service and contractual obligations and to sustain operations for at least the next 12 months. This belief is dependent upon our ability to achieve gross margin projections and to control operating expenses in order to provide positive cash flow from operating activities. Should we be unable to meet our gross margin or expense objectives, it would likely have a material negative effect on our cash balances and capital resources.

The following is a description of our existing capital resources including outstanding balances, funds available to borrow and primary repayment terms including interest rates.

As of September 30, 2015, we had $153.7 million of convertible subordinated debt outstanding (excluding unamortized debt issuance costs) in addition to a line of credit under a Wells Fargo credit agreement, inclusive of amendments (“WF credit agreement”). The $153.7 million of convertible subordinated debt was comprised of $83.7 million of 3.50% convertible subordinated notes due November 15, 2015 (“3.50% notes”) and $70 million of 4.50% convertible subordinated notes due November 15, 2017 (“4.50% notes”). Both the 3.50% notes and the 4.50% notes have required semi-annual interest payments and have no early call provisions. Interest payments related to the 3.50% notes and 4.50% notes are paid on May 15 and November 15 of each year. We paid $1.5 million of interest on the 3.50% notes and $1.6 million of interest on the 4.50% notes in the first six months of fiscal 2016. At September 30, 2015, we had $74.0 million available for borrowing under the WF credit agreement and $16.3 million of restricted cash deposited in a Wells Fargo controlled account to repay the 3.50% notes and related interest.

On October 5, 2015, we entered into a private transaction with a note holder to purchase $81.0 million of aggregate principal amount of the 3.50% notes for $82.4 million, which included $1.1 million of accrued interest. In connection with this transaction, during the third quarter of fiscal 2016, we will record a loss on debt extinguishment of $0.4 million comprised of a loss of $0.3 million from the notes purchased and $0.1 million of unamortized debt issuance costs related to the purchased notes. We used a combination of $66.1 million of proceeds from the WF credit agreement and $16.3 million of cash on hand to fund the purchase and pay the accrued interest.

Under the WF credit agreement, as amended, we have the ability to borrow the lesser of $75 million or the amount of the monthly borrowing base under a senior secured revolving credit facility. We have letters of credit totaling $1.0 million, reducing the maximum amount available to borrow by this amount. After the October 5, 2015 private transaction, we have $7.9 million available to borrow under the WF credit agreement. We plan to use proceeds from the WF credit agreement to repay the remaining $2.7 million balance of the 3.50% notes no later than maturity so long as we have a fixed charge coverage ratio of at least 1.5, liquidity of at least $25 million and no default or event of default is continuing under the WF credit agreement on the date of repayment. The WF credit agreement matures March 29, 2017. Quarterly, we are required to pay a 0.375% commitment fee on undrawn amounts under the revolving credit facility. There is a blanket lien on all of our assets under the WF credit agreement in addition to certain financial and reporting covenants. As of September 30, 2015, and during the second quarter and first six months of fiscal 2016, we were in compliance with all covenants.

The WF credit agreement contains financial covenants and customary events of default for such securities, including cross-payment default and cross-acceleration to other material indebtedness for borrowed money which require notice from the trustee or holders of at least 25% of the notes and are subject to a cure period upon receipt of such notice. Average liquidity must exceed $15 million each month, and at all times we must maintain minimum liquidity of $10 million, at least $5 million of which must be excess availability under the WF revolving credit facility. The fixed charge coverage ratio is required to be greater than 1.2 for the 12 month period ending on the last day of any month in which the covenant is applicable. This covenant is applicable only in months in which borrowings exceed $5 million at any time during the month. To avoid triggering mandatory field audits and Wells Fargo controlling our cash receipts, we must maintain liquidity of at least $20 million at all times. The fixed charge coverage ratio, average liquidity, liquidity and excess availability are each defined in the WF credit agreement and/or amendments. Certain schedules in the compliance certificate must be filed monthly if borrowings exceed $5 million; otherwise they are to be filed quarterly.

Generation of positive cash flow from operating activities has historically been, and will continue to be, an important source of cash to fund operating needs and meet our current and long-term obligations. We may choose to raise additional capital if strategically advantageous to the company. We can provide no assurance that such financing would be available to us on commercially acceptable terms or at all.

We have taken many actions in recent years and are continuing to take such actions to offset the negative impact of economic uncertainty and slow economic growth and their impact on the data protection and scale-out storage markets. 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 business. 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 lenders 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, or
- Approve any amendments to the credit agreement we may seek to obtain in the future.

Any lack of renewal, waiver or amendment, if needed, could result in the revolving credit line becoming unavailable to us and any amounts outstanding becoming immediately due and 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, could have a material and adverse effect on our results of operations, available cash and cash flows, financial condition, access to capital and liquidity.

Cash Flows

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

	Six Months Ended	
	September 30, 2015	September 30, 2014
Net loss	$ (21,982)	$ (3,076)
Net cash provided by (used in) operating activities	(2,345)	8,551
Net cash used in investing activities	(1,721)	(1,932)
Net cash used in financing activities	(17,641)	(654)

Six Months Ended September 30, 2015

The $19.6 million difference between net loss and net cash used in operating activities during the six months ended September 30, 2015 was primarily due to a $31.9 million decrease in accounts receivable and $12.4 million in non-cash items, the largest of which were share-based compensation, depreciation and service parts lower of cost or market adjustment, partially offset by a $16.4 million decrease in deferred revenue and a $10.9 million decrease in accrued compensation. The decrease in accounts receivable was due to lower revenue in the second quarter of fiscal 2016 compared to the fourth quarter of fiscal 2015 and the timing of cash collections. The decrease in deferred revenue was largely due to a decrease in deferred service contracts revenue, primarily driven by seasonality. The majority of our service contracts renew in our third and fourth fiscal quarters. The decrease in accrued compensation was primarily due to payment of a profit sharing bonus accrued in fiscal 2015 and a lower commission accrual related to lower branded revenue.

Cash used in investing activities was primarily due to $1.6 million of property and equipment purchases. Equipment purchases were primarily for engineering equipment for product development, IT servers and firewall upgrades and leasehold improvements in our Colorado Springs facility.

Cash used in financing activities was primarily due to the transfer of $16.3 million from cash to restricted cash that was required by our WF credit agreement to be held in a Wells Fargo controlled account to repay the 3.50% notes.

Six Months Ended September 30, 2014

The $11.6 million difference between net loss and net cash provided by operating activities during the six months ended September 30, 2014 was primarily due to $16.2 million in non-cash items, the largest of which were share-based compensation, depreciation, amortization and service parts lower of cost or market adjustment. In addition, we had an $8.7 million decrease in accounts receivable, which was offset by an $11.9 million decrease in deferred revenue. The decrease in accounts receivable was primarily due to decreased service contract invoicing in the second quarter of fiscal 2015 compared to the fourth quarter of fiscal 2014. The decrease in deferred revenue was largely due to a typical seasonal decline in service contract volumes.

Cash used in investing activities reflects $1.9 million of property and equipment purchases and $0.5 million of cash paid for our acquisition of Symform, Inc. Equipment purchases were primarily for engineering equipment for product development and permanent demo units.

Off Balance Sheet Arrangements

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. We also have equipment leases for computers and other office equipment. During the second quarter of fiscal 2016, we negotiated a five year extension of an operating lease on a building in Irvine, California, which increased our future minimum lease payments under non-cancelable lease agreements by $3.7 million.

Commitments to Purchase Inventory

We use contract manufacturers for our manufacturing operations. Under these arrangements, the contract manufacturer procures inventory to manufacture products based upon our forecast of customer demand. We have similar arrangements with certain other suppliers. We are responsible for the financial impact on the supplier or contract manufacturer of any reduction or product mix shift in the forecast relative to materials that the third party had already purchased under a prior forecast. Such a variance in forecasted demand could require a cash payment for inventory in excess of current customer demand or for costs of excess or obsolete inventory. As of September 30, 2015 and March 31, 2015, we had issued non-cancelable commitments for $27.5 million and $46.0 million, respectively, to purchase inventory from our contract manufacturers and suppliers.

Accrued restructuring

As of September 30, 2015, we had $2.8 million of accrued restructuring primarily composed of $2.6 million in accrued facility restructuring, which is net of estimated sublease amounts. Payments for the accrued facility restructuring will be made monthly in accordance with the respective facility lease terms, which continue through December 2021.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Our discussion and analysis of the financial condition and results of operations are based on the accompanying unaudited 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. The accounting estimates requiring our most difficult, subjective or complex judgments because these matters are inherently uncertain are unchanged. These critical accounting estimates and policies have been disclosed in our Annual Report on Form 10-K for the year ended March 31, 2015 filed with the Securities and Exchange Commission on June 12, 2015.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Changes in interest rates affect interest income earned on our cash equivalents, which consisted solely of money market funds during the second quarter and first six months of fiscal 2016. During the second quarter and first six months of fiscal 2016, interest rates on these funds were under 1.0%, and we earned negligible amounts in interest income, thus a hypothetical 100 basis point decrease in interest rates would have an insignificant impact on interest income.

We had no outstanding borrowings under the WF credit agreement during the first six months of fiscal 2016 and our convertible subordinated notes have a fixed interest rate, thus a hypothetical 100 basis point increase in interest rates would have no impact on interest expense in the first six months of fiscal 2016.

Interest accrues on the line of credit borrowing at LIBOR plus a margin of 2.0%. The interest rate on the line of credit borrowing is locked for three months at 2.34%, expiring on December 31, 2015. For a further description of our outstanding debt, see the section captioned “Liquidity and Capital Resources” in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Foreign Exchange Risk

We conduct business in certain international markets, primarily in the European Union. Because we operate in international markets, we have exposure to different economic climates, political arenas, tax systems and regulations that could affect foreign exchange rates. Our primary exposure to foreign currency risk relates to transacting in foreign currency and recording the activity in U.S. dollars. Changes in exchange rates between the U.S. dollar and these other currencies will result in transaction gains or losses, which we recognize in our Condensed Consolidated Statements of Operations.

To the extent practicable, we minimize our foreign currency exposures by maintaining natural hedges between our assets and liabilities and revenues and expenses denominated in foreign currencies. We have entered into foreign currency option contracts in the past and we may enter into foreign exchange derivative contracts or other economic hedges in the future. Our goal in managing our foreign exchange risk is to reduce to the extent practicable our potential exposure to the changes that exchange rates might have on our earnings. We make a number of estimates in conducting hedging. In the event those estimates differ significantly from actual results, we could experience greater volatility as a result of our hedges.

