

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

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

For the quarterly period ended June 30, 2016

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**

**Delaware**

(State or other jurisdiction of incorporation or organization)

**94-2665054**

IRS Employer Identification No

**224 Airport Parkway, Suite 300, San Jose, California 95110**

(Address of principal executive offices) (Zip Code)

**(408) 944-4000**

(Registrant's telephone number, including area code)

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.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of the close of business on July 29, 2016, there were 269,196,494 shares of Quantum Corporation's common stock issued and outstanding.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

<b>Assets</b>	<b>June 30, 2016</b>	<b>March 31, 2016</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 34,496	\$ 33,870
Restricted cash	2,782	2,788
Accounts receivable, net of allowance for doubtful accounts of \$137 and \$22, respectively	90,533	105,959
Manufacturing inventories	36,197	40,614
Service parts inventories	20,649	21,407
Other current assets	7,106	6,953
Total current assets	<u>191,763</u>	<u>211,591</u>
<b>Long-term assets:</b>		
Property and equipment, less accumulated depreciation	12,172	12,939
Intangible assets, less accumulated amortization	403	451
Other long-term assets	4,412	4,565
Total long-term assets	<u>16,987</u>	<u>17,955</u>
	<u>\$ 208,750</u>	<u>\$ 229,546</u>
<b>Liabilities and Stockholders' Deficit</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 37,593	\$ 46,136
Accrued warranty	3,444	3,430
Deferred revenue, current	86,638	88,919
Accrued restructuring charges, current	2,516	1,621
Long-term debt, current	300	3,000
Accrued compensation	23,265	22,744
Other accrued liabilities	10,794	13,806
Total current liabilities	<u>164,550</u>	<u>179,656</u>
<b>Long-term liabilities:</b>		
Deferred revenue, long-term	33,282	35,427
Accrued restructuring charges, long-term	947	1,116
Long-term debt	61,450	62,709
Convertible subordinated debt, long-term, net of unamortized debt issuance costs of \$632 and \$747, respectively	69,368	69,253
Other long-term liabilities	8,213	8,324
Total long-term liabilities	<u>173,260</u>	<u>176,829</u>
<b>Stockholders' deficit:</b>		
Common stock, \$0.01 par value; 1,000,000 shares authorized; 266,469 and 266,209 shares issued and outstanding at June 30, 2016 and March 31, 2016, respectively	2,665	2,662
Capital in excess of par	466,517	464,549
Accumulated deficit	(601,789)	(597,994)
Accumulated other comprehensive income	3,547	3,844
Total stockholders' deficit	<u>(129,060)</u>	<u>(126,939)</u>
	<u>\$ 208,750</u>	<u>\$ 229,546</u>

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	
	June 30, 2016	June 30, 2015
Product revenue	\$ 71,826	\$ 62,719
Service revenue	35,818	37,939
Royalty revenue	8,640	10,198
Total revenue	116,284	110,856
Cost of product revenue	50,132	46,964
Cost of service revenue	15,781	16,927
Total cost of revenue	65,913	63,891
Gross margin	50,371	46,965
Operating expenses:		
Research and development	11,058	13,323
Sales and marketing	26,367	27,605
General and administrative	12,960	13,986
Restructuring charges	2,052	258
Total operating expenses	52,437	55,172
Loss from operations	(2,066)	(8,207)
Other income and expense	156	(286)
Interest expense	(1,508)	(1,923)
Loss before income taxes	(3,418)	(10,416)
Income tax provision	377	339
Net loss	\$ (3,795)	\$ (10,755)
Basic and diluted net loss per share	\$ (0.01)	\$ (0.04)
Weighted average basic and diluted shares	266,337	258,448

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	<b>Three Months Ended</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Net loss	\$ (3,795)	\$ (10,755)
Other comprehensive income (loss), net of taxes:		
Foreign currency translation adjustments	(339)	441
Net unrealized gain (loss) on revaluation of long-term intercompany balances	42	(86)
Total other comprehensive income (loss)	(297)	355
Total comprehensive loss	<u>\$ (4,092)</u>	<u>\$ (10,400)</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	June 30, 2016	June 30, 2015
<b>Cash flows from operating activities:</b>		
Net loss	\$ (3,795)	\$ (10,755)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	1,383	1,718
Amortization of intangible assets	48	137
Amortization of debt issuance costs	168	324
Service parts lower of cost or market adjustment	1,337	1,146
Deferred income taxes	75	38
Share-based compensation	1,998	2,653
Changes in assets and liabilities:		
Accounts receivable	15,426	26,830
Manufacturing inventories	3,686	(63)
Service parts inventories	(124)	(472)
Accounts payable	(8,364)	(18,702)
Accrued warranty	14	(619)
Deferred revenue	(4,426)	(8,682)
Accrued restructuring charges	726	(1,291)
Accrued compensation	580	(1,062)
Other assets and liabilities	(3,571)	(4,759)
Net cash provided by (used in) operating activities	5,161	(13,559)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(529)	(840)
Change in restricted cash	(15)	(59)
Net cash used in investing activities	(544)	(899)
<b>Cash flows from financing activities:</b>		
Borrowings of long-term debt, net	3,000	—
Repayments of long-term debt	(6,959)	—
Payment of taxes due upon vesting of restricted stock	(27)	(74)
Proceeds from issuance of common stock	—	266
Net cash provided by (used in) financing activities	(3,986)	192
Effect of exchange rate changes on cash and cash equivalents	(5)	3
Net increase (decrease) in cash and cash equivalents	626	(14,263)
Cash and cash equivalents at beginning of period	33,870	67,948
Cash and cash equivalents at end of period	\$ 34,496	\$ 53,685
<b>Supplemental disclosure of cash flow information:</b>		
Purchases of property and equipment included in accounts payable	\$ 191	\$ 606

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”), founded in 1980 and reincorporated in Delaware in 1987, is a leading expert in scale-out storage, archive and data protection, providing solutions for capturing, sharing, managing 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 data workflow challenges. Our end-to-end tiered storage solutions enable users 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. 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, 2016 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, 2016 included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on June 3, 2016.

***Recently Adopted Accounting Pronouncements***

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). We adopted ASU 2015-05 in the first quarter of fiscal 2017 and adoption did not impact our statements of financial condition, results of operations, cash flows and financial statement disclosures.

***Recent Accounting Pronouncements***

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. 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 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.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Topic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation and disclosures of financial instruments. ASU 2016-01 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.



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In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). ASU 2016-02 provides a new comprehensive model for lease accounting. Under ASU 2016-02, lessees and lessors should apply a "right-of-use" model in accounting for all leases and eliminate the concept of operating leases and off-balance sheet leases. ASU 2016-02 will become effective for us beginning April 1, 2019, or fiscal 2020. 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 March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 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.

The FASB issued the following accounting standard updates related to Topic 606, *Revenue from Contracts with Customers*:

- ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09") in May 2014. 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 No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* ("ASU 2016-08") in March 2016. ASU 2016-08 does not change the core principle of revenue recognition in Topic 606 but clarifies the implementation guidance on principal versus agent considerations.
- ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* ("ASU 2016-10") in April 2016. ASU 2016-10 does not change the core principle of revenue recognition in Topic 606 but clarifies the implementation guidance on identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas.
- ASU No. 2016-11, *Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting (SEC Update)* ("ASU 2016-11") in May 2016. ASU 2016-11 rescinds SEC paragraphs pursuant to two SEC Staff Announcements at the March 3, 2016 EITF meeting. The SEC Staff is rescinding SEC Staff Observer comments that are codified in Topic 605 and Topic 932, effective upon adoption of Topic 606.
- ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* in May 2016. ASU 2016-12 does not change the core principle of revenue recognition in Topic 606 but clarifies the implementation guidance on a few narrow areas and adds some practical expedients to the guidance.

These ASUs 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.

**NOTE 2: 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	
	June 30, 2016	March 31, 2016
Money market funds	\$ 4,465	\$ 1,640

We did not record impairments to any non-financial assets in the first quarter of fiscal 2017 or fiscal 2016. We do not have any non-financial liabilities measured and recorded at fair value on a non-recurring basis.

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Our financial liabilities were comprised primarily of convertible subordinated debt and long-term debt as of June 30, 2016 and at March 31, 2016. The carrying value and fair value of our convertible subordinated debt and our long-term debt were as follows (in thousands):

	As of					
	June 30, 2016			March 31, 2016		
	Carrying Value	Fair Value		Carrying Value	Fair Value	
Convertible subordinated debt <sup>(1)</sup>	\$ 69,368	\$ 50,499	\$	\$ 69,253	\$ 51,686	\$
Long-term debt <sup>(2)</sup>	\$ 61,750	\$ 61,747	\$	\$ 65,709	\$ 65,741	\$

<sup>(1)</sup> Fair value based on quoted market prices in less active markets (level 2).

<sup>(2)</sup> Fair value based on outstanding borrowings and market interest rates (level 2).

**NOTE 3: INVENTORIES**

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

	As of	
	June 30, 2016	March 31, 2016
<b>Manufacturing inventories:</b>		
Finished goods	\$ 22,099	\$ 22,127
Work in process	336	665
Materials and purchased parts	13,762	17,822
	<u>\$ 36,197</u>	<u>\$ 40,614</u>
	As of	
	June 30, 2016	March 31, 2016
<b>Service parts inventories:</b>		
Finished goods	\$ 15,741	\$ 16,381
Component parts	4,908	5,026
	<u>\$ 20,649</u>	<u>\$ 21,407</u>

**NOTE 4: INTANGIBLE ASSETS**

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 first quarter of fiscal 2017 or 2016. The following provides a summary of the carrying value of intangible assets (in thousands):

	As of					
	June 30, 2016			March 31, 2016		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Purchased technology	\$ 178,292	\$ (177,889)	\$ 403	\$ 178,292	\$ (177,841)	\$ 451
Trademarks	3,900	(3,900)	—	3,900	(3,900)	—
Customer lists	64,701	(64,701)	—	64,701	(64,701)	—
	<u>\$ 246,893</u>	<u>\$ (246,490)</u>	<u>\$ 403</u>	<u>\$ 246,893</u>	<u>\$ (246,442)</u>	<u>\$ 451</u>

**NOTE 5: ACCRUED WARRANTY**

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

	Three Months Ended	
	June 30, 2016	June 30, 2015
Beginning balance	\$ 3,430	\$ 4,219
Additional warranties issued	1,980	1,607
Adjustments for warranties issued in prior fiscal years	158	(367)
Settlements	(2,124)	(1,859)
Ending balance	\$ 3,444	\$ 3,600

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 6: DEBT**

On April 15, 2016, our credit agreement with Wells Fargo (as amended, the "WF credit agreement") was amended to modify the maturity date, increase the excess availability requirement over time and reduce the maximum amount of intellectual property assets that may be included in the borrowing base over time.

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, which matures August 10, 2017. As of June 30, 2016, we had a \$61.8 million outstanding balance on the line of credit at a weighted average interest rate of 3.13%. In addition, as of June 30, 2016, we had letters of credit totaling \$1.0 million and an excess availability requirement of \$6.5 million, reducing the maximum amount available to borrow to \$5.7 million. Quarterly, we are required to pay a 0.375% commitment fee on undrawn amounts under the revolving credit facility.

