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

FORM 10-K

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

For the fiscal year ended March 31, 2017

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

(Exact name of registrant as specified in its charter)

Delaware	**94-2665054**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
224 Airport Parkway, Suite 550, San Jose, California	**95110**
(Address of principal executive offices)	(Zip Code)

(408) 944-4000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
QUANTUM CORPORATION COMMON STOCK	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES☐ NO ☒

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 check mark 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 check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act ☐

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

The aggregate market value of Quantum Corporation's common stock, $0.01 par value per share, held by nonaffiliates of the registrant was approximately $196.6 million on September 30, 2016 the last day of the registrant's most recently completed second fiscal quarter, based on the closing sales price of the registrant's common stock on that date on the New York Stock Exchange. For purposes of this disclosure, shares of common stock held by persons who hold more than 5% of the outstanding shares of common stock and shares held by officers and directors of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily conclusive for other purposes.

As of the close of business on May 25, 2017, there were 34,092,475 shares of the registrant's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant's definitive Proxy Statement for the Annual Meeting of Stockholders, which the registrant will file with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this report, is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

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PART I

This report and certain information incorporated by reference contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, 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 financial and operating performance, including increasing market share, continuing to add customers and increasing revenue and earnings; (2) our expectation that we will continue to derive a substantial portion of our revenue from products based on tape technology; (3) our belief that our existing cash and capital resources will be sufficient to meet all currently planned expenditures, debt service and sustain our operations for at least the next 12 months; (4) our expectations regarding our ongoing efforts to control our cost structure; (5) our expectations regarding the outcome of any litigation in which we are involved; and (6) our business goals, objectives, key focuses, opportunities and prospects which 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 those factors discussed under Item 1A “Risk Factors”, Item 7 "Management's Discussion and Analysis of Financial Conditions and Resutls of Operations' and Item 7A "Quantitative and Qualitative Dislcosures about Market Risk". Our forward-looking statements are not guarantees of future performance. We disclaim any obligation to update information in any forward-looking statement, except as required by applicable law.

ITEM 1. BUSINESS

Business Description

Quantum Corporation (“Quantum”, the “Company”, “us” or “we”), founded in 1980 and reincorporated in Delaware in 1987, is a leading expert in scale-out tiered 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 common stock is traded on the New York Stock Exchange under the symbol QTM.

Our scale-out tiered storage portfolio includes StorNext® software, appliances and full systems called StorNext Pro™ Solutions, as well as Xcellis™ workflow storage, QXS disk storage and Lattus™ extended online storage. Our StorNext offerings enable customers to manage large unstructured data sets in an information workflow, providing high-performance ingest, real-time collaboration, scalable capacity and intelligent protection. They are centered on our StorNext 5 platform, which is designed for today's modern workflow challenges of capturing, sharing, managing and preserving massive amounts of data in the most demanding environments. StorNext 5 includes the industry's fastest streaming file system and policy-based tiering for automatically moving data across primary storage, extended online storage, tape archive and the cloud.

We also have a comprehensive portfolio of data protection solutions for physical, virtual and cloud environments. This includes our DXi® deduplication systems, Scalar® automated tape libraries and vmPRO™ virtual server backup software. In addition, we also provide the underlying technology platform to partners and end user customers to build their own clouds.

Artico, an active archive appliance providing network-attached storage ("NAS") connectivity, and QXS hybrid disk and flash storage serve both scale-out tiered storage and data protection customers.

We are a member of the consortium that develops and has licensed LTO® ("Linear Tape-Open) media technology to tape media manufacturing companies. We receive royalty payments for both LTO and DLT® media technology sold under licensing agreements. We have also entered into various licensing agreements with respect to our technology, patents and similar intellectual property which provide licensing revenues in certain cases and may expand the market for products and solutions using these technologies.

We are focused on driving profitable revenue growth and long-term shareholder value by capitalizing on new market opportunities, leveraging the strength of our technology, products and install base across scale-out tiered storage and data protection, continuing to expand our solutions portfolio and building new and enhanced channel and technology partnerships.

Industry Background

For most of our customers, demands on data have changed and so have the requirements for storing and retaining it. Previously, data had a one-way, predictable life cycle where the information technology ("IT") focus was around risk mitigation. Now, companies know that their data can be a source of competitive advantage, revenue and growth. They are much more focused on the opportunity of data, so IT must save everything and make it available based on business requirements. In addition, the challenge of dealing with large data files is extending beyond a narrow set of vertical markets such as media and entertainment, government intelligence, oil and gas and life sciences to commercial enterprises more broadly.

All of this is leading to new workflows and putting pressure on status quo approaches. Traditional infrastructures are breaking down based on the sheer volume of data and the need to store data indefinitely and continue to produce value from it. IT departments have determined that adding more spinning disk to the problem will not resolve the issues, nor will legacy backup processes.

We believe the industry is evolving to a new infrastructure that is based on high-performance, tiered storage solutions with smart data movement that fits a customer's workflow. These tiered storage solutions need to support unpredictable, on-demand access, whenever and wherever customers need their data, and incorporate new approaches to data protection and archive. At the same time, these solutions must be cost-effective.

While there are different workflows which require different solutions, there are common elements that must be addressed. Quantum products offer a unique combination of high performance, low-cost capacity and fast data access designed to help customers drive business and operational success.

Products

Scale-out Tiered Storage

With new digital technologies creating larger data files that can generate greater business value, there is a growing need to retain data for progressively longer periods while maintaining visibility and access to it. IT departments and vertically focused business units, including but not limited to media and entertainment, video surveillance, oil and gas, life sciences and high performance computing, are increasingly focused on managing large amounts of unstructured data. Generally, unstructured data refers to relatively new data types that produce large files, often measured in petabytes, such as video, imaging, documents and audio. In some cases, this also refers to large collections of small data, such as retail purchasing information, underwater photos of the ocean floor and feeds from traffic cameras that when combined, create meaningful information and increasingly competitive advantage. In addition, in managing unstructured data, organizations are increasingly recognizing that they need efficient and cost-effective ways to archive it. In conjunction with our StorNext software and appliance offerings, we offer various tiers of storage for extended online (Latus Object Storage) and archiving (tape and cloud tiers) to address this growing need for managing and archiving growing unstructured data sets.

StorNext and Xcellis Workflow Storage

Our StorNext Appliances and StorNext Data Management Platforms leverage the power of our StorNext 5 software and market-leading hardware to offer predictable high-performance file sharing and archiving in purpose-built configurations of metadata controllers, expansion appliances and disk and archive enabled libraries. StorNext 5 delivers higher levels of performance, scalability and flexibility in a new generation of the industry's leading scale-out shared storage file system, tiered storage and archive. StorNext 5 is a complete end-to-end solution that combines file management technology with easy-to-deploy appliances to support the world's most complex and demanding workflows. In addition, our StorNext Storage Manager™ software automatically copies and migrates data between different tiers of storage based on user-defined policies. The result is a highly scalable, high-performance data management solution designed to optimize the use of storage while enabling long-term protection and recoverability of data.

StorNext Appliances and StorNext Pro Solutions are simple to deploy and architected to deliver scalable, industry-leading performance, drive lower operational costs and provide a flexible open system for enabling third party applications. These appliances also work seamlessly with traditional StorNext software and partner hardware offerings to provide additional options for building a shared storage area network ("SAN") and scale-out NAS environment. They are intended to serve a wide range of markets, such as broadcast, post-production, video surveillance storage, DNA sequencing, corporate video and seismic exploration, and balance the highest performance with the lowest long-term cost for sharing all types of unstructured data used in data intensive operations.

Our Xcellis product optimizes workflow and shared access by combining functions that were formerly provided by separate components into a compact, space- and energy-saving solution. Xcellis manages high-speed disk for the most demanding workflows and provides multi-protocol SAN and local area network ("LAN") client access. It also offers single-pane-of-glass management and monitoring and automatic data movement to low-cost storage such as cloud, object and tape. Overall, Xcellis maximizes operational and workflow efficiency and reduces the cost of data storage.

Lattus Object Storage

Our family of Lattus Object Storage solutions enables high volumes of data to be immediately available to extract valuable information at any time, and over time. The Lattus family is designed as extended online storage with wide-ranging scalability from terabytes to hundreds of petabytes with predictable retrieval times for high speed file access. These systems have self-healing capabilities that offer extremely high durability to ensure data is not lost and virtually eliminate unscheduled maintenance and performance degradation. Lattus has been designed to be self-migrating through innovative algorithms that simplify upgrades to new storage technologies.

StorNext AEL Archives

Our tape-based StorNext AEL archive products are purpose-built for extreme data environments, offering highly scalable data management solutions that are also cost effective and easy to manage. When added to a StorNext file system deployment, StorNext AEL archives products provide near-line archiving with built-in data protection and self-healing capabilities to ensure that valuable digital assets are protected and accessible over time. As a result, StorNext AEL archives products play a key role as we continue to expand our footprint in the growing market for unstructured data archive solutions.

Data Protection

DXi Disk Systems

Our DXi disk systems use deduplication technology to increase the amount of backup data users can retain on traditional disk systems. The result is a cost-effective means for IT departments to store backup data on disk for months instead of days, providing high-speed restores, increasing available data recovery points and reducing media management. For disaster recovery in distributed environments, the DXi-Series™ also makes wide area network (“WAN”) replication practical because of the greatly reduced bandwidth required with data deduplication. By greatly increasing effective disk capacity, data deduplication enables users to retain backup data on fast recovery disk much longer than possible using conventional disk and significantly reduces the bandwidth needed to move data between sites. We hold a key patent in one of the most efficient methods of data deduplication, known as variable-length data deduplication.

Scalar Tape Automation Systems

We are a leading supplier of tape automation products and we continue to expand features and functionality of our tape library offerings to increase storage capacity and improve performance. Our Scalar tape automation portfolio includes a range of products, from autoloaders with one tape drive and up to sixteen cartridges to large enterprise-class libraries which can hold hundreds of drives and thousands of cartridges. Our tape libraries intelligently manage and protect business critical data in workgroup, medium size business and enterprise data center environments. With an emphasis on ease of use, management features and investment optimization, Scalar tape libraries are designed to grow with business needs. These products integrate tape drives into a system with automation technology, advanced connectivity and sophisticated management tools, including integrated media integrity analysis in tape drives and library diagnostic systems. We also offer the SuperLoader®3 autoloader designed to maximize data density and performance.

Tying our libraries together from entry-level to enterprise is a common, integrated software called iLayer™, which provides monitoring, alerts and proactive diagnostics, thereby reducing service calls, shortening issue resolution time and decreasing the time users spend managing their tape automation solutions. In addition, we believe the growth in archiving of unstructured data represents a substantial opportunity for tape automation systems. To capitalize on this trend and the changing role of tape automation systems in data protection, we have invested in our enterprise Scalar i6000 and midrange Scalar i500 platforms to provide increased redundancy capabilities. These platforms can be implemented on their own or in an appliance configuration with our StorNext archiving software.

Devices and Media

Our device and media products include removable disk drives and libraries, tape drives and media. We offer tape drives and media primarily based on the LTO format. Our LTO family of devices is designed to deliver outstanding performance, capacity and reliability, combining the advantages of linear multi-channel, bi-directional formats with enhancements in servo technology, data compression, track layout and error correction. These LTO tape drives are designed to provide midrange and enterprise customers with disaster recovery and cost-effective backup solutions.

We also sell a full range of storage media offerings to complement each tape drive technology and to satisfy a variety of specific media requirements. Our media is compatible with our drives, autoloaders and libraries as well as other industry products.

Global Services and Warranty

Our global services strategy is an integral component of our total customer solution. Service is typically a significant purchase factor for customers considering scale-out or data protection storage solutions, and our ability to provide comprehensive service and support can be a noteworthy competitive advantage to attract new customers and retain existing customers. In addition, we believe that our ability to retain long-term customer relationships and secure repeat business is frequently tied directly to our service capabilities and performance.

Our extensive use of technology and innovative, built-in product intelligence allows us to scale our global services operations to meet the needs of our expanding installed base. We are currently able to provide service to customers in more than 100 countries, supported by 24-hour, multi-language technical support centers located in North America, Europe and Asia. We provide our customers with warranty coverage on all of our products. Customers with high availability requirements may also purchase additional service to obtain faster response times on our disk backup systems, tape automation products and StorNext appliances. We offer this additional support coverage at a variety of response levels up to 24-hours a day, seven-days-a-week, 365-days-a-year, for customers with stringent high-availability needs. We provide support ranging from repair and replacement to 24-hour rapid exchange to on-site service support for our midrange and enterprise-class products.

We generally warrant our hardware products against defects for periods ranging from one to three years from the date of sale. We provide warranty and non-warranty repair services through our service team and third party service providers. In addition, we utilize various other third party service providers throughout the world to perform repair and warranty services for us to reach additional geographic areas and industries in order to provide quality services in a cost-effective manner.

Research and Development

We compete in an industry characterized by rapid technological change and evolving customer requirements. Our success depends, in part, on our ability to introduce new products and features to meet end user needs. Our research and development teams are working on the next generation disk, data deduplication, virtual systems, cloud solutions, object storage solutions, tape automation and scale-out tiered storage technologies as well as software solutions to advance these technologies for the scale-out tiered storage and data protection markets to meet changing customer requirements. We continue to focus our efforts on software and integrated software and hardware solutions that offer improvements in the efficiency and cost of storing, moving, managing and protecting large amounts of data and providing solutions for the continuing convergence between backup and archive to provide compelling solutions for our customers.

We continue to invest in research and development to improve and expand our product lines and introduce new product lines, striving to provide superior data protection and scale-out tiered storage solutions, for both on-premise and cloud environments. Research and development costs were $44.4 million, $48.7 million, and $58.6 million for fiscal 2017, 2016 and 2015, respectively.

Sales and Distribution Channels

Quantum Branded Sales Channels

For Quantum-branded products, we utilize distributors, VARs and DMRs. Our integrated Quantum Alliance Reseller Program provides our channel partners the option of purchasing products directly or through distribution channels and provides them access to a more comprehensive product line. Additionally, we sell directly to a number of large corporate entities and government agencies.

OEM Relationships

We sell our products to several OEM customers that resell our hardware products under their own brand names and typically assume responsibility for product sales, end user service and support. We also license our software to certain OEM customers that include this software in their own brand name products. These OEM relationships enable us to reach end users not served by our branded distribution channels or our direct sales force. They also allow us to sell to select geographic or vertical markets where specific OEMs have exceptional strength.

Customers

Our sales are concentrated with several key customers because under our business model, as is typical for our industry, we sell to OEMs, distributors, VARs and DMRs to reach end user customers. Sales to our top five customers represented 29% of revenue in fiscal 2017, 28% of revenue in fiscal 2016 and 31% of revenue in fiscal 2015. No customer accounted for 10% or more of our revenue in fiscal 2017, 2016 or 2015. Through our Quantum Alliance Reseller Program and our emphasis on growing our branded business, including increasing the independent channel, we are expanding our customer base and continue to distribute our products and services across a larger number of customers.

Competition

The markets in which we participate are highly competitive, characterized by rapid technological change and changing customer requirements. In some cases, our competitors in one market area are customers or suppliers in another. Our competitors often have greater financial, technical, manufacturing, marketing or other resources than we do. Additionally, the competitive landscape continues to change due to merger and acquisition activity as well as new entrants into the market.

Our StorNext appliances and workflow solutions primarily face competition from EMC Corporation (“EMC”), International Business Machines Corporation (“IBM”), NetApp, Inc. (“NetApp”) and other content storage vendors in the media and entertainment industry as well as government agencies and departments. Our cloud solutions face competition from a large number of businesses that provide hardware, software and virtual solutions as well as companies that offer cloud services based on other technology. Our Lattus Object Storage solutions primarily compete with object storage solutions from other providers, ranging from startup companies to established companies, such as EMC and IBM, as well as large public cloud storage providers.

Our disk backup solutions primarily compete with products sold by EMC, Hewlett-Packard Company (“HP”), IBM and NetApp. Additionally, a number of software companies that have traditionally been partners with us have deduplication features in their products and will, at times, compete with us. A number of our competitors also license technology from other competing companies.

In the tape automation market, we primarily compete for midrange and enterprise reseller and end user business with Dell, Inc. ("Dell"), IBM, Oracle Corporation and SpectraLogic Corporation as well as HP through its OEM relationship with other tape automation suppliers. Competitors for entry-level and OEM tape automation business include BDT Products, Inc. and several others that supply or manufacture similar products. In addition, disk backup products are a competitive alternative to tape products and solutions.

At the storage device level, our main competitors are HP and IBM. Both HP and IBM develop and sell their own LTO tape drives, which compete with our device offerings. We also face competition from disk alternatives, including removable disk drives in the entry-level market.

For a discussion of risks associated with competing technologies, see the Risk Factor in Item 1A "Risk Factors" titled, “We derive the majority of our revenue from products incorporating tape technology. Our future operating results depend in part on continued market acceptance and use of products employing tape technology and decreases in the market could materially and adversely impact our business, financial condition and operating results. In addition, if we are unable to compete with new or alternative storage technologies, our business, financial condition and operating results could be materially and adversely affected.”

Manufacturing

We primarily use contract manufacturers as we have transitioned to a fully outsourced manufacturing model as part of our strategy to enhance our variable cost structure. This model provides more flexibility to cost-effectively manage the volume of products manufactured to align with our expectations, including market declines in the tape business and growth expectations in disk backup products and scale-out tiered storage solutions.

We outsource the manufacture, repair and fulfillment of disk backup products, scale-out tiered storage solutions, tape automation systems, tape devices and service parts to contract manufacturers. Tape drives used in our products are primarily sourced from Hungary and China. Disk drives used in our products are largely sourced from Thailand, the Philippines and China. Certain tape automation system materials and assemblies as well as certain disk system materials and assemblies are sourced in China, Malaysia, Thailand, Mexico and the U.S.

Our recording tape media is manufactured by one or more tape media manufacturing companies, which are qualified and licensed to manufacture, use and sell media products. In most cases, the media is produced in Japan and multi-sourced on a worldwide basis.

Intellectual Property and Technology

We generally rely on patent, copyright, trademark and trade secret laws and contract rights to establish and maintain our proprietary rights in our technology and products. As of March 31, 2017, we hold approximately 400 U.S. patents and have 66 pending U.S. patent applications. In general, these patents have a 20-year term from the first effective filing date for each patent. We also hold a number of foreign patents and patent applications for certain of our products and technologies. Although we believe that our patents and applications have significant value, rapidly changing technology in our industry means that our future success may also depend heavily on the technical competence and creative skills of our employees.

From time to time, third parties have asserted that the manufacture and sale of our products have infringed on their patents. We are not knowingly infringing any third party patents. Should it ultimately be determined that licenses for third party patents are required, we will make best efforts to obtain such licenses on commercially reasonable terms. See Item 3 “Legal Proceedings” for additional disclosures regarding lawsuits alleging patent infringement.

On occasion, we have entered into various patent licensing and cross-licensing agreements with other companies. We may enter into patent cross-licensing agreements with other third parties in the future as part of our normal business activities. These agreements, when and if entered into, would enable these third parties to use certain patents that we own and enable us to use certain patents owned by these third parties. We have also sold certain patents, retaining a royalty-free license for these patents.

Segment Information

We operate as a single reporting unit and operating segment for business and operating purposes. Information about revenue attributable to each of our product groups is included in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and information about revenue and long-lived assets attributable to certain geographic regions is included in Note 15 “Geographic Information” to the Consolidated Financial Statements and risks attendant to our foreign operations is set forth below in Item 1A “Risk Factors.”

Seasonality

As is typical in our industry, we generally have the greatest demand for our products and services in the fourth quarter of each calendar year, or our fiscal third quarter. We usually experience the lowest demand for our products and services in the first and second quarters of each calendar year, or our fiscal fourth quarter and fiscal first quarter, respectively.

Backlog

Our products are manufactured based on forecasts of customer demand. We also place inventory in strategic locations throughout the world in order to enable certain key customers to obtain products on demand. Orders are generally placed by customers on an as-needed basis. Product orders are confirmed and, in most cases, shipped to customers within one week. More complex systems and product configurations often have longer lead times and may include on-site integration or customer acceptance. Most of the backlog accumulated during any particular fiscal quarter is shipped in the same quarter in which the backlog initially occurs. Therefore, our backlog generally grows during the first part of each fiscal quarter and shrinks during the latter part of the quarter to reach its lowest levels at the end of that same quarter, by which time significant shipments have occurred. As a result, our backlog as of the end of any fiscal quarter is not material and is not a predictor of future sales.

Employees

We had approximately 1,150 employees worldwide as of March 31, 2017.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website at http://www.quantum.com generally when such reports are available on the Securities and Exchange Commission (“SEC”) website. The contents of our website are not incorporated into this Annual Report on Form 10-K.

The public may read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at http://www.sec.gov.

Reverse Stock Split

On April 18, 2017, we effected a 1-for-8 reverse stock split of our issued and outstanding common stock (the “Reverse Stock Split”). Our stock began to trade on a post-split basis on April 19, 2017. Par value of the Company's common stock was unchanged as a result of the Reverse Stock Split remaining at $0.01 per share. All shares and per share data for fiscal 2017 and comparative historical periods included within this Annual Report on Form 10-K, including our Consolidated Financial Statements and related footnotes, have been adjusted to account for the effect of the Reverse Stock Split.

Executive Officers and Management Team

Following are the names and positions of our management team as ofMay 25, 2017, including a brief account of the business experience of each.

Name	Position with Quantum
Jon W. Gacek*	President and Chief Executive Officer
Fuad Ahmad*	Senior Vice President, Chief Financial Officer
William C. Britts*	Senior Vice President, Worldwide Sales and Marketing
Robert S. Clark*	Senior Vice President, Product Operations
Shawn D. Hall*	Senior Vice President, General Counsel and Secretary
Don Martella	Senior Vice President, Engineering
Geoff Stedman	Senior Vice President, Products and Solutions
Bassam Tabbara	Chief Technology Officer

* Determined by the Board of Directors to be an “officer” for the purposes of Section 16 (a) of the Exchange Act.