ITEM 4. CONTROLS AND PROCEDURES

(a) *Evaluation of disclosure controls and procedures.* We evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by the Quarterly Report on Form 10-Q. This control evaluation was performed under the supervision and with the participation of management, including our CEO and our CFO. Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified by the SEC. Disclosure controls are also designed to ensure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate, to allow timely decisions regarding the required disclosure. Based on the controls evaluation, our CEO and CFO have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls were effective.

(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.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On February 18, 2014, Crossroads Systems, Inc. ("Crossroads") filed a patent infringement lawsuit against Quantum in the U.S. District Court for the Western District of Texas, alleging infringement of U.S. patents 6,425,035 and 7,934,041. An amended complaint filed on April 15, 2014 also alleged infringement of U.S. patent 7,051,147. Crossroads asserts that we have incorporated Crossroads' patented technology into our StorNext QX and Q-Series lines of disk array products and into our Scalar libraries. Crossroads seeks unspecified monetary damages and injunctive relief. Crossroads has already dismissed all claims of infringement with respect to the StorNext QX and Q-Series products. In July and September of 2014, we filed for Inter Partes Review of all three asserted Crossroads patents before the Patent Trial and Appeal Board and a review has been initiated for all claims. On June 16, 2015, the U.S. District Court, Western District of Texas stayed the Crossroads trial proceedings pending resolution of the Inter Partes Review proceedings. We believe the probability that this lawsuit will have a material adverse effect on our business, operating results or financial condition is remote.

On September 23, 2014, we filed a lawsuit against Crossroads in the U.S. District Court for the Northern District of California alleging patent infringement of our patent 6,766,412 by Crossroads' StrongBox VSeries Library Solution product. We are seeking injunctive relief and the recovery of monetary damages. On December 4, 2014, we amended our complaint alleging infringement of a second patent, 5,940,849, related to Crossroads' SPHiNX product line. On December 16, 2014, we withdrew the amended complaint alleging infringement of the second patent, 5,940,849.

ITEM 1A. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED BELOW, TOGETHER WITH ALL OF THE OTHER INFORMATION INCLUDED IN THIS QUARTERLY REPORT ON FORM 10-Q. 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.

We derive the majority of our revenue from products incorporating tape technology. Our future operating results depend in part on continued market acceptance and use of products employing tape technology, and decreases in the market have materially and adversely impacted our business, financial condition and operating results. In addition, if we are unable to compete with new or alternative storage technologies, our business, financial condition and operating results could be materially and adversely affected.

We currently derive the majority of our revenue from products that incorporate some form of tape technology, and we may continue to derive significant revenue from these products in the next several years. As a result, our future operating results depend in part on continued market acceptance and use of products employing tape technology. We believe that the storage environment is changing, including reduced demand for tape products. Decreased market acceptance or use of products employing tape technology has materially and adversely impacted our business, financial condition and operating results and we expect that our revenues from tape products will continue to decline, which could materially and adversely impact our business, financial condition and operating results in the future.

Disk products as well as various software solutions and alternative technologies continue to gain broader market acceptance. We expect that, over time, many of our tape customers will continue to migrate toward these products and solutions and that revenue from these products and solutions will generate a greater proportion of our revenue. While we are making targeted investment in software, disk backup systems and other alternative technologies, these markets are characterized by rapid innovation, evolving customer demands and strong competition, including competition with several companies who are also significant customers. If we are not successful in our efforts, our business, financial condition and operating results could be materially and adversely affected.

We have significant indebtedness, which imposes upon us debt service obligations, and our credit facility contains various operating and financial covenants that limit our discretion in the operation of our business. If we are unable to generate sufficient cash flows from operations and overall operating results to meet these debt obligations or remain in compliance with the covenants, our business, financial condition and operating results could be materially and adversely affected.

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 and operating results to remain in compliance with our covenants and pay the principal and interest on our indebtedness as it becomes due. For further description of our outstanding debt, see the section captioned "Liquidity and Capital Resources" in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

As a result of our indebtedness:

- Our ability to invest in the growth areas of our business is constrained by the financial covenants contained in our credit agreement, which require us to maintain a minimum fixed charge coverage ratio and liquidity levels;
- We must dedicate a 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;
- Our flexibility in planning for, or reacting to, changes and opportunities in the markets in which we compete may be limited, including our ability to engage in mergers and acquisitions activity, which may place us at a competitive disadvantage;
- We are subject to mandatory field audits and control of cash receipts by the lender if we do not maintain liquidity above certain thresholds;
- We may be more vulnerable to adverse economic and industry conditions;
- We may be unable to make payments on other indebtedness or obligations; and
- We may be unable to incur additional debt on acceptable terms, if at all.

Our credit facility agreement contains restrictive covenants that require us to comply with and maintain certain liquidity levels and a minimum fixed charge coverage ratio, as well as restrict our ability, subject to certain thresholds, to:

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

The recent weakness we've seen in the general storage and backup market, and the resulting underperformance of our data protection business, which is the primary driver of our overall cash flow and operating income, has placed increased pressure on our ability to meet our liquidity and fixed charge coverage ratio covenants. We have taken steps and are making changes to our business designed to ensure that our operating results are sufficient to meet these covenants, but if are not successful in implementing these changes or our results turn out to be lower than expected, we may violate a covenant, which could result in a default under our credit facility agreement.

Our credit facility agreement is collateralized by a pledge of all of our assets. If we were to default and were unable to obtain a waiver for such a default, the lender 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 lender against us could have a materially adverse impact on our business, financial condition and results of operations.

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, or our inability to establish new indirect sales channels to drive growth of our branded revenue, especially for disk backup systems and scale-out storage solutions, could negatively affect our operating results.

We sell the majority of our branded products to distributors such as Ingram Micro, Inc. and others, VARs and to direct marketing resellers ("DMRs") such as CDW Corporation, who in turn sell our products to end users. 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. Establishing new indirect sales channels is an important part of our strategy to drive growth of our branded revenue.

As we introduce new products and solutions, we could negatively impact our relationship with channel partners that historically have sold other products and solutions that now compete with our new offerings. For example, we introduced various StorNext appliance solutions beginning in fiscal 2012 causing us to more directly compete for hardware sales with channel partners that sold other hardware products in conjunction with our StorNext software.

Certain of our contracts with customers 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 products, and the revenue associated with the on-site service of those products, are somewhat concentrated in specific customers, including government agencies and government-related companies. Any failure of such customers and agencies to continue purchasing products in the same quantities and in the same time frames as they have in the past could affect our operating results. 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;
- Our inability to gain traction in developing new indirect sales channels for our branded products;
- The loss of one or more of such distributors or resellers;
- Any financial difficulties of such distributors or resellers that result in their inability to pay amounts owed to us; or
- Changes in requirements or programs that allow our products to be sold by third parties to government customers.

If our products fail to meet our or our customers’ specifications for quality and reliability, we may face liability and reputational or financial harm which may adversely impact our results of operations 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, which could result in one or more of the following:

- 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.

These factors could cause our business, financial condition and results of operations to be materially and adversely affected.

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

A large percentage of our sales are to a few customers, some of which are also competitors, 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 because under our business model, we sell to OEMs, distributors, VARs and DMRs to reach end user customers. Furthermore, customers are not obligated to purchase any minimum product volume, and our relationships with customers are terminable at will. Revenue from OEM customers has decreased in recent years. If we experience further declines in revenue from OEM customers or any of our other large customers, our business, financial condition and operating results could be materially and adversely affected. In addition, certain of our large customers are also our competitors, and such customers could decide to reduce or terminate their purchases of our products for competitive reasons.

Some of our tape and disk products are incorporated into larger storage systems or solutions that are marketed and sold to end users by large OEM customers as well as VARs, channel partners and other distributors. 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 OEM and other large customers such as distributors and VARs. Thus if they were to significantly reduce, cancel or delay their orders with us, our results of operations could be materially and adversely affected.

A portion of our sales are to various agencies and departments of the U.S. federal government, and funding cuts to federal spending can adversely impact our revenue. The American Taxpayer Relief Act of 2012 implemented automatic spending cuts beginning March 1, 2013. Between October 1 and October 16, 2013, the U.S. government partial shutdown caused reductions, cancellations and delayed orders. Future spending cuts by the U.S. federal government could decrease revenue from sales to the federal government that could materially and adversely affect our results of operations.

Our operating results depend on a limited number of products and 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.

A limited number of products comprise a significant majority of our sales, and due to rapid technological change in the industry, our future operating results depend on our ability to develop and successfully introduce new products. To compete effectively, we must continually improve existing products and introduce new ones. 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;
- We will not experience technical, quality, performance-related or other difficulties that could prevent or delay the introduction 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 which 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 continue to face risks related to economic uncertainty and slow economic growth.

Uncertainty about economic conditions poses a risk as businesses may further reduce or postpone spending in response to reduced budgets, tightening of credit markets, negative financial news and declines in income or asset values which could adversely affect our business, financial condition and results of operations. The slow economic growth in recent years along with periods of economic uncertainty in various countries around the world has had a material and adverse impact on our business and our financial condition.

In particular, we have experienced reduced demand for IT products and services overall and more specifically for products with tape technology in the data protection market. We continue to face risks related to economic conditions in Europe, including concerns about sovereign debt and related political matters, which could negatively impact the U.S. and global economies and adversely affect our financial results. In addition, our ability to access capital markets may be restricted, which could have an impact on our ability to react to changing economic and business conditions and could also adversely affect our results of operations and financial condition.

Competition may intensify in the data protection market as a result of competitors introducing products based on new technology standards and merger and acquisition activity, which could materially and adversely affect our business, financial condition and results of operations.

Our competitors in the data protection market for disk backup systems and virtual machine solutions are aggressively trying to advance and develop new technologies and products to compete against our technologies and products, and we face the risk that customers could choose competitor products over ours. Competition in our markets is characterized by technological innovation and advancement. As a result of competition and new technology standards, our sales or gross margins could decline, which could materially and adversely affect our business, financial condition and results of operations.