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 excess availability requirement increased by \$1.5 million on June 1, 2016, and will continue to increase on the first day of each September, December, March and June occurring thereafter. 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 or if a default has occurred and is continuing; otherwise they are to be filed quarterly. As of June 30, 2016 and during the first quarter of fiscal 2017, we were in compliance with all covenants.

**NOTE 7: RESTRUCTURING CHARGES*****Fiscal 2017 April Restructuring Plan***

In April 2016, we approved a plan ("Fiscal 2017 April Restructuring Plan") to eliminate 29 positions in the U.S. and internationally to reduce investments in various functions of our business to improve operational efficiencies. The costs associated with these actions consist of restructuring charges related to severance and benefits. These actions are expected to be completed by the second quarter of fiscal 2017, with the majority having occurred by June 30, 2016. For the first quarter of fiscal 2017, we incurred \$1.5 million of restructuring charges under this plan, of which \$0.8 million was paid to date. The ending balance for accrued severance restructuring charges under this plan is \$0.7 million as of June 30, 2016.

**Summary of Restructuring Expense**

The types of restructuring expense for the three months ended June 30, 2016 and June 30, 2015 were (in thousands):

	Three Months Ended	
	June 30, 2016	June 30, 2015
Severance and benefits	\$ 1,489	\$ 72
Facilities	563	186
Total	\$ 2,052	\$ 258

For the first quarter of fiscal 2017, restructuring charges were largely due to \$1.5 million of severance and benefits costs incurred as a result of the Fiscal 2017 April Restructuring Plan. We also approved a plan to vacate certain leased space in the U.S. primarily used for administration and research and development. In connection with this activity, we recorded \$0.4 million of restructuring charges related to facilities costs and had \$0.4 million of accrued facility restructuring charges as of June 30, 2016. The accrued facility restructuring charges, net of estimated sublease amounts, will be paid in accordance with the facility lease terms through November 2018.

For the first quarter of fiscal 2016, restructuring charges were primarily due to facilities costs as a result of further consolidating our facilities in the U.S.

**Accrued Restructuring Charges**

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

	Three Months Ended June 30, 2016		
	Severance and Benefits	Facilities	Total
Balance as of March 31, 2016	\$ 354	\$ 2,383	\$ 2,737
Restructuring costs	1,489	426	1,915
Adjustment of prior estimates	—	137	137
Cash payments	(1,029)	(339)	(1,368)
Other non-cash	—	42	42
Balance as of June 30, 2016	\$ 814	\$ 2,649	\$ 3,463
	As of June 30, 2016		
	Severance and Benefits	Facilities	Total
Estimated timing of future payouts:			
Next twelve months	\$ 814	\$ 1,702	\$ 2,516
July 2017 through December 2021	—	947	947
	\$ 814	\$ 2,649	\$ 3,463

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

**NOTE 8: STOCK INCENTIVE PLANS AND SHARE-BASED COMPENSATION**

***Share-Based Compensation***

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

	Three Months Ended	
	June 30, 2016	June 30, 2015
Share-based compensation:		
Cost of revenue	\$ 280	\$ 362
Research and development	403	549
Sales and marketing	612	870
General and administrative	703	872
	\$ 1,998	\$ 2,653
Share-based compensation by type of award:		
Stock options	\$ —	\$ 2
Restricted stock	1,836	2,430
Stock purchase plan	162	221
	\$ 1,998	\$ 2,653

***Stock Incentive Plans - Grants and Fair Value***

Stock Options

No stock options were granted during the first quarter of fiscal 2017 or fiscal 2016. 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 first quarter of fiscal 2017 and fiscal 2016 were \$0.48 and \$1.97 per share, respectively.

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. No rights to purchase shares were granted in the first quarter of fiscal 2017 or fiscal 2016.

***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, 2016	4,131	\$ 1.52		
Forfeited	(234)	0.98		
Expired	(41)	0.97		
Outstanding as of June 30, 2016	3,856	\$ 1.56	1.53	\$ —
Vested and expected to vest at June 30, 2016	3,856	\$ 1.56	1.53	\$ —
Exercisable as of June 30, 2016	3,856	\$ 1.56	1.53	\$ —

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, 2016	11,109	\$ 1.39
Granted	925	0.48
Vested	(306)	1.36
Forfeited	(174)	1.43
Nonvested at June 30, 2016	<u>11,554</u>	<u>\$ 1.32</u>

**NOTE 9: INCOME TAXES**

Income tax provisions for the first quarter of fiscal 2017 and fiscal 2016 were \$0.4 million and \$0.3 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 10: NET LOSS PER SHARE**

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

	Three Months Ended	
	June 30, 2016	June 30, 2015
Numerator:		
Net loss	\$ (3,795)	\$ (10,755)
Denominator:		
Weighted average basic and diluted shares	266,337	258,448
Basic and diluted net loss per share	\$ (0.01)	\$ (0.04)

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 loss per share for the periods presented exclude the following because the effect would have been anti-dilutive:

- For the first quarter of fiscal 2017 and fiscal 2016, 42.5 million weighted average shares related to our 4.50% convertible subordinated notes and \$0.9 million of related interest expense were excluded.
- For the first quarter of fiscal 2016, 19.3 million weighted average shares related to our 3.50% convertible subordinated notes and \$0.9 million of related interest expense were excluded.
- For the first quarter of fiscal 2017 and fiscal 2016, options to purchase 4.0 million and 4.8 million, respectively, weighted average shares were excluded.

- For the first quarter of fiscal 2017 and fiscal 2016, unvested RSUs of 11.1 million and 13.1 million, respectively, weighted average shares were excluded.

## **NOTE 11: COMMITMENTS AND CONTINGENCIES**

### **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 June 30, 2016 and March 31, 2016, we issued non-cancelable commitments for \$44.2 million and \$42.2 million, respectively, to purchase inventory from our contract manufacturers and suppliers.

### **Legal Proceedings**

#### Crossroads

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. On January 29, 2016, the Patent Trial and Appeal Board issued decisions on the inter partes reviews for U.S. patents 6,425,035 and 7,051,147, ordering all claims of both patents to be unpatentable. On March 17, 2016, the Patent Trial and Appeal Board issued a decision on the inter partes review for U.S. patent 7,934,041, ordering all claims to be unpatentable. On March 31, 2016, Crossroads filed Notices of Appeal in each of the inter partes review decisions. We believe the probability that this lawsuit will have a material adverse effect on our business, operating results or financial condition is remote.

#### Realtime Data

On July 22, 2016, Realtime Data LLC d/b/a IXO (“Realtime Data”) filed a patent infringement lawsuit against Quantum in the U.S. District Court for the Eastern District of Texas, alleging infringement of U.S. Patents Nos. 7,161,506, 7,378,992, 7,415,530, 8,643,513, 9,054,728 and 9,116,908. Realtime Data asserts that we have incorporated Realtime Data's patented technology into our compression products and services. Realtime Data seeks unspecified monetary damages and other relief that the Court deems appropriate. We believe the probability that this lawsuit will have a material adverse effect on our business, operating results or financial condition is remote.

## 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 and shareholder value, continuing to add customers and increasing revenue and delivering on operating profit goals; (2) our expectations and beliefs regarding the storage market and the other markets in which we compete; (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, StorNext-related tape storage and Xcellis™), StorNext Pro™ Solutions, Lattus™ extended online storage systems, Q-Cloud® Archive and Q-Cloud Vault. These products 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 2017 is to increase shareholder value by growing our scale-out storage revenue and investing to drive future growth in our scale-out business while also delivering on our operating profit goals. We continue to focus on building our momentum in three main broad categories of scale-out storage: media and entertainment, intelligence and surveillance and technical applications. 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 profits and cash from our offerings.

On April 15, 2016, our credit agreement with Wells Fargo (as amended, the "WF credit agreement") was amended to modify the maturity date, increase the excess availability requirement over time and reduce the maximum amount of intellectual property assets that may be included in the borrowing base over time.



**Results**

We had total revenue of \$116.3 million in the first quarter of fiscal 2017, a \$5.4 million increase from the first quarter of fiscal 2016, primarily due to increased revenue from disk backup systems, devices and media and scale-out storage solutions, partially offset by decreases in revenue from service and royalty. Our branded product and service revenue increased by a net 7% from the first quarter of fiscal 2016. Our focus on our branded business continues to be reflected in the proportion of non-royalty revenue from branded business, which was 90% in the first quarter of fiscal 2017 and fiscal 2016.

Our gross margin percentage increased by 90 basis points to 43.3% from the first quarter of fiscal 2016 despite a decrease in royalty revenue, which has a 100% gross margin percentage. The increase in gross margin percentage was primarily due to a combination of increased product revenue, an increase in material margin of product revenue related to changes in revenue mix and cost reduction actions we took in the second half of fiscal 2016.

Operating expenses decreased \$2.7 million, or 5%, from the first quarter of fiscal 2016 primarily due to decreases in compensation and benefits from lower staffing levels as a result of the cost reduction actions we took in the second half of fiscal 2016 and legal fees primarily from the Crossroads lawsuit disclosed in Note 11 "Commitments and Contingencies." These decreases were partially offset by an increase in restructuring charges as a result of the restructuring plan we approved in April 2016 ("Fiscal 2017 April Restructuring Plan") to eliminate 29 positions in the U.S. and internationally to reduce investments in various functions of our business to improve operational efficiencies. These actions are expected to be completed by the second quarter of fiscal 2017, with the majority having occurred by June 30, 2016.

Our operating loss declined by \$6.1 million, from \$8.2 million in the first quarter of fiscal 2016 to \$2.1 million in the first quarter of fiscal 2017.

We generated \$5.2 million in cash from operations in the first three months of fiscal 2017 compared to \$13.6 million of cash used in operations in the first three months of fiscal 2016. We ended the quarter with \$37.3 million in cash, cash equivalents and restricted cash.

**RESULTS OF OPERATIONS****Revenue**

	Three Months Ended					
	June 30, 2016	% of revenue	June 30, 2015	% of revenue	Change	% Change
Product revenue	\$ 71,826	61.8%	\$ 62,719	56.6%	\$ 9,107	14.5 %
Service revenue	35,818	30.8%	37,939	34.2%	(2,121)	(5.6)%
Royalty revenue	8,640	7.4%	10,198	9.2%	(1,558)	(15.3)%
Total revenue	\$ 116,284	100.0%	\$ 110,856	100.0%	\$ 5,428	4.9 %

Total revenue increased from the first quarter of fiscal 2016 primarily due to increased product revenue from disk backup systems, devices and media and scale-out storage solutions, with disk backup systems accounting for more than half of the increase. This increase in product revenue is partially offset by decreases in service and royalty revenue.