Mr. Gacek became President and Chief Executive Officer in April 2011. He served as a member of the Board of Directors from April 2011 until April 2017. He joined Quantum as Executive Vice President and Chief Financial Officer in August 2006, upon Quantum’s acquisition of Advanced Digital Information Corporation (“ADIC”) and was promoted to Executive Vice President, Chief Financial Officer and Chief Operating Officer in June 2009. Previously, he served as the Chief Financial Officer at ADIC from 1999 to 2006 and also led Operations during his last three years at ADIC. Prior to ADIC, Mr. Gacek was an audit partner at PricewaterhouseCoopers LLP and led the Technology Practice in the firm’s Seattle office. While at PricewaterhouseCoopers LLP, he assisted several private equity investment firms with a number of mergers, acquisitions, leveraged buyouts and other transactions.

Mr. Ahmad joined Quantum as Chief Financial Officer in April 2016. Mr. Ahmad has been a partner with FLG Partners, a consulting firm providing interim and permanent financial leadership services, since 2013 and has been advising various companies on matters ranging from scaling their operations and growth and financing strategies to restructuring and reorganizations. Prior to FLG Partners, from 2010 to 2012, he was Chief Financial Officer of Sezmi Inc. a provider of cloud-based, turnkey video solutions for personalized and multi-screen offerings serving telecommunications, media/content and ISP companies. From 2004 to 2010, Mr. Ahmad was Senior Vice President and Chief Financial Officer of Globalstar Inc., an industry-leading provider of mobile satellite voice and data services.

Mr. Britts joined Quantum as Executive Vice President, Sales and Marketing in August 2006, upon Quantum’s acquisition of ADIC. He served in this position until June 2011, when he assumed the role of Senior Vice President, Worldwide Marketing, Service and Business Development. From April 2012 until April 2015, Mr. Britts was also responsible for Operations. In July 2013, he was named Senior Vice President, Worldwide Sales and Marketing. Prior to Quantum, he spent 12 years at ADIC, where he held numerous leadership positions, including Executive Vice President of Worldwide Sales and Marketing, Vice President of Sales and Marketing and Director of Marketing. Before ADIC, Mr. Britts served in a number of marketing and sales positions at Raychem Corp. and its subsidiary, Elo TouchSystems.

Mr. Clark joined Quantum as Director of Tape Products in August 2006, upon Quantum’s acquisition of ADIC. In March 2009, he was promoted to Vice President with responsibility for various product lines, as well as business operations and OEM sales. In April 2010, he was named Senior Vice President, Tape and OEM Product Group (subsequently reorganized as Disk and Tape Backup Product Group). In January 2014, Mr. Clark assumed additional responsibility for all Quantum products in a newly named Product Operations organization. In April 2015, Mr. Clark also assumed responsibility for both Operations and Service. Prior to Quantum, Mr. Clark was at HP for 10 years in various engineering and sales positions.

Mr. Hall joined Quantum in 1999 as Corporate Counsel, became Vice President, General Counsel and Secretary in 2001 and was promoted to Senior Vice President, General Counsel and Secretary in May 2009. Prior to Quantum, Mr. Hall worked at the law firms of Skadden, Arps and Willkie Farr & Gallagher, where he practiced in the areas of mergers and acquisitions and corporate finance, representing numerous public and private technology companies.

Mr. Martella joined Quantum as Vice President, Automation Engineering in August 2006, upon Quantum’s acquisition of ADIC. In June 2010, he was promoted to Senior Vice President, Platform Engineering, and in April 2011 assumed his current role. Before joining Quantum, Mr. Martella served as a Vice President of Engineering and Quality at ADIC, where he spent five years in various leadership positions. Previously, he held engineering positions in the storage and process control industries.

Mr. Stedman joined Quantum as Senior Vice President, scale-out tiered storage Solutions in March 2014. From March 2012 to February 2014, Mr. Stedman served as vice president of marketing at Tintri, Inc., a storage company specifically focused on virtualized applications, and he was senior vice president and general manager of the Storage Business Unit at Harmonic, Inc., a company that develops and markets video routing, server and storage products. He joined Harmonic in conjunction with its acquisition of Omneon, Inc. where he spent seven years as senior vice president of worldwide marketing. Before Omneon, Mr. Stedman held marketing positions at several technology companies.

Mr. Tabbara joined Quantum as Executive Director, Cloud Services, in August 2014, in conjunction with Quantum's acquisition of Symform's cloud storage services platform. In July 2015, he was promoted to Chief Technology Officer with responsibility for driving the company's long-term technology strategy to capitalize on new market opportunities. Prior to Quantum, Mr. Tabbara was the CTO and co-founder of Symform from November 2007 to July 2014. Before Symform, Mr. Tabbbara spent 12 years at Microsoft, where he worked on a number of key initiatives, including Microsoft Research, MSN, Windows, Visual Studio and System Center. Mr. Tabbara holds more than 30 patents.

ITEM 1A. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED BELOW, TOGETHER WITH ALL OF THE OTHER INFORMATION INCLUDED IN THIS ANNUAL REPORT ON FORM 10-K. THE RISKS AND UNCERTAINTIES DESCRIBED BELOW ARE NOT THE ONLY ONES FACING QUANTUM. ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO US OR THAT WE CURRENTLY BELIEVE ARE INSIGNIFICANT MAY ALSO IMPAIR OUR BUSINESS AND OPERATIONS. THIS ANNUAL REPORT ON FORM 10-K CONTAINS “FORWARD-LOOKING” STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. PLEASE SEE PART 1 OF THIS REPORT 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, we may not be able to retain customers or attract new customers and 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 II, Item 7 “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 facility, 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 lenders if we do not maintain liquidity above certain thresholds;
- We may be more vulnerable to adverse economic and industry conditions; and
- We may be unable to make payments on other indebtedness or obligations.

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

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

The recent weakness we 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 agreements.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the convertible notes, or to make cash payments in connection with our convertible notes or our credit facility, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Further, as our indebtedness reaches maturity, we will be required to make large cash payments or adopt one or more alternatives, such as restructuring indebtedness or obtaining additional debt or equity financing on terms that may be onerous or highly dilutive. Our ability to restructure or refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may be unable to incur additional debt or refinance our existing debt on acceptable terms, if at all.

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

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 tiered storage, 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 and as our business shifts toward our branded products, these indirect sales channels will have increasing importance to our business.

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 QXS hybrid storage beginning in fiscal 2016 causing us to more directly compete for primary storage sales with channel partners that sold other primary storage products.

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. Loss of this data could cost our customers significant amounts of money, directly and indirectly as a result of lost revenues, intellectual property, proprietary business information or other harm to their business. We could also 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 are 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, 2013 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 or changes in its procurement processes or criteria 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 uncertainty related to the United Kingdom’s 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 materially and 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 as a result have realized 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 in the scale-out storage market is intense and introduction by competitors of products based on new technology standards and market consolidation 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 materially and 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 this 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 visibility or control of the technology roadmap at the licensing company 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 materially 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 materially and 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 restructuring plans 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 materially and adversely affect our business, financial condition and results of operations.

In addition, our ability to achieve the anticipated cost savings and other benefits from these restructuring plans 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 materially and 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, business culture 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. and Realtime Data LLC d/b/a IXO 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.

We license certain of our software under "open source" licenses. Because of the characteristics of open source software licenses, it may be relatively easy for competitors, some of whom have greater resources than we have, to enter our markets and compete with us.

One of the characteristics of open source software is that the source code for our open source projects is publicly available, and anyone who obtains copies has a license under our intellectual property rights, which, depending on the license, may include our patents, to modify and redistribute the software and use it to compete in the marketplace. Such competition can develop without the degree of overhead and lead time required by traditional proprietary software companies. It is possible for competitors to use our open source project software to develop their own software, potentially reducing the demand for our solution and putting price pressure on our subscription offerings. We cannot guarantee that competitive pressure or the availability of new open source software will not result in price reductions, reduced operating margins and loss of market share, any one of which could harm our business, financial condition, results of operations and cash flows.

In addition, we use our own open source project software in our proprietary products. As a result, there is a risk that we may inadvertently release as open source certain code that was intended to be kept as proprietary, that reveals confidential information regarding the inner workings of our proprietary products, or that could enable competitors to more readily reverse engineer or replicate aspects of our proprietary technology that we would otherwise protect as trade secrets. We may also accept contributions from third parties to our open source projects, and it may be difficult for us to accurately determine the origin of the contributions and whether their use, including in our proprietary products, infringes, misappropriates or violates third party intellectual property or other rights. The availability of certain of our own software in source code form may also enable others to detect and exploit security vulnerabilities in our products.

Our products may contain "open source" software and failure to comply with the terms of the open source license could have a material adverse effect on our competitive positions and financial results.

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 uncertain 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 instability, 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;
- Changes in product mix;
- New product announcements by us or our competitors which may cause delays in purchasing;
- 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;
- 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 use third party contract manufacturers, service providers and/or product integrators in connection with our 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.

We heavily utilize distributors and VARs to perform the functions necessary to market and sell our products in certain product and geographic segments. 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. In some cases, 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;
- Large or sudden purchases or sales of stock by existing or new investors, including activist investors;
- Quarterly variations in our results of operations;
- Failure to meet our expectations or the expectations of securities analysts and investors;
- Failure to comply with applicable regulatory requirements or any investigations or enforcement actions related to a potential failure to comply with applicable regulations;
- Significant changes in our brand or reputations;
- 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 operation and 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 supply chain, 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 and requirements regarding corporate conduct, fair competition, corruption prevention and import and export practices, 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. Although we maintain technology errors and omissions liability insurance, our insurance may not cover potential claims of these types or may not be adequate to indemnify us for inability that may be imposed. Any imposition or or liability or litigation costs that are not covered by insurance or in excess of our insurance coverage could harm 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 ("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 have self-certified our compliance with 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.

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 stockholders, including potential proxy contests or other opposition to our Board and our nominees for the Board.

On March 2, 2017, we entered into an agreement (the "Settlement Agreement") with VIEX Capital Advisors, LLC, and certain of its affiliates (collectively, "VIEX"), which beneficially owns approximately 10.9% of our outstanding common stock.

As part of the settlement, the Company has agreed to form a Search Committee and engaged a search firm to assist the Company in recruiting and appointing three highly qualified new, independent directors to replace three specified members of the Company's Board. The Company also agreed to hold its next annual meeting in August 2017.

The Settlement Agreement provides that VIEX will be subject to certain standstill provisions. Such provisions generally remain in effect until the completion of the next annual meeting, subject to earlier termination under certain circumstances, specifically if the Board is not reconstituted pursuant to the terms of the Settlement Agreement. These provisions restrict VIEX's ability to engage in certain proxy solicitations, make certain stockholder proposals, call meetings of stockholders or solicit consents from stockholders, obtain additional representation on the Board or seek to remove any of the Company's directors.

If the Company does not comply with all of the terms of the Settlement Agreement, VIEX may pursue a proxy contest at the annual meeting and, even if the Company complies with all of the terms of the Settlement Agreement, VIEX may pursue a proxy contest at future annual meetings. 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 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, 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 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters are located in San Jose, California. We lease facilities in North America, Europe and Asia Pacific. We believe our facilities are adequate for our current needs. The following is a summary of the significant locations and primary functions of those facilities as of March 31, 2017:

Location	Function
North America	
San Jose, CA	Corporate headquarters, research and development
Irvine, CA	Administration, research and development, sales, service
Colorado Springs, CO	Administration, operations management, research and development, service
Englewood, CO	Research and development, sales, service
Mendota Heights, MN	Research and development
Richardson, TX	Research and development
Bellevue, WA	Administration and sales
Seattle, WA	Research and development
Other North America	Sales
Europe	
Paris, France	Sales and service
Boehmenkirch, Germany	Service
Munich, Germany	Sales and service
Zurich, Switzerland	Administration and operations
Bracknell, UK	Sales and service
Northampton, UK	Service
Other Europe	Sales and service
Asia Pacific	
Adelaide, Australia	Research and development
Beijing, China	Marketing and sales
Kuala Lumpur, Malaysia	Customer service
Singapore City, Singapore	Administration, operations management, sales
Other Asia Pacific	Sales

ITEM 3. 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. The lawsuit has been transferred to the U.S. District Court for the Northern District of California for further proceedings. 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.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange under the symbol “QTM.” As ofMay 25, 2017, the closing price of our common stock was $8.65 per share. The per share price reflected in the following table represent the range of high and low sales prices of our common stock for the quarters indicated, as adjusted for the impact of the Reverse Stock Split of 1 for 8 shares effective after the close of market on April 18, 2017

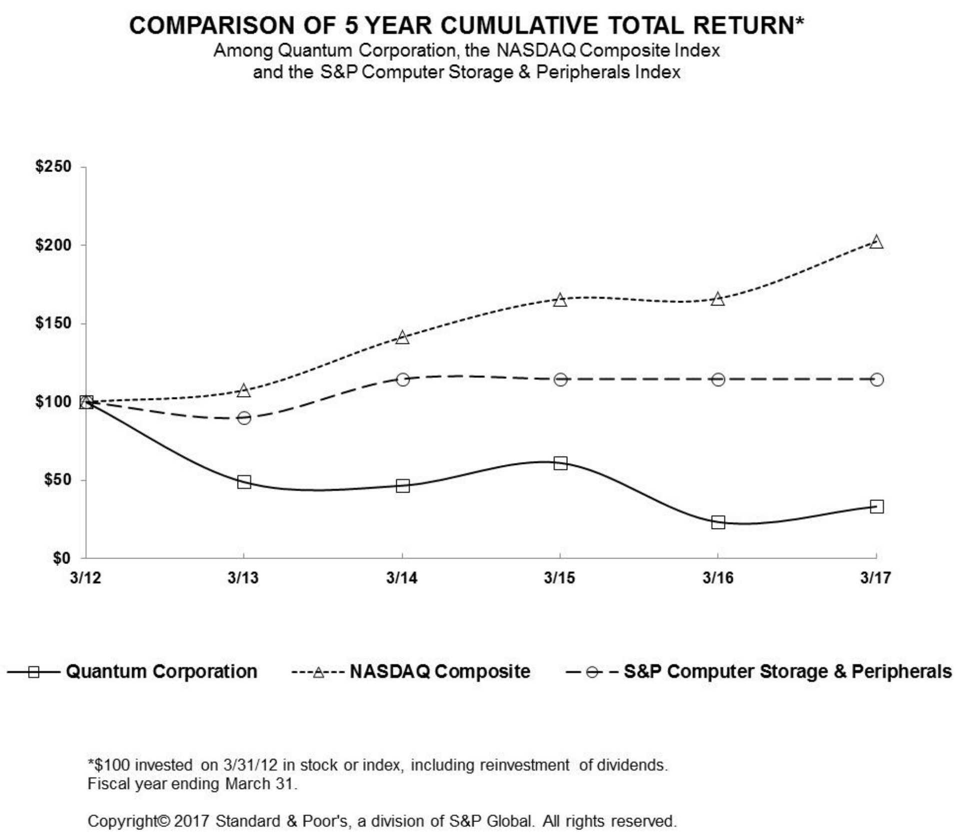
Fiscal 2017	**High**	**Low**
First quarter ended June 30, 2016	$ 4.96	$ 2.80
Second quarter ended September 30, 2016	6.48	3.04
Third quarter ended December 31, 2016	7.76	5.28
Fourth quarter ended March 31, 2017	8.64	6.48
Fiscal 2016	**High**	**Low**
First quarter ended June 30, 2015	$ 17.76	$ 11.84
Second quarter ended September 30, 2015	13.76	5.52
Third quarter ended December 31, 2015	8.40	5.28
Fourth quarter ended March 31, 2016	7.44	3.20

Historically, we have not paid cash dividends on our common stock and do not intend to pay dividends in the foreseeable future. Our ability to pay dividends is restricted by the covenants in our senior secured revolving credit agreement unless we meet certain defined thresholds. See the section captioned “Liquidity and Capital Resources” in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and also Note 7 “Debt” to the Consolidated Financial Statements.

As of May 25, 2017, there were 539 Quantum stockholders of record, including the Depository Trust Company, which holds shares of Quantum common stock on behalf of an indeterminate number of beneficial owners. The information required by this item regarding equity compensation plans is provided in Item 12, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

Performance Graph

The following graph compares the cumulative total return to stockholders of Quantum common stock atMarch 31, 2017 for the period since March 31, 2012 to the cumulative total return over such period of (i) the NASDAQ Composite Index and (ii) the S&P Computer Storage & Peripherals Index. The graph assumes an investment of $100 on March 31, 2012 in our common stock and in each of the indices listed on the graph and reflects the change in the market price of our common stock relative to the changes in the noted indices at March 31, 2013, 2014, 2015, 2016 and 2017. The performance shown below is based on historical data and is not indicative of, nor intended to forecast, future price performance of our common stock.



ITEM 6. SELECTED FINANCIAL DATA

This summary of selected consolidated financial information of Quantum for fiscal2013 to 2017 should be read together with our Consolidated Financial Statements contained in this Annual Report on Form 10-K.

Other Items

Fiscal 2016 results included a $55.6 million goodwill impairment charge. In addition, certain amounts were revised for fiscal 2016, 2015, 2014 and 2013 to correct immaterial errors. For further information regarding the revisions, refer to Note 2
"Revision of Prior Period Financial Statements" to the Consolidated Financial Statements.

	For the year ended March 31,				
(In thousands, except per share data)	**2017**	**2016**	**2015**	**2014**	**2013**
Statement of Operations Data:					
Total revenue	$ 505,345	$ 475,958	$ 553,095	$ 553,165	$ 587,439
Total cost of revenue	291,921	272,917	308,086	312,982	346,632
Gross margin	213,424	203,041	245,009	240,183	240,807
Income (loss) from operations	12,148	(67,809)	14,720	(11,236)	(42,214)
Net income (loss)	3,645	(76,394)	17,083	(19,694)	(51,933)
Basic net income (loss) per share	0.11	(2.33)	0.54	(0.68)	(1.73)
Diluted net income (loss) per share	0.11	(2.33)	0.53	(0.68)	(1.73)

	As of March 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Balance Sheet Data:					
Total assets	$ 225,027	$ 230,600	$ 359,923	$ 360,953	$ 366,015
Short-term debt	62,827	3,000	83,345	—	—
Long-term debt	65,028	131,962	68,793	200,447	200,254

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

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.

Business

We believe our combination of expertise, innovation and platform independence enables us to solve scale-out storage and data protection challenges more easily, cost-effectively and securely than competitive offerings. We earn our revenue from the sale of products, systems and services through an array of channel partners and our sales force. Our products are sold under both the Quantum brand name and the names of various OEM customers. Our scale-out storage solutions include StorNext software, StorNext appliances (which include StorNext disk storage and StorNext-related tape storage) and Lattus extended online storage systems. 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 was to increase shareholder value by growing our scale-out storage revenue and investing to drive future scale-out growth while also delivering on our operating profit goals. In scale-out storage, we continued to focus on building our market presence beyond media and entertainment into video surveillance, technical workflow and unstructured data archive use cases. 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.

During fiscal 2017, we introduced a new Scalar Storage Platform which includes the StorNext AEL6 media archive appliance and the Scalar i6 and Scalar i3 tape libraries. We also added an enterprise model of our DXi6900 series, the DXi6900-s, which includes twice the density and quadruple the sustained performance of the current DXi 6900. In addition, we added our Xcellis Application Director, part of the StorNext Data Management Platform, to our surveillance and security solutions.

On October 21, 2016, we refinanced our credit agreement with Wells Fargo (as amended, the "WF credit agreement") through the use of proceeds obtained from our term loan and revolving credit facility ("credit facility"). The credit facility includes a revolving credit and security agreement with PNC Bank, National Association ("revolving credit agreement") and a term loan credit and security agreement with TCW Asset Management Company LLC ("term loan agreement"). We used the proceeds of the financing to pay off the approximately $60 million drawn on our former revolving credit facility with Wells Fargo Capital Finance and plan to use additional proceeds to address our $70 million of 4.50% convertible notes maturing in November 2017.

On April 18, 2017, we effected a 1-for-8 reverse stock split of our issued and outstanding common stock (the "Reverse Stock Split"). Our stock began to trade on a post-split basis on April 19, 2017. Par value of the Company's common stock was unchanged as a result of the Reverse Stock Split remaining at $0.01 per share resulting in reclassification of capital from par value to capital in excess of par value. All shares and per share data for fiscal 2017 and comparative historical periods included within this Annual Report on Form 10-K, including our Consolidated Financial Statements and related footnotes, have been adjusted to account for the effect of the Reverse Stock Split.

Results

We had total revenue of $505.3 million in fiscal 2017, a $29.4 million increase from fiscal 2016, primarily due to increased revenue from scale-out storage solutions, devices and media, and disk backup systems, partially offset by a decrease in revenue from tape automation systems. Those factors also resulted in an 8% increase in our branded product revenue. Our continued focus on our branded business is reflected in a greater proportion of non-royalty revenue from branded business, reaching 93% in fiscal 2017, compared to 89% in fiscal 2016.

Our fiscal 2017 gross margin percentage decreased 50 basis points from fiscal 2016 to 42.2% primarily due to a decrease in overall margin related to changes in our overall revenue mix. Higher margin service revenue decreased and lower margin products comprised a higher portion of our overall product revenue. In addition, we are experiencing overall pricing pressure in the storage market, which has resulted in increased discounting of our products.

Our operating expenses decreased $69.6 million in fiscal 2017, or 25.7%, from fiscal 2016 which included a $55.6 million goodwill impairment charge. The remaining decrease was primarily due to a decrease in compensation and benefits costs resulting from continued focus on operational efficiencies. a decrease in commission expense on lower branded revenue and a decrease in intangible amortization expense due to certain intangibles becoming fully amortized.

We had $3.6 million of net income in fiscal 2017 compared to $76.4 million of net loss in fiscal 2016.

RESULTS OF OPERATIONS FOR FISCAL 2017, 2016 and 2015

Revenue

(dollars in thousands)	For the year ended March 31,						Change			
	2017		2016		2015		2017 vs. 2016		2016 vs. 2015	
		% of revenue		% of revenue		% of revenue				
Product revenue	$ 322,212	63.8%	$ 286,217	60.1%	$ 355,579	64.3%	$ 35,995	12.6 %	$ (69,362)	(19.5)%
Service revenue	144,335	28.6%	148,548	31.2%	155,674	28.1%	(4,213)	(2.8)%	(7,126)	(4.6)%
Royalty revenue	38,798	7.6%	41,193	8.7%	41,842	7.6%	(2,395)	(5.8)%	(649)	(1.6)%
Total revenue	$ 505,345	100.0%	$ 475,958	100.0%	$ 553,095	100.0%	$ 29,387	6.2 %	$ (77,137)	(13.9)%

We believe the changes in our product and service revenue are driven by the increased market demand for scale-out storage solutions and reduced demand for data protection tape products.