Technological developments and competition over the years in the tape automation market and in the storage market in general has resulted in decreased prices for tape automation products and product offerings. Pricing pressure is more pronounced in the tape automation market for entry-level products and less pronounced for enterprise products. Over time, the prices of our products and competitor products have decreased, but such products often incorporate new and/or different features and technologies than in prior years. We face risks that customers could choose competitor products over ours due to these features and technologies or due to pricing differences. We have managed pricing pressure by reducing production costs and/or adding features to increase value to maintain a certain level of gross margin for our tape automation systems. However, certain of our costs are fixed in the short term, so we may not be able to offset price decreases or reductions in demand sufficiently to maintain our profitability. In addition, if competition further intensifies, or if there is additional industry consolidation, our sales and gross margins for tape automation systems could decline, which could materially and adversely affect our business, financial condition and results of operations.

Industry consolidation and competing technologies with device products, which include tape drives and removable hard drives, have resulted in decreased prices and increasingly commoditized device products. Our response has been to manage our device business at the material margin level, and we have chosen not to compete for sales in intense price-based situations or if we would be unable to maintain a certain gross margin level. Our focus has shifted to higher margin opportunities in other product lines. Although revenue from devices has decreased in recent years, our material margins have remained relatively stable over this period. We have exited certain portions of the device market and have anticipated decreased sales of devices. We face risk of reduced shipments of our devices beyond our plans and could have reduced margins on these products, which could adversely impact our business, financial condition and results of operations.

Additionally, the competitive landscape could change due to merger and acquisition activity in the data protection market. Such transactions may impact us in a number of ways. For instance, they could result in:

- Competitors decreasing in number but having greater resources and becoming more competitive with us;
- Companies that we have not historically competed against entering into one or more of our primary markets and increasing competition in such market(s);
- Customers that are also competitors becoming more competitive with us and/or reducing their purchase of our products; and
- Competitors acquiring our current suppliers or business partners and negatively impacting our business model.

These transactions also create uncertainty and disruption in the market because whether a pending transaction will be completed, the timing of such a transaction and its degree of impact are often unknown. Given these factors and others, such merger and acquisition activity may materially and adversely impact our business, financial condition and results of operations.

Competition may intensify in the scale-out storage market as a result of competitors introducing products based on new technology standards and market consolidation, which could materially and adversely affect our business, financial condition and results of operations.

Competition in the scale-out storage market is characterized by technological innovation and advancement, including performance and scale features, and our competitors are aggressively trying to advance and develop new technologies and solutions. If we are unable to compete effectively in these markets and develop solutions that have features and technologies that our customers desire, including new technology standards, our sales from software solutions and appliances could decline, which could materially and adversely affect our business, financial condition and results of operations.

Additionally, the competitive landscape could change due to mergers and acquisitions among our competitors, customers and partners. Transactions such as these may impact us in a number of ways. For instance, they could result in:

- Competitors decreasing in number but having greater resources and becoming more competitive with us;
- Companies that we have not historically competed against entering into one or more of our primary markets and increasing competition in such market(s);
- Customers that are also competitors becoming more competitive with us and/or reducing their purchase of our products; and
- Competitors acquiring our current suppliers or business partners and negatively impacting our business model.

These transactions also create uncertainty and disruption in the market, because whether a pending transaction will be completed, the timing of such a transaction and its degree of impact are often unknown. Given these factors and others, such merger and acquisition activity may materially and adversely impact our business, financial condition and results of operations.

A significant decline in our media royalty, branded software or OEM deduplication software revenues could materially and adversely affect our business, financial condition and operating results.

Our media royalties, branded software and OEM deduplication software revenues are relatively profitable and can significantly impact total company profitability. We receive media royalty revenue based on tape media cartridges sold by various tape media manufacturers and resellers. 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. Our media royalty revenue varies depending on the level of sales of the various media cartridge offerings sold by the licensees and other factors, including:

- The size of the installed base of devices and similar products that use tape media cartridges;
- The performance of our strategic licensing partners, which sell tape media cartridges;
- The relative growth in units of newer device products, since the associated media cartridges for newer products typically sell at higher prices than the media cartridges associated with older products;
- The media consumption habits and rates of end users;
- The pattern of device retirements; and
- The level of channel inventories.

Our media royalties depend on royalty rates and the quantity of media consumed in the market. We do not control licensee sales of these tape media cartridges. Reduced royalty rates, or a reduced installed device base using tape media cartridges, would result in further reductions in our media royalty revenue and could reduce gross margins. This could materially and adversely affect our business, financial condition and results of operations.

Our branded software revenues are also dependent on many factors, including the success of competitive offerings, our ability to execute on our product roadmap and our effectiveness at marketing and selling our branded software solutions directly or through our channel partners. Disruptions to any one of these factors could reduce our branded software revenues, which could adversely affect our business, financial condition and operating results.

Our OEM deduplication software revenues also depend on many factors, including the success of competitive offerings, our ability to execute on our product roadmap with our OEM deduplication software partners, the effort of our OEM deduplication software partners in marketing and selling the resulting products, the market acceptance of the resulting products and changes in the competitive landscape, including the impact of acquisitions. At various times, we had significant revenue from OEM deduplication software revenue and at times we had negligible revenue from OEM deduplication software, which negatively impacted our results. Any further disruptions to the factors on which our OEM deduplication software revenues depend could adversely affect our business, financial condition and operating results.

Some of our products contain licensed, third-party technology that provides important product functionality and features. The loss or inability to obtain any such license could have a material adverse effect on our business.

Our products may contain technology licensed from third parties that provides important product functionality and features. We have contractual protections within our license agreements to help mitigate against the risks of incorporating third-party technology into our products. However, there remains a risk that we may not have continued access to this technology, for instance if the licensing company ceased to exist, either from bankruptcy, dissolution or purchase by a competitor. In addition, legal actions, such as intellectual property actions, brought against the licensing company could impact our future access to the technology. We also have limited control of the technology roadmap and cannot ensure that the licensing company will advance the roadmap of the licensed technology in the manner best for Quantum. Any of these actions could negatively impact our technology licensing, thereby reducing the functionality and/or features of our products, and adversely affect our business, financial condition and operating results. We also face the risk of not being able to quickly implement a replacement technology or otherwise mitigate the risks associated with not having access to this licensed technology, which may adversely affect our business, financial condition and operating results.

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 result in consistent profitability.

In the last several years, we have recorded significant restructuring charges and made cash payments in order to reduce our cost of sales and operating expenses to respond to adverse economic and industry conditions, from strategic management decisions and to rationalize our operations following acquisitions. These restructurings may result in decreases to our revenues or adversely affect our ability to grow our business in the future. We may take future steps to further reduce our operating costs, including future cost reduction steps or restructurings in response to strategic decisions, adverse changes in our business or industry or future acquisitions. We may be unable to reduce our cost of sales and operating expenses at a rate and to a level appropriate in relation to our future sales, which may adversely affect our business, financial condition and operating results.

If we are unable to attract and retain skilled employees, our business could be adversely impacted.

We may be subject to increased turnover in our employee base or the inability to fill open headcount requisitions due to competition, concerns about our operational performance or other factors. In addition, we may rely on the performance of employees whose skill sets are not sufficiently developed to fulfill their expected job responsibilities. Either of these situations could impair or delay our ability to realize operational and strategic objectives and cause increased expenses and lost sales opportunities.

Additionally, over the last several years, we made certain changes in our strategic direction focusing on key technology segments. As part of this change in focus, we reduced costs of revenue and other operating expenses. Executing on this new strategic direction as well as the ongoing efficiency initiatives across the company could adversely affect our ability to retain and hire key personnel and may result in reduced productivity by our employees.

The loss of the services of any of our key employees, the inability to attract or retain qualified talent in the future, or delays in hiring required talent, particularly sales and engineering talent, could delay the development and introduction of our products or services and/or negatively affect our ability to sell our products or services.

Economic or other business factors may lead us to write down the carrying amount of our goodwill or long-lived assets, which could have a material and adverse effect on our results of operations.

We evaluate our goodwill for impairment annually during the fourth quarter of our fiscal year, or more frequently when indicators of impairment are present. Long-lived assets are reviewed for impairment whenever events or circumstances indicate impairment might exist. We continue to monitor relevant market and economic conditions, including the price of our stock, and perform appropriate impairment reviews when conditions deteriorate such that we believe the value of our goodwill could be further impaired or an impairment exists in our long-lived assets. We have been required to record material goodwill impairment charges in the past. The recent weakness we have seen in the general storage and backup market, and the resulting underperformance of our data protection business, which is the primary driver of our overall cash flow and operating income, has placed increased pressure on our financial results and stock price. We have taken steps and are making changes to our business to improve our operating results, but if we are not successful in implementing these changes or our results turn out to be lower than expected, we may be required 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 of any impairment charge, our 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, such as our current litigation with Crossroads Systems, Inc. described in Part II, Item 1"Legal Proceedings." 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 "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 related to our business outside of the U.S., 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. We utilize contract manufacturers to produce and fulfill orders for our products and have suppliers for various components, several of which have operations located in foreign countries including China, Hungary, Japan, Malaysia, Singapore, Mexico, the Philippines and Thailand. Because of these operations, we are subject to a number of risks including:

- Reduced or limited protection of our intellectual property;
- Compliance with multiple and potentially conflicting regulatory requirements and practices;
- Commercial laws that favor local businesses;
- Exposure to economic fluctuations including inflationary risk and continuing sovereign debt risk;
- Shortages in component parts and raw materials;
- Import, export and trade regulation changes that could erode our profit margins or restrict our ability to transport our products;
- The burden and cost of complying with foreign and U.S. laws governing corporate conduct outside the U.S. including the Foreign Corrupt Practices Act, the United Kingdom Bribery Act and other similar regulations;
- Adverse movement of foreign currencies against the U.S. dollar (the currency in which our results are reported) and global economic conditions generally;
- Inflexible employee contracts and employment laws that may make it difficult to terminate or change the compensation structure for employees in some foreign countries in the event of business downturns;
- Recruiting employees in highly competitive markets and wage inflation in certain markets;
- Potential restrictions on the transfer of funds between countries;
- Political, military, social and infrastructure risks, especially in emerging or developing economies;
- Import and export duties and value-added taxes;
- Natural disasters, including earthquakes, flooding, typhoons and tsunamis; and
- Cultural differences that affect the way we do business.

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

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 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:

- Fluctuations in IT spending as a result of economic conditions or fluctuations in U.S. federal government spending;
- Failure by our contract manufacturers 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;
- Seasonality, including customer fiscal year-ends and budget availability impacting customer demand for our products;
- Declines in large orders defined as orders greater than $200,000;
- Declines in royalty or software revenues;
- Product development and ramp cycles and product performance or quality issues of ours or our competitors;
- Poor execution of and performance against expected sales and marketing plans and strategies;
- Reduced demand from our OEM or distribution, VAR, DMR and other large customers;
- Increased competition which may, among other things, increase pricing pressure or reduce sales;
- Failure to meet the expectations of investors or analysts;
- Restructuring actions or unexpected costs; and
- Foreign exchange fluctuations.