We believe the changes in our product and service revenue continue to be driven by the changing storage environment, including increased market demand for scale-out storage solutions and changes in demand for data protection tape products. Revenue from branded data protection products and services increased \$3.4 million, or 5%, from the first quarter of fiscal 2016 primarily due to increased sales of disk backup systems and devices and media, which was partially offset by a decrease in service 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 \$3.0 million, or 11%, from the first quarter of fiscal 2016 largely due to increased sales of our StorNext appliances and higher service revenue, which was offset by a decrease in revenue from StorNext Pro Solutions and Lattus extended online storage systems. Our scale-out storage solutions include StorNext software, StorNext appliances (which include StorNext disk storage, StorNext-related tape storage and Xcellis), StorNext Pro Solutions, Lattus extended online storage systems, Q-Cloud Archive and Q-Cloud Vault. In addition, OEM product and service revenue, which primarily is comprised of data protection tape automation systems, increased \$0.6 million from the first quarter of fiscal 2016 primarily due to increased sales of tape automation systems. Royalty revenue decreased during the first quarter of fiscal 2017 primarily due to lower LTO media technology royalties.

**Product Revenue**

Total product revenue, which includes sales of our hardware and software products sold through both our Quantum branded and OEM channels, increased \$9.1 million in the first quarter of fiscal 2017 compared to the prior year period. The increase in product revenue was primarily due to higher sales of disk backup systems, scale-out storage solutions, devices and media and OEM tape automation systems. Revenue from sales of branded products increased 15% and sales of our products to OEM customers also increased 14% in the first quarter of fiscal 2017 compared to the prior year period.

	Three Months Ended					
	June 30, 2016		June 30, 2015		Change	% Change
	\$	% of revenue	\$	% of revenue	\$	
Tape automation systems	21,438	18.4%	20,622	18.6%	816	4.0%
Disk backup systems	13,483	11.6%	8,694	7.8%	4,789	55.1%
Devices and media	12,754	11.0%	10,904	9.9%	1,850	17.0%
Scale-out storage solutions	24,151	20.8%	22,499	20.3%	1,652	7.3%
<b>Total product revenue</b>	<b>\$ 71,826</b>	<b>61.8%</b>	<b>\$ 62,719</b>	<b>56.6%</b>	<b>\$ 9,107</b>	<b>14.5%</b>

Revenue from tape automation systems increased in the first quarter of fiscal 2017 compared to the prior year period primarily due to an increase of 14%, or \$1.2 million in OEM tape automation systems, partially offset by a decrease of 3%, or \$0.4 million in branded data protection tape automation systems. The increase in OEM tape automation systems was largely due to increased sales in midrange systems, partially offset by decreased sales of enterprise and entry-level systems.

Revenue from disk backup systems increased in the first quarter of fiscal 2017 compared to the prior year period primarily due to increased sales of our midrange systems.

Product revenue from devices, which includes tape drives and removable hard drives, and non-royalty media sales increased during the first quarter of fiscal 2017 primarily due to higher sales of branded devices and media.

Our scale-out storage solutions revenue increased during the first quarter of fiscal 2017 compared to the prior year period primarily due to increased sales of StorNext appliances, partially offset by a decrease in revenue from StorNext Pro Solutions and Lattus extended online storage systems.

**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 first quarter of fiscal 2017 due to decreased service revenue from our data protection products, partially offset by an increase in revenue from branded service contracts for our StorNext appliances.

**Royalty Revenue**

Royalty revenue decreased compared to the first quarter of fiscal 2016 primarily due to decreased media royalties from LTO generation 1 through 6, partially offset by increased media royalties from the recently-introduced LTO 7. In fiscal 2016, we began offering LTO-7 to our tiered storage portfolio.

**Gross Margin**

	Three Months Ended					
	June 30, 2016		June 30, 2015		Change	Basis point change
	\$	Gross margin %	\$	Gross margin %	\$	
Product gross margin	21,694	30.2%	15,755	25.1%	5,939	510
Service gross margin	20,037	55.9%	21,012	55.4%	(975)	50
Royalty gross margin	8,640	100.0%	10,198	100.0%	(1,558)	—
<b>Gross margin</b>	<b>\$ 50,371</b>	<b>43.3%</b>	<b>\$ 46,965</b>	<b>42.4%</b>	<b>\$ 3,406</b>	<b>90</b>

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Gross margin percentage increased during the first quarter of fiscal 2017 compared to the prior year period, despite a decrease in royalty revenue, which has a 100% gross margin percentage. The increase was primarily due to a combination of increased product revenue, an increase in material margin of product revenue related to changes in revenue mix and the cost reduction actions we took in the second half of fiscal 2016.

Product Margin

Product gross margin increased 510 basis points during the first quarter of fiscal 2017 compared to the prior year period. This increase was primarily due to a combination of increased revenue and an increase in material margin related to changes in revenue mix. Higher margin products comprised a higher portion of our product revenue.

Service Margin

Service gross margin increased 50 basis points in the first quarter of fiscal 2017 compared to the prior year period. The increase was primarily due to decreases in external repair expense from lower repair costs on our data protection products and compensation and benefits from lower staffing levels as a result of the cost reduction actions we took in the second half of fiscal 2016.

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 \$1.6 million in the first quarter of fiscal 2017 compared to the prior year period for reasons discussed above.

**Research and Development Expenses**

(Dollars in thousands)	Three Months Ended					
	June 30, 2016	% of revenue	June 30, 2015	% of revenue	Change	% Change
Research and development	\$ 11,058	9.5%	\$ 13,323	12.0%	\$ (2,265)	(17.0)%

The decrease in research and development expense in the first quarter of fiscal 2017 compared to the prior year period was primarily due to a decrease of \$1.7 million in compensation and benefits largely from lower staffing levels as a result of the cost reduction actions we took in the second half of fiscal 2016.

**Sales and Marketing Expenses**

(Dollars in thousands)	Three Months Ended					
	June 30, 2016	% of revenue	June 30, 2015	% of revenue	Change	% Change
Sales and marketing	\$ 26,367	22.7%	\$ 27,605	24.9%	\$ (1,238)	(4.5)%

The decrease in sales and marketing expense in the first quarter of fiscal 2017 compared to the prior year period was primarily due to decreases of \$1.3 million in compensation and benefits from lower staffing levels as a result of the cost reduction actions we took in the second half of fiscal 2016 and \$0.7 million in employee sponsored activities related to a shift in event timing. These decreases were offset by a \$0.8 million increase in advertising and marketing costs from higher spend on marketing programs in the first quarter of fiscal 2017.

**General and Administrative Expenses**

(Dollars in thousands)	Three Months Ended					
	June 30, 2016	% of revenue	June 30, 2015	% of revenue	Change	% Change
General and administrative	\$ 12,960	11.1%	\$ 13,986	12.6%	\$ (1,026)	(7.3)%

The decrease in general and administrative expense for the first quarter of fiscal 2017 compared to the prior year period was largely due to a \$0.9 million decrease in legal fees primarily from the Crossroads lawsuit disclosed in Note 11 "Commitments and Contingencies."

**Restructuring Charges**

(Dollars in thousands)	Three Months Ended					
	June 30, 2016	% of revenue	June 30, 2015	% of revenue	Change	% Change
Restructuring charges	\$ 2,052	1.8%	\$ 258	0.2%	\$ 1,794	695.3%

For the first quarter of fiscal 2017, restructuring charges were largely due to \$1.5 million of severance and benefits costs incurred as a result of the Fiscal 2017 April Restructuring Plan. We also approved a plan to vacate certain leased space in the U.S. primarily used for administration and research and development. In connection with this activity, we recorded \$0.4 million of restructuring charges related to facilities costs and had \$0.4 million of accrued facility restructuring charges as of June 30, 2016. The accrued facility restructuring charges, net of estimated sublease amounts, will be paid in accordance with the facility lease terms through November 2018.

For the first quarter of fiscal 2016, restructuring charges were primarily due to facilities costs as a result of further consolidating our facilities in the U.S.

For further information regarding our restructuring actions, refer to Note 7 "Restructuring Charges."

**Interest and Other Income**

(Dollars in thousands)	Three Months Ended					
	June 30, 2016	% of revenue	June 30, 2015	% of revenue	Change	% Change
Interest and other income	\$ 156	0.1%	\$ (286)	(0.3)%	\$ 442	154.5%

Other income in the first quarter of fiscal 2017 was primarily due to net foreign exchange gains of \$0.1 million. Other income in the first quarter of fiscal 2016 was primarily due to net foreign exchange losses of \$0.4 million largely from strengthening of the euro, the British pound and the Swiss franc against the U.S. dollar.

**Interest Expense**

(Dollars in thousands)	Three Months Ended					
	June 30, 2016	% of revenue	June 30, 2015	% of revenue	Change	% Change
Interest expense	\$ 1,508	1.3%	\$ 1,923	1.7%	\$ (415)	(21.6)%

The decrease in interest expense in the first quarter of fiscal 2017 compared to the prior year period was primarily due to the payments of \$83.7 million of aggregate principal amount of 3.50% notes in fiscal 2016, partially offset by an increase in interest expense incurred from the outstanding balance on a line of credit under the WF credit agreement.

**Income Taxes**

(Dollars in thousands)	Three Months Ended					
	June 30, 2016	% of pre-tax loss	June 30, 2015	% of pre-tax loss	Change	% Change
Income tax provision	\$ 377	(11.0)%	\$ 339	(3.3)%	\$ 38	11.2%

The income tax provision for the first quarter of both fiscal 2017 and fiscal 2016 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		Change	% Change
	June 30, 2016	June 30, 2015		
Cost of revenue	\$ 48	\$ 137	\$ (89)	(65.0)%

The decrease in intangible amortization in the first quarter of fiscal 2017 compared to the prior year period was primarily due to certain intangibles becoming fully amortized during fiscal 2016. For further information regarding amortizable intangible assets, refer to Note 4 "Intangible Assets."

**Share-based Compensation**

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

	Three Months Ended		Change	% Change
	June 30, 2016	June 30, 2015		
Cost of revenue	\$ 280	\$ 362	\$ (82)	(22.7)%
Research and development	403	549	(146)	(26.6)%
Sales and marketing	612	870	(258)	(29.7)%
General and administrative	703	872	(169)	(19.4)%
	<u>\$ 1,998</u>	<u>\$ 2,653</u>	<u>\$ (655)</u>	<u>(24.7)%</u>

The decrease in share-based compensation expense in the first quarter of fiscal 2017 compared to the prior year period was primarily due to a decrease of \$0.6 million in restricted stock expense from lower staffing levels.

**LIQUIDITY AND CAPITAL RESOURCES****Capital Resources and Financial Condition**

As of June 30, 2016, we had \$34.5 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 June 30, 2016, we had \$70.0 million of 4.50% convertible subordinated debt outstanding due November 15, 2017 ("4.50% notes"), excluding unamortized debt issuance costs. The 4.50% notes require semi-annual interest payments paid on May 15 and November 15 of each year and have no early call provisions. We paid \$1.6 million of interest on the 4.50% notes in the first three months of fiscal 2017. In addition, we had a \$61.8 million outstanding balance on a line of credit under the WF credit agreement at a weighted average interest rate of 3.13% as of June 30, 2016.

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 which matures August 10, 2017. As of June 30, 2016 we had letters of credit totaling \$1.0 million and an excess availability requirement of \$6.5 million, reducing the maximum amount available to borrow to \$5.7 million. 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.