Total revenue in fiscal 2017 increased from fiscal 2016 primarily due to increased product and services revenue of $21.9 million, or 17%, from scale-out storage solutions and $9.4 million, or 3%, from data protection products. This increase was offset by a decrease in service revenue and a decrease in royalty revenue, primarily due to lower LTO media technology royalties, in fiscal 2017. Data protection products include our tape automation systems, disk backup systems and devices and media offerings. Revenue from branded data protection products and services was flat from fiscal 2016 largely due to an increase in disk backup systems and media and devices offset by a decrease in revenue from OEM tape automation systems.

Total revenue in fiscal 2016 decreased from fiscal 2015 primarily due to reduced revenue from branded data protection products of $84.0 million, or 24%, largely due to a decrease in tape automation systems, media, disk backup systems and service revenue. Revenue from branded scale-out storage solutions and services increased $24.2 million, or 24%, from fiscal 2015 largely due to increased sales of our StorNext appliances. In addition, OEM product and service revenue, which is primarily comprised of data protection tape automation systems, decreased $16.7 million, or 26%, from fiscal 2015. Royalty revenue decreased slightly from fiscal 2015 primarily due to lower LTO media technology royalties.

Product Revenue

Total product revenue increased $36.0 million in fiscal 2017 compared to fiscal 2016 largely due to an increase in sales of scale-out storage solutions, disk backup and media. partially offset by lower sales of OEM tape automation systems. Revenue from sales of branded products increased 3%, and sales of products to our OEM customers decreased 26% in fiscal 2017 compared to fiscal 2016.

Total product revenue, decreased $69.4 million in fiscal 2016 compared to fiscal 2015. The decrease in product revenue was largely due to lower sales of branded and OEM tape automation systems, disk backup systems and media, partially offset by increased sales of scale-out storage solutions. Revenue from sales of branded products decreased 18%, and sales of products to our OEM customers decreased 26% in fiscal 2016 compared to fiscal 2015.

(dollars in thousands)	For the year ended March 31,						Change			
	2017		2016		2015		2017 vs. 2016		2016 vs. 2015	
		% of revenue		% of revenue		% of revenue				
Tape automation systems	$ 88,751	17.7%	$ 97,454	20.6%	$ 152,205	27.5%	$ (8,703)	(8.9)%	$ (54,751)	(36.0)%
Disk backup systems	51,153	10.1%	39,722	8.3%	54,845	9.9%	11,431	28.8 %	(15,123)	(27.6)%
Devices and media	60,860	12.0%	45,767	9.6%	62,642	11.3%	15,093	33.0 %	(16,875)	(26.9)%
Scale-out tiered storage	121,448	24.0%	103,274	21.6%	85,887	15.6%	18,174	17.6 %	17,387	20.2 %
Total product revenue	$ 322,212	63.8%	$ 286,217	60.1%	$ 355,579	64.3%	$ 35,995	12.6 %	$ (69,362)	(19.5)%

Fiscal 2017 Compared to Fiscal 2016

Branded data protection tape automation revenue increased 3%, or $1.6 million while OEM tape automation revenue decreased 26%, or $10.3 million in fiscal 2017 compared to fiscal 2016. The increase in branded data protection tape automation revenue resulted from increased sales in enterprise and midrange systems, partially offset by a decline in entry-level systems. The decline in OEM tape automation revenue was due to decreased sales of midrange and entry-level systems.

Revenue from disk backup systems increased in fiscal 2017 compared to fiscal 2016 primarily due to increased sales of enterprise deduplication appliances, partially offset by decreased sales of midrange systems.

Product revenue from devices, which includes tape drives and removable hard drives, and non-royalty media sales increased in fiscal 2017 primarily due to increased sales of media devices.

Our scale-out storage solutions revenue increased in fiscal 2017 compared to fiscal 2016 primarily due to increased sales of StorNext appliances in the unstructured data market segment. During fiscal 2017, we also experienced an increase in revenue from video surveillance and technical workflow spaces.

Fiscal 2016 Compared to Fiscal 2015

Branded data protection tape automation revenue declined 42%, or $41.8 million while OEM tape automation revenue decreases of 25%, or $13.0 million in fiscal 2016 compared to fiscal 2015. The decline in branded data protection tape automation revenue resulted from decreased sales in all product categories with enterprise, midrange and entry-level systems each declining at similar rates. The decline in OEM tape automation revenue was due to decreased sales of midrange and entry-level systems partially offset by an increase in enterprise systems revenue.

Revenue from disk backup systems decreased in fiscal 2016 compared to fiscal 2015 primarily due to decreased sales of midrange systems, which comprised of over half of the decrease, as well as lower enterprise systems and OEM deduplication software revenue.

Product revenue from devices, which includes tape drives and removable hard drives, and non-royalty media sales decreased in fiscal 2016 primarily due to lower media sales.

Our scale-out tiered storage revenue increased in fiscal 2016 compared to fiscal 2015 primarily due to increased sales of StorNext appliances in the unstructured data market segment. During fiscal 2016, we also experienced an increase in revenue from large scale-out storage tiered storage orders over $200,000.

Service Revenue

Service revenue is primarily comprised of customer field support contracts which provide standard support services for our hardware. Standard service contracts may be extended or include enhanced service, such as faster service response times.

Fiscal 2017 Compared to Fiscal 2016

Service revenue decreased in fiscal 2017 compared to fiscal 2016 due to decreased service revenue for our data protection products which was partially offset by increased revenue from branded service contracts for our StorNext appliances.

Fiscal 2016 Compared to Fiscal 2015

Service revenue was relatively flat in fiscal 2016 compared to fiscal 2015 as a result of a greater number of service contracts for disk backup and scale-out storage appliances offset by a decline in service contracts for tape automation.

Royalty Revenue

Fiscal 2017 Compared to Fiscal 2016

Royalty revenue decreased in fiscal 2017 compared fiscal 2016 primarily due to lower media royalties from LTO generation 1 through 6, offset by increased media royalties from LTO 7.

Fiscal 2016 Compared to Fiscal 2015

Royalty revenue decreased in fiscal 2016 compared fiscal 2015 primarily due to lower media royalties from LTO generation 1 through 5, offset by increased media royalties from LTO 6 and LTO 7 which was introduced in 2016.

Gross Margin

(dollars in thousands)	For the year ended March 31,						Change			
	2017		2016		2015		2017 vs. 2016		2016 vs. 2015	
	Margin	Margin Rate	Margin	Margin Rate	Margin	Margin Rate	Margin	Basis points	Margin	Basis points
Product margin	$ 91,005	28.2%	$ 79,078	27.6%	$ 118,179	33.2%	$ 11,927	60	$ (39,101)	(560)
Service margin	83,621	57.9%	82,770	55.7%	84,988	54.6%	851	220	(2,218)	110
Royalty margin	38,798	100.0%	41,193	100.0%	41,842	100.0%	(2,395)	—	(649)	—
Gross margin	$ 213,424	42.2%	$ 203,041	42.7%	$ 245,009	44.3%	$ 10,383	(50)	$ (41,968)	(160)

The 50 basis point decrease in gross margin percentage in fiscal 2017 compared to fiscal 2016 was primarily driven by changes in our overall revenue mix, in particular, decreases in both service and royalty revenues which carry higher margins.

The 160 basis point decrease in gross margin percentage in fiscal 2016 compared to fiscal 2015 was primarily driven by decreased higher margin service revenue and a shift in revenue mix from higher margin products to lower margin products.

Product Margin

Fiscal 2017 Compared to Fiscal 2016

Product gross margin dollars increased $11.9 million, or 15% in fiscal 2017, and our product gross margin rate increased 60 basis points in fiscal 2017. These increases were the result of increased sales of higher margin disk backup and scale-out storage solution appliances with decreased sales of tape automation as well as a reduction of fixed costs during fiscal 2017 related to efficiency improvements.

Fiscal 2016 Compared to Fiscal 2015

Product gross margin dollars decreased $39.1 million, or 33% in fiscal 2016, and our product gross margin rate decreased 560 basis points in fiscal 2016. These decreases were the result of a combination of lower revenue to cover fixed costs, a shift in revenue mix from higher margin products to lower margin products, and increased discounting from overall pricing pressure in the storage market.

Service Margin

Fiscal 2017 Compared to Fiscal 2016

Service gross margin dollars increased $0.9 million, or 1%, in fiscal 2017 compared to fiscal 2016, and service gross margin percentage increased 220 basis points compared to fiscal 2016. The increased service margin percentage was primarily due to decreases in external repair expense in fiscal 2017 due to a lower level of service contracts.

Fiscal 2016 Compared to Fiscal 2015

Service gross margin dollars decreased $2.2 million, or 3%, in fiscal 2016 compared to fiscal 2015, and service gross margin percentage increased 110 basis points compared to fiscal 2015 on a 5% decrease in service revenue. The increased service margin percentage was primarily due to decreases in external repair expense and compensation and benefits from recognition of a profit sharing bonus in fiscal 2015 which was not repeated in fiscal 2016.

Royalty Margin

Royalties 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 therefore related gross margin dollars decreased in both fiscal 2017 and fiscal 2016 compared to the prior year periods.

Research and Development Expenses

(dollars in thousands)	For the year ended March 31, 2017	% of revenue	2016	% of revenue	2015	% of revenue	Change 2017 vs. 2016		2016 vs. 2015	
Research and development	$ 44,379	8.8%	$ 48,703	10.2%	$ 58,618	10.6%	$ (4,324)	(8.9)%	$ (9,915)	(16.9)%

Fiscal 2017 Compared to Fiscal 2016

The decrease in research and development expense in fiscal 2017 compared to fiscal 2016 was primarily due to a $2.7 million decrease in compensation and benefits largely related to lower staffing levels due to efficiency improvements and a $0.7 million decrease in external services provider costs.

Fiscal 2016 Compared to Fiscal 2015

The decrease in research and development expense in fiscal 2016 compared to fiscal 2015 was primarily due to a $8.4 million decrease in compensation and benefits largely related to lower staffing levels and recognition of a profit sharing bonus in fiscal 2015 which was not repeated in fiscal 2016. Additionally, we had a $1.2 million decrease in depreciation expense due to lower capital expenditures.

Sales and Marketing Expenses

(dollars in thousands)	For the year ended March 31, 2017	% of revenue	2016	% of revenue	2015	% of revenue	Change 2017 vs. 2016		2016 vs. 2015	
Sales and marketing	$ 103,235	20.4%	$ 108,735	22.8%	$ 113,954	20.6%	$ (5,500)	(5.1)%	$ (5,219)	(4.6)%

Fiscal 2017 Compared to Fiscal 2016

Sales and marketing expense decreased $5.5 million in fiscal 2017 compared to fiscal 2016 was due mainly to our continued focus on our sales strategies. The decrease was primarily due to a $4.4 million decrease in compensation and benefits due to a reduction in head count in fiscal 2017, and a $1.0 million decrease in market development fund spend.

Fiscal 2016 Compared to Fiscal 2015

The decrease in sales and marketing expense in fiscal 2016 compared to fiscal 2015 was primarily due to net decreases of $4.9 million in commission expense due to lower branded product revenue, $2.8 million in intangible amortization expense due to certain intangibles becoming fully amortized during fiscal 2015 and $1.0 million in compensation and benefits primarily due to recognition of a profit sharing bonus in fiscal 2015 which was not repeated in fiscal 2016. These decreases were offset by increases of $2.6 million in advertising and marketing, $0.6 million in sponsored employee activities from higher spending on sales-related meetings and $0.4 million in sales demonstration unit costs.

General and Administrative Expenses

(dollars in thousands)	For the year ended March 31, 2017	% of revenue	2016	% of revenue	2015	% of revenue	Change 2017 vs. 2016		2016 vs. 2015	
General and administrative	$ 51,599	10.2%	$ 53,793	11.3%	$ 56,513	10.2%	$ (2,194)	(4.1)%	$ (2,720)	(4.8)%

Fiscal 2017 Compared to Fiscal 2016

The decrease in general and administrative expense in fiscal 2017 compared to fiscal 2016 was primarily the due to a $1.5 million decrease in facilities costs including utilities and network costs, a $0.9 million decrease in external service provider fees due to a lower number of service contracts and a decrease of $0.8 million related to an increase in sublease income in fiscal 2017. These decreases were offset mainly by $1.3 million of proxy contest fees.

Fiscal 2016 Compared to Fiscal 2015

The decrease in general and administrative expense in fiscal 2016 compared to fiscal 2015 was largely the result of a $3.1 million decrease in compensation and benefits primarily from recognition of a profit sharing bonus in fiscal 2015 which was not repeated in fiscal 2016 and decreased share-based compensation expense. We also had a $0.6 million decrease in IT-related expense as a result of cost reductions in fiscal 2016. These decreases were partially offset by an increase of $0.7 million related to a refund received for IT purchases in fiscal 2015.

Restructuring Charges

	For the year ended March 31,										Change			
(dollars in thousands)	**2017**			**2016**			**2015**			**2017 vs. 2016**		**2016 vs. 2015**		
			% of revenue			**% of revenue**			**% of revenue**					
Restructuring charges in operating expenses	$	2,063	0.4%	$	4,006	0.8%	$	1,666	0.3%	$	(1,943)	(48.5)%	$	2,340	140.5%

Our restructuring plans have been undertaken in an effort to return to consistent profitability and generate cash from operations.

For additional information on our restructuring plans and disclosure of restructuring charges refer toNote 8 “Restructuring Charges” to the Consolidated Financial Statements. Until we achieve consistent and sustainable levels of profitability, we may incur restructuring charges in the future from additional strategic cost reduction efforts, and efforts to align our cost structure with our business model.

Fiscal 2017 Compared to Fiscal 2016

Restructuring charges decreased in fiscal 2017 compared to fiscal 2016 due to the lower severance and benefits and facilities costs incurred in the Plan period related to the Fiscal 2017 April Restructuring Plan. The severance and benefits payments related to the Fiscal 2016 Restructuring Plan were completed in the first quarter of fiscal 2017.

Fiscal 2016 Compared to Fiscal 2015

Restructuring charges increased in fiscal 2016 compared to fiscal 2015 primarily due to a $1.9 million increase in severance and benefits restructuring charges from the Fiscal 2016 Restructuring Plan and a $0.5 million increase in facility restructuring charges resulting from a change in estimate of sublease timing for our facilities previously used in manufacturing.

Goodwill Impairment

	For the year ended March 31,										Change			
(dollars in thousands)	**2017**			**2016**			**2015**			**2017 vs. 2016**		**2016 vs. 2015**		
			% of revenue			**% of revenue**			**% of revenue**					
Goodwill impairment	$	—	—%	$	55,613	11.7%	$	—	—%	$	(55,613)	(100.0)%	$	55,613	—%

During the fourth quarter of fiscal 2016, our stock price declined from $0.93 per share at December 31, 2015 to a low closing price of $0.44 per share. As a result of this decrease in stock price, we determined it was more likely than not that the fair value of our goodwill was less than its carrying amount and performed an analysis to quantify the potential amount of goodwill impairment during the fourth quarter of fiscal 2016. Based on our impairment analysis, we determined our goodwill was impaired and recorded an impairment charge of $55.6 million in fiscal 2016. For additional information, refer to Note 5 “Intangible Assets and Goodwill” to the Consolidated Financial Statements.

Gain on Sale of Assets

	For the year ended March 31,										Change			
(dollars in thousands)	**2017**			**2016**			**2015**			**2017 vs. 2016**		**2016 vs. 2015**		
			% of revenue			**% of revenue**			**% of revenue**					
Gain on sale of assets	$	—	—%	$	—	0.0%	$	462	0.1%	$	—	n/a	$	(462)	(100.0)%

We had a $0.5 million gain on the sale of assets in fiscal 2015 primarily due to the sale of IP addresses.

Other Income (Expense)

(dollars in thousands)	For the year ended March 31,						Change			
	2017		2016		2015		2017 vs. 2016		2016 vs. 2015	
		% of revenue		% of revenue		% of revenue				
Other income (expense)	$ 562	0.1%	$ (191)	—%	$ 13,836	2.5%	$ 753	n/m	$ (14,027)	n/m

Fiscal 2017 Compared to Fiscal 2016

The change in other income in fiscal 2017 compared to other expense in fiscal 2016 was primarily due to a increase in foreign currency income of $0.6 million as compared to fiscal 2016.

Fiscal 2016 Compared to Fiscal 2015

The change in other expense in fiscal 2016 compared to other income in fiscal 2015 was primarily due to a $13.6 million gain on the sale of our investment in a privately held company in fiscal 2015.

Interest Expense

(dollars in thousands)	For the year ended March 31,						Change			
	2017		2016		2015		2017 vs. 2016		2016 vs. 2015	
		% of revenue		% of revenue		% of revenue				
Interest expense	$ 7,912	1.6%	$ 6,817	1.4%	$ 9,460	1.7%	$ 1,095	16.1%	$ (2,643)	(27.9)%

Interest expense includes the amortization of debt issuance costs for debt. For further information, refer toNote 7 “Debt” to the Consolidated Financial Statements.

Fiscal 2017 Compared to Fiscal 2016

Interest expense increased in fiscal 2017 compared to fiscal 2016 due to the higher interest rate on our $50.0 million term loan closed in fiscal 2017.

Fiscal 2016 Compared to Fiscal 2015

Interest expense decreased in fiscal 2016 compared to the prior year period primarily due to the payment of $50.0 million of aggregate principal amount of 3.50% notes during the fourth quarter of fiscal 2015.

Loss on Debt Extinguishment, Net

(dollars in thousands)	For the year ended March 31,						Change			
	2017		2016		2015		2017 vs. 2016		2016 vs. 2015	
		% of revenue		% of revenue		% of revenue				
Loss on debt extinguishment, net	$ 41	—%	$ 394	0.1%	$ 1,295	0.2%	$ (353)	(89.6)%	$ (901)	(69.6)%

The loss on debt extinguishment in fiscal 2017 was due to the repayment of our Wells Fargo Credit Agreement resulting in a loss on debt extinguishment of $0.1 million almost entirely offset by repurchases of our 4.50% Notes with an aggregate principal amount totaling $6.9 million resulting in a gain on debt extinguishment of less than $0.1 million.

The loss on debt extinguishment in fiscal 2016 was due to the repurchase of $81.0 million of aggregate principal amount of the 3.50% notes for $82.4 million, which included $1.1 million of accrued interest. In connection with these transactions, we recorded a loss on debt extinguishment of $0.4 million, which included a write-off of $0.1 million of unamortized debt issuance costs related to the purchased notes.

The loss on debt extinguishment in fiscal 2015 was due to the purchase of $50.0 million of aggregate principal amount of the 3.50% notes for $51.0 million. In connection with this transaction, we recorded a loss on debt extinguishment of $1.3 million comprised of the loss of $1.0 million from the notes purchased and a write-off of $0.3 million of unamortized debt costs related to the purchased notes. For further information, refer to Note 7 "Debt" to the Consolidated Financial Statements.

Income Taxes

(dollars in thousands)	For the year ended March 31, 2017	% of pre-tax income	2016	% of pre-tax loss	2015	% of pre-tax income	Change 2017 vs. 2016		Change 2016 vs. 2015	
Income tax provision	$ 1,112	23.4%	$ 1,183	(1.6)%	$ 718	4.0%	$ (71)	(6.0)%	$ 465	64.8%

Tax expense in fiscal 2017, 2016 and 2015 was primarily comprised of foreign income taxes and state taxes. The decrease in income tax provision in fiscal 2017 was primarily due to lower foreign taxes. The increase in income tax provision in 2016 was primarily due to higher foreign taxes in fiscal 2016 compared to fiscal 2015. For additional information, including a reconciliation of the effective tax rate, refer to Note 11 "Income Taxes" to the Consolidated Financial Statements.

Amortization of Intangible Assets

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

	For the year ended March 31, 2017	2016	2015	Change 2017 vs. 2016		Change 2016 vs. 2015	
Cost of revenue	$ 175	$ 280	$ 913	$ (105)	(37.5)%	$ (633)	(69.3)%
Sales and marketing	—	—	2,784	—	— %	(2,784)	(100.0)%
	$ 175	$ 280	$ 3,697	$ (105)	(37.5)%	$ (3,417)	(92.4)%

The decreases in intangible asset amortization in fiscal 2017 and 2016 compared to the respective prior years was due to certain intangible assets becoming fully amortized and retired. Refer to Note 5 "Intangible Assets and Goodwill" to the Consolidated Financial Statements for further information regarding our amortizable intangible assets.

Share-Based Compensation

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

	For the year ended March 31, 2017	2016	2015	Change 2017 vs. 2016		Change 2016 vs. 2015	
Cost of revenue	$ 895	$ 1,241	$ 1,489	$ (346)	(27.9)%	$ (248)	(16.7)%
Research and development	1,300	1,864	2,559	(564)	(30.3)%	(695)	(27.2)%
Sales and marketing	2,255	2,907	3,506	(652)	(22.4)%	(599)	(17.1)%
General and administrative	2,248	2,904	4,029	(656)	(22.6)%	(1,125)	(27.9)%
	$ 6,698	$ 8,916	$ 11,583	$ (2,218)	(24.9)%	$ (2,667)	(23.0)%

Fiscal 2017 Compared to Fiscal 2016

The decrease in share-based compensation expense in fiscal 2017 was primarily due to the cancellation of the fiscal 2016 performance RSUs and a decrease in the fair value of newly issued restricted stock units. We incurred no stock options expense in fiscal 2017, as all outstanding options were fully vested at March 31, 2016.

Fiscal 2016 Compared to Fiscal 2015

The decrease in share-based compensation expense in fiscal 2016 was primarily due to a $2.0 million decrease in the fair value of restricted stock units and departures of highly compensated employees.

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources and Financial Condition

As of March 31, 2017, we had $13.0 million of cash and cash equivalents which is comprised of cash deposits.

We continue to focus on improving our operating performance, including efforts to increase revenue and to continue 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, contractual obligations and 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 any of the above assumptions prove incorrect, either in combination or individually, it would likely have a material negative effect on our cash balances and capital resources.

The following is a description of our existing capital resources including outstanding balances, funds available to borrow and primary repayment terms including interest rates. For additional information, see Note 7 “Debt” to the Consolidated Financial Statements.