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

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. 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, contract manufacturers 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. 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 that include these components, we could face a material inventory risk if we fail to accurately forecast demand for our products or manage production, which could have a material and adverse effect on our results of operations and cash flows.

Although we use third parties to manufacture our products, in some cases we may retain the responsibility to purchase component inventory to support third party manufacturing activities, which presents a number of risks that could materially and adversely affect our financial condition. For instance, as part of our component planning, we may place orders with or pay certain suppliers for components in advance of receipt of customer orders. We may occasionally enter into negotiated orders with vendors early in the manufacturing process of our products to ensure that we have sufficient components for our products to meet anticipated customer demand. Because the design and manufacturing process for these components can be 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 may 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. These same risks exist with our third party contract manufacturing partners. Our business and operating results could be materially and adversely affected if we incur increased costs or are unable to fulfill customer orders.

Our manufacturing, component production and service repair are outsourced to third party contract manufacturers, component suppliers and service providers. If we cannot obtain products, parts and services 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.

Many aspects of our supply chain and operational results are dependent on the performance of third party business partners. We increased the use of third party contract manufacturers, service providers and/or product integrators in fiscal 2014. We face a number of risks as a result of these relationships, including, among others:

- *Sole source of product supply*
  In many cases, our business partner may be the sole source of supply for the products or parts they manufacture, or the services they provide, for us. Because we are relying on one supplier, we are at greater risk of experiencing shortages, reduced production capacity or other delays in customer deliveries that could result in customer dissatisfaction, lost sales and increased expenses, each of which could materially damage customer relationships and result in lost revenue.

- *Cost and purchase commitments*
  We may not be able to control the costs for the products our business partners manufacture for us or the services they provide to us. They procure inventory to build our products based upon a forecast of customer demand that we provide. We could be responsible for the financial impact on the contract manufacturer, supplier or service provider 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 operating losses based on these purchase commitments. With respect to service providers, although we have contracts for most of our third party repair service vendors; the contract period may not be the same as the underlying service contract with our customer. In such cases, we face risks that the third party service provider may increase the cost of providing services over subsequent periods contracted with our customer.

- *Financial condition and stability*
  Our third party business partners may suffer adverse financial or operational results or may be negatively impacted by global and local economic conditions. Therefore, we may face interruptions in the supply of product components or service as a result of financial or other volatility affecting our supply chain. We could suffer production downtime or increased costs to procure alternate products or services as a result of the possible inadequate financial condition of one or more of our business partners.

- *Quality and supplier conduct*
  We have limited control over the quality of products and components produced and services provided by our supply chain and third party contract manufacturing and service business partners. Therefore, the quality of the products, parts or services 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 business partners conduct their business. Sub-tier suppliers selected by the primary third party could have process control issues or could select components with latent defects that manifest over a longer period of time. We may face negative consequences or publicity as a result of a third party's failure to comply with applicable compliance, trade, environmental or employment regulations.

Any or all of these risks could have a material adverse effect on our business. In the past we have successfully transitioned products or component supply from one supplier or manufacturing location to another without significant financial or operational impact, but there is no guarantee of our continued ability to do so.

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. In recent years, we have implemented several significant initiatives involving our sales and marketing, engineering and operations organizations, aimed at increasing our efficiency and better aligning these groups with our corporate strategy. In addition, we have reduced headcount to streamline and consolidate our supporting functions as appropriate in response to market or competitive conditions and following past acquisitions and have increased our reliance on certain third party business relationships. Our inability to successfully manage the changes that we implement and detect and address issues as they arise could disrupt our business and adversely impact our results of operations and financial condition.

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.

Our stock price has been volatile and such volatility could increase based on the trading activity of our institutional investors. In addition, there are other factors and events that could affect the trading prices of our common stock.

A small number of institutional investors have owned a significant portion of our common stock at various times in recent years. If any or all of these investors were to decide to purchase significant additional shares or to sell significant amounts or all of the common shares they currently own, or if there is a perception that those sales may occur, 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 began to sell shares, putting downward pressure on our stock price for the duration of their selling activity. In these situations, selling pressure outweighed buying demand and our stock price declined. This situation has occurred due to our stock price falling below institutional investors' price thresholds and our volatility increasing beyond investors' volatility parameters, causing even greater selling pressure.

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 technology companies in particular;
- Quarterly variations in our operating results;
- Failure to meet our expectations or the expectations of securities analysts and investors;

- 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.

Our design processes are subject to safety and environmental regulations which 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 materials and substances used in our facilities as well as the safety of our employees and the public. Current regulations in the U.S. and various international jurisdictions restrict the use of certain potentially hazardous materials used in electronic products and components (including lead and some flame retardants), impose a “take back” obligation on manufacturers for the financing of the collection, recovery and disposal of electrical and electronic equipment and require extensive investigation into and disclosure regarding certain minerals used in our supply chain. We have implemented procedures and will likely continue to introduce new processes to comply with current and future safety and environmental legislation. However, measures taken now or in the future to comply with such legislation may adversely affect our costs or product sales by requiring us to acquire costly equipment or materials, redesign processes or to incur other significant expenses in adapting our waste disposal and emission management processes. Furthermore, safety or environmental claims or our failure to comply with present or future regulations could result in the assessment of damages or imposition of fines against us or the suspension of affected operations, which could have an adverse effect on our business, financial condition and results of operations.

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

We are subject to numerous U.S. and international laws regarding corporate conduct, fair competition, corruption prevention and import and export practices, and requirements including laws applicable to U.S. government contractors. In addition, the SEC has adopted disclosure rules related to the supply of certain minerals originating from the conflict zones of the Democratic Republic of Congo or adjoining countries, and we may incur costs to comply with such regulations and may realize other costs relating to the sourcing and availability of minerals used in our products. 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. If we were to be subject to a compliance investigation, we may incur increased personnel and legal costs. Our supply and distribution models may be reliant upon the actions of our third party business partners and we may also be exposed to potential liability resulting from their violation of these or other compliance requirements. Further, our U.S. and international business models are based on currently applicable regulatory requirements and exceptions. Changes in those requirements or exceptions could necessitate changes to our business model. Any of these consequences could materially and adversely impact our business and operating results.

A cybersecurity breach could adversely affect our ability to conduct our business, harm our reputation, expose us to significant liability or otherwise damage our financial results.

A cybersecurity breach could negatively affect our reputation as a trusted provider of scale-out storage, archive and data protection products by adversely affecting the market’s perception of the security or reliability of our products and services. Many of our customers and partners store sensitive data on our products, and a cybersecurity breach related to our products could harm our reputation and potentially expose us to significant liability.

We also maintain sensitive data related to our employees, strategic partners and customers, including intellectual property, proprietary business information and personally identifiable information on our own systems. We employ sophisticated security measures; however, we may face threats across our infrastructure including unauthorized access, security breaches and other system disruptions.

It is critical to our business that our employees’, strategic partners’ and customers’ sensitive information remains secure and that our customers perceive that this information is secure. A cybersecurity breach could result in unauthorized access to, loss of, or unauthorized disclosure of such information. A cybersecurity breach could expose us to litigation, indemnity obligations, government investigations and other possible liabilities. Additionally, a cyber-attack, whether actual or perceived, could result in negative publicity which could harm our reputation and reduce our customers’ confidence in the effectiveness of our solutions, which could materially and adversely affect our business and operating results. A breach of our security systems could also expose us to increased costs including remediation costs, disruption of operations or increased cybersecurity protection costs that may have a material adverse effect on our business.

We must maintain appropriate levels of service parts inventories. If we do not have sufficient service parts inventories, we may experience increased levels of customer dissatisfaction. If we hold excessive service parts inventories, we may incur financial losses.

We maintain levels of service parts inventories to satisfy future warranty obligations and also to earn service revenue by providing enhanced and extended warranty and repair service during and beyond the warranty period. We estimate the required amount of service parts inventories based on historical usage and forecasts of future warranty and extended 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 inventories to satisfy customer needs and to avoid financial losses from excess service parts inventories. If we are unable to maintain appropriate levels of service parts inventories, our business, financial condition and results of operations may be materially and adversely impacted.

From time to time we have made acquisitions. The failure to successfully integrate future acquisitions could harm our business, financial condition and operating results.

As a part of our business strategy, we have in the past and may make acquisitions in the future, subject to certain debt covenants. We may also make significant investments in complementary companies, products or technologies. If we fail to successfully integrate such acquisitions or significant investments, 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 synergies from the acquisition;
- Difficulties in assimilating and retaining employees;
- Potential incompatibility of business cultures or resistance to change;
- 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, including restructuring actions, which may require cash payments that, if large enough, could materially and adversely affect our liquidity; 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 negatively impact our business, financial condition and operating results.

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 2, 2015 that we are not in compliance with the NYSE's continued listing standard requiring that our stock trade at a minimum average closing price of $1.00 for thirty consecutive trading days. Under the NYSE rules, we have until April 4, 2016 to comply with the listing standard, unless we determine that, to cure the deficiency, we must take action requiring shareholder approval, in which case we have until the next annual shareholder meeting 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, our common stock will be delisted from 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.

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 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.

Certain changes in stock ownership could result in a limitation on the amount of net operating loss and tax credit carryovers that can be utilized each year. Should we undergo such a change in stock ownership, it would severely limit the usage of these carryover tax attributes against future income, resulting in additional tax charges, which could be material.

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 material adverse impact on our business, financial condition and results of operations.

We do not currently use derivative financial instruments for speculative purposes. We have used in the past, and may use in the future, foreign currency forward contracts and derivative instruments to hedge our exposure to foreign currency exchange rates. To the extent that we have assets or liabilities denominated in a foreign currency that are inadequately hedged or not hedged at all, we may be subject to foreign currency losses, which could be significant.

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

ITEM 6. EXHIBITS

The Exhibit Index beginning on page 42 of this report sets forth a list of exhibits and is hereby incorporated by reference.