The interest rate on amounts borrowed is based on an election by us of an annual rate equal to (1) a base rate established by Wells Fargo plus an applicable margin of 1.0% to 1.5%, based on availability levels under the WF credit agreement or (2) the LIBOR rate plus an applicable margin ranging from 2.0% and 2.5%, based on availability levels under the WF credit agreement. The base rate is defined in the WF credit agreement. We paid \$0.5 million of interest on the WF credit agreement during the first quarter of fiscal 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 excess availability requirement increased by \$1.5 million on June 1, 2016, and will continue to increase on the first day of each September, December, March, and June occurring thereafter. 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 or if a default has occurred and is continuing; otherwise they are to be filed quarterly. As of June 30, 2016, and during the first quarter of fiscal 2017, we were in compliance with all covenants.

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:
  - 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.

In addition, the WF credit 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 default, the lender would have the right to foreclose on our assets in order to satisfy our obligations under the WF credit agreement.

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):

	Three Months Ended	
	June 30, 2016	June 30, 2015
Net loss	\$ (3,795 )	\$ (10,755 )
Net cash provided by (used in) operating activities	5,161	(13,559 )
Net cash used in investing activities	(544)	(899 )
Net cash provided by (used in) financing activities	(3,986 )	192

#### **Three Months Ended June 30, 2016**

The \$9.0 million difference between net loss and net cash provided by operating activities during the three months ended June 30, 2016 was primarily due to a \$15.4 million decrease in accounts receivable and \$5.0 million in non-cash items, the largest of which were share-based compensation, depreciation and service parts lower of cost or market adjustment. These were partially offset by decreases of \$8.4 million in accounts payable and \$4.4 million in deferred revenue. The decrease in accounts receivable was primarily due to lower revenue in the first quarter of fiscal 2017 compared to the fourth quarter of fiscal 2016. The decrease in accounts payable was primarily due to the timing of invoice payments and decreased inventory purchases in the first quarter of fiscal 2017 compared to the fourth quarter of fiscal 2016. 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.

Cash used in investing activities was primarily due to \$0.5 million of property and equipment purchases. Equipment purchases were primarily for engineering equipment for additional IT infrastructure upgrades and equipment for product development.

Cash used in financing activities was primarily due to \$4.0 million of net repayments of borrowings under the WF credit agreement.

#### **Three Months Ended June 30, 2015**

The \$2.8 million difference between net loss and net cash used in operating activities during the three months ended June 30, 2015 was primarily due to an \$18.7 million decrease in accounts payable and an \$8.7 million decrease in deferred revenue, offset by a \$26.8 million decrease in accounts receivable. The decrease in accounts payable was primarily due to decreased inventory purchases. The decrease in deferred revenue was largely due to a decrease in deferred service contracts revenue, primarily driven by seasonality. The decrease in accounts receivable was primarily from decreased revenue in the first quarter of fiscal 2016 compared to the fourth quarter of fiscal 2015.

Cash used in investing activities reflects \$0.8 million of property and equipment purchases. Equipment purchases were primarily for engineering equipment for product development and permanent demo units.

### **Off Balance Sheet Arrangements**

#### **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 June 30, 2016 and March 31, 2016, we issued non-cancelable commitments for \$44.2 million and \$42.2 million, respectively, to purchase inventory from our contract manufacturers and suppliers.

## **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, 2016 filed with the Securities and Exchange Commission on June 3, 2016.

## **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 first three months of fiscal 2017. During the first three months of fiscal 2017, 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.

In addition, changes in interest rates affect interest expense on our borrowings under the WF credit agreement. The interest rate on amounts borrowed is based on an election by us of an annual rate equal to (1) a base rate established by Wells Fargo plus an applicable margin of 1.0% to 1.5%, based on availability levels under the WF credit agreement or (2) the LIBOR rate plus an applicable margin ranging from 2.0% and 2.5%, based on availability levels under the WF credit agreement. The base rate is defined in the WF credit agreement. We had \$61.8 million outstanding borrowings under the WF credit agreement as of June 30, 2016 at a weighted average interest rate of 3.13%. A hypothetical 100 basis point would result in an approximate \$0.6 million change in our annual interest expense on our outstanding borrowings as of June 30, 2016.

Our convertible subordinated notes have a fixed interest rate, thus a hypothetical 100 basis point have no impact on our interest expense during the first quarter fiscal 2017.

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

#### Crossroads

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. On January 29, 2016, the Patent Trial and Appeal Board issued decisions on the inter partes reviews for U.S. patents 6,425,035 and 7,051,147, ordering all claims of both patents to be unpatentable. On March 17, 2016, the Patent Trial and Appeal Board issued a decision on the inter partes review for U.S. patent 7,934,041, ordering all claims to be unpatentable. On March 31, 2016, Crossroads filed Notices of Appeal in each of the inter partes review decisions. We believe the probability that this lawsuit will have a material adverse effect on our business, operating results or financial condition is remote.

#### Realtime Data

On July 22, 2016, Realtime Data LLC d/b/a IXO (“Realtime Data”) filed a patent infringement lawsuit against Quantum in the U.S. District Court for the Eastern District of Texas, alleging infringement of U.S. Patents Nos. 7,161,506, 7,378,992, 7,415,530, 8,643,513, 9,054,728 and 9,116,908. Realtime Data asserts that we have incorporated Realtime Data's patented technology into our compression products and services. Realtime Data seeks unspecified monetary damages and other relief that the Court deems appropriate. We believe the probability that this lawsuit will have a material adverse effect on our business, operating results or financial condition is remote.

### 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 significant revenue from products incorporating tape technology. Our future results of operations 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 results of operations. In addition, if we are unable to compete with new or alternative storage technologies, our business, financial condition and results of operations could be materially and adversely affected.**

We currently derive significant revenue from products that incorporate some form of tape technology, and we expect to continue to derive significant revenue from these products in the next several years. As a result, our future results of operations 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 results of operations and we expect that our revenues from tape products will continue to decline, which could materially and adversely impact our business, financial condition and results of operations 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 investments 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 results of operations 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 results of operations to meet these debt obligations or remain in compliance with the covenants, our business, financial condition and results of operations could be materially and adversely affected.**

Our level of indebtedness presents significant risks to our business and 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 results of operations 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;
- We may be unable to incur additional debt or refinance our existing 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;
- Enter into certain restrictive agreements.

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 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 results of operations are sufficient to meet these covenants, but if we 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 results of operations.**

We sell the majority of our branded products to distributors such as Ingram Micro, Inc. and others, value-added resellers ("VARs") and 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, our relationship with channel partners that historically have sold other products and solutions that now compete with our new offerings could be adversely impacted. 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 results of operations. Our results of operations 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 results of operations.**

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 results of operations 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 results of operations 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 results of operations 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 results of operations 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 time frame 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 the United Kingdom's potential exit from the European Union 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 have 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. 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 consolidating, 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 consolidating, 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 or branded software revenues could materially and adversely affect our business, financial condition and results of operations.**

Our media royalties or branded 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 results of operations.

**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.**

Certain of our products 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 some cases, we may seek to enforce our contractual protections via litigation against the licensing company itself, which may cause us to incur significant legal or other costs and may not be resolved in our favor. Other legal actions, such as intellectual property actions, brought against the licensing company could also 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 results of operations. 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 results of operations.

**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. In the third quarter of fiscal 2016 and the first quarter of fiscal 2017, we implemented restructuring plans, which we refer to as the Fiscal 2016 Restructuring Plan and the Fiscal 2017 April Restructuring Plan, respectively to eliminate certain positions in the U.S. and internationally. These restructurings may result in decreases to our revenues or adversely affect our ability to grow our business in the future. Workforce reductions may also adversely affect employee morale and our ability to retain our employees. 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 statement of operations.

In addition, our ability to achieve the anticipated cost savings and other benefits from these restructuring within the expected time frame is subject to many estimates and assumptions. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. If these estimates and assumptions are incorrect, if we experience delays, or if other unforeseen events occur, our business, financial condition and results of operations could be adversely affected.

**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 need to 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, such as the Fiscal 2016 Restructuring Plan and the Fiscal 2017 April Restructuring Plan could adversely affect our ability to retain and hire key personnel and may result in reduced productivity by our employees. Further, our stock price has declined in recent years, reducing the retentive value of our equity compensation. If employees and potential employees do not view our equity compensation as valuable, we may have difficulty retaining or hiring key personnel.

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.

**Third party intellectual property infringement claims could result in substantial liability and significant costs, and, as a result, our business, financial condition and result of operations 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 condition, 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 results of operations 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 results of operations have fluctuated significantly, and past quarterly results of operations should not be used to predict future performance.**

Our quarterly results of operations have fluctuated significantly in the past and could fluctuate significantly in the future. As a result, our quarterly results of operations should not be used to predict future performance. Quarterly results of operations 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 results of operations 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 in connection with our transition to an outsourced manufacturing model. 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. If we are unable to successfully manage the changes that we implement and detect and address issues as they arise, our business could be disrupted and our results of operations and financial condition could be materially and adversely impacted.

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

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 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 results of operations;
- 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 have incurred 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 results of operations.

**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 results of operations. 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.

**Our actual or perceived failure to adequately protect personal data could adversely affect our business, financial condition and results of operations.**

A variety of state, national, foreign, and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data. These privacy- and data protection-related laws and regulations are evolving, with new or modified laws and regulations proposed and implemented frequently and existing laws and regulations subject to new or different interpretations. Compliance with these laws and regulations can be costly and can delay or impede the development of new products.

For example, we historically relied upon adherence to the U.S. Department of Commerce's Safe Harbor Privacy Principles and compliance with the U.S.-EU Safe Harbor Framework agreed to by the U.S. Department of Commerce and the EU. The U.S.-EU Safe Harbor Framework, which established means for legitimizing the transfer of personal data by U.S. companies from the European Economic Area, or EEA, to the U.S., was invalidated in October 2015 by a decision of the European Court of Justice, or the ECJ. In light of the ECJ's decision, we have made certain changes to our personal data handling in an effort to cause our transfer and receipt of EEA residents' personal data to be legitimized under applicable European law. In February 2016, U.S. and EU authorities reached agreement on new means for legitimizing personal data transfers from the EU to the U.S., the EU-U.S. Privacy Shield. We are in the process of evaluating how best to implement its requirements. Additionally, the European Commission has adopted a general data protection regulation that, when effective in May 2018, will supersede current EU data protection legislation, impose more stringent EU data protection requirements and provide for greater penalties for noncompliance. Our actual or alleged failure to comply with applicable laws and regulations, or to protect personal data, could result in enforcement actions and significant penalties against us, which could result in negative publicity, increase our operating costs, subject us to claims or other remedies and have a material adverse effect on our business, financial condition, and results of operations.

**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 results of operations.**

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 results of operations. 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 results of operations.

**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. In order to regain compliance, we expect that we will need to take actions, such as a reverse stock split, which will require shareholder action at our annual shareholder meeting for fiscal year 2016. If shareholders do not approve the actions we propose to regain compliance, or we are unable to otherwise 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.

**The Company faces various risks associated with activist stockholder, including a potential proxy contest at our 2016 annual meeting of stockholders.**

On June 3, 2016, VIEX Capital Advisors, LLC (“VIEX”) delivered a letter to us nominating five director candidates, for election to the Board at the 2016 annual meeting of stockholders, (the “2016 Annual Meeting”).