On October 21, 2016 (“closing date”), we entered into a credit facility which includes a revolving credit and security agreement with PNC Bank, National Association (“revolving credit agreement”) and a term loan credit and security agreement with TCW Asset Management Company LLC (“term loan agreement”). On the closing date, we borrowed $50.0 million under the term loan agreement and $26.0 million under the revolving credit agreement. These borrowings were used to i) pay $60.3 million of the outstanding balance on the WF credit agreement and accrued interest, ii) fund $10.0 million towards a portion of a $20.0 million restricted reserve requirement under the revolving credit agreement with the remaining portion of the requirement funded with cash on hand, iii) pay $4.7 million of transaction fees and other expenses and iv) pay a $1.0 million refundable deposit to Wells Fargo to hold during the transfer of our existing letters of credit to the new credit facility. Transaction fees and other expenses incurred under the credit facility included $3.1 million of debt issuance costs, $1.0 million of debt discount and $0.6 million of loan commitment fees. The $20.0 million restricted reserve requirement is presented as restricted cash, long-term within the Consolidated Balance Sheets as of March 31, 2017.

Revolving credit agreement

Under the revolving credit agreement, we have the ability to borrow the lesser of $80 million or the amount of the monthly borrowing base, which is reduced by $1.0 million by the outstanding letters of credit. Our borrowing base is established monthly based on certain working capital asset balances. The revolving credit agreement also includes an uncommitted accordion in an amount up to $20 million. The revolving credit agreement matures on October 21, 2021. As of March 31, 2017, our excess availability under the revolving credit agreement was $46.4 million.

Borrowings under the revolving credit agreement bear interest at a rate per annum equal to, at our option, either (a) the greatest of (i) the base rate, (ii) the Federal funds rate plus 0.50% and (iii) the LIBOR rate based upon an interest period of 1 month plus 1.0%, plus an applicable margin of 1.50%, or (b) the LIBOR rate plus an applicable margin of 2.50%. The base rate is defined in the revolving credit agreement. Additionally, we are required to pay a 0.375% commitment fee on undrawn amounts under the revolving credit agreement on a quarterly basis, which is recorded as interest expense in the period incurred. As of March 31, 2017, the weighted average interest rate on our revolving credit agreement was 3.86% and we paid $0.4 million of interest during fiscal 2017.

Term loan agreement

The term loan agreement provides for $50 million of a senior secured term loan which we drew on the closing date and $20 million of a senior secured delay draw term loan (“DDTL”). Borrowings under the DDTL are restricted to be used only to redeem our 4.50% convertible subordinated notes due November 15, 2017 (“4.50% notes”). We expect to redeem the remaining $64.1 million in aggregate principal amount of the 4.50% notes no later than November 15, 2017. The term loan agreement matures on October 21, 2021. The principal amount outstanding under the term loan is to be repaid on a quarterly basis in an amount equal to 1.25% of the original principal amount beginning on March 31, 2018, with any remaining principal balance due on the maturity of the term loan.

Borrowings under the term loan agreement bear interest at a rate per annum equal to, at our option, either (a) the greatest of (i) 3.00%, (ii) the Federal funds rate plus 0.50%, (iii) the LIBOR rate based upon an interest period of 1 month plus 1.0% and (iv) the “prime rate” last quoted by the Wall Street Journal, plus a margin ranging from 6.00% to 7.25% based on the applicable senior net leverage ratio, or (b) the LIBOR rate plus 7.00% to 8.25% based on the applicable senior net leverage ratio. The senior net leverage ratio is defined in the term loan agreement. As ofMarch 31, 2017, our interest rate on the term loan was 8.55% and we paid $1.2 million of interest during fiscal 2017.

The revolving credit agreement and the term loan agreement contain certain financial covenants and customary events of default for such securities. Financial covenants include a fixed charge coverage ratio, senior net leverage ratio and total leverage ratio. Additionally, the revolving credit agreement includes minimum liquidity requirements. There is a blanket lien on all of our assets under the revolving credit agreement and term loan agreement. As of March 31, 2017, and during 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 plan to pay off our 4.50% Notes using our excess capacity under our credit facility as well as cash generated from operations. We may choose to raise additional capital if strategically advantageous to the company. We can provide no assurance that such debt or equity 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) Failure to comply with the terms of our debt agreements and unwillingness on the part of the lenders to do any of the following:

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

Any lack of renewal, waiver, or amendment, if needed, could result in the revolving credit line becoming unavailable to us and any amounts outstanding becoming immediately due and payable.

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

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

Cash Flows

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

	As of or for the year ended March 31,		
(In thousands)	**2017**	**2016**	**2015**
Cash and cash equivalents	$ 12,958	$ 33,870	$ 67,948
Net income (loss)	3,645	(76,394)	17,083
Net cash provided by (used in) operating activities	8,914	(11,720)	6,034
Net cash provided by (used in) investing activities	(21,992)	(3,621)	11,641
Net cash (used in) financing activities	(7,886)	(18,724)	(48,641)

Fiscal 2017

The $5.3 million difference between net income and cash provided by operating activities in fiscal 2017 was primarily due to $18.7 million in non-cash items, the largest of which were share-based compensation, depreciation and service parts lower of cost or market adjustment. In addition, we had a $8.0 million decrease in inventories, offset by an increase of $10.1 million in accounts receivable and a decrease of $4.8 million in accounts payable. The decrease in inventories was primarily due to our continued efforts to align inventory levels with projected sales. The increase in accounts receivable was primarily due to the increase in revenue in the fourth quarter of fiscal 2017 as compared to the fourth quarter of fiscal 2016. The decrease in accounts payable was primarily due to the timing of payments and lower inventory and property and equipment purchases in fiscal 2017 as compared to fiscal 2016.

Cash used in investing activities was primarily due to a $20.2 million change in restricted cash related to our Revolving Credit Agreement.

Cash used in financing activities was primarily due to the $6.9 million repayment of the 4.50% Notes and net repayments of $1.2 million related to the repayment of the WF credit agreement and net borrowings under the new credit facility.

Fiscal 2016

The $63.0 million difference between net loss and cash used in operating activities in fiscal 2016 was primarily due to $78.2 million in non-cash items, the largest of which were goodwill impairment, share-based compensation, depreciation and service parts lower of cost or market adjustment. In addition, we had an $18.2 million decrease in accounts receivable, which was offset by decreases of $12.7 million in accrued compensation, $11.1 million in deferred revenue and $8.2 million in accounts payable. The decrease in accounts receivable was primarily due to lower revenue in the fourth quarter of fiscal 2016 compared to the fourth quarter of fiscal 2015. The decrease in accrued compensation was primarily due to payments of a profit sharing bonus accrued in fiscal 2015 which was not repeated in fiscal 2016 and a lower commission accrual in fiscal 2016 related to lower branded revenue. The decrease in deferred revenue was largely due to decreased deferred service contracts revenue for tape automation systems. The decrease in accounts payable was primarily due to the timing of invoice payments and lower inventory purchases in fiscal 2016 compared to fiscal 2015.

Cash used in investing activities was primarily due to $3.5 million of property and equipment purchases. Equipment purchases were primarily for engineering equipment for product development, IT infrastructure upgrades and leasehold improvements in our Colorado Springs facility.

Cash used in financing activities was primarily due to the $83.7 million payment of the 3.50% notes, partially offset by $65.7 million of net borrowings under the WF credit agreement.

Fiscal 2015

The $10.7 million difference between reported net income and cash provided by operating activities during fiscal 2015 was primarily due to a $22.6 million increase in accounts receivable, a $19.7 million increase in manufacturing inventories and a $13.6 million gain on sale of other investments, offset by $29.0 million of non-cash items and a $12.8 million increase in accounts payable. The increase in accounts receivable was primarily due to increased product revenue and service billings in the fourth quarter of fiscal 2015 as compared to the fourth quarter of fiscal 2014. The increases in manufacturing inventories and accounts payable were due to increased inventory purchases to ensure adequate quantities on hand to fulfill orders. The largest non-cash items included share-based compensation, depreciation, amortization and service parts lower of cost or market adjustment.

Cash provided by investing activities was primarily due to $15.1 million of proceeds of sale of other investments in a privately held company, partially offset by $3.2 million of property and equipment purchases. Equipment purchases were primarily for engineering equipment for product development and permanent demo units.

Cash used in financing activities was primarily due to the purchase of $50.0 million of aggregate principal amount of convertible subordinated debt.

Off Balance Sheet Arrangements

Lease Commitments

We lease certain facilities under non-cancelable lease agreements. Certain leases have renewal options ranging from one to ten years and others contain escalation clauses and provisions for maintenance, taxes or insurance. We also have equipment leases for computers and other office equipment. Future minimum lease payments under these operating leases are shown below in the “Contractual Obligations” section.

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 March 31, 2017, we had issued non-cancelable commitments for $34.3 million to purchase inventory from our contract manufacturers and suppliers.

Stock Repurchases

During fiscal 2000, the Board of Directors authorized us to repurchase up to $700 million of our common stock in open market purchases or private transactions. As of March 31, 2017, $87.9 million remained under this authorization. No stock repurchases were made during the fiscal years ended March 31, 2017, 2016 or 2015. Repurchases of our common stock are generally prohibited under the terms of our new credit facility.

Contractual Obligations

The table below summarizes our contractual obligations as of March 31, 2017 (in thousands):

	Payments Due by Period				
	Less than 1 year	1 – 3 years	3 –5 years	More than 5 years	Total
Long-term debt	$ 5,611	$ 21,374	$ 62,830	$ —	$ 89,815
Convertible subordinated debt	64,864	—	—	—	64,864
Purchase obligations	34,348	—	—	—	34,348
Operating leases:					
Lease payments	8,927	14,199	6,633	1,989	31,748
Sublease rental income	(1,426)	(2,186)	(813)	—	(4,425)
Total operating leases	7,501	12,013	5,820	1,989	27,323
Total contractual cash obligations	$ 112,324	$ 33,387	$ 68,650	$ 1,989	$ 216,350

The contractual commitments shown above includes $23.1 million in interest payments on our various debt obligations. As of March 31, 2017, we had $5.6 million of long-term tax liabilities for uncertain tax positions, for which we cannot make a reasonably reliable estimate of when payments are likely to occur.

RECENT ACCOUNTING PRONOUNCEMENTS

See Recent Accounting Pronouncements in Note 3 “Summary of Significant Accounting Policies” to the Consolidated Financial Statements for a full description of recent accounting pronouncements including the respective expected dates of adoption and effects on our results of operations and financial condition.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Our discussion and analysis of the financial condition and results of operations is based on the accompanying Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. 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. Our significant accounting policies are presented within Note 3 to the Consolidated Financial Statements. Our critical accounting estimates require the most difficult, subjective or complex judgments and are described below. An accounting estimate is considered critical if it requires estimates about the effect of matters that are inherently uncertain when the estimate is made, if different estimates reasonably could have been used or if changes in the estimate that are reasonably possible could materially impact the financial statements. We have discussed the development, selection and disclosure of our critical accounting policies with the Audit Committee of our Board of Directors. We believe the assumptions and estimates used and the resulting balances are reasonable; however, actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

Application of the various accounting principles related to measurement and recognition of revenue requires us to make judgments and estimates in the following related areas: determining estimated selling prices and allocating revenue based on the relative selling prices in arrangements with multiple deliverables. When we enter into sales arrangements with customers that contain multiple deliverables such as hardware, software and services, we determine the estimated selling price for each element. Additionally, we sometimes use judgment in order to determine the appropriate timing of revenue recognition and to assess whether any software and non-software components function together to deliver a tangible product's essential functionality in order to ensure the arrangement is properly accounted for as software or hardware revenue.

Management's evaluation of our multiple element arrangements includes an assessment of whether we have vendor-specific objective evidence ("VSOE") of selling price, third-party evidence of selling price ("TPE") or best estimate of selling price ("BESP") for each deliverable, which includes the interpretation of non-standard terms and conditions in sales agreements; assessments of future price adjustments such as rebates, price protection and future product returns and estimates for contractual licensee fees. We establish VSOE based upon the selling price of the elements when sold on a standalone basis. When VSOE cannot be established we attempt to establish the selling price of each element based on TPE. TPE is determined based on competitor prices for largely interchangeable products when sold separately. When we are unable to establish selling price using VSOE or TPE, we use BESP. We use judgment to determine BESP, which is the price at which we would transact a sale if the product or service were regularly sold on a standalone basis. In this determination we consider our discounting and internal pricing practices, external market conditions and competitive positioning for similar offerings. Additionally, management assesses the effect of any non-standard terms and conditions in sales agreements, estimates future price adjustments such as rebates, price protection and product returns and makes estimates for contractual licensee fees.

While the majority of our sales arrangements contain standard terms and conditions, we sometimes apply judgment when interpreting complex arrangements with non-standard terms and conditions to determine the appropriate accounting and timing of revenue recognition. An example of such a judgment is deferring revenue related to significant post-delivery obligations and customer acceptance criteria until such obligations are fulfilled.

For software products, we generally recognize revenue for the software upon delivery and recognize revenue from post-contract customer support ratably over the term of the support agreement. Revenue from our post-contract customer support agreements, which entitle software customers to both telephone support and any unspecified upgrades and enhancements during the term of the agreement, is classified as product revenue as the value of these support arrangements are the upgrades and enhancements to the software licenses themselves and there is no on-site support.

For our established software product lines, we have determined VSOE for our post-contract customer support services through standalone sales of the support renewal contracts. For newly introduced software products for which support is not yet sold separately, we initially establish VSOE based on the stated support renewal rates included within the contract ("stated renewals").

We license certain software to customers under licensing agreements that allow those customers to embed the software into specific products they offer. As consideration, licensees pay us a fee based on the amount of sales of their products that incorporate our software. On a periodic and timely basis, the licensees provide us with reports listing their sales to end users for which they owe us license fees. Similarly, royalty revenue is estimated from licensee reports of units sold to end users subject to royalties under master contracts. In both cases, these reports are used to substantiate delivery and we recognize revenue based on the information in these reports or when amounts can be reasonably estimated.

Inventory Allowances

Our manufacturing and service parts inventories are stated at the lower of cost or market, with cost computed on a first-in, first-out (“FIFO”) basis. Adjustments to reduce the carrying value of both manufacturing and service parts inventories to their net realizable value are made for estimated excess, obsolete or impaired balances. Factors influencing these adjustments include significant estimates and judgments about the future of product life cycles, product demand, rapid technological changes, development plans, product pricing, physical deterioration, quality issues, end of service life plans and volume of enhanced or extended warranty service contracts.

Impairment of Long-lived Assets and Goodwill

We use an undiscounted cash flow approach to evaluate our long-lived assets for recoverability when there are impairment indicators. Estimates of future cash flows require significant judgments about the future and include company forecasts and our expectations of future use of our long-lived assets, both of which may be impacted by market conditions. Other critical estimates include determining the asset group or groups within our long-lived assets, the primary asset of an asset group and the primary asset’s useful life.

We apply judgment when reviewing goodwill for impairment, including when evaluating potential impairment indicators. Indicators we consider include adverse changes in the economy or business climate that could affect the value of our goodwill, overall financial performance such as negative or declining cash flows or operating income, changes in our business strategy, product mix or to the long-term economic outlook, a sustained decrease in our stock price and testing long-lived assets for recoverability. In addition, we evaluate on the basis of the weight of evidence the significance of identified events and circumstances along with how they could affect the relationship between the reporting unit's fair value and carrying amount, including positive mitigating events and circumstances.

In addition to comparing the carrying value of the reporting unit to its fair value, because we have negative book value, we perform a qualitative analysis to determine whether it is more likely than not that the fair value of goodwill is less than its carrying amount. If we determine it is more likely than not that the fair value of goodwill is less than its carrying amount, then a second step must be performed to quantify the amount of goodwill impairment, if any, requiring additional assumptions and judgments.

If the second step of a goodwill impairment test is required, the following assumptions and estimates may be used by management in an income approach analysis. We derive discounted cash flows using estimates and assumptions about the future. Other significant assumptions may include: expected future revenue growth rates, operating profit margins, working capital levels, asset lives used to generate future cash flows, a discount rate, a terminal value multiple, income tax rates and utilization of net operating loss tax carryforwards. These assumptions are developed using current market conditions as well as internal projections. Inherent in our development of cash flow projections for the income approach used in an impairment test are assumptions and estimates derived from a review of our operating results, approved business plans, expected growth, cost of capital and income tax rates. We also make certain assumptions about future economic conditions, applicable interest rates and other market data.

Accrued Warranty

We estimate future product failure rates based upon historical product failure trends as well as anticipated future failure rates if believed to be significantly different from historical trends. Similarly, we estimate future costs of repair based upon historical trends and anticipated future costs if they are expected to significantly differ, for example due to negotiated agreements with third parties. We use a consistent model and exercise considerable judgment in determining the underlying estimates. Our model requires an element of subjectivity for all of our products. For example, historical return rates are not completely indicative of future return rates and we must therefore exercise judgment with respect to future deviations from our historical return rates. When actual failure rates differ significantly from our estimates, we record the impact in subsequent periods and update our assumptions and forecasting models accordingly. As our newer products mature, we are able to improve our estimates with respect to these products.

Income Taxes

A number of estimates and judgments are necessary to determine deferred tax assets, deferred tax liabilities and valuation allowances. We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. The calculation of our tax liabilities requires judgment related to uncertainties in the application of complex tax regulations. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity.

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. In addition, we have provided a full valuation allowance against certain of our international net deferred tax assets. Due to reorganizations in these jurisdictions, it is unclear whether we will be able to realize a benefit from these deferred tax assets. Also, 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.

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 evidence exists to support the reversal of the valuation allowance. Future income tax expense will be reduced to the extent that we have sufficient evidence to support a reversal or decrease in this allowance. We also have deferred tax assets and liabilities due to prior business acquisitions with corresponding valuation allowances after assessing our ability to realize any future benefit from these acquired net deferred tax assets.

ITEM 7A. 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 in fiscal 2017 and 2016. During both fiscal 2017 and 2016, interest rates on these funds were under 1.0% and we earned a negligible amount of 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 revolving loan agreement and the term loan agreement. Under the term loan agreement and the revolving loan agreement, we had $50.0 million and $18.5 million outstanding borrowings at an interest rate of 8.55% and 3.86%, respectively, as of March 31, 2017. A hypothetical 100 basis point increase in interest rate would result in an approximate $0.7 million change in our annual interest expense on our outstanding borrowings as of March 31, 2017.

Our convertible subordinated notes have fixed interest rates, thus a hypothetical 100 basis point increase in interest rates would not impact interest expense.

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 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 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.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Quantum Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive income (loss), of cash flows and of stockholders' deficit present fairly, in all material respects, the financial position of Quantum Corporation and its subsidiaries at March 31, 2017 and March 31, 2016, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2017 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Seattle, Washington

May 31, 2017

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

	March 31, 2017	March 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 12,958	$ 33,870
Restricted cash	1,832	2,788
Accounts receivable, net of allowance for doubtful accounts of $16 and $22, respectively	116,056	105,959
Manufacturing inventories	27,661	40,614
Service parts inventories	19,849	21,407
Other current assets	9,969	8,007
Total current assets	188,325	212,645
Long-term assets:		
Property and equipment, less accumulated depreciation	11,186	12,939
Intangible assets, less accumulated amortization	276	451
Restricted cash	20,000	—
Other long-term assets	5,240	4,565
Total long-term assets	36,702	17,955
	$ 225,027	$ 230,600
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 41,611	$ 46,136
Accrued warranty	3,263	3,430
Deferred revenue	84,683	88,919
Accrued restructuring charges	869	1,621
Long-term debt	—	3,000
Convertible subordinated debt	62,827	—
Accrued compensation	24,104	22,744
Other accrued liabilities	12,998	13,806
Total current liabilities	230,355	179,656
Long-term liabilities:		
Deferred revenue	37,642	35,427
Accrued restructuring charges	481	1,116
Long-term debt, net of current portion	65,028	62,709
Convertible subordinated debt	—	69,253
Other long-term liabilities	7,520	8,324
Total long-term liabilities	110,671	176,829
Commitments and Contingencies (Note 13)	—	—
Stockholders' deficit:		
Preferred stock:		
Preferred stock, 20,000 shares authorized; no shares issued as of March 31, 2017 and 2016	—	—
Common stock:		
Common stock, $0.01 par value; 1,000,000 shares authorized; 34,063 and 33,276 shares issued and outstanding at March 31, 2017 and 2016, respectively	341	332
Capital in excess of par	473,850	466,879
Accumulated deficit	(593,295)	(596,940)
Accumulated other comprehensive income	3,105	3,844
Stockholders' deficit	(115,999)	(125,885)
	$ 225,027	$ 230,600

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	For the year ended March 31,		
	2017	2016	2015
Product revenue	$ 322,212	$ 286,217	$ 355,579
Service revenue	144,335	148,548	155,674
Royalty revenue	38,798	41,193	41,842
Total revenue	505,345	475,958	553,095
Product cost of revenue	231,207	207,139	237,400
Service cost of revenue	60,714	65,778	70,686
Total cost of revenue	291,921	272,917	308,086
Gross profit	213,424	203,041	245,009
Operating expenses:			
Research and development	44,379	48,703	58,618
Sales and marketing	103,235	108,735	113,954
General and administrative	51,599	53,793	56,513
Restructuring charges	2,063	4,006	1,666
Goodwill impairment	—	55,613	—
Total operating expenses	201,276	270,850	230,751
Gain on sale of assets	—	—	462
Income (loss) from operations	12,148	(67,809)	14,720
Other income (expense)	562	(191)	13,836
Interest expense	(7,912)	(6,817)	(9,460)
Loss on debt extinguishment, net	(41)	(394)	(1,295)
Income (loss) before income taxes	4,757	(75,211)	17,801
Income tax provision	1,112	1,183	718
Net income (loss)	$ 3,645	$ (76,394)	$ 17,083
Basic net income (loss) per share	$ 0.11	$ (2.33)	$ 0.54
Diluted net income (loss) per share	$ 0.11	$ (2.33)	$ 0.53
Weighted average shares:			
Basic	33,742	32,841	31,833
Diluted	34,113	32,841	32,503

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	For the year ended March 31,		
	2017	**2016**	**2015**
Net income (loss)	$ 3,645	$ (76,394)	$ 17,083
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	(826)	21	(3,490)
Net change on revaluation of long-term intercompany balances, net of taxes of $23, $(15) and $200, respectively	87	(57)	750
Total other comprehensive (loss)	(739)	(36)	(2,740)
Total comprehensive income (loss)	$ 2,906	$ (76,430)	$ 14,343

The accompanying notes are an integral part of these Consolidated Financial Statements.

QUANTUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the year ended March 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income (loss)	$ 3,645	$ (76,394)	$ 17,083
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	5,433	6,410	8,281
Amortization of intangible assets	175	280	3,697
Amortization and write off of debt issuance costs	1,373	1,062	1,896
Service parts lower of cost or market adjustment	4,960	5,972	3,698
Deferred income taxes	97	(85)	(160)
Share-based compensation	6,698	8,916	11,583
Goodwill impairment	—	55,613	—
Gain on sale of assets	—	—	(462)
Gain on sale of other investments	—	—	(13,574)
Changes in assets and liabilities, net of effect of acquisition:			
Accounts receivable	(10,097)	18,043	(22,554)
Manufacturing inventories	12,931	6,778	(19,688)
Service parts inventories	(4,969)	(780)	(1,010)
Accounts payable	(4,845)	(8,180)	12,849
Accrued warranty	(167)	(789)	(1,897)
Deferred revenue	(2,020)	(11,085)	(2,721)
Accrued restructuring charges	(1,387)	(2,109)	(3,548)
Accrued compensation	1,492	(12,712)	11,318
Other assets and liabilities	(4,405)	(2,660)	1,243
Net cash provided by (used in) operating activities	8,914	(11,720)	6,034
Cash flows from investing activities:			
Purchases of property and equipment	(1,752)	(3,482)	(3,241)
Proceeds from sale of assets	—	—	462
Change in restricted cash	(20,240)	(139)	(250)
Purchases of other investments	—	—	(22)
Return of principal from other investments	—	—	112
Proceeds from sale of other investments	—	—	15,097
Payment for business acquisition, net of cash acquired	—	—	(517)
Net cash provided by (used in) investing activities	(21,992)	(3,621)	11,641
Cash flows from financing activities:			
Borrowings of long-term debt, net	104,914	68,920	—
Repayments of long-term debt	(106,172)	(3,211)	—
Repayments of convertible subordinated debt	(6,910)	(83,735)	(50,000)
Payment of taxes due upon vesting of restricted stock	(738)	(3,176)	(2,378)
Proceeds from issuance of common stock	1,020	2,478	3,737
Net cash (used in) financing activities	(7,886)	(18,724)	(48,641)
Effect of exchange rate changes on cash and cash equivalents	52	(13)	(211)
Net (decrease) in cash and cash equivalents	(20,912)	(34,078)	(31,177)
Cash and cash equivalents at beginning of period	33,870	67,948	99,125
Cash and cash equivalents at end of period	$ 12,958	$ 33,870	$ 67,948
Supplemental disclosure of cash flow information:			
Proceeds from sale of other investments included in other assets	$ —	$ —	$ 429
Purchases of property and equipment included in accounts payable	321	367	1,564
Transfer of inventory to property and equipment	1,588	1,438	2,530
Cash paid during the year for:			
Interest	5,952	6,873	8,498
Income taxes, net of refunds	1,050	579	750

The accompanying notes are an integral part of these Consolidated Financial Statements.

QUANTUM CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(In thousands)

	Common Stock		Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balances as of March 31, 2014	31,301	$ 313	$ 445,738	$ (537,628)	$ 6,620	$ (84,957)
Net income	—	—	—	17,083	—	17,083
Foreign currency translation adjustments	—	—	—	—	(3,490)	(3,490)
Net change in unrealized gain on revaluation of long-term intercompany balance, net of tax of $200	—	—	—	—	750	750
Shares issued under employee stock purchase plan	349	3	2,890	—	—	2,893
Shares issued under employee stock incentive plans, net	626	6	(1,540)	—	—	(1,534)
Share-based compensation expense	—	—	11,583	—	—	11,583
Balances as of March 31, 2015	32,276	322	458,671	(520,545)	3,880	(57,672)
Net loss	—	—	—	(76,394)	—	(76,394)
Foreign currency translation adjustments	—	—	—	—	21	21
Net change in unrealized loss on revaluation of long-term intercompany balance, net of tax of $(15)	—	—	—	—	(57)	(57)
Shares issued under employee stock purchase plan	409	4	2,176	—	—	2,180
Shares issued under employee stock incentive plans, net	591	6	(2,884)	—	—	(2,878)
Share-based compensation expense	—	—	8,916	—	—	8,916
Balances as of March 31, 2016	33,276	332	466,879	(596,940)	3,844	(125,885)
Net income	—	—	—	3,645	—	3,645
Foreign currency translation adjustments	—	—	—	—	(826)	(826)
Net change in unrealized gain on revaluation of long-term intercompany balance, net of tax of $23	—	—	—	—	87	87
Shares issued under employee stock purchase plan	293	4	1,016	—	—	1,020
Shares issued under employee stock incentive plans, net	494	5	(743)	—	—	(738)
Share-based compensation expense	—	—	6,698	—	—	6,698
Balances as of March 31, 2017	34,063	$ 341	$ 473,850	$ (593,295)	$ 3,105	$ (115,999)

The accompanying notes are an integral part of these Consolidated Financial Statements.

QUANTUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 Consolidated Financial Statements include the accounts of Quantum and our wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated. The preparation of our Consolidated Financial Statements in conformity with generally accepted accounting principles ("GAAP") in the U.S. requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. We base estimates on historical experience and on various assumptions about the future that are believed to be reasonable based on available information. Our reported financial position or results of operations may be materially different under different conditions or when using different estimates and assumptions, particularly with respect to significant accounting policies, which are discussed below. In the event that estimates or assumptions prove to differ from actual results, adjustments are made in the current period to reflect this current information.

On April 18, 2017, we effected a 1 for 8 reverse stock split of our issued and outstanding shares of common stock (the "Reverse Stock Split"). Our stock began to trade on a post-split basis on April 19, 2017. Par value of the Company's common stock was unchanged as a result of the Reverse Stock Split, remaining at $0.01 per share, which resulted in reclassification of capital from par value to capital in excess of par value. All share and per share data for fiscal 2017 and comparative periods included within our consolidated financial statements and related footnotes have been adjusted to account for the effect of the Reverse Stock Split.

NOTE 2: REVISION OF PRIOR PERIOD FINANCIAL STATEMENTS

In connection with the preparation of our condensed consolidated financial statements for the quarter ended December 31, 2016, we identified an error related to the manner in which we had previously recognized costs for certain third party maintenance contracts. Specifically, we had historically expensed such costs in the period the contracts were entered into rather than expensing them ratably over the contract period. In accordance with Staff Accounting Bulletin ("SAB") No. 99, *Materiality, and SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, we evaluated the error and determined that the related impact was not material to our results of operations or financial position for any prior annual or interim period, but that correcting the $1.6 million cumulative impact of the error would be material to our results of operations for the three month period ended December 31, 2016. Accordingly, we have corrected these errors for all prior periods ending on or before September 30, 2016 by revising the consolidated financial statements. We also corrected the timing of a previously recorded immaterial out-of-period adjustment and reflected the adjustment in the period in which it originated in the revised prior period financial statements.

Consolidated Balance Sheets

	As of March 31, 2016		
	As Reported	Adjustment	As Revised
Other current assets	$ 6,953	$ 1,054	$ 8,007
Total current assets	211,591	1,054	212,645
Total assets	229,546	1,054	230,600
Accumulated deficit	(597,994)	1,054	(596,940)
Total stockholders' deficit	$ (126,939)	$ 1,054	$ (125,885)

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Consolidated Statements of Operations – Annual

	Fiscal Year Ended March 31,					
	2016			2015		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Cost of product revenue	$ 206,859	$ 280	$ 207,139	$ 237,679	$ (279)	$ 237,400
Cost of service revenue	64,347	1,431	65,778	70,730	(44)	70,686
Total cost of revenue	271,206	1,711	272,917	308,409	(323)	308,086
Gross margin	204,752	(1,711)	203,041	244,686	323	245,009
Income (loss) from operations	(66,098)	(1,711)	(67,809)	14,397	323	14,720
Income (loss) before income taxes	(73,500)	(1,711)	(75,211)	17,478	323	17,801
Net income (loss)	$ (74,683)	$ (1,711)	$ (76,394)	$ 16,760	$ 323	$ 17,083

Condensed Consolidated Statements of Operations – Quarterly – Fiscal 2017 - Unaudited

	Fiscal 2017					
	1st Quarter			2nd Quarter		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Cost of service revenue	$ 15,781	$ (275)	$ 15,506	$ 14,910	$ (246)	$ 14,664
Total cost of revenue	65,913	(275)	65,638	79,262	(246)	79,016
Gross margin	50,371	275	50,646	55,480	246	55,726
Income (loss) from operations	(2,066)	275	(1,791)	5,346	246	5,592
Income (loss) before income taxes	(3,418)	275	(3,143)	3,871	246	4,117
Net income (loss)	$ (3,795)	$ 275	$ (3,520)	$ 3,826	$ 246	$ 4,072

	Six Months Ended September 30, 2016		
	As Reported	Adjustment	As Revised
Cost of service revenue	$ 30,691	$ (521)	$ 30,170
Total cost of revenue	145,175	(521)	144,654
Gross margin	105,851	521	106,372
Income (loss) from operations	3,280	521	3,801
Income (loss) before income taxes	453	521	974
Net income (loss)	$ 31	$ 521	$ 552

Condensed Consolidated Statements of Operations – Quarterly – Fiscal 2016 - Unaudited

	Fiscal 2016					
	1st Quarter			2nd Quarter		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Cost of product revenue	$ 46,964	$ 280	$ 47,244	$ 53,073	$ —	$ 53,073
Cost of service revenue	16,927	225	17,152	17,635	203	17,838
Total cost of revenue	63,891	505	64,396	70,708	203	70,911
Gross margin	46,965	(505)	46,460	46,317	(203)	46,114
Income (loss) from operations	(8,207)	(505)	(8,712)	(9,619)	(203)	(9,822)
Income (loss) before income taxes	(10,416)	(505)	(10,921)	(10,880)	(203)	(11,083)
Net income (loss)	$ (10,755)	$ (505)	$ (11,260)	$ (11,227)	$ (203)	$ (11,430)

	Fiscal 2016					
	3rd Quarter			4th Quarter		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Cost of service revenue	$ 15,028	$ 522	$ 15,550	$ 14,757	$ 482	$ 15,239
Total cost of revenue	71,351	522	71,873	65,256	482	65,738
Gross margin	56,697	(522)	56,175	54,773	(482)	54,291
Income (loss) from operations	1,954	(522)	1,432	(50,226)	(482)	(50,708)
Income (loss) before income taxes	132	(522)	(390)	(52,336)	(482)	(52,818)
Net income (loss)	$ (299)	$ (522)	$ (821)	$ (52,402)	$ (482)	$ (52,884)

The revisions did not impact previously reported cash flows. There were no income tax impacts related to the error as the Company has full valuation allowances against its net deferred tax assets in the related jurisdictions and was not subject to income taxes payable in the related periods.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue consists of sales of hardware, software and services, as well as royalties we earn for the license of certain intellectual property. Revenue is recognized when it is realized or realizable and earned. Revenue is considered realized and earned when: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the price to the buyer is fixed or determinable; and when collectability is reasonably assured. Royalty revenue is recognized when earned or when earned amounts can be reasonably estimated.

Multiple Element Arrangements

We enter into sales arrangements with customers that contain multiple deliverables such as hardware, software and services, and these arrangements require assessment of each deliverable to determine its estimated selling price. Additionally, we use judgment in order to determine the appropriate timing of revenue recognition and to assess whether any software and non-software components function together to deliver a tangible product's essential functionality in order to ensure the arrangement is properly accounted for as software or hardware revenue. The majority of our products are hardware products which contain software essential to the overall functionality of the product. Hardware products are generally sold with customer field support agreements.

Consideration in such multiple element transactions is allocated to each non-software element based on the fair value hierarchy, where the selling price for an element is based on vendor-specific objective evidence ("VSOE"), if available; third-party evidence ("TPE") if VSOE is not available; or the best estimate of selling price ("BESP"), if neither VSOE nor TPE is available. We establish VSOE based upon the selling price of elements when sold on a standalone basis and TPE is determined based upon competitor's selling price for largely interchangeable products. For BESP, we consider our discounting and internal pricing practices, external market conditions and competitive positioning for similar offerings.

For software deliverables, we allocate consideration between multiple elements based on software revenue recognition guidance, which requires revenue to be allocated to each element based on the relative fair values of those elements. The fair value of an element must be based on VSOE. Where fair value of delivered elements is not available, revenue is recognized on the "residual method" deferring the fair value of the undelivered elements and recognizing the balance as revenue for the delivered elements. If evidence of fair value of one or more undelivered elements does not exist, all revenue is deferred and recognized at the earlier of the delivery of those elements or the establishment of fair value of the remaining undelivered elements.

Product Revenue — Hardware

Revenue for hardware products sold to distributors, VARs, DMRs, OEMs and end users is generally recognized upon shipment, consistent with the transfer of title and risk of loss. When significant post-delivery obligations exist, the related revenue is deferred until such obligations are fulfilled. If there are customer acceptance criteria in the contract, we recognize revenue upon end user acceptance.

In the period revenue is recognized, allowances are provided for estimated future price adjustments, such as rebates, price protection and future product returns. These allowances are based on programs in existence at the time revenue is recognized, plans regarding future price adjustments, the customers' master agreements and historical product return rates. Since we have historically been able to reliably estimate the amount of allowances required, we recognize revenue, net of projected allowances, upon shipment to our customers. If we were unable to reliably estimate the amount of revenue adjustments in any specific reporting period, then we would be required to defer recognition of the revenue until the rights had lapsed and we were no longer under any obligation to reduce the price or accept the return of the product.

Product Revenue — Software

For software products, we generally recognize revenue upon delivery of the software. Revenue from post-contract customer support agreements, which entitle software customers to both telephone support and any unspecified upgrades and enhancements during the term of the agreement, is classified as product revenue, as the value of these support arrangements are the upgrades and enhancements to the software licenses themselves and there is no on-site support. We recognize revenue from our post-contract customer support ratably over the term of the agreement.

We license certain software to customers under licensing agreements that allow those customers to embed our software into specific products they offer. As consideration, licensees pay us a fee based on the amount of sales of their products that incorporate our software. On a periodic and timely basis, the licensees provide us with reports listing their sales to end users for which they owe us license fees. As the reports substantiate delivery has occurred, we recognize revenue based on the information in these reports or when amounts can be reasonably estimated.

Service Revenue

Revenue for service is generally recognized upon the services being rendered. Service revenue primarily consists of customer field support agreements for our hardware products. For customer field support agreements, revenue equal to the separately stated price of these service contracts is initially deferred and recognized as revenue ratably over the contract period.

Royalty Revenue

We license certain intellectual property to third party manufacturers under arrangements that are represented by master contracts. The master contracts give the third party manufacturers rights to the intellectual property which include allowing them to either manufacture or include the intellectual property in products for resale. As consideration, the licensees pay us a per-unit royalty for sales of their products that incorporate our intellectual property. On a periodic and timely basis, the licensees provide us with reports listing units sold to end users subject to the royalties. As the reports substantiate delivery has occurred, we recognize revenue based on the information in these reports or when amounts can be reasonably estimated.

Service Cost of Revenue

We classify expenses as service cost of revenue by estimating the portion of our total cost of revenue that relates to providing field support to our customers under contract. These estimates are based upon a variety of factors, including the nature of the support activity and the level of infrastructure required to support the activities from which we earn service revenue. In the event our service business changes, our estimates of cost of service revenue may be impacted.

Shipping and Handling Fees

Shipping and handling fees are included in cost of revenue and were$10.4 million, $10.6 million and $12.3 million in fiscal 2017, 2016 and 2015, respectively.

Research and Development Costs

Expenditures relating to the development of new products and processes are expensed as incurred. These costs include expenditures for employee compensation, materials used in the development effort, other internal costs, as well as expenditures for third party professional services. We have determined that technological feasibility for our software products is reached shortly before the products are released to manufacturing. Costs incurred after technological feasibility is established have not been material. We expense software-related research and development costs as incurred.

Advertising Expense

Advertising expense is recorded as incurred and was$9.7 million, $9.2 million and $7.6 million in fiscal 2017, 2016 and 2015, respectively.

Restructuring Charges

In recent periods and over the past several years, we have recorded significant restructuring charges related to the realignment and restructuring of our business operations. These charges represent expenses incurred in connection with strategic planning, certain cost reduction programs that we have implemented and consist of the cost of involuntary termination benefits, facilities charges, asset write-offs and other costs of exiting activities or geographies.

The charges for involuntary termination costs and associated expenses often require the use of estimates, primarily related to the number of employees to be paid severance and the amounts to be paid, largely based on years of service and statutory requirements. Assumptions to estimate facility exit costs include the ability to secure sublease income largely based on market conditions, the likelihood and amounts of a negotiated settlement for contractual lease obligations and other exit costs. Other estimates for restructuring charges consist of the realizable value of assets including associated disposal costs and termination fees with third parties for other contractual commitments.

Share-Based Compensation

The majority of our share-based awards are measured based on the fair market value of the underlying stock on the date of grant. We use the Black-Scholes stock option pricing model to estimate the fair value of stock option awards at the date of grant. For awards that contain market conditions, we use a Monte-Carlo simulation model to estimate the fair value of share-based awards. Both the Black-Scholes and Monte-Carlo models require the use of highly subjective assumptions, including expected life, expected volatility and expected risk-free rate of return. Other reasonable assumptions in either model could provide differing results. We calculate a forfeiture rate to estimate the share-based awards that will ultimately vest based on types of awards and historical experience. Additionally, for awards which are performance based, we make estimates as to the probability of the underlying performance being achieved.

Foreign Currency Translation and Transactions

Assets, liabilities and operations of foreign offices and subsidiaries are recorded based on the functional currency of the entity. For a majority of our foreign operations, the functional currency is the U.S. dollar. The assets and liabilities of foreign offices with a local functional currency are translated, for consolidation purposes, at current exchange rates from the local currency to the reporting currency, the U.S. dollar. The resulting gains or losses are reported as a component of other comprehensive income. Foreign exchange gains and losses from changes in the exchange rates underlying intercompany balances that are of a long-term investment nature are reported as a component of other comprehensive income. Assets and liabilities denominated in other than the functional currency are remeasured each month with the remeasurement gain or loss recorded in other income and expense in the Consolidated Statements of Operations. Foreign currency gains and losses recorded in other income and expense included a loss of $0.3 million in fiscal 2017, a loss of $0.3 million in fiscal 2016 and a gain of $0.2 million in fiscal 2015.

Income Taxes

We recognize deferred tax assets and liabilities due to the effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We also reduce deferred tax assets by a valuation allowance if it is more likely than not that some or all of the deferred tax asset will not be realized.

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. The calculation of our tax liabilities requires judgment related to uncertainties in the application of complex tax regulations. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. A change in recognition or measurement would result in the recognition of a tax benefit or an additional tax charge to the provision.

We recognize interest and penalties related to uncertain tax positions in the income tax provision in the Consolidated Statements of Operations. To the extent accrued interest and penalties do not become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made.

Cash Equivalents, Restricted Cash and Other Investments

We consider all highly liquid debt instruments with a maturity of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents are carried at fair value, which approximates their cost. Restricted cash is primarily comprised of a minimum cash reserve requirement of $20 million under our revolving credit agreement with PNC Bank, National Association ("revolving credit agreement"). The remaining restricted cash is comprised of bank guarantees and similar required minimum balances that serve as cash collateral in connection with various items including insurance requirements, value added taxes, ongoing tax audits and leases in certain countries.

Investments in private technology venture limited partnerships are currently accounted for using the cost method. Ownership interests in these limited partnerships are accounted for based upon the level of influence we are deemed to have. Interests are accounted for under the equity method when we have significant influence unless our interest is so minor that we have virtually no influence over the partnership operating and financial policies, in which case the cost method is used.

We review non-marketable equity investments on a regular basis to determine if there has been any impairment of value which is other than temporary by reviewing their financial information, gaining knowledge of any new financing or other business agreements and assessing their operating viability. In fiscal 2015, we sold our investment in a privately held company that was accounted for under the cost method and recorded a $13.6 million gain in other income and expense in the Consolidated Statements of Operations. Investments in non-marketable equity investments are recorded in other long-term assets in the Consolidated Balance Sheets.

Allowance for Doubtful Accounts

We perform ongoing credit evaluations of our customers' financial condition and, for the majority of our customers, require no collateral. For customers that do not meet our credit standards, we often require a form of collateral, such as cash deposits or letters of credit, prior to the completion of a transaction. These credit evaluations require significant judgment and are based on multiple sources of information. We analyze such factors as our historical bad debt experience, industry and geographic concentrations of credit risk, current economic trends and changes in customer payment terms. We maintain an allowance for doubtful accounts based on historical experience and expected collectability of outstanding accounts receivable. We record bad debt expense in general and administrative expenses.

Manufacturing Inventories

Our manufacturing inventory is stated at the lower of cost or market, with cost computed on a first-in, first-out ("FIFO") basis. Adjustments to reduce the cost of manufacturing inventory to its net realizable value, if required, are made for estimated excess, obsolete or impaired balances. Factors influencing these adjustments include declines in demand, rapid technological changes, product life cycle and development plans, component cost trends, product pricing, physical deterioration and quality issues. Revisions to these adjustments would be required if these factors differ from our estimates.

Service Parts Inventories

Our service parts inventories are stated at the lower of cost or market. We carry service parts because we generally provide product warranty for one to three years and earn revenue by providing enhanced and extended warranty and repair service during and beyond this warranty period. Service parts inventories consist of both component parts, which are primarily used to repair defective units, and finished units, which are provided for customer use permanently or on a temporary basis while the defective unit is being repaired. Defective parts returned from customers that can be repaired are repaired and put back into service parts inventories at their current carrying value. We record adjustments to reduce the carrying value of service parts inventory to its net realizable value, and we dispose of parts with no use and a net realizable value of zero. Factors influencing these adjustments include product life cycles, end of service life plans and volume of enhanced or extended warranty service contracts. Estimates of net realizable value involve significant estimates and judgments about the future, and revisions would be required if these factors differ from our estimates.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization, computed on a straight-line basis over the estimated useful lives of the assets as follows:

Machinery and equipment	3 to 5 years
Computer equipment	3 to 5 years
ERP software	10 years
Other software	3 years
Furniture and fixtures	5 years
Other office equipment	5 years
Leasehold improvements	Shorter of useful life or life of lease

Amortizable Intangible and Other Long-lived Assets

Acquired IPR&D (Intellectual Property Research & Development) is amortized over its estimated useful life once technological feasibility is reached. We review the useful lives of amortizable intangible and other long-lived assets ("long-lived assets") quarterly and review long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. The company operates as a single reporting unit for business and operating purposes, and our impairment evaluation also treats the company as a single asset group. Impairment indicators we consider include a significant decrease in the market price of our long-lived asset group, adverse changes in the extent or manner in which our long-lived assets are being used, adverse changes in the business climate that could affect the value of our long-lived assets, a current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of our long-lived assets and an expectation that it is more likely than not our long-lived assets will be sold or otherwise disposed of significantly before the end of their previously estimated useful life. If we identify impairment indicators, we evaluate recoverability using an undiscounted cash flow approach. Estimates of future cash flows incorporate company forecasts and our expectations of future use of our long-lived assets, and these factors are impacted by market conditions. If impairment is indicated, an impairment charge is recorded to write the long-lived assets down to their estimated fair value. If IPR&D is determined to not have technological feasibility or is abandoned, we write off the IPR&D in that period.