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/ LINDA M. BREARD

Linda M. Breard
Chief Financial Officer
(Principal Financial and Chief Accounting Officer)
Date: November 6, 2015

EXHIBIT INDEX

Exhibit Number	Exhibit Description
10.1	Seventh Amendment to Credit Agreement, dated August 7, 2015, by and among Wells Fargo Capital Finance, LLC, as administrative agent, the lenders that are parties thereto, and Quantum Corporation (incorporated by reference to Exhibit 10.1 of registrant's Current Report on Form 8-K filed on August 13, 2015).
10.2	Form of Amended and Restated Change of Control Agreement between Registrant and each of Registrant’s Executive Officers*
31.1	Certification of the Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002. ‡
31.2	Certification of the Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002. ‡
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002. †
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002. †
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

‡ Filed herewith.

† Furnished herewith.

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

QUANTUM CORPORATION

AMENDED AND RESTATED CHANGE OF CONTROL AGREEMENT

THIS AMENDED AND RESTATED CHANGE OF CONTROL AGREEMENT ("Amended Agreement") is effective as of ___________, 2015, by and between ________________ (the "Employee") and QUANTUM CORPORATION, a Delaware corporation (the "Corporation").

Recitals

A. Whereas, the Employee is [a Vice President][a Section 16 Officer][the Chief Executive Officer] of the Corporation and was previously a signatory to a Change of Control Agreement dated _________.

B. The board of directors of the Corporation has determined that it is in the best interests of the Corporation and its stockholders to assure that the Corporation will have the continued dedication and objectivity of the Employee, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Corporation.

C. The board of directors believes that it is important to provide the Employee with compensation arrangements and stock benefits upon a Change of Control, provided the Employee executes and does not revoke a release of claims in favor of the Corporation in the event of his or her Involuntary Termination (as defined below) following such Change of Control, which provide the Employee with enhanced financial security, are competitive with those of other corporations, and provide sufficient incentive to the Employee to remain with the Corporation following a Change of Control.

D. The Corporation and Employee agree that this Amended Agreement will replace the previously executed Change of Control Agreement in its entirety.

E. Certain capitalized terms used in this Amended Agreement are defined in Section 4 below.

In consideration of the mutual covenants herein contained, and in consideration of the continuing employment of the Employee by the Corporation, the parties agree as follows:

1. Change of Control Severance Benefits. If the Employee's employment terminates at any time on or within twelve (12) months after a Change of Control, then the following shall apply:

(a) Voluntary Resignation; Termination For Cause. If the Employee's employment terminates in a voluntary resignation, including termination due to death or Disability (and not an Involuntary Termination), or if the Employee is terminated for Cause, or if the Employee voluntarily accepts a position within the Corporation below the level of Vice-President then the Employee shall not be entitled to receive severance or other benefits except for those (if any) as may be available under the Corporation's severance and benefits plans and policies existing at the time of such termination.

(b) Involuntary Termination. If the Employee's employment terminates due to an Involuntary Termination, then the Employee shall be entitled to receive the following severance payments and benefits:

(i) A lump sum payment equal to [200% for CEO][150% for Officers][100% for SVPs/VPs] of the Employee's Base Compensation as in effect immediately prior to the Involuntary Termination, but without taking into account any reduction of Base Compensation as described under Section 4(d)(iii);

(ii) A lump sum payment equal to [200% for CEO][150% for Officers][100% for SVPs/VPs] of the Employee's Incentive Pay as in effect immediately prior to the Involuntary Termination, but without taking into account any reduction of Incentive Pay as described under Section 4(d)(iii); and

(iii) If the Employee elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), within the time period prescribed pursuant to COBRA for the Employee and the Employee's eligible dependents (if any), monthly reimbursements from the Corporation for the Employee's COBRA premiums at the same level of health coverage and benefits as in effect for the Employee on the day immediately prior to the termination of the Employee's employment. The Corporation shall continue to reimburse the Employee for premiums paid to continue such coverage until the earlier of (A) one (1) year after the date of the Involuntary Termination, or (B) the date upon which the Employee and Employee's eligible dependents no longer are eligible to receive continuation coverage pursuant to COBRA. The Employee shall be responsible for the payment of COBRA premiums (including, without limitation, all administrative expenses) for any remaining COBRA period. If the provisions of COBRA do not apply to Employee at the time of the termination of the Employee's employment (for instance, if the Employee is employed outside of the United States), the Corporation will provide Employee with a lump sum payment equal to twelve (12) multiplied by the portion, if any, of the premium the Corporation was paying for the Employee's health coverage and benefits as in effect for the Employee on the day immediately preceding the day of the Employee's termination of employment. In addition, and notwithstanding anything to the contrary in this Section 1(b)(iii), if the Corporation determines in its sole discretion that it cannot provide the COBRA benefits without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Corporation will in lieu thereof provide to the Employee a taxable monthly payment in an amount equal to the monthly COBRA premium that the Employee would be required to pay to continue group health coverage for the Employee and the Employee's eligible dependents (if any) in effect on the date of termination of his or her employment (which amount will be based on the premium for the first month of COBRA coverage), which payments will be made regardless of whether the Employee elects COBRA continuation coverage.

(c) Offset. In the event the Corporation becomes liable to the Employee for any severance payments or benefits required under any applicable statute, law or regulation, whether federal, state, local, foreign or otherwise, the severance pay (including any payments under Section 1(b)(iii)) the Employee would otherwise be entitled to receive under this Section 1 will be reduced by any liability the Corporation may have to the Employee with respect to such statutes, laws or regulations. In addition, in the event the Employee is entitled to severance payments or benefits pursuant to any agreement or arrangement with the Corporation (including agreements or arrangements with predecessor employers which have been assumed by the Corporation by operation of law or otherwise), the severance pay (including any payments under Section 1(b)(iii)) the Employee would otherwise be entitled to receive under this Section 1 will be reduced by any liability the Corporation may have to the Employee with respect to such agreement(s) or arrangement(s).

2. Acceleration of Vesting of Equity-Based Compensation Awards.

(a) Termination in Connection with a Change of Control. If the Employee's employment terminates on or within the twelve (12) month period following a Change of Control, then, subject to Section 5 below, the vesting of any equity-based compensation awards held by the Employee shall be as follows:

(i) Voluntary Resignation; Termination for Cause. If the Employee's employment terminates in a voluntary resignation, including termination due to death or Disability (and not an Involuntary Termination), or if the Employee is terminated for Cause, the Employee is entitled to exercise or receive payment for any vested equity-based compensation awards. All further vesting of Employee's outstanding equity-based compensation awards will terminate immediately.

(ii) Involuntary Termination. If the Employee suffers an Involuntary Termination, then the portion of any equity-based compensation awards then held by the Employee that is not vested shall automatically become vested, and any performance-based restrictions or requirements applicable to any equity-based compensation awards will be deemed to have been satisfied at the applicable target levels.

3. Code Section 409A.

(a) Notwithstanding anything to the contrary in this Amended Agreement, no Deferred Compensation Separation Benefits (as defined below) will be considered due or payable until the Employee has a "separation from service" 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"). In addition, if the Employee is a "specified employee" within the meaning of Section 409A at the time of the Employee's separation from service (other than due to death), then the severance benefits payable to the Employee under this Amended Agreement, 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 the Employee on or within the six (6) month period following the Employee's separation from service will accrue during such six (6) month period and will become payable in a lump sum payment (less any applicable tax withholdings) on the date six (6) months and one (1) day following the date of the Employee's separation from service. 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 the Employee dies following his or her separation from service but prior to the six (6) month anniversary of his or her date of separation, then any payments delayed in accordance with this paragraph will be payable in a lump sum (less any applicable tax withholdings) to the Employee's estate as soon as administratively practicable after the date of the Employee's death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit.

(b) This provision is intended 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. The Corporation and the Employee agree to work together in good faith to consider amendments to this Amended Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to the Employee under Section 409A.

4. Definition of Terms. The following terms referred to in this Amended Agreement shall have the following meanings:

(a) Base Compensation. "Base Compensation" shall mean the annual base salary the Corporation pays the Employee for his or her services.

(b) Change of Control. "Change of Control" shall mean the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "beneficial owner" (as defined in Rule l3d-3 under said Act), directly or indirectly, of securities of the Corporation representing forty percent (40%) or more of the total voting power represented by the Corporation's then outstanding voting securities; or

(ii) A change in the composition of the board of directors of the Corporation occurring within a twenty-four (24) month period, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who are not elected or nominated in connection with an actual or threatened action by a shareholder, including but not limited to solicitation of proxies or consents by or on behalf of a shareholder or person; or

(iii) The consummation of a merger or consolidation of the Corporation with any other corporation, other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or the consummation of a sale or disposition by the Corporation of all or substantially all the Corporation's assets.

(c) Incentive Pay. "Incentive Pay" shall mean any annual cash target bonus opportunity.

(d) Involuntary Termination. "Involuntary Termination" shall mean any purported termination of the Employee's employment by the Corporation which (x) is not effected due to the Employee's Disability or death and is not effected for Cause, or (y) any termination of the Employee's employment by the Employee within ninety (90) days following the end of the Cure Period (as defined below) as a result of the occurrence of any of the following without his or her written consent: (i) the assignment to the Employee of any duties or the reduction of the Employee's duties, either of which results in a significant diminution in the Employee's title, position or responsibilities with the Corporation in effect immediately prior to such assignment, or the removal of the Employee from such position and responsibilities; *[Exclude for CEO, CFO, GC:* provided, however, that any diminution in title, position or responsibilities solely by virtue of the Company being acquired and made part of a larger entity (for example, where the Employee retains essentially the same title, position or responsibilities of the subsidiary, business unit or division substantially containing the Company's business following a Change of Control) shall not constitute an Involuntary Termination;*]* (ii) a substantial reduction of the facilities and perquisites (including office space and location) available to the Employee immediately prior to such reduction; (iii) a reduction by the Corporation in the Base Compensation and/or Incentive Pay of the Employee as in effect immediately prior to such reduction, other than a uniform reduction applicable to all executives generally; (iv) a material reduction by the Corporation in the kind or level of employee benefits to which the Employee is entitled immediately prior to such reduction with the result that the Employee's overall benefits package is significantly reduced, other than a uniform reduction applicable to all executives generally; (v) the relocation of the Employee to a facility or a location more than fifty (50) miles from the Employee's then present location; (vi) the failure of the Corporation to obtain the assumption of this Amended Agreement by any successors contemplated in Section 8 below; or (vii) without limiting the generality or the effect of the foregoing, any material breach of this Amended Agreement. For purposes of clause (y) in the immediately preceding sentence, the Employee must provide written notice to the Corporation of the condition that could constitute an "Involuntary Termination" event no later than ninety (90) days following the initial existence of such condition and such condition must not have been remedied by the Corporation within thirty (30) days (the “Cure Period”) following such written notice.