If our Board chooses to oppose the election of any of the VIEX nominees, there may be a proxy contest at the 2016 Annual Meeting. A proxy contest would require us to incur significant legal fees and proxy solicitation expenses and require significant time and attention by management and the Board. Further, any perceived uncertainties as to our future direction and control could result in the loss of potential business opportunities and may make it more difficult to attract and retain qualified personnel and business partners, any of which could adversely affect our business, financial condition and results of operations. Depending on certain circumstances, including how many nominees VIEX seeks to elect, it is possible that VIEX nominated directors could constitute a majority of the Board following the 2016 Annual Meeting.

Under certain circumstances arising out of or related to a proxy contest or threatened proxy contest or the nomination of directors by a stockholder, a change in the composition of the Board may result in a change of control under the severance and change of control agreements we have with our management. Pursuant to the severance and change in control agreements, certain severance payments may be triggered following a change of control, but only upon there being a qualifying termination that occurs within twelve months of any such change of control. Under certain circumstances arising out of or related to a proxy contest or threatened proxy contest or the nomination of directors by a stockholder, a change in the composition of the Board may also result in a change of control under certain contracts with third parties, including our directors’ and officers’ liability insurance and our WF credit agreement, if we are unable to secure appropriate waivers or amendments to any such contracts. The occurrence of any of the foregoing events could adversely affect our business.

**ITEM 6. EXHIBITS**

The Exhibit Index beginning on page 39 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/ FUAD AHMAD

Fuad Ahmad

Chief Financial Officer

(Principal Financial and Chief Accounting Officer)

Date: August 5, 2016

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Exhibit Description</b>
10.1	Form of Restricted Stock Unit Agreement (U.S. Employees), under the Quantum Corporation 2012 Long-Term Incentive Plan. ‡ *
10.2	Form of Restricted Stock Unit Agreement (Non-U.S. Employees), under the Quantum Corporation 2012 Long-Term Incentive Plan. ‡ *
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  
 RESTRICTED STOCK UNIT AGREEMENT  
 FOR U.S EMPLOYEES

Quantum Corporation (the "Company") hereby grants you, [NAME OF EMPLOYEE] (the "Employee"), the number of Restricted Stock Units under the Company's 2012 Long-Term Incentive Plan (the "Plan") indicated below. Capitalized terms used and not defined herein will have the meaning set forth in the Plan. Subject to the provisions of Appendix A and of the Plan, the principal features of this Award are as follows:

**Number of Restricted Stock Units:** [NUMBER]

**Scheduled Vesting Dates:**

[DATE]

[DATE]

[DATE]

[DATE]

**Number of Units:**

[NUMBER]

[NUMBER]

[NUMBER]

[NUMBER]

*IMPORTANT:*

By electronically accepting this Award, you agree that this Award is subject to all of the terms and conditions contained in Appendix A and the Plan. For example, important additional information on vesting and forfeiture of the Restricted Stock Units covered by this grant is contained in paragraphs 3 through 5 of Appendix A. Also, your acceptance of this Award means that you agree that the Company may use and transfer your personal information as described in paragraph 14 of Appendix A. **PLEASE BE SURE TO READ ALL OF APPENDIX A TO THIS RESTRICTED STOCK UNIT AGREEMENT FOR U.S. EMPLOYEES (THE "AGREEMENT") WHICH CONTAINS THE SPECIFIC TERMS AND CONDITIONS OF THIS GRANT.**

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

## APPENDIX A - TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT GRANT

## FOR U.S. EMPLOYEES

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

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

3. Vesting Schedule. Except as provided in paragraph 4, and subject to paragraph 5, the Restricted Stock Units subject to this grant will vest as to the number of Restricted Stock Units, and on the dates shown, on the first page of this Agreement. Restricted Stock Units will only vest if the Employee's Continuous Status as an Employee is not interrupted through the date on which the Restricted Stock Units otherwise are scheduled to vest.

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

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

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

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

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

If any tax withholding is required when Shares are issued as payment for vested Restricted Stock Units or, in the discretion of the Company, at such earlier time as the Tax-Related Items are due, the Company will withhold a portion of the Shares that has an aggregate market value sufficient to pay all Tax-Related Items. In addition and to the maximum extent permitted by law, the Company (or the Employer) has the right to retain without notice from any fees, salary or other amounts payable to the Employee, cash having a sufficient value to satisfy any Tax-Related Items that the Company determines cannot be satisfied through the withholding of otherwise deliverable Shares or that are due prior to the issuance of Shares under the Restricted Stock Unit Award. Notwithstanding the foregoing, the Company, in its sole discretion, may require the Employee to make alternate arrangements satisfactory to the Company for payment of such Tax-Related Items before they arise. Further, if permissible under applicable local law, the Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit or require the Employee to satisfy the Tax-Related Items, in whole or in part, by selling a sufficient number of Shares otherwise deliverable to the Employee through such means as the Company may determine in its sole discretion, including through a broker-assisted arrangement or otherwise, equal to the amount to be withheld (and any associated broker or other fees, as applicable).

To avoid negative tax consequences, if Tax-Related Items are satisfied by withholding in Shares otherwise issuable, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory rates or other applicable withholding rates, including maximum applicable rates, in which case the Employee will receive a refund of any over-withheld amount in cash and will have no entitlement to the Share equivalent. In addition, if the obligation for Tax-Related Items is satisfied by withholding in Shares, the Employee is deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Restricted Stock Units.

Notwithstanding any contrary provision of this Agreement, no Shares will be issued unless and until satisfactory arrangements (as determined by the Company) have been made by the Employee with respect to the payment of any Tax-Related Items that the Company determines must be withheld or collected with respect to the Restricted Stock Units. If the Employee fails to make satisfactory arrangements for the payment of any Tax-Related Items at the time any applicable Restricted Stock Units otherwise vest pursuant to this Agreement or the terms of the Plan, or at the time any Tax-Related Items with respect to the Restricted Stock Units otherwise are due, the Employee permanently will forfeit such Restricted Stock Units and any right to receive the Shares thereunder and the Restricted Stock Units will be returned to the Company at no cost to the Company.

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

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

11. Changes in Shares. In the event that as a result of a dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), stock split, reverse stock split, repurchase or exchange of Shares or other securities of the Company, reclassification, recapitalization, combination of Shares or the adjustment in capital stock of the Company or otherwise, or as a result of a merger, consolidation, split-up, spin-off or other reorganization, or other change in the corporate structure of the Company affecting the Shares, the Restricted Stock Units will be increased, reduced or otherwise changed, as the Administrator deems necessary or appropriate in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Award, and by virtue of any such change the Employee will in his capacity as owner of invested Restricted Stock Units which have been awarded to him (the "Prior Units") be entitled to new or additional or different restricted stock units, cash, securities (other than rights or warrants to purchase securities) or other property, such new or additional or different restricted stock units, cash, securities or other property will thereupon be considered to be invested Restricted Stock Units and will be subject to all of the conditions and restrictions which were applicable to the Prior Units pursuant to this Agreement and the Plan. If the Employee receives rights or warrants with respect to any Prior Units, such rights or warrants may be held or exercised by the Employee, provided that until such exercise any such rights or warrants and after such exercise any shares or other securities acquired by the exercise of such rights or warrants will be considered to be invested Restricted Stock Units and will be subject to all of the conditions and restrictions which were applicable to the Prior Units pursuant to the Plan and this Agreement. The Administrator in its absolute discretion at any time may accelerate the vesting of all or any portion of such new or additional units, cash or securities, rights or warrants to purchase securities or shares or other securities acquired by the exercise of such rights or warrants.

12. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of the Company's Stock Administration Department, at Quantum Corporation, 224 Airport Parkway, Suite 300, San Jose, CA 95110, or at such other address as the Company may hereafter designate in writing.

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

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

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

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

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

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

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

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

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

21. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.
22. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.\
23. Modifications to the Agreement. This Agreement, together with the Employee's Change of Control Agreement (or any similar severance or change of control arrangement), constitute the entire understanding of the parties on the subjects covered. The Employee expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained in the documents described in the preceding sentence. Notwithstanding the preceding, the Change of Control Agreement shall apply to this Award only to the extent provided in Exhibit A. Modifications to this Agreement or the Plan may be made only in an express written agreement executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of the Employee, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection with these Restricted Stock Units (including settlement or payment thereof), provided that no such revision may materially reduce the economic benefits provided or intended to be provided under this Agreement. Further, in no event will the Company (or any of its Parent or Subsidiaries) reimburse the Employee for any taxes imposed or other costs incurred as a result of Section 409A.
24. Amendment, Suspension or Termination of the Plan. By accepting this Award, the Employee expressly warrants that he or she has received a right to an equity based award under the Plan, and has received, read, and understood a description of the Plan. The Employee understands that the Plan is discretionary in nature and may be modified, suspended, or terminated by the Company at any time.
25. Notice of Governing Law. This award shall be governed by, and construed in accordance with, the laws of the State of California, without regard to principles of conflict of laws. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or the Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California in United States of America, and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and in no other courts, where this grant is made and/or to be performed.
26. Waiver. The Employee acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by the Employee or any other grantee.



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

Quantum Corporation (the “Company”) hereby grants you, [NAME OF EMPLOYEE] (the “Employee”), the number of Restricted Stock Units under the Company's 2012 Long-Term Incentive Plan (the “Plan”) indicated below. Capitalized terms used and not defined herein will have the meaning set forth in the Plan. Subject to the provisions of Appendix A, any special terms and provisions for your country set forth in Appendix B and of the Plan, the principal features of this award are as follows:

**Number of Restricted Stock Units:** [NUMBER]

**Scheduled Vesting Dates:**

[DATE]  
 [DATE]  
 [DATE]  
 [DATE]

**Number of Units:**

[NUMBER]  
 [NUMBER]  
 [NUMBER]  
 [NUMBER]

*IMPORTANT:*

By electronically accepting this award, you agree that this award is subject to all of the terms and conditions contained in Appendix A, Appendix B and the Plan. For example, important additional information on vesting and forfeiture of the Restricted Stock Units covered by this grant is contained in paragraphs 3 through 5 of Appendix A. Also, your acceptance of this award means that you agree that the Company may use and transfer your personal information as described in paragraph 15 of Appendix A. **PLEASE BE SURE TO READ ALL OF APPENDIX A AND ANY PROVISIONS FOR YOUR COUNTRY SET FORTH IN APPENDIX B TO THIS RESTRICTED STOCK UNIT AGREEMENT FOR NON-U.S. EMPLOYEES (THE “AGREEMENT”), WHICH, TOGETHER, CONTAIN THE SPECIFIC TERMS AND CONDITIONS OF THIS GRANT.**

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

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## APPENDIX A - TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT GRANT AGREEMENT

## FOR NON-U.S. EMPLOYEES

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

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

3. Vesting Schedule. Except as provided in paragraph 4, and subject to paragraph 5, the Restricted Stock Units subject to this grant will vest as to the number of Restricted Stock Units, and on the dates shown, on the first page of this Agreement. Restricted Stock Units will only vest if the Employee's Continuous Status as an Employee is not interrupted through the date on which the Restricted Stock Units otherwise are scheduled to vest.