Goodwill

We evaluate goodwill for impairment annually during the fourth quarter of our fiscal year, or more frequently when indicators of impairment are present. We operate as a single reporting unit and consider the company as a whole when reviewing impairment factors. Because we have negative book value, we perform a qualitative analysis to determine whether it is more likely than not that the fair value of goodwill is less than its carrying amount. Some of the impairment indicators we consider include our stock price, significant differences between the carrying amount and the estimated fair value of our assets and liabilities; macroeconomic conditions such as a deterioration in general economic condition or limitations on accessing capital; industry and market considerations such as a deterioration in the environment in which we operate and an increased competitive environment; cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows; overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods; other relevant events such as litigation, changes in management, key personnel, strategy or customers; the testing for recoverability of our long-lived assets and a sustained decrease in share price. We evaluate the significance of identified events and circumstances on the basis of the weight of evidence along with how they could affect the relationship between the reporting unit's fair value and carrying amount. If we determine it is more likely than not that the fair value of goodwill is less than its carrying amount, then a second step is performed to quantify the amount of goodwill impairment. If impairment is indicated, a goodwill impairment charge is recorded in the current period to write the goodwill down to its implied fair value.

Accrued Warranty

We generally warrant our hardware products against certain defects for periods ranging fromone to three years from the date of sale. Our tape automation systems, disk backup systems and scale-out storage solutions may carry service agreements with customers that choose to extend or upgrade the warranty service. We use a combination of internal resources and third party service providers to supply field service and support. If the actual costs were to differ significantly from our estimates, we would record the impact of these unforeseen costs or cost reductions in subsequent periods.

We estimate future failure rates based upon historical product failure trends as well as anticipated future failure rates if believed to be significantly different from historical trends. Similarly, we estimate future costs of repair based upon historical trends and anticipated future costs if they are expected to significantly differ, for example due to negotiated agreements with third parties. We use a consistent model and exercise considerable judgment in determining the underlying estimates. Our model requires an element of subjectivity for all of our products. For example, historical rates of return are not completely indicative of future return rates and we must therefore exercise judgment with respect to future deviations from our historical return rate. 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. As our newer products mature, we are able to improve our estimates with respect to these products. It is reasonably likely that assumptions will be updated for failure rates and, therefore, our accrued warranty estimate could change in the future.

Business Combinations

We allocate the purchase price paid to the assets acquired and liabilities assumed in a business combination at their estimated fair values as of the acquisition date. Any excess purchase price above the identified net tangible and intangible assets and assumed liabilities is allocated to goodwill. We consider fair value to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We estimate fair value using the fair value hierarchy for the tangible and intangible assets acquired as well as liabilities and contingencies assumed from the acquired company.

Common Stock Repurchases

During fiscal 2000, the Board of Directors authorized us to repurchase up to$700 million of our common stock in open market or private transactions. As of March 31,2017 and 2016, there was $87.9 million remaining on our authorization to repurchase

Quantum common stock. Our ability to repurchase our common stock is generally prohibited under the terms of our new credit facility.

Fair Value of Financial Instruments

We use exit prices, that is the price to sell an asset or transfer a liability, to measure assets and liabilities that are within the scope of the fair value measurements guidance. We classify these assets and liabilities based on the following fair value hierarchy:

Level 1:	Quoted (observable) market prices in active markets for identical assets or liabilities.
Level 2:	Observable inputs other than Level 1, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
Level 3:	Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The assets measured and recorded at fair value on a recurring basis consist of money market funds which are valued using quoted market prices at the respective balance sheet dates and are level 1 fair value measurements (in thousands):

	As of March 31,	
	2017	2016
Money market funds	$ —	$ 1,640

We have certain non-financial assets that are measured at fair value on a non-recurring basis when there is an indicator of impairment, and they are recorded at fair value only when an impairment is recognized. These assets include property and equipment, amortizable intangible assets and goodwill. We did not record impairments to any non-financial assets in fiscal 2017 or fiscal 2016 except for a goodwill impairment in fiscal 2016, which is further described inNote 5 "Intangible Assets and Goodwill" to the Consolidated Financial Statements. We do not have any non-financial liabilities measured and recorded at fair value on a non-recurring basis.

Our financial liabilities were comprised primarily of convertible subordinated debt and long-term debt at March 31, 2017 and March 31, 2016. The carrying value and fair value were as follows (in thousands):

	As of March 31,			
	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Convertible subordinated debt[1]	$ 62,827	$ 60,667	$ 69,253	$ 51,686
Long-term debt: [2]				
Credit agreement with Wells Fargo	—	—	65,709	65,741
Revolving credit agreement	16,852	18,490	—	—
Term loan agreement	48,176	50,026	—	—
Total long-term debt	$ 65,028	$ 68,516	$ 65,709	$ 65,741

[1] Fair value based on quoted market prices in less active markets (level 2).

[2] Fair value based on outstanding borrowings and market interest rates (level 2)

Risks and Uncertainties

As is typical in the information storage industry, a significant portion of our customer base is concentrated among a small number of OEMs, distributors and large VARs. The loss of any one of our more significant customers, or a significant decrease in the sales volume with one of these significant customers, could have a material adverse effect on our results of operations and financial condition. Furthermore, if there is a downturn in general economic conditions, the resulting effect on IT spending could also have a material adverse effect on our results of operations and financial condition. We also face risks and uncertainties since our competitors in one area may be customers or suppliers in another.

A limited number of products comprise a significant majority of our sales, and due to increasingly rapid technological change in the industry, our future operating results depend on our ability to develop and successfully introduce new products.

Concentration of Credit Risk

We currently invest our excess cash in deposits with major banks and in money market funds. In the past, we have also held investments in short-term debt securities of companies with strong credit ratings from a variety of industries, and we may make investments in these securities in the future. We have not experienced any material losses on these investments and limit the amount of credit exposure to any one issuer and to any one type of investment.

We sell products to customers in a wide variety of industries on a worldwide basis. In countries or industries where we are exposed to material credit risk, we may require collateral, including cash deposits and letters of credit, prior to the completion of a transaction. We do not believe we have significant credit risk beyond that provided for in the financial statements in the ordinary course of business.

Sales to our top five customers represented 29% of revenue in fiscal 2017, 28% of revenue in fiscal 2016 and 31% of revenue in fiscal 2015. We had no customers that comprised 10% or greater of accounts receivable in fiscal 2017, fiscal 2016 or fiscal 2015.

Recently Adopted Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* ("ASU 2015-05"). ASU 2015-05 requires that customers apply the same criteria as vendors to determine whether a cloud computing arrangement ("CCA") contains a software license or is solely a service contract. Under ASU 2015-05, fees paid by a customer in a CCA will be within the scope of internal-use software guidance if both of the following criteria are met: 1) the customer has the contractual right to take possession of the software at any time without significant penalty and 2) it is feasible for the customer to run the software on its own hardware (or to contract with another party to host the software). ASU 2015-05 may be applied prospectively to all agreements entered into or materially modified after the adoption date or retrospectively. We adopted ASU 2015-05 prospectively in the first quarter of fiscal 2017 and adoption did not impact our statements of financial condition, results of operations, cash flows or financial statement disclosures.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern (Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 requires that management assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. We adopted ASU 2014-15 as of the end of our fiscal year ending March 31, 2017. We evaluated our forecasted earnings, cash flows and liquidity to evaluate any situations, including payment of our convertible notes upon maturity, that would trigger additional assessment and reporting under this standard. Based upon such evaluation, the adoption did not impact our statements of financial condition, results of operations, cash flows or financial statement disclosures.

Recent Accounting Pronouncements

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. Prospective application is required. As we currently adjust the carrying value of our inventory to the lower-of-cost or market, we do not anticipate adoption will have a material impact on our statements of financial condition, results of operations, cash flows or 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 must apply the provisions using a cumulative-effect adjustment to the balance sheet at the beginning of the year of adoption, or April 1, 2018. We are currently assessing what financial instruments are being impacted and the extent of the potential impact on our statements of financial condition, results of operations, cash flows and financial statement disclosures.

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. ASU 2016-02 requires a modified retrospective transition approach with certain practical expedients available. We have implemented processes to identify and review our current leases to evaluate the impact on our statements of 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. Transition requirements vary based upon certain facts and circumstances. ASU 2016-09 will be adopted starting April 1, 2018. We will report our tax windfall benefits in the statement of operations instead of equity to the extent we do not have an offsetting valuation allowance and such benefits will be recorded within our deferred taxes. We will continue to account for accruals for stock compensation expense using estiamted forfeiture rates therefore, we do not anticipate the adoption of ASU 2016-09 to have a material impact on our statements of financial condition, results of operations, or cash flows.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 provides guidance on the following eight specific cash flow issues: 1) debt prepayment or debt extinguishment costs, 2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, 3) contingent consideration payments made after a business combination, 4) proceeds from the settlement of insurance claims, 5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, 6) distributions received from equity method investees, 7) beneficial interests in securitization transactions and 8) separately identifiable cash flows and application of the predominance principle. ASU 2016-15 transition requires the use of the retrospective method for all periods presented and will become effective for us beginning April 1, 2018, or fiscal 2019. We have evaluated the types of transactions impacted by ASU 2016-15 and at this time, and anticipate the only impact is related to the our debt extinguishment costs. As such, we do not anticipate the adoption of ASU 2016-15 will have a material impact on our statements of cash flows.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* ("ASU 2016-16"). ASU 2016-16 requires that an entity recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU 2016-16 will become effective for us beginning April 1, 2018, or fiscal 2019. ASU 2016-16 requires the modified retrospective transition approach with a cumulative-effect adjustment to retained earnings at the beginning of the period of adoption. We currently do not have any material intra-entity transfers of assets and therefore we do not anticipate that adoption will have a material impact on our statements of financial condition, results of operations, cash flows or financial statement disclosures.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 will become effective for us beginning April 1, 2018, or fiscal 2019. ASU 2016-18 is required to be applied retrospectively. Upon the adoption, amounts described as restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statements of cash flows.

The FASB issued the following accounting standard updates related to its revenue convergence project:

- 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. ASU 2014-09 and the related ASUs allow for either a retrospective or a modified retrospective transition approach. We plan to use a modified retrospective approach upon the adoption of Topic 606. We have completed our initial assessment of the changes in our revenue recognition accounting policies for the new revenue standards. Our accounting for commission costs will change from recognition in the period incurred to the deferral of commission costs related to our support agreements and subsequent recognition over the period the services are provided. Other costs such as warranty costs and our accounting for our rebate programs ("variable consideration") will not materially change. We have also established our methodology for the standalone selling prices for each performance obligation. We are currently implementing a software solution to process our revenue transactions which will enable us to assess the overall impact of the adoption of Topic 606 on our financial condition, results of operations, cash flows and financial statement disclosures.

NOTE 4: BALANCE SHEET DETAILS

Cash, cash equivalents and restricted cash consisted of (in thousands):

	As of March 31,	
	2017	2016
Cash	$ 12,958	$ 32,230
Restricted cash	21,832	2,788
Money market funds	—	1,640
	$ 34,790	$ 36,658

Manufacturing inventories consisted of (in thousands):

	As of March 31,	
	2017	2016
Finished goods	$ 15,070	$ 22,127
Work in process	606	665
Materials and purchased parts	11,985	17,822
	$ 27,661	$ 40,614

Service parts inventories consisted of (in thousands):

	As of March 31,	
	2017	2016
Finished goods	$ 14,851	$ 16,381
Component parts	4,998	5,026
	$ 19,849	$ 21,407

Property and equipment consisted of (in thousands):

	As of March 31,	
	2017	2016
Machinery and equipment	$ 108,393	$ 105,511
Furniture and fixtures	4,408	4,316
Leasehold improvements	19,344	19,799
	132,145	129,626
Less: accumulated depreciation	(120,959)	(116,687)
	$ 11,186	$ 12,939

NOTE 5: INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

Acquired intangible assets are amortized over their estimated useful lives, which generally range fromone to eight years. In estimating the useful lives of intangible assets, we considered the following factors:

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

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

	Amortization (Years)
Purchased technology	6.3
Trademarks	6.0
Customer lists	8.2
All intangible assets	6.8

Intangible assets amortization within our Consolidated Statements of Operations for the years ended March 31,2017, 2016 and 2015 was $0.2 million, $0.3 million, and $3.7 million, respectively.

The following table provides a summary of the carrying value of intangible assets (in thousands):

	As of March 31,					
	2017			2016		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Purchased technology	$ 177,177	$ (176,901)	$ 276	$ 178,292	$ (177,841)	$ 451
Trademarks	3,900	(3,900)	—	3,900	(3,900)	—
Customer lists	64,701	(64,701)	—	64,701	(64,701)	—
	$ 245,778	$ (245,502)	$ 276	$ 246,893	$ (246,442)	$ 451

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

	Amortization
Fiscal 2018	$ 138
Fiscal 2019	103
Fiscal 2020	35
Total as of March 31, 2017	$ 276

We evaluate our amortizable intangible and other long-lived assets for impairment whenever indicators of impairment exist and concluded the carrying amount of our long-lived assets was recoverable and there was no impairment in fiscal 2017, 2016 and 2015. $1.1 million and $3.2 million of fully amortized intangible assets related to prior acquisitions were written-off in 2016 and 2017, respectively.

Goodwill

During the fourth quarter of fiscal 2016, our stock price dropped to a low closing price of$3.52 per share, down from $7.44 per share at December 31, 2015. Our annual impairment evaluation for goodwill in the fourth quarter of fiscal 2015 did not indicate any impairment of our goodwill in fiscal2015. As a result, during the fourth quarter of fiscal 2016 we determined it was more likely than not that the fair value of our goodwill was less than its carrying amount and performed a second step to quantify the amount of goodwill impairment. No impairment evaluation was performed in fiscal 2017.

We determined the fair value of our single reporting unit using the income approach derived from a discounted cash flow methodology and other valuation techniques, as well as necessary estimates and assumptions about the future to determine fair value. We allocated the fair value of our single reporting unit to all tangible and intangible assets and liabilities in a hypothetical sale transaction to determine the implied fair value of our goodwill. After performing our analysis, we determined our goodwill was impaired and recorded an impairment charge of $55.6 million in fiscal 2016.

Inherent in the development of our cash flow projections using the income approach are assumptions and estimates derived from a review of our operating results, approved business plans, expected growth, cost of capital and income tax rates. We also made certain assumptions about future economic conditions, applicable interest rates and other market data. Many of the factors used in assessing fair value are outside of our control. Future period results could differ from these estimates and assumptions, which could materially affect the determination of fair value of the company and future amounts of potential impairment. The following significant assumptions were used to determine fair value under the income approach: expected future revenue growth; operating profit margins; working capital levels; asset lives used to generate future cash flows; a discount rate; a terminal value multiple; an income tax rate; and utilization of net operating loss carryforwards.

NOTE 6: ACCRUED WARRANTY

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

	For the year ended March 31,		
	2017	2016	2015
Beginning balance	$ 3,430	$ 4,219	$ 6,116
Additional warranties issued	7,106	6,993	6,004
Adjustments for warranties issued in prior fiscal years	286	(187)	(43)
Settlements	(7,559)	(7,594)	(7,858)
Ending balance	$ 3,263	$ 3,430	$ 4,219

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

NOTE 7: DEBT

Our debt consisted of the following (in thousands):

	As of	
	March 31, 2017	March 31, 2016
Convertible subordinated debt:		
4.50% convertible subordinated notes	$ 63,090	$ 70,000
Unamortized debt issuance costs	(263)	(747)
Convertible subordinated debt, net of unamortized debt issuance costs	$ 62,827	$ 69,253

	As of	
	March 31, 2017	March 31, 2016
Long-term debt, current:		
Credit agreement with Wells Fargo	$ —	$ 3,000
Long-term debt:		
Credit agreement with Wells Fargo	$ —	$ 62,709
Revolving credit agreement	18,500	—
Term loan agreement	50,000	—
Unamortized discount and debt issuance costs	(3,472)	—
Long-term debt, net of unamortized discount and debt issuance costs	$ 65,028	$ 62,709

Convertible Subordinated Debt

In the third quarter of fiscal 2013, we issued $70 million aggregate principal amount of 4.50% convertible subordinated notes due November 15, 2017. These notes are convertible into shares of our common stock until November 14, 2017 at the option of the holders at a conversion rate of 75.896 shares per $1,000 principal amount, a conversion price of approximately $13.20 per share. As the purchasers were qualified institutional investors, as defined in Rule 144A under the Securities Act of 1933 ("Securities Act"), the 4.50% notes have not been registered under the Securities Act. We pay 4.50% interest per annum on the principal amount of the 4.50% notes semi-annually in May and November of each year. The terms of the 4.50% notes are governed by an agreement dated October 31, 2012 between Quantum and U.S. Bank National Association. The 4.50% notes are subordinated to any existing indebtedness and other liabilities pro-rata. We incurred and capitalized $2.3 million of fees related to the issuance of the 4.50% notes. These fees are amortized to interest expense over the term of the notes with the remaining unamortized amount included as a deduction to the carrying amount.

In the third and fourth quarters of fiscal 2017, we entered into private transactions with note holders to purchase an aggregate principal amount of $6.9 million of the 4.50% notes for $6.8 million of cash. In connection with these transactions, we recorded a gain on debt extinguishment of $0.1 million, which included a write-off of the pro-rata unamortized debt issuance costs related to the purchased notes.

Long-term Debt

On October 21, 2016 ("closing date"), we refinanced our credit agreement with Wells Fargo (as amended, the "WF credit agreement") through the use of proceeds obtained from our term loan and revolving credit facility ("credit facility"). The credit facility includes a revolving credit and security agreement with PNC Bank, National Association ("revolving credit agreement") and a term loan credit and security agreement with TCW Asset Management Company LLC ("term loan agreement"). In connection with the refinance, we recorded a loss on debt extinguishment of $0.1 million comprised of unamortized debt issuance costs related to borrowings under the WF credit agreement.

On the closing date, we borrowed $50.0 million under the term loan agreement and $26.0 million under the revolving credit agreement. These borrowings were used to i) pay $60.3 million of the outstanding balance on the WF credit agreement and accrued interest, ii) fund $10.0 million towards a portion of a $20.0 million restricted reserve requirement under the revolving credit agreement with the remaining portion of the requirement funded with cash on hand, iii) pay $4.7 million of transaction fees and other expenses and iv) pay a $1.0 million refundable deposit to Wells Fargo to hold during the transfer of our existing letters of credit to the new credit facility. Transaction fees and other expenses incurred under the credit facility included $3.1 million of debt issuance costs, $1.0 million of debt discount and $0.6 million of loan commitment fees. The $20.0 million restricted reserve requirement is presented as long-term restricted cash, within the Consolidated Balance Sheet as of March 31, 2017.

Revolving Credit Agreement

Under the revolving credit agreement, we have the ability to borrow the lesser of $80.0 million or the amount of the monthly borrowing base, which is reduced by $1.0 million by the outstanding letters of credit. Our borrowing base is established monthly based on certain working capital asset balances. The revolving credit agreement also includes an uncommitted accordion in an amount up to $20.0 million. The revolving credit agreement matures on October 21, 2021. As of March 31, 2017, our excess availability under the revolving credit agreement was $46.4 million.

Included in the $4.7 million of transaction fees and other expenses as discussed above are $1.9 million of debt issuance costs and $0.6 million of loan commitment fees attributable to the revolving credit agreement. Debt issuance costs related to our revolving credit agreement were recorded as a reduction of its carrying amount to the extent outstanding borrowings are greater than the related unamortized fees and are amortized to interest expense over the term of the related agreement using the effective interest method. Loan commitment fees paid related to future borrowing capacity were recorded as an asset and are amortized ratably over the term of the revolving credit agreement.

Borrowings under the revolving credit agreement bear interest at a rate per annum equal to, at our option, either (a) the greater of (i) the base rate, (ii) the Federal funds rate plus 0.50% and (iii) the 1 month LIBOR rate, plus 1.0%, plus an applicable margin of 1.50%, or (b) the LIBOR rate plus an applicable margin of 2.50%. The base rate is defined in the revolving credit agreement. Additionally, we are required to pay a 0.375% commitment fee on undrawn amounts under the revolving credit agreement on a quarterly basis, which is recorded as interest expense in the period incurred. As of March 31, 2017, we had a $18.5 million outstanding balance on the line of credit at an interest rate of 3.86%.

Term Loan Agreement

The term loan agreement provides for $50.0 million of a senior secured term loan drawn on the closing date and $20.0 million of a senior secured delay draw term loan ("DDTL"). Borrowings under the DDTL are restricted to be used only to redeem our 4.50% notes due November 15, 2017. The term loan agreement matures on October 21, 2021. The amount outstanding under the term loan is to be repaid on a quarterly basis in an amount equal to 1.25% of the original principal amount beginning on March 31, 2018, with any remaining principal balance due on the maturity of the term loan.

Included in the $4.7 million of transaction fees and other expenses are $1.2 million of debt issuance costs and $1.0 million of debt discount attributable to the term loan agreement. These fees were recorded as a reduction to the carrying amount of outstanding borrowings under the term loan agreement and amortized to interest expense over the term of the borrowing using the effective interest method.

Borrowings under the term loan agreement bear interest at a rate per annum equal to, at our option, either (a) the greatest of (i) 3.00%, (ii) the Federal funds rate plus 0.50%, (iii) the LIBOR rate based upon an interest period of 1 month plus 1.0% and (iv) the "prime rate" last quoted by the Wall Street Journal, plus a margin ranging from 6.00% to 7.25% based on the applicable senior net leverage ratio, or (b) the LIBOR rate plus 7.00% to 8.25% based on the applicable senior net leverage ratio. The senior net leverage ratio is defined in the term loan agreement. As of March 31, 2017, our interest rate on the term loan was 8.55%.