(e) Cause. “Cause” shall mean: (i) any act of personal dishonesty taken by the Employee in connection with his or her responsibilities as an employee that is intended to result in substantial personal enrichment of the Employee; (ii) the conviction of a felony; (iii) a willful act by the Employee which constitutes gross misconduct injurious to the Corporation; and (iv) continued violations by the Employee of the Employee’s obligations to the Corporation under the Corporation’s established personnel policies and procedures which are demonstrably willful and deliberate on the Employee’s part after the Corporation has delivered a written demand for performance to the Employee that describes the basis for the Corporation’s belief that the Employee has not substantially performed his or her duties and afforded the Employee at least fifteen (15) days to cure.

(f) Disability. “Disability” shall mean that the Employee has been unable to perform his or her duties under this Amended Agreement as the result of his or her incapacity due to physical or mental illness with or without reasonable accommodation, and such inability, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Corporation or its insurers and acceptable to the Employee or the Employee’s legal representative (such statement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least thirty (30) days’ written notice by the Corporation of its intention to terminate the Employee’s employment. In the event that the Employee resumes the performance of substantially all of his or her duties hereunder before the termination of his or her employment becomes effective, the notice of intent to terminate shall automatically be deemed to have been revoked.

(g) Disinterested Board. “Disinterested Board” shall mean the board of directors of the Corporation excluding those members of the board of directors, if any, who are parties to agreements or arrangements identical to or substantially similar to this Amended Agreement.

5. Limitation on Payments. In the event that the severance and other benefits provided for in this Amended Agreement or otherwise payable or provided to the Employee (a) constitute “parachute payments” within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”) and (b) but for this Section 5, would be subject to the excise tax imposed by Section 4999 of the Code (the “Excise Tax”), then the Employee's severance benefits hereunder shall be either:

(i) delivered in full, or

(ii) delivered as to such lesser extent which would result in no portion of such severance benefits being subject to the Excise Tax,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by the Employee on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. Unless the Corporation and the Employee otherwise agree in writing, any determination required under this Section 5 shall be made in writing in good faith by the accounting firm serving as the Corporation's independent public accountants immediately prior to the Change of Control (the “Accountants”).

In the event that a reduction in benefits as described in clause (ii) above is required under this Section 5 of this Amended Agreement:

(x) The phrase “stock options” as used in this Amended Agreement will mean stock options, stock appreciation rights and similar awards for which the exercise price is at least equal to the fair market value of the shares underlying the award on the date of grant (the “Options”); and

(y) The phrase “restricted stock awards” as used in Section 5 of this Amended Agreement will mean restricted stock, restricted stock units, performance shares, performance units, and other similar awards, excluding Options.

In the event of a reduction in benefits hereunder, the reduction will occur in the following order: the vesting acceleration of stock options, then cash severance benefits, then vesting acceleration of restricted stock awards, and then Corporation-paid COBRA coverage. In the event that acceleration of vesting of stock options or restricted stock awards is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant (that is, the latest first) for the Employee’s stock options or restricted stock awards, as applicable. If two or more stock options or restricted stock awards are granted on the same day, the stock options or restricted stock awards, as applicable, will be reduced on a pro-rata basis.

For purposes of making the calculations required by this Section 5, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Corporation and the Employee shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section.

In the event that the Corporation's independent public accountants immediately prior to the Change of Control (as defined in this Amended Agreement) are unable to make the determinations regarding parachute payments within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, and any final regulations and guidance thereunder (the "Code"), as described in Section 5 of this Amended Agreement, then the Accountants (as defined in this Amended Agreement) will mean a nationally recognized accounting or valuation firm selected by the Corporation. The Corporation shall bear all costs and be responsible for the payment of any reasonable fees to the Accountants in connection with any calculations contemplated by this Section 5.

6. At-Will Employment. The Corporation and the Employee acknowledge that the Employee's employment is at will and may be terminated at any time and for any reason, with or without notice. On termination of the Employee's employment, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Amended Agreement, or as may otherwise be available in accordance with the Corporation's established employee plans and policies at the time of termination.

7. Term, Amendment and Termination.

(a) Term. Subject to subsection (b) below, this Amended Agreement shall terminate upon the earlier of (i) the date that all obligations of the parties hereunder have been satisfied, (ii) March 31, 2018 (the "Initial Term") or (iii) twelve (12) months after a Change of Control; provided however, that the terms of this Amended Agreement shall be automatically extended for additional one year terms ("Subsequent Terms") following the end of the Initial Term, unless the Corporation provides written notice at least three (3) months in advance of the expiration of the current term. A termination of the terms of this Amended Agreement pursuant to the preceding sentence shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits on account of a termination of employment occurring prior to the termination of the terms of this Amended Agreement.

(b) Amendment and Termination. During the Initial Term or any Subsequent Term and prior to a Change of Control, (i) any amendment of this Amended Agreement that adversely affects the Employee's rights under the Amended Agreement or (ii) any termination of this Amended Agreement, shall (x) not become effective until six (6) months after the conclusion of the then-current Initial Term or Subsequent Term, as applicable, and (y) become effective only after unanimous resolution of the Disinterested Board. Notwithstanding the foregoing, if a Change of Control occurs during the six (6) month notice period described above, such amendment or termination of this Amended Agreement described in the immediately preceding sentence shall not become effective unless the affected Employee consents in writing to the amendment or termination. If a Change of Control occurs, this Amended Agreement shall no longer be subject to amendment, change, substitution, deletion, revocation or termination in any respect whatsoever except as provided in paragraph 7(a)(iii) above or to the extent the affected Employee consents to such amendment or termination in accordance with this paragraph.

(c) Form of Amendment. The Form of any proper amendment or termination of this Amended Agreement shall be a written instrument signed by a duly authorized officer or officers of the Corporation, and, if applicable, certifying that the amendment or termination has been approved by the Disinterested Board in accordance with Section 7(b).

8. Successors.

(a) Corporation's Successors. Any successor to the Corporation (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Corporation's business and/or assets shall assume the obligations under this Amended Agreement and agree expressly to perform the obligations under this Amended Agreement in the same manner and to the same extent as the Corporation would be required to perform such obligations in the absence of a succession. For all purposes under this Amended Agreement, the term "Corporation" shall include any successor to the Corporation's business and/or assets which executes and delivers the assumption agreement described in this subsection (a) or which becomes bound by the terms of this Amended Agreement by operation of law.

(b) Employee's Successors. The terms of this Amended Agreement and all rights of the Employee hereunder shall inure to the benefit of, and be enforceable by, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

(c) Employment By Subsidiaries. If the Employee is employed by a wholly owned subsidiary of Quantum Corporation, then: (i) “Corporation” as defined herein shall be deemed to include such subsidiary; and (ii) the effects intended to result from a Change of Control under this Amended Agreement shall apply to such subsidiary, and the Employee shall be entitled to all the benefits and subject to all the obligations provided herein.

9. Notice.

(a) General. Notices and all other communications contemplated by this Amended Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to him at the home address which he most recently communicated to the Corporation in writing. In the case of the Corporation, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) Notice of Termination. Any termination by the Corporation for Cause or by the Employee as a result of an Involuntary Termination shall be communicated by a notice of termination of the other party hereto given in accordance with this Section 9 of this Amended Agreement. Such notice shall indicate the specific termination provision in this Amended Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date (which shall be not more than fifteen (15) days after the giving of such notice, or, in the case of an Involuntary Termination pursuant to clause (y) of Section 4(d), in accordance with the timing requirements set forth in Section 4(d)). The failure by the Employee to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination shall not waive any right of the Employee hereunder or preclude the Employee from asserting such fact or circumstance in enforcing his or her rights hereunder.

10. Release of Claims. In order to receive any of the benefits provided for pursuant to this Amended Agreement upon the Employee’s Involuntary Termination, the Employee (or his or her legal representative in the event of death or disability as the case may be) shall be required to execute and not revoke a release of claims (in substantially the same form as attached hereto as Exhibit A) in favor of the Corporation within the period required by the release and in no event later than sixty (60) days following the Employee’s Involuntary Termination, inclusive of any revocation period set forth in the release, which release will include a provision prohibiting the solicitation of employees of the Corporation for a period of one year.

11. Timing of Benefits. Subject to Section 3 of this Amended Agreement, benefits provided for pursuant to this Amended Agreement shall be paid on the sixty-first (61^{st}) day following Employee’s separation from service, but only if the Employee has signed and not revoked the release of claims required pursuant to Section 10 of this Amended Agreement.

12. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Employee shall not be required to mitigate the amount of any payment contemplated by this Amended Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that the Employee may receive from any other source.

(b) Waiver. No provision of this Amended Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Corporation (other than the Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Amended Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. No agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Amended Agreement have been made or entered into by either party with respect to the subject matter hereof.

(d) Choice of Law. The validity, interpretation, construction and performance of this Amended Agreement shall be governed by the laws of the State of California.

(e) Severability. The invalidity or unenforceability of any provision or provisions of this Amended Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) Arbitration. Any claim or dispute, whether in contract, tort, statute or otherwise (including the interpretation and scope of this Arbitration Clause, and the arbitrability of the claim or dispute), between the Employee and the Corporation as well as their respective employees, agents, successors or assigns, which arises out of or relates to this Amended

Agreement shall be resolved by neutral, binding arbitration and not by a court action. Any claim or dispute is to be arbitrated by a single arbitrator from JAMS (www.jamsadr.com).

The arbitrator shall be an attorney or retired judge and shall be agreed upon by the parties within ten (10) business days of the demand for arbitration being filed with the arbitration organization. If the parties are unable to select an arbitrator, then the arbitration organization will provide a list of five (5) arbitrators and each party shall strike two names within five (5) business days and one of the remaining individuals will be appointed by the arbitration organization as the arbitrator within five (5) business days of receipt of the parties' submissions.

Unless otherwise provided for by law, the Corporation will pay all costs and expenses of such arbitration, with the exception of any filing fees associated with any arbitration initiated by Employee, but only so much of the filing fees as Employee instead would have paid had Employee filed a complaint in a court of law.

The arbitrator shall apply California substantive law to the proceeding, except to the extent Federal substantive law, including the Federal Arbitration Act, would apply to any claim. The arbitration hearing shall be conducted in Santa Clara County, California. If the chosen arbitration organization's rules conflict with this Arbitration Clause, then the provisions of this Arbitration Clause shall control.