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

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

For purposes of these Restricted Stock Units, the date the Employee status as a Service Provider is interrupted (regardless of the reason for such interruption and whether or not later found to be invalid or in breach of labor laws or the terms of the Service Provider employment or service agreement, if any) is the date that the Employee is no longer actively employed or actively rendering services and will not be extended by any notice period mandated under local law. The Administrator shall have the exclusive discretion to determine when the Employee is no longer actively employed or actively rendering services for purposes of these Restricted Stock Units (including whether the Employee may still be considered to be actively rendering services while on leave of absence).

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

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

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

If any tax withholding is required when Shares are issued as payment for vested Restricted Stock Units or, in the discretion of the Company, at such earlier time as the Tax-Related Items are due, the Company will withhold a portion of the Shares that has an aggregate market value sufficient to pay all Tax-Related Items. In addition and to the maximum extent permitted by law, the Company (or the Employer) has the right to retain without notice from any fees, salary or other amounts payable to the Employee, cash having a sufficient value to satisfy any Tax-Related Items that the Company determines cannot be satisfied through the withholding of otherwise deliverable Shares or that are due prior to the issuance of Shares under the Restricted Stock Unit Award. Notwithstanding the foregoing, the Company, in its sole discretion, may require the Employee to make alternate arrangements satisfactory to the Company for payment of such Tax-Related Items before they arise. Further, if permissible under applicable local law, the Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit or require the Employee to satisfy the Tax-Related Items, in whole or in part, by selling a sufficient number of Shares otherwise deliverable to the Employee through such means as the Company may determine in its sole discretion, including through a broker-assisted arrangement or otherwise, equal to the amount to be withheld (and any associated broker or other fees, as applicable).

To avoid negative tax consequences, if Tax-Related Items are satisfied by withholding in Shares otherwise issuable, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory rates or other applicable withholding rates, including maximum applicable rates, in which case the Employee will receive a refund of any over-withheld amount in cash and will have no entitlement to the Share equivalent. In addition, if the obligation for Tax-Related Items is satisfied by withholding in Shares, the Employee is deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Restricted Stock Units.

Notwithstanding any contrary provision of this Agreement, no Shares will be issued unless and until satisfactory arrangements (as determined by the Company) have been made by the Employee with respect to the payment of any Tax-Related Items that the Company determines must be withheld or collected with respect to the Restricted Stock Units. If the Employee fails to make satisfactory arrangements for the payment of any Tax-Related Items at the time any applicable Restricted Stock Units otherwise vest pursuant to this Agreement or the terms of the Plan, or at the time any Tax-Related Items with respect to the Restricted Stock Units otherwise are due, the Employee permanently will forfeit such Restricted Stock Units and any right to receive the Shares thereunder and the Restricted Stock Units will be returned to the Company at no cost to the Company.

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

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

- a. the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- b. the grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;
- c. all decisions with respect to future Restricted Stock Units grants, if any, will be at the sole discretion of the Company;
- d. the Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Employee's employment relationship at any time;
- e. the Employee is voluntarily participating in the Plan;
- f. the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of same, are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which is outside the scope of the Employee's employment contract, if any;
- g. the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of same, are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- h. unless otherwise agreed with the Company, the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of same, are not granted as consideration for, or in connection with, the service the Employee may provide as a director of a Parent, Subsidiary or affiliate of the Company;
- i. the grant of the Restricted Stock Units and the Employee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Company or any Parent, Subsidiary or affiliate of the Company;
- j. the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

k. no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from the termination of the Employee's status as a Service Provider (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Employee is employed or the terms of the Employee's employment or service agreement, if any), and in consideration of the grant of the Restricted Stock Units to which the Employee is otherwise not entitled, the Employee irrevocably agrees never to institute any claim against the Company, the Employer or any other Parent, Subsidiary or affiliate of the Company, waives the Employee's ability, if any, to bring any such claim, and releases the Company, the Employer and any other Parent, Subsidiary or affiliate of the Company from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Employee shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;

l. unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

m. neither the Company, the Employer nor any other Parent, Subsidiary or affiliate of the Company shall be liable for any foreign exchange rate fluctuation between the Employee local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to the Employee pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.

11. No Advice Regarding Grant.

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

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

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

13. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of the Company's Stock Administration Department, at Quantum Corporation, 224 Airport Parkway, Suite 300, San Jose, CA 95110, or at such other address as the Company may hereafter designate in writing.

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

15. Data Privacy Notice. *The Employee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Employee's personal data as described in this Agreement and any other Restricted Stock Unit grant materials by and among, as applicable, the Company, the Employer and/or any other Parent, Subsidiary or affiliate of the Company for the exclusive purpose of implementing, administering and managing the Employee's participation in the Plan.*

*The Employee understands that the Company and the Employer may hold certain personal information about the Employee, including, but not limited to, the Employee's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any Shares or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Shares or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor ( "Data " ), for the exclusive purpose of implementing, administering and managing the Plan.*

*The Employee understands that Data will be transferred to E\*Trade Financial Services, Inc. and any entity controlled by, controlling, or under common control with E\*Trade Financial Services, Inc. ("eTrade's affiliates"; and together with E\*Trade Financial Services, Inc., "eTrade"), or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. The Employee understands that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Employee's country. The Employee understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The Employee authorizes the Company, eTrade and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data as may be required to a broker, escrow agent or other third party with whom any Shares subject to the Restricted Stock Units may be deposited. The Employee understands that Data will be held only as long as is necessary to implement, administer and manage the Employee's participation in the Plan. The Employee understands that he or she may, at any time, view Data, request information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, the Employee understands that he or she is providing the consents herein on a purely voluntary basis. If the Employee does not consent, or if the Employee later seeks to revoke his or her consent, his or her employment status or service and career with the Employer will not be affected; the only consequence of refusing or withdrawing the Employee's consent is that the Company would not be able to grant the Restricted Stock Units or other awards to the Employee or administer or maintain such awards. Therefore, the Employee understands that refusing or withdrawing his or her consent may affect the Employee's ability to participate in the Plan. For more information on the consequences of the Employee's refusal to consent or withdrawal of consent, the Employee may contact his or her local human resources representative.*

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

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

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

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

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

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

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

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

24. Modifications to the Agreement. This Agreement, together with the Employee's Change of Control Agreement (or any similar severance or change of control arrangement), constitute the entire understanding of the parties on the subjects covered. The Employee expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained in the documents described in the preceding sentence. Notwithstanding the preceding, the Change of Control Agreement shall apply to this Award only to the extent provided in Exhibit A. Modifications to this Agreement or the Plan may be made only in an express written agreement executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of the Employee, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection with these Restricted Stock Units (including settlement or payment thereof), provided that no such revision may materially reduce the economic benefits provided or intended to be provided under this Agreement. Further, in no event will the Company (or any of its Parent or Subsidiaries) reimburse the Employee for any taxes imposed or other costs incurred as a result of Section 409A.

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

26. Appendix. Notwithstanding any provisions in this Agreement, the Restricted Stock Unit grant shall be subject to any special terms and conditions set forth in any Appendix B to this Agreement for the Employee country. Moreover, if the Employee relocates to one of the countries included in Appendix B, the special terms and conditions for such country will apply to the Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. Appendix B constitutes part of this Agreement.

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

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

29. Notice of Governing Law. This award shall be governed by, and construed in accordance with, the laws of the State of California, without regard to principles of conflict of laws. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or the Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California in United States of America, and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and in no other courts, where this grant is made and/or to be performed.

30. Waiver. The Employee acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by the Employee or any other grantee.

31. Insider Trading Restrictions/Market Abuse Laws. The Employee acknowledges that, depending on his or her country, the Employee may be subject to insider trading restrictions and/or market abuse laws, which may affect his or her ability to acquire or sell Shares or rights to Shares under the Plan during such times as the Employee is considered to have "inside information" regarding the Company (as defined by local laws in the Employee's country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Employee acknowledges that it is the Employee's responsibility to comply with any applicable restrictions, and the Employee is advised to speak to his or her personal advisor on this matter.

32. Foreign Asset/Account Reporting; Exchange Controls. The Employee acknowledges that the Employee's country may have certain foreign asset and/or account reporting requirements and/or exchange controls which may affect the Employee's ability to acquire or hold Shares under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside the Employee's country. The Employee may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. The Employee also may be required to repatriate sale proceeds or other funds received as a result of the Employee's participation in the Plan to his or her country through a designated bank or broker and/or within a certain time after receipt. The Employee further acknowledges that it is the Employee's responsibility to be compliant with such regulations, and the Employee should consult his or her personal legal advisor for any details.



## APPENDIX B – COUNTRY- SPECIFIC TERMS AND CONDITIONS

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Restricted Stock Unit Agreement for Non-U.S. Employees, Appendix A or the Plan.

This Appendix B includes additional terms and conditions that govern the Restricted Stock Units granted to the Employee if the Employee works and/or resides in one of the countries listed herein. If the Employee is a citizen or resident of a country other than the one in which the Employee is currently working and/or residing, is considered a resident of another country for local law purposes or transfers employment and/or residency between countries after the date of grant, the Company shall, in its sole discretion, determine to what extent the additional terms and conditional included herein will apply to the Employee under these circumstances.

This Appendix B also includes information regarding exchange controls and certain other issues of which the Employee should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control, income tax and other laws in effect in the respective countries as of June 2016. Such laws are often complex and change frequently. As a result, the Company strongly recommends that the Employee not rely on the information noted herein as the only source of information relating to the consequences of the Employee's participation in the Plan because the information may be out of date at the time the Employee vests in Restricted Stock Units, acquires Shares or sells Shares acquired under the Plan.

In addition, the information is general in nature and may not apply to the Employee's particular situation, and the Company is not in a position to assure the Employee of any particular result. Accordingly, the Employee is advised to seek appropriate professional advice as to how the relevant laws in the Employee's country may apply to his or her situation.

If the Employee is a citizen or resident of a country other than the one in which the Employee is currently working and/or residing, is considered a resident of another country for local law purposes or transfers employment after the Restricted Stock Units are granted but prior to vesting of the Restricted Stock Units, the information contained herein may not be applicable in the same manner to the Employee.

**Australia**

**Compliance with Laws.** Notwithstanding anything in the Agreement to the contrary, you will not be entitled to, and shall not claim, any benefit under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the Corporations Act 2001 (Cth), any other provision of that Act, or any other applicable statute, rule or regulation which limits or restricts the giving of such benefits. Further, the Employer is under no obligation to seek or obtain the approval of its shareholders in general meeting for the purpose of overcoming any such limitation or restriction.

**Exchange Control Information.** Exchange control reporting is required for cash transactions exceeding AUD10,000 and for international fund transfers. If an Australian bank is assisting with the transaction, the bank will file the report on behalf of the Employee.

**Tax Information.** The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to conditions in the Act).

**Belgium**

**Foreign Asset/Account Reporting.** Belgium residents must report any bank accounts opened and maintained outside of Belgium on their annual tax returns. In a separate report, Belgian residents must provide the National Bank of Belgium with certain details regarding such foreign accounts (including the account number, bank name and country in which such account was opened). This report, as well as additional information on how to complete it, can be found on the website of the National Bank of Belgium at [www.nbc.be](http://www.nbc.be), under the *Kredietcentrales / Centrales des crédits* caption.