The revolving credit agreement and the term loan agreement are collateralized by a pledge of substantially all of our assets and contain certain financial covenants and customary events of default for such securities. Financial covenants include a fixed charge coverage ratio, senior net leverage ratio and total leverage ratio. Additionally, the revolving credit agreement includes minimum liquidity requirements. There is a blanket lien on all of our assets under the revolving credit agreement and term loan agreement. As of March 31, 2017, and during fiscal 2017, we were in compliance with all covenants.

Debt Maturities

A summary of the scheduled maturities for our outstanding debt as of March 31, 2017 follows (in thousands):

	Debt Maturity
Fiscal 2018	$ 63,715
Fiscal 2019	2,500
Fiscal 2020	2,500
Fiscal 2021	2,500
Fiscal 2022 and thereafter	60,375
	$ 131,590

NOTE 8: RESTRUCTURING CHARGES

Fiscal 2017 April Restructuring Plan

In April 2016, we approved a plan ("Fiscal 2017 April Restructuring Plan") to eliminate29 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 were completed by the second quarter of fiscal 2017. We incurred and paid $1.5 million of restructuring charges under this plan.

Fiscal 2016 Restructuring Plan

In November 2015, we approved a plan ("Fiscal 2016 Restructuring Plan") to eliminate approximately65 positions in the U.S. and internationally, primarily in research and development and sales and marketing functions, in order to improve our cost structure and align spending with continuing operations plans. These actions were completed by the first quarter of fiscal 2017, with the majority having occurred by December 31, 2015. The costs associated with these actions consist of restructuring charges related to severance and benefits. We incurred and paid $2.0 million of restructuring charges under this plan.

Restructuring expense for fiscal 2017, 2016 and 2015 was recorded in operating expense. The following summarizes the type of restructuring expense for fiscal 2017, 2016 and 2015 (in thousands):

	For the year ended March 31,		
	2017	2016	2015
Severance and benefits	$ 1,443	$ 2,293	$ 406
Facilities	620	1,713	1,260
	$ 2,063	$ 4,006	$ 1,666

Fiscal 2017

Restructuring charges in fiscal 2017 were largely due to$1.4 million of severance and benefits and facilities costs incurred in the Plan period, included within the Fiscal 2017 April Restructuring Plan. The severance and benefits payments related to the Fiscal 2016 Restructuring Plan were completed in the first quarter of fiscal 2017. Additionally, we incurred $0.6 million of restructuring charges related to facilities costs primarily due to a change in estimate of sublease timing for our facilities previously used in manufacturing.

Fiscal 2016

Restructuring charges in fiscal 2016 were largely due to$2.3 million of severance and benefits costs primarily from the Fiscal 2016 Restructuring Plan. Additionally, we incurred $1.7 million of restructuring charges related to facilities costs primarily due to a change in estimate of sublease timing for our facilities previously used in manufacturing.

Fiscal 2015

Restructuring charges in fiscal 2015 were primarily due to facilities costs of$1.3 million as a result of further consolidating our facilities in the U.S.

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

	Severance and benefits	Facilities	Total
Balance as of March 31, 2014	$ 1,574	$ 6,724	$ 8,298
Restructuring costs	749	1,680	2,429
Adjustments of prior estimates	(343)	(430)	(773)
Cash payments	(1,791)	(3,617)	(5,408)
Other non-cash	—	300	300
Balance as of March 31, 2015	189	4,657	4,846
Restructuring costs	2,266	656	2,922
Adjustments of prior estimates	27	1,057	1,084
Cash payments	(2,128)	(4,087)	(6,215)
Other non-cash	—	100	100
Balance as of March 31, 2016	354	2,383	2,737
Restructuring costs	1,494	483	1,977
Adjustments of prior estimates	(52)	137	85
Cash payments	(1,665)	(1,907)	(3,572)
Other non-cash	—	124	124
Balance as of March 31, 2017	$ 131	$ 1,220	$ 1,351

Estimated timing of future payouts:	Severance and benefits	Facilities	Total
Fiscal 2018	$ 131	$ 739	$ 870
Fiscal 2019 to 2022	—	481	481
	$ 131	$ 1,220	$ 1,351

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

NOTE 9: STOCK INCENTIVE PLANS AND SHARE-BASED COMPENSATION

On April 19, 2017 all restricted stock awards, restricted stock units and options to purchase our common stock outstanding under the Company's Stock Incentive Plans were adjusted to reflect the impact of the Reverse Stock Split. The Reverse Stock Split also reduced the number of shares of common stock issuable under the Company's 2012 Long Term Incentive Plan and Employee Stock Purchase Plan, as amended. The per share exercise price of all outstanding awards was increased and the number of shares of common stock issuable upon the exercise or settlement of all outstanding awards was reduced proportionately to the reverse split ratio. The following share and per share data has been adjusted to reflect the Reverse Stock Split.

Description of Stock Incentive Plans

2012 Long-Term Incentive Plan

We have a stockholder-approved 2012 Long-Term Incentive Plan (the "Plan") which has4.9 million shares authorized at March 31, 2017. There were 3.0 million shares available for grant and 1.9 million stock options and restricted shares that were outstanding under the Plan as ofMarch 31, 2017, which expire at various times through April 2018.

Stock options under the Plan are granted at prices determined by the Board of Directors, but at not less than the fair market value of our common stock on the date of grant. The majority of restricted stock units and stock options granted to employees vest over three to four years. Stock option and restricted stock grants to nonemployee directors typically vest over one year. Both stock options and restricted stock units granted under the Plan are subject to forfeiture if employment terminates.

Other Stock Incentive Plans

In addition to the Plan, we have other stock incentive plans which are inactive for future share grant purposes, including plans assumed in acquisitions, under which stock options, stock appreciation rights, stock purchase rights, restricted stock awards and long-term performance awards to employees, consultants, officers and affiliates were authorized ("Other Plans").

Stock options granted and assumed under the Other Plans generally vest over one to four years and expire seven to ten years after the grant date, and restricted stock granted under the Other Plans generally vests over one to four years. The Other Plans have been terminated, and outstanding stock options and restricted stock units granted and assumed remain outstanding and continue to be governed by the terms and conditions of the respective Other Plan. Stock options and restricted stock granted under the Other Plans are subject to forfeiture if employment terminates. Stock options under the Other Plans were granted at prices determined by the Board of Directors, but at not less than the fair market value, and stock options assumed were governed by the respective acquisition agreement. Stock options under the Other Plans expire at various times through June 2021.

Employee Stock Purchase Plan

We have an employee stock purchase plan (the "Purchase Plan") that allows for the purchase of stock at a 15% discount to fair market value at the date of grant or the exercise date, whichever value is less. The Purchase Plan is qualified under Section 423 of the Internal Revenue Code. The maximum number of shares that may be issued under the Purchase Plan is 8.8 million shares. As of March 31, 2017, 8.0 million shares had been issued. Under the Purchase Plan, rights to purchase shares are granted during the second and fourth quarter of each fiscal year. The Purchase Plan allows a maximum amount of 0.3 million shares to be purchased in any six month offering period. Employees purchased 0.3 million shares, 0.4 million shares and 0.4 million shares of common stock under the Purchase Plan in fiscal 2017, 2016 and 2015, respectively. The weighted-average price of stock purchased under the Purchase Plan was $3.48, $5.36 and $8.32 per share in fiscal 2017, 2016 and 2015, respectively. There were 0.8 million shares available for issuance under the Purchase Plan as of March 31, 2017.

Determining Fair Value

We use the Black-Scholes stock option valuation model for estimating fair value of stock options granted under our plans and rights to acquire stock granted under our Purchase Plan. We amortize the fair value of stock options on a ratable basis over the requisite service periods, which are generally the vesting periods. The expected life of awards granted represents the period of time that they are expected to be outstanding. We determine the expected life based on historical experience with similar awards, giving consideration to the contractual terms, exercise patterns and post-vesting forfeitures. We estimate volatility based on the historical volatility of our common stock over the most recent period corresponding with the estimated expected life of the award. We base the risk-free interest rate used in the Black-Scholes stock option valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent term equal to the expected life of the award. We have not paid any cash dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future. We use historical data to estimate forfeitures and record share-based compensation for those awards that are expected to vest. We adjust share-based compensation for actual forfeitures.

We granted 0.1 million RSUs with market conditions ("market RSUs") in fiscal 2014 and estimated the fair value of these market RSUs using a Monte Carlo simulation model. The number of market RSUs is dependent on Quantum's common stock achieving certain 60-day average stock price targets as of specified dates, which vest immediately to two years after the specified dates. The Monte Carlo model requires the input of assumptions including expected volatility, risk-free interest rate and expected term in order to simulate a large number of possible outcomes to provide an estimated fair value of the market RSUs. We used an expected volatility of 66%, a risk free interest rate of 0.5% and expected terms of ten months, 22 months and 34 months that mirrors the various vesting dates of the awards. The estimated grant date fair value of the market RSUs was $0.7 million which is being recognized over the respective vesting periods of the awards.

We granted 0.4 million, 0.2 million and 0.3 million of RSUs with performance conditions ("performance RSUs") in fiscal 2017, 2016 and 2015, respectively, and the fair values of the performance RSUs at the grant date were $1.4 million, $2.6 million and $3.0 million, respectively. Performance RSUs become eligible for vesting based on Quantum achieving certain revenue and operating income targets through the end of the fiscal year when the performance RSUs were granted. Share-based compensation expense for performance RSUs is recognized when it is probable that the performance conditions will be achieved. The revenue and operating income targets of the fiscal 2015 and fiscal 2017 performance RSUs were achieved and $0.4 million and $0.3 million of share-based compensation expense was recognized during fiscal 2017 and 2016, respectively. The performance RSUs granted in fiscal 2016 were canceled in accordance with the grant agreement as the fiscal 2016 targets were not met; and, therefore no share-based compensation expense was recognized.

Stock Options

No stock options were granted in fiscal 2017, 2016 or 2015.

Restricted Stock

The fair value of our restricted stock is the intrinsic value as of the grant date.

Employee Stock Purchase Plan

The weighted-average fair values and the assumptions used in calculating fair values during each fiscal period are as follows:

	For the year ended March 31,		
	2017	2016	2015
Option life (in years)	0.5	0.5	0.5
Risk-free interest rate	0.55%	0.26%	0.07%
Stock price volatility	64.18%	77.94%	36.58%
Weighted-average grant date fair value	$ 2.11	$ 2.32	$ 2.88

Share-Based Compensation Expense

The following tables summarize share-based compensation expense (in thousands):

	For the year ended March 31,		
	2017	2016	2015
Share-based compensation expense:			
Cost of revenue	$ 895	$ 1,241	$ 1,489
Research and development	1,300	1,864	2,559
Sales and marketing	2,255	2,907	3,506
General and administrative	2,248	2,904	4,029
Total share-based compensation expense	$ 6,698	$ 8,916	$ 11,583

	For the year ended March 31,		
	2017	2016	2015
Share-based compensation by type of award:			
Stock options	$ —	$ 2	$ 617
Restricted stock	6,230	8,220	10,102
Stock purchase plan	468	694	864
Total share-based compensation expense	$ 6,698	$ 8,916	$ 11,583

During fiscal 2017, 2016 and 2015, no tax benefit was realized for the tax deduction from stock option exercises and other awards due to tax benefit carryforwards and tax ordering requirements.

As of March 31, 2016, there wasno unrecognized compensation cost related to stock options granted under our plans and therefore,no compensation expense related to stock options was recognized in fiscal 2017. Total intrinsic value of stock options exercised for the years ended March 31, 2017, 2016 and 2015 was $0.0 million, $0.3 million and $0.4 million, respectively. We settle stock option exercises by issuing additional common shares.

As of March 31, 2017, there was $7.4 million of total unrecognized compensation cost related to nonvested restricted stock.The unrecognized compensation cost for restricted stock is expected to be recognized over a weighted-average period of 1.73 years. Total fair value of awards vested during the years ended March 31,2017, 2016 and 2015 was $2.8 million, $9.9 million and $7.7 million, respectively, based on the fair value of our common stock on the awards' vest date.

Stock Activity

Stock Options

A summary of activity relating to all of our stock option plans is as follows (stock options in thousands):

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of March 31, 2016	516	$ 12.12		
Exercised	—	—		
Forfeited	(37)	8.20		
Expired	(299)	8.01		
Outstanding as of March 31, 2017	180	$ 20.02	1.03	$ 4,763
Vested and expected to vest at March 31, 2017	180	$ 20.02	1.03	$ 4,763
Exercisable as of March 31, 2017	180	$ 20.02	1.03	$ 4,763

The following table summarizes information about stock options outstanding and exercisable as of March 31,2017 (stock options in thousands**):**

Range of Exercise Prices	Stock Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Stock Options Exercisable	Weighted-Average Exercise Price
$5.04 — $ 5.04	2	$ 5.04	3.43	2	$ 5.04
$20.16 — $ 23.20	178	$ 20.23	1.00	178	$ 20.23
	180			180	

Expiration dates ranged from April 2017 to June 2021 for stock options outstanding at March 31,2017. Prices for stock options exercised during the three-year period ended March 31, 2017, ranged from $0.88 to $14.48.

Restricted Stock

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

	Shares	Weighted-Average Grant Date Fair Value
Nonvested as March 31, 2016	1,389	$ 11.12
Granted	1,126	$ 3.79
Vested	(693)	$ 10.80
Forfeited	(114)	$ 11.26
Nonvested as March 31, 2017	1,708	$ 6.41

NOTE 10: 401K PLAN

Substantially all of the U.S. employees are eligible to make contributions to our 401(k) savings and investment plan. We typically make discretionary contributions to the plan by matching a percentage of our employees' contributions. Employer contributions were $1.3 million, $0.6 million and $2.4 million in fiscal 2017, 2016 and 2015, respectively.

NOTE 11: INCOME TAXES

Pre-tax income (loss) reflected in the Consolidated Statements of Operations for the years ended March 31,2017, 2016 and 2015 is as follows (in thousands):

	For the year ended March 31,		
	2017	2016	2015
U.S.	$ 1,268	$ (78,956)	$ 13,830
Foreign	3,489	3,745	3,971
	$ 4,757	$ (75,211)	$ 17,801

Income tax provision consists of the following (in thousands):

	For the year ended March 31,		
	2017	2016	2015
Federal:	$ (421)	$ (401)	$ (138)
State:			
Current	75	52	125
Foreign:			
Current	1,555	1,591	890
Deferred	(97)	(59)	(159)
Total foreign	1,458	1,532	731
Income tax provision	$ 1,112	$ 1,183	$ 718

The income tax provision differs from the amount computed by applying the federal statutory rate of35% to income (loss) before income taxes as follows (in thousands):

	For the year ended March 31,		
	2017	2016	2015
Expense (benefit) at federal statutory rate	$ 1,665	$ (26,324)	$ 6,230
Permanent items	714	20,597	622
Foreign taxes	1,353	974	628
State income taxes	75	53	125
Unbenefited (Benefited) losses and credits	(2,379)	5,726	(6,852)
Credit monetization	(421)	(401)	(138)
Other	105	558	103
Income tax provision	$ 1,112	$ 1,183	$ 718

Significant components of deferred tax assets and liabilities are as follows (in thousands):

	As of March 31,	
	2017	2016
Deferred tax assets:		
Inventory valuation method	$ 1,964	$ 2,025
Accrued warranty expense	1,256	1,320
Distribution reserves	5,364	3,898
Loss carryforwards	87,579	108,576
Tax credits	131,939	132,054
Restructuring charge accruals	520	1,054
Deferred revenue	17,592	16,739
Other accruals and reserves not currently deductible for tax purposes	11,414	11,917
	257,628	277,583
Less valuation allowance	(202,991)	(224,661)
Deferred tax asset	$ 54,637	$ 52,922
Deferred tax liabilities:		
Depreciation	$ (3,906)	$ (3,962)
Acquired intangibles	(11,485)	(8,244)
Tax on unremitted foreign earnings	(16,571)	(16,549)
Other	(21,558)	(23,147)
Deferred tax liability	$ (53,520)	$ (51,902)
Net deferred tax asset	$ 1,117	$ 1,020

A reconciliation of the gross unrecognized tax benefits follows (in thousands):

	For the year ended March 31,		
	2017	2016	2015
Beginning balance	$ 32,860	$ 32,449	$ 32,449
Settlement and effective settlements with tax authorities and related remeasurements	(411)	—	—
Increase in balances related to tax positions taken in prior period	243	411	—
Ending balance	$ 32,692	$ 32,860	$ 32,449

During fiscal 2017, excluding interest and penalties, there was a$0.2 million change in our unrecognized tax benefits. Including interest and penalties, the total unrecognized tax benefit at March 31, 2017 was $34.0 million, all of which, if recognized, would favorably affect the effective tax rate. At March 31, 2017, accrued interest and penalties totaled $1.3 million. Our practice is to recognize interest and penalties related to income tax matters in income tax provision in the Consolidated Statements of Operations. Unrecognized tax benefits, including interest and penalties, were recorded in other long-term liabilities in the Consolidated Balance Sheets.

We file our tax returns as prescribed by the laws of the jurisdictions in which we operate. Our U.S. tax returns have been audited for years through 2002 by the Internal Revenue Service. In other major jurisdictions, we are generally open to examination for the most recent three to five fiscal years. Although timing of the resolution and closure on audits is highly uncertain, we do not believe it is likely that the unrecognized tax benefits would materially change in the next 12 months.

As of March 31, 2017, we had federal net operating loss and tax credit carryforwards of approximately$295.8 million and $91.3 million, respectively. Our federal net operating loss carryforwards include $34.3 million attributable to excess tax deductions from stock option exercises, and are not included in the deferred tax assets shown above. The benefit of these loss carryforwards will be credited to equity when realized. The net operating loss and tax credit carryforwards expire in varying amounts beginning in fiscal 2018 if not previously utilized, the utilization of which is limited under the tax law ownership change provision. These carryforwards include$11.1 million of acquired net operating losses and $9.6 million of credits.

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 the company undergo such a change in stock ownership, it could severely limit the usage of these carryover tax attributes against future income, resulting in additional tax charges.

Due to our history of net losses and the difficulty in predicting future results, we believe that we cannot rely on projections of future taxable income to realize the deferred tax assets. Accordingly, we have established a full valuation allowance against our U.S. net 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 the reversal of the valuation allowance. Our income tax expense recorded in the future will be reduced to the extent that sufficient positive evidence materializes to support a reversal of, or decrease in, our valuation allowance.

NOTE 12: NET INCOME (LOSS) PER SHARE

Equity Instruments Outstanding

We have stock options and restricted stock units granted under various stock incentive plans that, upon exercise and vesting, respectively, would increase shares outstanding. We have 4.50% convertible subordinated notes which are convertible at the option of the holders at any time prior to maturity into shares of Quantum common stock at a conversion price of $13.20 per share. We also had 3.50% convertible subordinated notes outstanding as of March 31, 2015, which were convertible at the option of the holders at any time prior to maturity into shares of Quantum common stock at a conversion price of $34.64 per share. Both the 4.50% and 3.50% notes, if converted, would increase shares outstanding.

Net Income (Loss) per Share

The following table sets forth the computation of basic and diluted net income (loss) per share, as adjusted for the Reverse Stock Split, (in thousands, except per-share data):

	For the year ended March 31,		
	2017	2016	2015
Numerator:			
Net income (loss)	$ 3,645	$ (76,394)	$ 17,083
Denominator:			
Weighted average shares:			
Basic	33,742	32,841	31,833
Dilutive shares from stock plans	371	—	670
Diluted	34,113	32,841	32,503
Basic net income (loss) per share	$ 0.11	$ (2.33)	$ 0.54
Diluted net income (loss) per share	$ 0.11	$ (2.33)	$ 0.53

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

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

	For the year ended March 31,		
	2017	2016	2015
Weighted average shares excluded:			
4.50% convertible subordinated notes	5.1	5.3	5.3
3.50% convertible subordinated notes	—	1.3	3.6
Stock options	0.2	0.6	0.3
Unvested restricted stock units	0.4	1.5	—
Interest expense excluded:			
4.50% convertible subordinated notes	0.4	0.5	0.5
3.50% convertible subordinated notes	—	0.2	0.7

NOTE 13: COMMITMENTS AND CONTINGENCIES

Lease Commitments

We lease certain facilities under non-cancelable lease agreements and also have equipment leases for various types of office equipment. Some of the leases have renewal options ranging from one to ten years and others contain escalation clauses. These leases are operating leases.

Rent expense was $7.2 million in fiscal 2017, $6.6 million in fiscal 2016 and $7.0 million in fiscal 2015. Sublease income was $1.1 million in fiscal 2017, $0.6 million in fiscal 2016 and immaterial in fiscal 2015.

Future minimum lease payments and sublease income are as follows (in thousands):

	Lease Payments	Sublease Income	Total
For the year ending March 31,			
2018	$ 8,927	$ (1,426)	$ 7,501
2019	8,027	(1,243)	6,784
2020	6,172	(943)	5,229
2021	5,147	(813)	4,334
2022	1,486	—	1,486
Thereafter	1,989	—	1,989
	$ 31,748	$ (4,425)	$ 27,323

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 March 31, 2017, we had issued non-cancelable commitments for $34.3 million 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. The lawsuit has been transferred to the U.S. District Court for the Northern District of California for further proceedings. 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.

Indemnifications

We have certain financial guarantees, both express and implied, related to product liability and potential infringement of intellectual property. Other than certain product liabilities recorded as of March 31, 2017 and 2016, we did not record a liability associated with these guarantees, as we have little or no history of costs associated with such indemnification requirements. Contingent liabilities associated with product liability may be mitigated by insurance coverage that we maintain.

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

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

NOTE 14: SUBSEQUENT EVENTS

On March 31, 2017, the Stockholders of the Company approved a 1-for-8 reverse stock split of our issued and outstanding common stock (the "Reverse Stock Split"). On April 18, 2017, we effected the 1-for-8 reverse stock split and our stock began to trade on a post-split basis on April 19, 2017. Par value of the Company's common stock was unchanged as a result of the Reverse Stock Split remaining at $0.01 per share. All shares and per share data for fiscal 2017 and comparative historical periods included within this Annual Report on Form 10-K, including our Consolidated Financial Statements and related footnotes, have been adjusted to account for the effect of the Reverse Stock Split.