Discovery during arbitration will be conducted pursuant to the California Discovery Act. All of the provisions of California Code of Civil Procedure section 1283.05 as well as any amendments or revisions thereto, are incorporated into this Amended Agreement. The arbitrator shall follow the California Evidence Code as it relates to the trial of civil actions. The parties are free to waive or modify any evidentiary rule or procedure with the consent of the arbitrator.

The arbitrator's written award with findings of fact law shall be issued in writing within thirty (30) days of the conclusion of the proceedings and shall be final and binding on all parties, except that a party may request a new arbitration under the rules of the arbitration organization by a three-arbitrator panel. The appealing party requesting new arbitration shall be responsible for the filing fee and other arbitration costs subject to a final determination by the arbitrators of a fair apportionment of costs. Any court having jurisdiction may enter judgment on the arbitrator's award.

The Parties retain any and all injunctive relief rights. This Arbitration Clause shall survive any termination of this contract. If any part of this Arbitration Clause is deemed or found to be unenforceable for any reason, the remainder shall remain enforceable.

THE PARTIES UNDERSTAND AND AGREE THAT THEY ARE WAIVING THEIR RIGHTS TO TRIAL BEFORE A JURY AND TO SUBMIT ANY CLAIMS TO BINDING ARBITRATION.

(g) <u>Advancement of Attorneys' Fees</u>. In the event that the Employee brings an action to enforce or effect the Employee's rights under this Amended Agreement, then, without regard to the reason or reasons resulting in the termination of the Employee's employment with the Corporation and to the extent not prohibited by law, the Corporation will advance all reasonable attorneys' fees and costs incurred by the Employee in connection with the action (the "Advance Payments"). The Advance Payments will be paid to the Employee by the Corporation in advance of the final disposition of the underlying action and within thirty (30) days following the Employee's submission of proper documentation of the fees and costs incurred by the Employee, but in no event later than the last day of the Employee's taxable year that immediately follows the Employee's taxable year in which the fees and costs are incurred by the Employee. The Employee's rights to the Advance Payments are, in each case, subject to the following additional requirements: (i) the right to this benefit is limited to fees and costs incurred during the Employee's lifetime; (ii) the Employee must submit documentation of the fees to be advanced no later than thirty (30) days following the end of the Employee's taxable year in which the fees were incurred; (iii) the amount of any Advance Payments provided during one taxable year will not affect the expenses eligible for payment by the Corporation as an Advance Payment in any other taxable year; and (iv) the right to any Advance Payment will not be subject to liquidation or exchange for another benefit or payment. These Advance Payments will be unsecured and interest free, and paid to the Employee without regard to his or her ability to repay the fees incurred by him or her. The arbitrator will determine whether or not the Employee is the prevailing party consistent with California Civil Code section 1717 and if the Corporation is the prevailing party whether or not any portion of the Advance Payments shall be repaid to the Corporation. If any repayment is ordered then it shall take place no later than thirty (30) days following the final adjudication of the action.

(h) <u>No Assignment of Benefits</u>. The rights of any person to payments or benefits under this Amended Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection (g) shall be void.

(i) Withholding and Taxes. The provisions under this Amended Agreement are intended to comply with or be exempt from the requirements of Section 409A, so that none of the payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to so comply or be exempt. Any payments or benefits under this Amended Agreement will be subject to all applicable tax withholdings. Each payment and benefit to be paid or provided under Amended Agreement is intended to constitute a separate payment under Section 1.409A-2(b)(2) of the Treasury Regulations. The Corporation and the Employee agree to work together in good faith to consider amendments to this Amended Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to the Employee under Section 409A. In no event will the Corporation reimburse the Employee for any taxes that may be imposed on the Employee as a result of Section 409A.

(j) Assignment by Corporation. The Corporation may assign its rights under this Amended Agreement to an affiliate, and an affiliate may assign its rights under this Amended Agreement to another affiliate of the Corporation or to the Corporation provided, however, that no assignment shall be made if the net worth of the assignee is less than the net worth of the Corporation at the time of assignment. In the case of any such assignment, the term “Corporation” when used in a section of this Amended Agreement shall mean the Corporation that actually employs the Employee.

(k) Amendment of Award Agreements. The Corporation and the Employee agree that the provisions of this Amended Agreement shall supersede any conflicting provisions of any equity-based compensation award agreement of the Employee, and the Corporation and the Employee agree to execute such further documents as may be necessary to amend any such agreement. With respect to equity-based compensation awards granted on or after the date hereof, the provisions of this Amended Agreement will apply to such awards except to the extent otherwise explicitly provided in the applicable equity-based compensation award agreement.

(l) Headings. The headings of sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any provisions of this Amended Agreement.

(m) Counterparts. This Amended Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Amended Agreement, in the case of the Corporation by its duly authorized officer, as of the day and year first above written.

QUANTUM CORPORATION	EMPLOYEE
By ___________________________________	______________________________________
Name:	Name:
Title:	Title:

SIGNATURE PAGE OF CHANGE OF CONTROL AGREEMENT

EXHIBIT A

RELEASE OF CLAIMS

This Release of Claims Agreement ("***Agreement***") is made by and between ________________________ ("***Employee***") and Quantum Corporation (the "***Corporation***") (collectively referred to as the "***Parties***" or individually referred to as a "***Party***").

RECITALS

WHEREAS, Employee was employed by the Corporation;

WHEREAS, Employee signed a Proprietary Rights and Invention Agreement with the Corporation on [*Date*] (the "***Confidentiality Agreement***");

WHEREAS, Employee and the Corporation entered into [*an Officer/VP or Chief Executive*] Amended and Restated Change of Control Agreement, dated [Date] (the "***Change of Control Agreement***");

WHEREAS, Employee separated from employment with the Corporation effective [Date] (the "***Separation Date***"); and

WHEREAS, in connection with Employee's involuntary termination from employment with the Corporation, Employee is eligible to receive certain severance benefits set forth in the Change of Control Agreement (the "***Severance***");

WHEREAS, in consideration for the Severance, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that the Employee may have against the Corporation and any of the Releasees as defined below, including, but not limited to, any and all claims arising out of or in any way related to Employee's employment with or separation from the Corporation;

NOW, THEREFORE, in consideration of the mutual promises made herein, the Corporation and Employee hereby agree as follows:

COVENANTS

1. Consideration. The Corporation will provide Employee with Severance including (i) Base Compensation of $__________, $__________ of Incentive Pay, and payment(s) or reimbursements, as applicable, relating to COBRA premiums under the terms of the Agreement. In addition, the portion of any equity based compensation awards held by the Employee as of the Separation Date that are not yet vested automatically will become vested, with any performance-based restrictions or requirements deemed satisfied at target levels. (All payments made by the Corporation will be subject to appropriate withholding.)

2. Payment of Salary and Receipt of All Benefits. Employee acknowledges and represents that, other than the consideration set forth in this Agreement, the Corporation has paid or provided all salary, wages, bonuses, accrued vacation/paid time off, premiums, leaves, housing allowances, relocation costs, interest, severance, outplacement costs, fees, reimbursable expenses, commissions, stock, stock options, vesting, and any and all other benefits and compensation due to Employee.

3. Release of Claims. Employee agrees that the foregoing consideration represents settlement in full of all outstanding obligations owed to Employee by the Corporation and its current and former officers, directors, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, insurers, trustees, divisions, and subsidiaries, and predecessor and successor corporations and assigns (collectively, the "***Releasees***"). Employee, on his/her own behalf and on behalf of his/her respective heirs, family members, executors, agents, and assigns, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, demand, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Employee may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Effective Date of this Agreement, including, without limitation:

a. any and all claims relating to or arising from Employee's employment relationship with the Corporation and the termination of that relationship;

b. any and all claims relating to, or arising from, Employee's right to purchase, or actual purchase of shares of stock of the Corporation, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

c. any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

d. any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Labor Standards Act; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; the Sarbanes-Oxley Act of 2002; the Immigration Control and Reform Act; the California Family Rights Act; the California Labor Code; the California Workers' Compensation Act; and the California Fair Employment and Housing Act;

e. any and all claims for violation of the federal or any state constitution;

f. any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

g. any claim for any loss, cost, damage, or expense arising out of any dispute over the nonwithholding or other tax treatment of any of the proceeds received by Employee as a result of this Agreement; and

h. any and all claims for attorneys' fees and costs.

Employee agrees that the release set forth in this Section will be and remain in effect in all respects as a complete general release as to the matters released. However, this release does not extend to any obligations incurred under this Agreement nor any equity or benefits plans where benefits remain post-termination. This release also does not release claims that cannot be released as a matter of law, including, but not limited to, Employee's right to file a charge with or participate in a charge by the Equal Employment Opportunity Commission, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Corporation (with the understanding that any such filing or participation does not give Employee the right to recover any monetary damages against the Corporation; Employee's release of claims herein bars Employee from recovering such monetary relief from the Corporation). Notwithstanding the foregoing, Employee acknowledges that any and all disputed wage claims that are released herein will be subject to binding arbitration as set forth herein, except as required by applicable law. Employee represents that he/she has made no assignment or transfer of any right, claim, complaint, charge, duty, obligation, demand, cause of action, or other matter waived or released by this Section.

4. [Acknowledgment of Waiver of Claims under ADEA. Employee acknowledges that he/she is waiving and releasing any rights he/she may have under the Age Discrimination in Employment Act of 1967 ("***ADEA***"), and that this waiver and release is knowing and voluntary. Employee agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. Employee acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that he/she has been advised by this writing that: (a) he/she should consult with an attorney prior to executing this Agreement; (b) he/she has twenty-one (21) days within which to consider this Agreement; (c) he/she has seven (7) days following his/her execution of this Agreement to revoke this Agreement; (d) this Agreement will not be effective until after the revocation period has expired; and (e) nothing in this Agreement prevents or precludes Employee from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Employee signs this Agreement and returns it to the Corporation in less than the 21-day period identified above, Employee hereby acknowledges that he/she has freely and voluntarily chosen to waive the time period allotted for considering this Agreement. Employee acknowledges and understands that revocation must be accomplished by a written notification to the person executing this Agreement on the Corporation's behalf that is received prior to the Effective Date. The parties agree that changes, whether material or immaterial, do not restart the running of the 21-day period.][1]

5. California Civil Code Section 1542. Employee acknowledges that he/she has been advised to consult with legal counsel and is familiar with the provisions of California Civil Code Section 1542, a statute that otherwise prohibits the release of unknown claims, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Employee, being aware of said code section, agrees to expressly waive any rights he/she may have thereunder, as well as under any other statute or common law principles of similar effect.