**Brazil**

**Compliance with Law.** By accepting the Restricted Stock Units, the Employee acknowledges that the Employee agrees to comply with applicable Brazilian laws and report and pay any and all applicable taxes associated with the vesting of the Restricted Stock Units and the sale of Shares acquired under the Plan.

**Nature of Grant.** This provision supplements paragraph 9 of Appendix A:

By accepting the Restricted Stock Units, the Employee agrees that he or she is (i) making an investment decision, (ii) the Shares will be issued to the Employee only if the vesting conditions are met, and (iii) the value of the underlying Shares is not fixed and may increase or decrease in value over the vesting period without compensation to the Employee.

**Foreign Asset/Account Reporting.** Brazilian residents must submit annually a declaration of assets and rights held outside of Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights equals or exceeds US\$100,000. If the aggregate value of such assets and rights exceeds US\$100,000,000, Brazilian residents will be required to make such declarations on a quarterly basis. Assets and rights that must be reported include Shares. Foreign individuals holding Brazilian visas are considered Brazilian residents for purposes of this reporting requirement and must declare at least the assets held abroad that were acquired subsequent to the date of admittance as a resident of Brazil.

**Tax on Financial Transactions.** If Brazilian residents repatriate the proceeds from the sale of Shares or receipt of any cash dividends and convert the funds into local currency, they may be subject to the Tax on Financial Transactions.

**Canada**

**Payment after Vesting.** This provision supplements paragraph 6 of Appendix A:

Notwithstanding any discretion contained in Section 8(d) of the Plan, the grant of Restricted Stock Units does not provide any right for the Employee to receive a cash payment and the Restricted Stock Units are payable in Shares only.

**Involuntary Termination of Service.** The following provision supplements paragraph 5 of Appendix A:

For purposes of these Restricted Stock Units, the Employee's status as a Service Provider is interrupted (regardless of the reason for such termination and whether or not later found to be invalid or in breach of local labor laws or the terms of the Employee's employment or service agreement, if any) effective as of the date that is the earlier of (1) the date on which the Employee's status as a Service Provider is terminated; or (2) the date the Employee receives written notice of termination of his or her status as a Service Provider; or (3) the date the Employee is no longer actively providing services, regardless of any notice period or period of pay in lieu of such notice required under local law (including, but not limited to, statutory law, regulatory law and/or common law). The Administrator shall have the exclusive discretion to determine when the Employee is no longer actively providing services for purposes of the Restricted Stock Units (including whether the Employee may still be considered to be actively rendering services while on leave of absence).

**Securities Law Notification.** The employee may not be permitted to sell within Canada the Shares acquired under the Plan. The employee may only be permitted to sell Shares acquired under the Plan through the designated broker appointed under the Plan, if any, provided the resale of Shares acquired under the Plan takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed. Currently the Shares are listed on the New York Stock Exchange in the United States of America.

**Foreign Asset/Account Reporting.** Foreign property, including Shares, Restricted Stock Units, and other rights to receive shares (*e.g.*, stock options) of a non-Canadian company held by a Canadian resident must generally be reported annually on a Form T1135 (Foreign Income Verification Statement) if the total cost of his or her foreign assets exceeds C\$100,000 at any time during the year. Thus, such Restricted Stock Units must be reported (generally at a nil cost) if the C\$100,000 cost threshold is exceeded because other foreign property is held by the Canadian resident. When Shares are acquired pursuant to the Restricted Stock Units, their cost generally is the adjusted cost base ("ACB") of the Shares. The ACB ordinarily is equal to the fair market value of the Shares at the time of acquisition, but if the Employee owns other Shares, this ACB may have to be averaged with the ACB of the other Shares.

***The following provisions apply if the Employee is a resident of Quebec:***

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

*Les parties reconnaissent avoir exigé la rédaction en anglais de la convention, ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.*

**Data Privacy.** The following provision supplements paragraph 13 of Appendix A:

The Employee hereby authorizes the Company and the Company's representatives to discuss and obtain all relevant information from all personnel, professional or non-professional, involved in the administration of the Plan. The Employee further authorizes the Company, the Employer and/or any other Parent, Subsidiary or affiliate of the Company to record such information and to keep such information in the Employee's employment file.

**France**

**Language Consent.** By accepting the grant of Restricted Stock Units and this Agreement, including Appendix A and Appendix B, which provides for the terms and conditions of the Restricted Stock Units, the Employee confirms having read and understood the documents relating to this Award (the Plan and this Agreement) which were provided in the English language. The Employee accepts the terms of those documents accordingly.

**Consentement relatif à la langue utilisée.** En acceptant l d Attribuées et ce Contrat, y compris l'Annexe A et Annexe B, qui contient les termes et conditions de les Actions Attribuées, le Bénéficiaire confirme avoir lu et compris les documents relatifs à cette attribution (le Plan et ce Contrat) qui ont été transmis en langue anglaise. Le Bénéficiaire accepte ainsi les conditions et termes de ces documents.

**Foreign Asset/Account Reporting.** French residents must declare all cash or Shares held outside of France and any foreign bank and brokerage accounts (including any accounts that were opened or closed during the tax year) on an annual basis on form No. 3916, together with their income tax return. Further, French residents with foreign account balances exceeding €1,000,000 may have additional monthly reporting obligations..

**Germany**

**Exchange Control Information.** Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. The German Federal Bank no longer accepts paper reports; all reports must be filed electronically using the "General Statistics Reporting Portal" (*Allgemeines Meldeportal Statistik*) on the German Federal Bank's website: [www.bundesbank.de](http://www.bundesbank.de). In the event that German residents make or receive a payment in excess of this amount, they are responsible for complying with applicable reporting requirements.

**Japan**

**Foreign Asset/Account Reporting.** Japanese residents are required to report details of any assets (including any Shares acquired under the Plan) held outside of Japan as of December 31st of each year, to the extent such assets have a total net fair market value exceeding ¥50,000,000. The Employee should consult his or her personal tax advisor as to whether the reporting obligation applies to the Employee and whether the Employee will be required to include details of any cash, outstanding Restricted Stock Units or Shares held by the Employee in the report.

**Korea**

**Exchange Control Information.** Exchange control laws require Korean residents who realize US\$500,000 or more from the sale of Shares or receipt of dividends in a single transaction to repatriate the proceeds to Korea within three years of the sale/receipt.

Foreign Asset/Account Reporting. Korean residents are required to declare all foreign financial accounts (*i.e.*, non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authority and file a report with respect to such accounts if the monthly balance exceeds a certain limit (currently KRW 1 billion or an equivalent amount in foreign currency) on any month-end date during a calendar year. The Employee should consult with his or her personal tax advisor to determine whether reporting is required with respect to the Employee's foreign accounts and how to value such accounts for purposes of this reporting requirement.

### Mexico

Acknowledgement of the Agreement. In accepting the Restricted Stock Units granted hereunder, the Employee acknowledges that the Employee has received a copy of the Plan, has reviewed the Plan and the Agreement, including Appendix A and Appendix B, in their entirety and fully understands and accepts all provisions of the Plan and the Agreement, including Appendix A and Appendix B. The Employee further acknowledges that the Employee has read and specifically and expressly approves the terms and conditions of paragraph 10 of Appendix A, in which the following is clearly described and established:

1. The Employee's participation in the Plan does not constitute an acquired right.
2. The Plan and the Employee's participation in the Plan are offered by the Company on a wholly discretionary basis.
3. The Employee's participation in the Plan is voluntary.
4. The Company or any Subsidiaries or affiliates of the Company are not responsible for any decrease in the value of the Restricted Stock Units or Shares issued under the Plan.

Labor Law Acknowledgement and Policy Statement. In accepting any Restricted Stock Units granted hereunder, the Employee expressly recognizes that the Company, with registered offices at 224 Airport Parkway, Suite 300, San Jose, California, 945110, U.S.A., is solely responsible for the administration of the Plan and that the Employee's participation in the Plan and acquisition of Shares do not constitute an employment relationship between the Employee and the Company since the Employee is participating in the Plan on a wholly commercial basis and the Employee is not employed by the Company. Based on the foregoing, the Employee expressly recognizes that the Plan and the benefits that the Employee may derive from participation in the Plan do not establish any rights between the Employee and the Employee's employer; do not form part of the employment conditions and/or benefits provided by the Employee's employer; and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of the Employee's employment.

The Employee further understands that the Employee's participation in the Plan is as a result of a unilateral and discretionary decision of the Company; therefore, the Company reserves the absolute right to amend and/or discontinue the Employee's participation in the Plan at any time without any liability to the Employee.

Finally, the Employee hereby declares that the Employee does not reserve any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and the Employee therefore grants a full and broad release to the Company and its Subsidiaries, affiliates, shareholders, officers, agents or legal representatives with respect to any claim that may arise.

### Spanish Translation

***Reconocimiento del acuerdo.*** *Al aceptar las Unidades de Acciones Restringidas, el Trabajador reconoce que ha recibido una copia del Plan, que ha revisado el Plan y el Contrato, incluyendo el Anexo A y Anexo B en su integridad y acepta y reconoce los términos y condiciones del Plan y los Anexos A y B. El Empleado reconoce que ha leído y expresamente aprueba los términos y condiciones de la sección 10 del Anexo A en el que se establece claramente lo siguiente:*

- (1) La participación del Empleado en el Plan no constituye un derecho adquirido.***
- (2) El Plan y la participación en el Plan, se ofrecen por la Empresa en forma totalmente discrecional.***

(3) *La participación del Empleado en el Plan es totalmente voluntaria.*

(4) *La Empresa y cualquier subsidiaria o afiliada no son responsables por cualquier detrimento en el valor de las Unidades de Acciones Restringidas o Acciones emitidas en términos del Plan.*

Legislación Laboral y Establecimiento de la Política: *Al aceptar cualquier Unidad de Acciones Restringidas que sean emitidas, el Empleado expresamente reconoce que la Empresa, con domicilio registrado en 224 Airport Parkway, Suite 300, San Jose California, 95110, EE.UU. es la única responsable de la administración del Plan y que la participación del Trabajador y la adquisición de acciones no constituye relación laboral alguna entre el Trabajador y la Empresa, en virtud de que el Trabajador está participando en el Plan en términos de una relación de carácter comercial y que el Empleado no tiene relación de trabajo alguna con la Empresa. Basado en lo anterior, el Trabajador expresamente reconoce que el Plan y los beneficios que podría obtener de su participación en el mismo, no establecen ningún derecho entre Usted y su Patrón, que no forman parte de las condiciones de trabajo y/o beneficios otorgados por su Patrón, y que cualquier modificación del Plan o la terminación del mismo no deberán constituir modificación u obstáculo alguno de los términos y condiciones bajo los cuales se rige su relación de trabajo.*

*El Trabajador reconoce que su participación en el Plan es resultado de una decisión discrecional y unilateral de parte de la Empresa; en tal virtud, la Empresa se reserva el derecho absoluto de modificar y/o cancelar la participación del Trabajador en el Plan en cualquier momento sin responsabilidad alguna hacia el Trabajador.*

*Finalmente, el Trabajador expresamente declara que no se reserva acción legal ni derecho alguno que hacer valer en contra de la Empresa por concepto de cualquier contraprestación por daños o perjuicios derivados de cualquier disposición contenida en el Plan o de los beneficios derivados del Plan, por lo que el Trabajador en este acto otorga el finiquito más amplio disponible en derecho, a favor de la Empresa, sus subsidiarias, afiliadas, accionistas, oficiales, agentes o representantes legales con respecto de cualquier reclamación.*

#### Netherlands

There are no country-specific provisions.