NOTE 15: GEOGRAPHIC INFORMATION

The company operates in one reportable segment.

Revenue, attributed to regions based on the location of customers, and long-lived assets, comprised of property and equipment, by region were as follows (in thousands):

	As of and for the year ended March 31,					
	2017		2016		2015	
	Long-Lived Assets	Revenue	Long-Lived Assets	Revenue	Long-Lived Assets	Revenue
Americas	$ 10,914	$ 324,839	$ 12,657	$ 304,007	$ 14,063	$ 340,811
Europe	170	127,890	145	124,821	421	152,186
Asia Pacific	102	52,616	137	47,130	169	60,098
	$ 11,186	$ 505,345	$ 12,939	$ 475,958	$ 14,653	$ 553,095

Revenue for Americas regions outside of the United States is immaterial. Following are revenues attributable to each of our product groups, services and royalties (in thousands):

	For the year ended March 31,		
	2017	2016	2015
Tape automation systems	$ 88,751	$ 97,454	$ 152,205
Disk backup systems	51,153	39,722	54,845
Devices and media	60,860	45,767	62,642
Scale-out tiered storage	121,448	103,274	85,887
Service	144,335	148,548	155,674
Royalty	38,798	41,193	41,842
Total revenue	$ 505,345	$ 475,958	$ 553,095

NOTE 16: UNAUDITED QUARTERLY FINANCIAL DATA

Prior period information included in the tables below has been updated to reflect the impact of the Revision (see "Note 2: Revision of Prior Period Financial Statements") and per share amounts have been adjusted to reflect the impact of the Reverse Stock Split.

	For the year ended March 31, 2017			
(In thousands, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenue	$ 116,284	$ 134,742	$ 133,484	$ 120,835
Gross margin	50,646	55,726	55,002	52,050
Net income (loss)	(3,520)	4,072	5,006	1,913
Basic and Diluted net income (loss) per share	(0.11)	0.12	0.15	(0.06)

	For the year ended March 31, 2016			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenue	$ 110,856	$ 117,025	$ 128,048	$ 120,029
Gross margin	46,460	46,114	56,175	54,291
Net loss	(11,260)	(11,430)	(821)	(52,884)
Basic and diluted net loss per share	(0.35)	(0.35)	(0.02)	(1.59)

Net loss for fiscal 2016 included a $55.6 million goodwill impairment charge which was recorded in the fourth quarter of fiscal 2016.

SCHEDULE II
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(in thousands):

	Balance at beginning of period	Net additions (releases) charged to expense	Recoveries(Deductions) (i)	Balance at end of period
For the year ended:				
Fiscal Year 2017:				
Allowance for bad debt	$ 22	$ (24)	$ 18	$ 16
Reserves for manufacturing inventories	4,956	2,579	(2,652)	4,883
Reserves for service parts inventories	16,653	4,960	(8,286)	13,327
Deferred tax valuation allowance	224,661	4,002	(25,672)	202,991
Fiscal Year 2016:				
Allowance for bad debt	27	(78)	73	22
Reserves for manufacturing inventories	3,764	1,920	(728)	4,956
Reserves for service parts inventories	20,909	5,973	(10,229)	16,653
Deferred tax valuation allowance	252,475	36,237	(64,051)	224,661
Fiscal Year 2015:				
Allowance for bad debt	88	40	(101)	27
Reserves for manufacturing inventories	4,297	797	(1,330)	3,764
Reserves for service parts inventories	31,460	3,698	(14,249)	20,909
Deferred tax valuation allowance	261,337	7,947	(16,809)	252,475

(i) Uncollectible accounts written off, net of recoveries.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Attached as exhibits to this Annual Report on Form 10-K are certifications of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), which are required pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). This “Controls and Procedures” section of this Annual Report on Form 10-K includes information concerning the controls and controls evaluation referenced in the certifications. This section of the Annual Report on Form 10-K should be read in conjunction with the certifications and the report of PricewaterhouseCoopers LLP as described below for a more complete understanding of the matters presented.

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 this Annual Report on Form 10-K. This control evaluation was performed under the supervision and with the participation of management, including our CEO and 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 Annual Report on Form 10-K, 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 required disclosure.

Based on the controls evaluation, our CEO and CFO have concluded that as of the end of the period covered by this Annual Report on Form 10-K, our disclosure controls were effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of March 31, 2017 based on the criteria for effective control over financial reporting described in*Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the results of our evaluation, our management concluded that our internal control over financial reporting was effective as of March 31, 2017 to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has issued an attestation report regarding its assessment of the Company's internal control over financial reporting as of March 31, 2017, as set forth at the beginning of Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Limitations on Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additional controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Controls over Financial Reporting

There was no change in our internal control over financial reporting during the fourth quarter of fiscal2017 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item with respect to our directors, audit committee and audit committee financial expert is incorporated by reference to the information set forth in our proxy statement for the 2017 Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of our fiscal year ended March 31, 2017. For information pertaining to our executive officers, refer to the section captioned "Executive Officers & Management Team", Item 1 "Business" of this Annual Report on Form 10-K.

We have adopted a code of ethics that applies to our principal executive officer and all members of our finance department, including the principal financial officer and principal accounting officer. This code of ethics is posted on our website. The Internet address for our website is: http://www.quantum.com, and the code of ethics may be found by clicking "About Us" from the home page and then choosing "Investor Relations" and then "Corporate Governance." Copies of the code are available free upon request by a stockholder.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, at the address and location specified above.

We have adopted Corporate Governance Principles, which are available on our website at http://www.quantum.com, where they may be found by clicking "About Us" from the home page and then choosing "Investor Relations" and then "Corporate Governance." Copies of our Corporate Governance Principles are available free upon request by a stockholder. The charters of our Audit Committee, Leadership and Compensation Committee and Corporate Governance and Nominating Committee are also available on our website at http://www.quantum.com, where they may be found by clicking “About Us” from the home page and then choosing “Investor Relations” and then “Corporate Governance.” Copies of these committee charters are available free upon request by a stockholder.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the information set forth in our proxy statement for the 2017 Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of our fiscal year ended March 31, 2017.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following discloses our equity compensation plan information (securities in thousands):

	As of March 31, 2017		
	(a) Number of securities to be issued upon exercise of outstanding stock options, warrants and rights	Weighted-average exercise price of outstanding stock options, warrants and rights	Number of securities remaining available for grant under equity compensation plans (excluding shares reflected in column (a))
Equity compensation plans approved by stockholders [1]	1,884	$ 1.92	3,037
Equity compensation plans not approved by stockholders [2]	—	$ —	—
	1,884	$ —	—

(1) Included in the stockholder approved plans are 1.7 million restricted stock units with a zero purchase price. The weighted average exercise price of outstanding stock options for stockholder approved plans is $4.41.

(2) The Pancetera 2008 Stock Incentive Compensation Plan was assumed by Quantum on June 13, 2011 according to the terms detailed in the Agreement and Plan of Merger dated June 13, 2011 (“Pancetera Merger Agreement”). Outstanding stock options and restricted shares granted under this plan continue to be governed by the terms and conditions of this plan; however, the number of stock options and restricted shares and exercise prices of the outstanding stock options were changed in accordance with the formula in the Pancetera Merger Agreement for the right to purchase Quantum common stock.

We also have an employee stock purchase plan with .8 million shares available for issuance that has been approved by stockholders.

The remaining information required by this item is incorporated by reference to the information set forth in our proxy statement for the 2017 Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of our fiscal year ended March 31, 2017.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to the information set forth in our proxy statement for the 2017 Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of our fiscal year ended March 31, 2017.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to the information set forth in our proxy statement for the 2017 Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of our fiscal year ended March 31, 2017.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Upon written request, we will provide, without charge, a copy of our Annual Report on Form 10-K, including the Consolidated Financial Statements, financial statement schedules and any exhibits for our most recent fiscal year. All requests should be sent to:

Investor Relations
Quantum Corporation
Brinlea Johnson or Allise Furlani
Investor Relations
The Blueshirt Group
(212) 331-8424 or (212) 331-8433
ir@quantum.com

(a) The following documents are filed as a part of this Report:

1. **Financial Statements—**Our Consolidated Financial Statements are listed in the Index to Consolidated Financial Statements.

2. **Financial Statement Schedules —** Our consolidated valuation and qualifying accounts (Schedule II) financial statement schedule is listed in the Index to Consolidated Financial Statements. All other schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Consolidated Financial Statements or the notes hereto.

(b) Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
3.1	Amended and Restated Certificate of Incorporation of Registrant.	8-K	001-13449	3.1	August 16, 2007
3.2	Amended and Restated By-laws of Registrant, as amended.	8-K	001-13449	3.1	December 5, 2008
3.3	Certificate of Designation of Rights, Preferences and Privileges of Series B Junior Participating Preferred Stock.	S-3	333-109587	4.7	October 9, 2003
3.4	Certification of Amendment to the Bylaws of Quantum Corporation, as adopted on January 20, 2010.	8-K	001-13449	3.1	January 26, 2010
3.5	Certification of Amendment to the Bylaws of Quantum Corporation, as adopted on February 3, 2016	8-K	001-13449	3.1	February 8, 2016
4.1	Indenture for 4.50% Convertible Senior Subordinated Notes due 2017, between the Registrant and U.S. Bank National Association, as trustee, dated October 31, 2012, including the form of 4.50% Convertible Senior Subordinated Note due 2017.	8-K	001-13449	4.1	October 31, 2012
10.1	Form of Indemnification Agreement between Registrant and the Named Executive Officers and Directors. *	8-K	001-13449	10.4	April 4, 2007
10.2	Form of Amended and Restated Change of Control Agreement between Registrant and each of Registrant’s Executive Officers.*	10-Q	001-13449	10.2	November 6, 2015
10.3	Form of Amended and Restated Director Change of Control Agreement between Registrant and the Directors (Other than the Executive Chairman and the CEO). *	8-K	001-13449	10.2	May 10, 2011
10.4	Quantum Corporation 2012 Long-Term Incentive Plan as amended.*	8-K	001-13449	10.1	August 31, 2015
10.5	Form of Restricted Stock Unit Agreement (U.S. Employees), under the Quantum Corporation 2012 Long-Term Incentive Plan. *	10-Q	001-13449	10.2	August 5, 2013
10.6	Form of Restricted Stock Unit Agreement (Non-U.S. Employees), under the Quantum Corporation 2012 Long-Term Incentive Plan. *	10-Q	001-13449	10.2	February 15, 2013
10.7	Form of Restricted Stock Unit Agreement (Directors), under the Quantum Corporation 2012 Long-Term Incentive Plan. *	10-Q/A	001-13449	10.4	February 15, 2013
10.8	Quantum Corporation Employee Stock Purchase Plan, as amended. *	10-K	001-13449	10.9	June 12, 2015
10.9	Quantum Corporation Executive Officer Incentive Plan. *	10-K	001-13449	10.10	June 12, 2015
10.10	Employment Offer Letter, dated March 31, 2011, between Registrant and Jon W. Gacek. *	8-K	001-13449	10.1	April 5, 2011
10.11	Amendment to Employment Offer Letter between Registrant and Jon W. Gacek. *	10-Q	001-13449	10.1	February 8, 2013
10.12	Employment Offer Letter, dated August 31, 2006, between Registrant and William C. Britts. *	8-K	001-13449	10.1	September 7, 2006
10.13	Amendment to Employment Offer Letter between Registrant and William C. Britts. *	10-Q	001-13449	10.6	November 7, 2008

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10.14	Amendment to Employment Offer Letter between Registrant and William C. Britts. *	10-Q	001-13449	10.3	February 5, 2010
10.16	Offer Letter, dated May 2, 2011, between Registrant and David E. Roberson. *	8-K	001-13449	10.1	May 10, 2011
10.17	Offer Letter, dated August 20, 2007, between Registrant and Paul Auvil. *	8-K	001-13449	10.1	August 29, 2007
10.19	Offer Letter, dated August 7, 2013, between Registrant and Gregg J. Powers.*	10-Q	001-13449	10.4	November 12, 2013
10.22	Offer Letter, dated March 29, 2016, between Registrant and Clifford Press.*	8-K	001-13449	10.1	April 5, 2016
10.23	Offer Letter, dated April 14, 2016 between Registrant and Fuad Ahmad*	8-K	001-13449	10.1	April 18, 2016
10.24	Confidential Placement Agreement, date April 15, 2016 between Registrant and FLG Partners	8-K	001-13449	10.1	April 18, 2016
10.25	Form of Agreement to Advance Legal Fees between the Registrant and certain of its Executive Officers.*	10-K	001-13449	10.25	June 12, 2015
10.26	Credit Agreement, dated March 29, 2012, by and among the Registrant, Wells Fargo Capital Finance, LLC, as Administrative Agent, and the Lenders party thereto.	10-K	001-13449	10.22	June 14, 2015
10.27	Security Agreement, dated March 29, 2012, among the Registrant and Wells Fargo Capital Finance, LLC.	8-K	001-13449	10.2	April 2, 2012
10.28	First Amendment to Credit Agreement, dated June 28, 2012, among Registrant, the lenders identified therein, and Wells Fargo Capital Finance, LLC, as the administrative agent for the lenders.	8-K	001-13449	10.1	June 28, 2012
10.29	Fourth Amendment to Credit Agreement and First Amendment to Security Agreement, dated January 31, 2013, among Registrant, the lenders identified therein, and Wells Fargo Capital Finance, LLC, as the administrative agent for the lenders.	8-K	001-13449	10.1	February 6, 2013
10.30	Consent and Fifth Amendment to Credit Agreement, dated February 6, 2014, by and among Wells Fargo Capital Finance, LLC, as administrative agent, the lenders that are parties thereto, and Quantum Corporation	8-K	001-13449	10.1	April 29, 2014
10.31	Sixth Amendment to Credit Agreement and Second Amendment to Security Agreement, dated April 24, 2014, by and among Wells Fargo Capital Finance, LLC, as administrative agent, the lenders that are parties thereto, and Quantum Corporation.	8-K	001-13449	10.2	April 29, 2014

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit(s)	Filing Date
10.32	Seventh Amendment to Credit Agreement, dated August 7, 2015, by and among Wells Fargo Capital Finance, LLC, as administrative agent, the lenders that are parties thereto, and Quantum Corporation	8-K	001-13449	10.1	August 13, 2015
10.33	Eighth Amendment to Credit Agreement, dated November 13, 2015, by and among Wells Fargo Capital Finance, LLC, as administrative agent, the lenders that are parties thereto, and Quantum Corporation. ‡				
10.34	Ninth Amendment to Credit Agreement, dated April 15, 2016, by and among Wells Fargo Capital Finance, LLC, as administrative agent, the lenders that are parties thereto, and Quantum Corporation.	8-K	001-13449	10.1	April 18, 2016
10.35	Term Loan Credit and Security Agreement, dated October 21, 2016, among Quantum Corporation, TCW Asset Management Company LLC, as agent, and the lender parties thereto	8-K	001-13449	10.1	October 21, 2016
10.36	Revolving Credit and Security Agreement, dated October 21, 2016, among Quantum Corporation, PNC Bank, National Association, as agent, and the lender party thereto	8-K	001-13449	10.2	October 21, 2016
10.38	Lease Agreement, dated February 6, 2006, between Registrant and CS/Federal Drive AB LLC (for Building A).	8-K	001-13449	10.2	February 10, 2006
10.39	Lease Agreement, dated February 6, 2006, between Registrant and CS/Federal Drive AB LLC (for Building B).	8-K	001-13449	10.3	February 10, 2006
10.43	Patent Cross License Agreement, dated February 27, 2006, between Registrant and Storage Technology Corporation.	8-K	001-13449	10.1	March 3, 2006
10.46	Agreement, dated as of September 23, 2016, by and among Registrant, VIEX Capital Advisors, LLC, and its affiliates.	8-K	001-13449	10.1	September 26, 2016
10.47	Agreement, dated as of December 2, 2016, by and among Registrant and VIEX Capital Advisors, LLC and its affiliates	8-K	001-13449	10.1	December 2, 2016
10.48	Settlement Agreement, dated as of March 2, 2017, by and among the Registrant and VIEX Capital Advisors LLC and certain of its affiliates.	8-K	001-13449	10.1	March 3, 2017
10.49	Director Resignation and CEO Waiver Letter from Jon W. Gacek, dated as of March 2, 2017.	8-K	001-13449	10.2	March 3, 2017
12.1	Ratio of Earnings to Fixed Charges. ‡				
21	Quantum Subsidiaries. ‡				
23	Consent of Independent Registered Public Accounting Firm, PricewaterhouseCoopers LLP. ‡				
24	Power of Attorney (see signature page).				
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. ‡				

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
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.				

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

‡ Filed herewith.

† Furnished herewith.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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: May 31, 2017

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jon W. Gacek andFuad Ahmad, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons in the capacities onMay 31, 2017.

Signature	Title
/s/ JON W. GACEK Jon W. Gacek	President and Chief Executive Officer (Principal Executive Officer)
/s/ FUAD AHMAD Fuad Ahmad	Chief Financial Officer (Principal Financial and Chief Accounting Officer)
/s/ CLIFFORD PRESS Clifford Press	Director
/s/ PAUL R. AUVIL III Paul R. Auvil III	Director
/s/ RAGHAVENDRA RAU Raghavendra Rau	Director
/s/ MARC E. ROTHMAN Marc E. Rothman	Director
/s/ ADALIO SANCHEZ Adalio Sanchez	Director
/s/ GREGG J. POWERS Gregg J. Powers	Director
/s/ DAVID E. ROBERSON David E. Roberson	Director

Exhibit 12.1

QUANTUM CORPORATION

STATEMENT OF COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

(dollars in thousands)	For the year ended March 31, 2017	2016	2015	2014	2013
Income (loss) from continuing operations before income taxes	$ 4,757	$ (73,500)	$ 17,478	$ (20,257)	$ (51,018)
Add fixed charges	10,313	9,039	12,079	13,145	12,078
Earnings (as defined)	$ 15,070	$ (64,461)	$ 29,557	$ (7,112)	$ (38,940)
Fixed charges:					
Interest expense	$ 7,953	$ 6,893	$ 9,755	$ 9,754	$ 8,342
Amortization of debt issuance costs	(i), (ii)	(i), (iii)	(i), (iv)	(i)	(i)
Estimated interest component of rent expenses	2,360	2,146	2,324	3,391	3,736
Total fixed charges	$ 10,313	$ 9,039	$ 12,079	$ 13,145	$ 12,078
Ratio of earnings to fixed charges (v)	n/a	n/a	—	n/a	n/a

(i) In all years presented, the amortization of debt issuance costs is included in interest expense.

(ii) Interest expense for fiscal 2017 in this table is comprised of: (a) $8.0 million of interest expense and amortization of debt issuance costs as presented in interest expense in the Consolidated Statements of Operations.

(iii) Interest expense for fiscal 2016 in this table is comprised of: (a) $6.8 million of interest expense and amortization of debt issuance costs as presented in interest expense in the Consolidated Statements of Operations and (b) $0.1 million of debt issuance costs written off related to the $81.0 million of 3.50% subordinated convertible notes purchased in fiscal 2016. The $0.1 million debt issuance costs written off are included in the loss on debt extinguishment in the Consolidated Statements of Operations for fiscal 2016.

(iv) Interest expense for fiscal 2015 in this table is comprised of: (a) $9.5 million of interest expense and amortization of debt issuance costs as presented in interest expense in the Consolidated Statements of Operations and (b) $0.3 million of debt issuance costs written off related to the $50 million of 3.50% subordinated convertible notes purchased in fiscal 2015. The $0.3 million debt issuance costs written off are included in the loss on debt extinguishment in the Consolidated Statements of Operations for fiscal 2015.

(v) Earnings, as defined, were insufficient to cover fixed charges by $4.8 million, $73.5 million, $20.3 million and $51.0 million for fiscal years 2017, 2016, 2014 and 2013, respectively.

Exhibit 21

QUANTUM CORPORATION

SUBSIDIARIES OF THE REGISTRANT

1	A.C.N. 120.786.012 Pty. Ltd., an Australian company
2	Advanced Digital Information Corporation, a Washington corporation
3	Certance (US) Holdings, Inc., a Delaware corporation
4	Certance Holdings Corporation, a Delaware corporation
5	Certance LLC, a Delaware limited liability company
6	Pancetera Software Inc., a Delaware corporation
7	Quantum Beteiligungs GmbH, a German corporation
8	Quantum Boehmenkirch GmbH & Co. KG, a German corporation
9	Quantum Engineering Australia Pty. Ltd., an Australian company
10	Quantum GmbH, a German corporation
11	Quantum India Development Center Private Ltd., an Indian company
12	Quantum International Inc., a Delaware corporation
13	Quantum Korea Co. Ltd., a Korean corporation
14	Quantum Peripherals (Europe) SARL, a Swiss corporation
15	Quantum SARL, a French corporation
16	Quantum Storage Australia Pty. Ltd., an Australian corporation
17	Quantum Storage GmbH, a Swiss corporation
18	Quantum Storage Japan Corporation, a Japanese corporation
19	Quantum Storage Singapore Pte. Ltd., a Singapore private company
20	Quantum Storage UK Ltd., a United Kingdom corporation
21	Quantum Storage Mexico S. de R.L. de C.V. a Mexican corporation
22	Quantum Middle East FZ-LLC, a United Arab Emirates corporation

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-64350, 333-136912, 333-147621, 333-175208, 333-184854 and 333-200052) of Quantum Corporation of our report dated May 31, 2017 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Seattle, Washington

May 31, 2017

Exhibit 31.1

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

I, Jon W. Gacek, certify that:

1) I have reviewed this annual report on Form 10-K 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: May 31, 2017

/s/ JON W. GACEK
Jon W. Gacek
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Fuad Ahmad, certify that:

1) I have reviewed this annual report on Form 10-K 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: May 31, 2017

/s/ FUAD AHMAD

Fuad Ahmad
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

I, Jon W. Gacek, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Quantum Corporation, on Form 10-K for the year ended March 31, 2017 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 Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Quantum Corporation.

Date: May 31, 2017

QUANTUM CORPORATION

/s/ JON W. GACEK

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

Exhibit 32.2

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

I, 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 Annual Report of Quantum Corporation, on Form 10-K for the year ended March 31, 2017 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 Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Quantum Corporation.

Date: May 31, 2017

QUANTUM CORPORATION

/s/ FUAD AHMAD

Fuad Ahmad

Chief Financial Officer
(Principal Financial Officer)