6. No Pending or Future Lawsuits. Employee represents that he/she has no lawsuits, claims, or actions pending in his/her name, or on behalf of any other person or entity, against the Corporation or any of the other Releasees. Employee also represents that he/she does not intend to bring any claims on his/her own behalf or on behalf of any other person or entity against the Corporation or any of the other Releasees.

7. Application for Employment. Employee understands and agrees that, as a condition of this Agreement, Employee will not be entitled to any employment with the Corporation, and Employee hereby waives any right, or alleged right, of employment or re-employment with the Corporation. Employee further agrees not to apply for employment with the Corporation and not otherwise pursue an independent contractor or vendor relationship with the Corporation.

8. Trade Secrets and Confidential Information/Corporation Property. Employee reaffirms and agrees to observe and abide by the terms of the previously executed Confidentiality Agreement. Employee's signature below constitutes his/her certification under penalty of perjury that he/she has returned all documents and other items provided to Employee by the Corporation, developed or obtained by Employee in connection with his/her employment with the Corporation, or otherwise belonging to the Corporation.

9. No Cooperation. Employee agrees that he/she will not knowingly encourage, counsel, or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against any of the Releasees, unless under a subpoena or other court order to do so [or as related directly to the ADEA waiver in this Agreement] [2]. Employee agrees both to immediately notify the Corporation upon receipt of any such subpoena or court order, and to furnish, within three (3) business days of its receipt, a copy of such subpoena or other court order. If approached by anyone for counsel or assistance in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints against any of the Releasees, Employee will state no more than that he/she cannot provide counsel or assistance.

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[1] [To be deleted if Employee is under age 40]
[2] [To be deleted if Employee is under age 40]

10. Nondisparagement. The Parties agree to refrain from any disparagement, defamation, libel, or slander of any of the Releasees, and agree to refrain from any tortious interference with the contracts and relationships of any of the Releasees. Employee will direct any inquiries by potential future employers to the Corporation's human resources department.

11. No Admission of Liability. Employee understands and acknowledges that this Agreement constitutes a compromise and settlement of any and all actual or potential disputed claims by Employee. No action taken by the Corporation hereto, either previously or in connection with this Agreement, will be deemed or construed to be (a) an admission of the truth or falsity of any actual or potential claims or (b) an acknowledgment or admission by the Corporation of any fault or liability whatsoever to Employee or to any third party.

12. Costs. The Parties will each bear their own costs, attorneys' fees, and other fees incurred in connection with the preparation of this Agreement.

13. Arbitration. Any claim or dispute, whether in contract, tort, statute or otherwise (including the interpretation and scope of this Arbitration Clause, and the arbitrability of the claim or dispute), between the Employee and the Corporation as well as their respective employees, agents, successors or assigns, which arises out of or relates to this Agreement will be resolved by neutral, binding arbitration and not by a court action. Any claim or dispute is to be arbitrated by a single arbitrator from JAMS (www.jamsadr.com).

The arbitrator will be an attorney or retired judge and will be agreed upon by the parties within ten (10) business days of the demand for arbitration being filed with the arbitration organization. If the parties are unable to select an arbitrator, then the arbitration organization will provide a list of five (5) arbitrators and each party will strike two names within five (5) business days and one of the remaining individuals will be appointed by the arbitration organization as the arbitrator within five (5) business days of receipt of the parties' submissions.

Unless otherwise provided for by law, the Corporation will pay all costs and expenses of such arbitration, with the exception of any filing fees associated with any arbitration initiated by Employee, but only so much of the filing fees as Employee instead would have paid had Employee filed a complaint in a court of law.

The arbitrator will apply California substantive law to the proceeding, except to the extent Federal substantive law, including the Federal Arbitration Act, would apply to any claim. The arbitration hearing will be conducted in Santa Clara County, California. If the chosen arbitration organization's rules conflict with this Arbitration Clause, then the provisions of this Arbitration Clause will control.

Discovery during arbitration will be conducted pursuant to the California Discovery Act. All of the provisions of California Code of Civil Procedure section 1283.05 as well as any amendments or revisions thereto, are incorporated into this Agreement. The arbitrator will follow the California Evidence Code as it relates to the trial of civil actions. The parties are free to waive or modify any evidentiary rule or procedure with the consent of the arbitrator.

The arbitrator's written award with findings of fact law will be issued in writing within thirty (30) days of the conclusion of the proceedings and will be final and binding on all parties, except that a party may request a new arbitration under the rules of the arbitration organization by a three- (3-) arbitrator panel. The appealing party requesting new arbitration will be responsible for the filing fee and other arbitration costs subject to a final determination by the arbitrators of a fair apportionment of costs. Any court having jurisdiction may enter judgment on the arbitrator's award.

The Parties retain any and all injunctive relief rights. This Arbitration Clause will survive any termination of this contract. If any part of this Arbitration Clause is deemed or found to be unenforceable for any reason, the remainder will remain enforceable.

THE PARTIES UNDERSTAND AND AGREE THAT THEY ARE WAIVING THEIR RIGHTS TO TRIAL BEFORE A JURY AND TO SUBMIT ANY CLAIMS TO BINDING ARBITRATION.

14. Tax Consequences. The Corporation makes no representations or warranties with respect to the tax consequences of the payments and any other consideration provided to Employee or made on his/her behalf under the terms of this Agreement. Employee agrees and understands that he/she is responsible for payment, if any, of local, state, and/or federal taxes on the payments and any other consideration provided hereunder by the Corporation and any penalties or assessments thereon. Employee further agrees to indemnify and hold the Corporation harmless from any claims, demands, deficiencies, penalties, interest, assessments, executions, judgments, or recoveries by any government agency

against the Corporation for any amounts claimed due on account of (a) Employee's failure to pay or delayed payment of federal or state taxes, or (b) damages sustained by the Corporation by reason of any such claims, including attorneys' fees and costs.

15. Section 409A. It is intended that this Agreement comply with, or be exempt from, Section 409A of the Internal Revenue Code of 1986, as amended, any final regulations and guidance under that statute, and any applicable state law equivalent, as each may be amended or promulgated from time to time ("***Section 409A***"), and any ambiguities or ambiguous terms herein will be interpreted to so comply or be exempt from Section 409A. Each payment and benefit to be paid or provided under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. Payments and benefits under Section 1 of this Agreement will be made in accordance with Sections 3 and 11 of the Change of Control Agreement. In no event will the Corporation reimburse Employee for any taxes that may be imposed on Employee as a result of Section 409A.

16. Authority. The Corporation represents and warrants that the undersigned has the authority to act on behalf of the Corporation and to bind the Corporation and all who may claim through it to the terms and conditions of this Agreement. Employee represents and warrants that he/she has the capacity to act on his/her own behalf and on behalf of all who might claim through him/her to bind them to the terms and conditions of this Agreement. Each Party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

17. No Representations. Employee represents that he/she has had an opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Agreement. Employee has not relied upon any representations or statements made by the Corporation that are not specifically set forth in this Agreement.

18. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Agreement will continue in full force and effect without said provision or portion of provision.

19. Attorneys' Fees. [Except with regard to a legal action challenging or seeking a determination in good faith of the validity of the waiver herein under the ADEA,][3] in the event that either Party brings an action to enforce or effect its rights under this Agreement, the prevailing Party will be entitled to recover its costs and expenses, including the costs of mediation, arbitration, litigation, court fees, costs and reasonable attorneys' fees incurred in connection with such an action.

20. Entire Agreement. This Agreement represents the entire agreement and understanding between the Corporation and Employee concerning the subject matter of this Agreement and Employee's employment with and separation from the Corporation and the events leading thereto and associated therewith, and supersedes and replaces any and all prior agreements and understandings concerning the subject matter of this Agreement and Employee's relationship with the Corporation, with the exception of the Confidentiality Agreement and the Change of Control Agreement, except as modified herein.

21. No Oral Modification. This Agreement may only be amended in a writing signed by Employee and a duly authorized representative of the Corporation.

22. Governing Law. This Agreement will be governed by the laws of the State of California, without regard for choice-of-law provisions. Employee consents to personal and exclusive jurisdiction and venue in the State of California.

23. Effective Date. Employee understands that this Agreement will be null and void if not executed by him/her within twenty one (21) days.[4] Each Party has seven (7) days after that Party signs this Agreement to revoke it. This Agreement will become effective on the eighth (8th) day after Employee signed this Agreement, so long as it has been signed by the Parties and has not been revoked by either Party before that date (the "***Effective Date***"). [*OR, if Employee is under age 40:*][Employee understands that this Agreement will be null and void if not executed by him/her within seven (7) days. This Agreement will become effective on the date it has been signed by both Parties (the "***Effective Date***").]

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[3] [To be deleted if Employee is under age 40]

[4] [To be revised to provide for 45 days, to the extent required by applicable law.]

24. Counterparts. This Agreement may be executed in counterparts and by facsimile, and each counterpart and facsimile will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned.

25. Voluntary Execution of Agreement . Employee understands and agrees that he/she executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Corporation or any third party, with the full intent of releasing all of his/her claims against the Corporation and any of the other Releasees. Employee acknowledges that:

(a) he/she has read this Agreement;

(b) he/she has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of his/her own choice or has elected not to retain legal counsel;

(c) he/she understands the terms and consequences of this Agreement and of the releases it contains; and

(d) he/she is fully aware of the legal and binding effect of this Agreement.

(Signature page to follow)

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

[*EMPLOYEE NAME*], an individual

Dated: ________________, 20__

[*Employee Name*]

QUANTUM CORPORATION

Dated: ________________, 20__ By

[*Name*]
[*Title*]

Exhibit 31.1

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(s) 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) 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 6, 2015

/s/ JON W. GACEK

Jon W. Gacek
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Linda M. Breard, 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(s) 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) 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 6, 2015

/s/ LINDA M. BREARD

Linda M. Breard
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

I, 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, 2015 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 6, 2015

QUANTUM CORPORATION

/s/ JON W. GACEK

Jon W. Gacek
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

I, Linda M. Breard, 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, 2015 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 6, 2015

QUANTUM CORPORATION

/s/ LINDA M. BREARD

Linda M. Breard
Chief Financial Officer
(Principal Financial Officer)