#### Russia

Exchange Control Information. The Employee must repatriate certain cash amounts received with respect to the Restricted Stock Units, including any dividend equivalents and proceeds from the sale of Shares that may be issued pursuant to the Restricted Stock Units, as soon as the Employee intends to use those cash amounts for any purpose, including reinvestment. The sale proceeds received must be initially credited to the Employee through a foreign currency account opened in the Employee's name at an authorized bank in Russia. After the funds are initially received in Russia, they may be further remitted to a foreign bank in accordance to Russian exchange control laws.

Under an express statutory exception to the repatriation rules, cash dividends paid on the Shares can be paid directly to a foreign bank or brokerage account opened with a bank located in an OECD (Organization for Economic Co-operation and Development) or FATF (Financial Action Task Force) country. Further, as of January 1, 2018, cash proceeds from the sale of shares listed on one of the foreign stock exchanges on the list provided for by the Russian Federal law "On the Securities Market" can also be paid directly to a foreign bank or brokerage account opened with a bank located in an OECD or FATF country. Other statutory exceptions may apply.

Russian exchange control requirements are subject to change at any time, often without notice. The Employee should consult the Employee's personal advisor before selling any Shares acquired under the Plan and remitting any sale proceeds to Russia, as significant penalties may apply in the case of non-compliance with exchange control requirement.

Foreign Asset/Account Reporting. Russian residents may be required to notify the Russian tax authorities within one month of opening or closing a foreign bank account, or of changing any account details. In addition, residents may be required to notify the Russian tax authorities of foreign account balances as of the beginning of each calendar year; and from January 1, 2015, they also may need to report transactions made through foreign accounts.

**Securities Law Information.** The Agreement, including Appendix A and Appendix B, the Plan and all other materials that the Employee may receive regarding participation in the Plan do not constitute advertising or an offering of securities in Russia. The issuance of securities pursuant to the Plan has not and will not be registered in Russia; hence, the securities described in any Plan-related documents may not be used for offering or public circulation in Russia.

When the Employee acquires Shares upon vesting, the Shares will be held for the Employee in a U.S. brokerage account. The Employee will not be permitted to request share certificates and hold the certificates in Russia. The Employee may sell his or her Shares on a U.S. stock market, but is not permitted to sell shares in the Company directly to other Russian individuals.

**U.S. Transaction.** The Employee understands that his or her acceptance of the grant of Restricted Stock Units results in a contract between the Employee and the Company completed in the United States and that the Agreement is governed by the laws of the State of California without giving effect to the conflict of law principles thereof.

**Labor Law Information.** If the Employee continues to hold Shares after an involuntary termination of the Employee's employment, the Employee will not be eligible to receive unemployment benefits in Russia.

**Data Privacy.** The following provisions supplement paragraph 13 of Appendix A, and to the extent inconsistent, the below language for Russia supersedes the language in paragraph 13 of Appendix A:

The Employee understands and agrees that the Company may require the Employee to complete and return a Consent to Processing of Personal Data form (the "Consent") to the Company. If a Consent is required by the Company but the Employee fails to provide such Consent to the Company, the Employee understands and agrees that the Company will not be able to administer or maintain the Restricted Stock Units or any other awards. Therefore, the Employee understands that refusing to complete any required Consent or withdrawing his or her consent may affect the Employee's ability to participate in the Plan. For more information on any required Consent or withdrawal of consent, the Employee may contact the US. Human resources representative.

**Anti-Corruption Information.** Certain individuals who hold public office in Russia, as well as their spouses and dependent children, are prohibited from opening or maintaining foreign brokerage or bank accounts and holding any securities, whether acquired directly or indirectly, in a foreign company (including Shares acquired under the Plan).

### **Singapore**

**Sale of Shares.** The Shares subject to the Restricted Stock Units will not be offered for sale in Singapore prior to the six-month anniversary of the date of grant, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Securities and Futures Act (Chap. 289, 2006 Ed.) ("SFA").

**Securities Law Information.** The grant of Restricted Stock Units is being made pursuant to the "Qualifying Person" exemption under section 273(1)(f) of the SFA and is not made with a view to the Restricted Stock Units or underlying Shares being subsequently offered for sale to any other party. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

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

### **Spain**

**Labor Law Information.** This provision supplements paragraph 10 of Appendix A:

In accepting the award, the Employee acknowledges that he or she consents to participation in the Plan and has received a copy of the Plan. The Employee understands that the Company has unilaterally, gratuitously and discretionally decided to grant Restricted Stock Units under the Plan to individuals who may be employees of the Company or a Parent, Subsidiary or affiliate of the Company throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any award will not economically or otherwise bind the Company or any of its Subsidiaries or affiliates on an ongoing basis, other than as expressly set forth in the Agreement. Consequently, the Employee understands that the Restricted Stock Units are granted on the assumption and condition that the Restricted Stock Units or the Shares acquired pursuant to the Restricted Stock Units shall not become a part of any employment contract (either with the Company or any of its Subsidiaries or affiliates) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, the Employee understands that this award would not be made to the Employee but for the assumptions and conditions referred to above; thus, the Employee acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then this award shall be null and void.

The Employee understands and agrees that, unless otherwise provided by the Plan, the termination of the Employee's status as a Service Provider for any reason will automatically result in the forfeiture of unvested Restricted Stock Units in accordance with the provisions of the Plan and the Agreement. In particular, the Employee understands and agrees that, unless otherwise expressly provided for by the Company, vesting of the Restricted Stock Units will end if the Employee terminates employment by reason of, including, but not limited to: resignation, retirement, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without cause (*i.e.*, subject to a "*despido improcedente*"), individual or collective layoff on objective grounds, whether adjudged to be with cause or adjudged or recognized to be without cause, material modification of the terms of employment under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, unilateral withdrawal by the Employer, and under Article 10.3 of Royal Decree 1382/1985.

**Exchange Control Information.** Spanish residents must declare the acquisition, ownership and disposition of Shares to the *Dirección General de Comercio e Inversiones* (the "DGCI"), a department of the Ministry of Industry, Tourism and Commerce. Generally, the declaration must be made in January for Shares acquired or sold during (or owned as of December 31 of) the prior year; however, if the value of Shares acquired or sold exceeds €1,502,530 (or the Spanish resident holds 10% or more of the share capital of the Company or such other amount that would entitle him or her to join the Board), the declaration must be filed within one month of the acquisition or sale, as applicable.

**Foreign Asset/Account Reporting.** Spanish residents are required to electronically declare to the Bank of Spain any securities accounts (including brokerage accounts held abroad), as well as the securities (including Shares acquired at vesting of the Restricted Stock Units) held in such accounts, and any transactions carried out with non-residents, if the value of the transactions for all such accounts during the prior year or the balances in such accounts as of December 31 of the prior year exceeds €1,000,000. More frequent reporting is required if such transaction value or account balance exceeds €100,000,000. If neither the total balances nor total transactions with non-residents during the relevant period exceeds €50,000,000, then a summarized form of declaration may be used.

In addition, Spanish residents must report assets or rights deposited or held outside of Spain (*e.g.*, cash or Shares held in a bank or brokerage account) to the Spanish tax authorities on their annual tax returns. This reporting obligation is based on the value of those rights and assets as of December 31 and has a threshold of €50,000 per type of asset (bank account, Shares, real estate, etc.). After such assets or rights are initially reported, the reporting obligation will apply for subsequent years only if the value of any previously-reported asset or right increases by more than €20,000 or if the ownership of such asset or right is transferred or relinquished during the year.

**Securities Law Information.** The Restricted Stock Units and the Shares described in the Agreement do not qualify under Spanish regulations as securities. No "offer of securities to the public," as defined under Spanish law, has taken place or will take place in the Spanish territory. The Agreement (including Appendix A and Appendix B) has not been nor will it be registered with the *Comisión Nacional del Mercado de Valores*, and does not constitute a public offering prospectus.

#### **Sweden**

There are no country-specific terms and conditions.

**Switzerland**

**Securities Law Information.** The Restricted Stock Units are not intended to be publicly offered in or from Switzerland. The offer is considered a private offering in Switzerland and is therefore not subject to registration in Switzerland. Neither this Agreement nor any other materials relating to the Restricted Stock Units constitute a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, and neither this Agreement nor any other materials relating to the Restricted Stock Units may be publicly distributed or otherwise made publicly available in Switzerland.

**United Kingdom**

**Payment after Vesting.** This provision supplements paragraph 6 of Appendix A:

Notwithstanding any discretion contained in Section 8(d) of the Plan, the grant of Restricted Stock Units does not provide any right for the Employee to receive a cash payment and the Restricted Stock Units are payable in Shares only.

**Withholding of Taxes.** This provision supplements paragraph 8 of Appendix A:

The Employee agrees that, if payment or withholding of the income tax due is not made within ninety (90) days of the end of the U.K. tax year in which the relevant taxable or tax withholding event occurs, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the "Due Date"), and provided that the Employee is not a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), then the amount of any uncollected income tax due shall constitute a loan owed by the Employee to the Employer, effective as of the Due Date. The Employee agrees that the loan will bear interest at the then-current official rate of Her Majesty's Revenue & Customs ("HMRC"), it shall be immediately due and repayable, and the Company or the Employer may recover it at any time thereafter by any of the means referred to in paragraph 8 of the Agreement. In the event that the Employee is a director or executive officer and income tax is not collected from or paid by him or her by the Due Date, the amount of any uncollected income tax may constitute a benefit to the Employee on which additional income tax and national insurance contributions ("NICs") may be payable. The Employee will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as applicable) the value of the employee and employer NICs due on this additional benefit, which may be recovered from the Employee at any time thereafter by any of the means referred to in paragraph 8 of the Agreement.



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: August 5, 2016

/s/ JON W. GACEK

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

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

I, Fuad Ahmad, 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: August 5, 2016

/s/ FUAD AHMAD

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Fuad Ahmad

Chief Financial Officer

(Principal Financial Officer)

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

I, Jon W. Gacek, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Quantum Corporation, on Form 10-Q for the quarterly period ended June 30, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Quantum Corporation.

Date: August 5, 2016

QUANTUM CORPORATION

/s/ JON W. GACEK

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

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

I, Fuad Ahmad, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Quantum Corporation, on Form 10-Q for the quarterly period ended June 30, 2016, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Quantum Corporation.

Date: August 5, 2016

QUANTUM CORPORATION

/s/ FUAD AHMAD

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Fuad Ahmad  
Chief Financial Officer  
(Principal Financial Officer)