

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended December 31, 2019

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

(State or other jurisdiction of incorporation or organization)

94-2665054

(I.R.S. Employer Identification No.)

**224 Airport Parkway Suite 550
San Jose CA**

(Address of Principal Executive Offices)

95110

(Zip Code)

(408) 944-4000

Registrant's telephone number, including area code

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	QMCO	OTC Markets

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

- | | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input checked="" type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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

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

As of the close of business on January 27, 2020, there were 39,858,691 shares of Quantum Corporation's common stock issued and outstanding.

QUANTUM CORPORATION
QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended December 31, 2019

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

QUANTUM CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts, unaudited)

	December 31, 2019	March 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,542	\$ 10,790
Restricted cash	897	1,065
Accounts receivable, net of allowance for doubtful accounts of \$264 and \$68 as of December 31, 2019 and March 31, 2019, respectively	74,877	86,828
Manufacturing inventories	25,172	18,440
Service parts inventories	18,935	19,070
Other current assets	8,451	18,095
Total current assets	135,874	154,288
Property and equipment, net	8,546	8,437
Restricted cash	5,000	5,000
Right-of-use assets, net	11,910	—
Other long-term assets	3,973	5,146
Total assets	\$ 165,303	\$ 172,871
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$ 44,643	\$ 37,395
Deferred revenue	74,616	90,407
Accrued restructuring charges	—	2,876
Long-term debt	1,650	1,650
Accrued compensation	14,772	17,117
Other accrued liabilities	16,338	29,025
Total current liabilities	152,019	178,470
Deferred revenue	35,349	36,733
Long-term debt, net of current portion	152,414	145,621
Operating lease liabilities	10,045	—
Other long-term liabilities	10,943	11,827
Total liabilities	360,770	372,651
Commitments and contingencies (Note 6)		
Stockholders' deficit		
Common stock, \$0.01 par value; 125,000 shares authorized; 39,855, and 36,040 shares issued and outstanding at December 31, 2019 and March 31, 2019, respectively	399	360
Additional paid-in capital	504,422	499,224
Accumulated deficit	(699,327)	(697,954)
Accumulated other comprehensive loss	(961)	(1,410)
Total stockholders' deficit	(195,467)	(199,780)
Total liabilities and stockholders' deficit	\$ 165,303	\$ 172,871

See accompanying Notes to Condensed Consolidated Financial Statements.

QUANTUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share amounts, unaudited)

	Three Months Ended		Nine Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Revenue:				
Product	\$ 66,435	\$ 62,986	\$ 200,361	\$ 181,477
Service	32,892	34,097	98,673	101,013
Royalty	3,988	4,896	15,700	16,913
Total revenue	<u>103,315</u>	<u>101,979</u>	<u>314,734</u>	<u>299,403</u>
Cost of revenue:				
Product	43,672	45,819	140,337	132,576
Service	12,567	13,078	37,972	41,879
Total cost of revenue	<u>56,239</u>	<u>58,897</u>	<u>178,309</u>	<u>174,455</u>
Gross profit	<u>47,076</u>	<u>43,082</u>	<u>136,425</u>	<u>124,948</u>
Operating expenses:				
Research and development	9,325	7,907	27,058	24,030
Sales and marketing	15,421	16,991	46,101	52,797
General and administrative	10,719	13,481	43,623	46,943
Restructuring charges	(64)	1,227	1,020	5,428
Total operating expenses	<u>35,401</u>	<u>39,606</u>	<u>117,802</u>	<u>129,198</u>
Income (loss) from operations	<u>11,675</u>	<u>3,476</u>	<u>18,623</u>	<u>(4,250)</u>
Other income (expense), net	(611)	3,846	(446)	3,870
Interest expense	(6,425)	(6,238)	(19,079)	(14,809)
Loss on debt extinguishment, net	—	(5,033)	—	(17,458)
Net income (loss) before income taxes	<u>4,639</u>	<u>(3,949)</u>	<u>(902)</u>	<u>(32,647)</u>
Income tax provision (benefit)	(110)	337	471	739
Net income (loss)	<u>\$ 4,749</u>	<u>\$ (4,286)</u>	<u>\$ (1,373)</u>	<u>\$ (33,386)</u>
Net income (loss) per share - basic	\$ 0.12	\$ (0.12)	\$ (0.04)	\$ (0.94)
Net income (loss) per share - diluted	\$ 0.10	\$ (0.12)	\$ (0.04)	\$ (0.94)
Weighted average shares - basic	38,134	35,552	36,828	35,500
Weighted average shares - diluted	46,567	35,552	36,828	35,500
Net income (loss)	\$ 4,749	\$ (4,286)	\$ (1,373)	\$ (33,386)
Foreign currency translation adjustments, net	839	(157)	449	(1,126)
Total comprehensive income (loss)	<u>\$ 5,588</u>	<u>\$ (4,443)</u>	<u>\$ (924)</u>	<u>\$ (34,512)</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

QUANTUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Nine Months Ended December 31,	
	2019	2018
Operating activities		
Net loss	\$ (1,373)	\$ (33,386)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	3,119	3,228
Amortization of debt issuance costs	3,012	2,211
Provision for product and service inventories	4,946	7,385
Stock based compensation	5,408	2,818
Non-cash loss on debt extinguishment	—	17,458
Bad debt expense	220	167
Deferred income taxes	242	903
Unrealized foreign exchange (gain) loss	479	(382)
Changes in assets and liabilities:		
Accounts receivable	11,731	15,677
Manufacturing inventories	(8,915)	16,475
Service parts inventories	(2,881)	(2,050)
Accounts payable	7,676	(24,031)
Accrued restructuring charges	(2,876)	(1,872)
Accrued compensation	(2,345)	(5,542)
Deferred revenue	(17,176)	(15,783)
Other assets and liabilities	(6,233)	9,371
Net cash used in operating activities	(4,966)	(7,353)
Investing activities		
Purchases of property and equipment	(2,327)	(1,755)
Net cash used in investing activities	(2,327)	(1,755)
Financing activities		
Borrowings of long-term debt and credit facility	245,590	397,088
Repayments of long-term debt and credit facility	(241,539)	(388,080)
Payment of taxes due upon vesting of restricted stock	(171)	—
Net cash provided by financing activities	3,880	9,008
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3)	(83)
Net change in cash, cash equivalents and restricted cash	(3,416)	(183)
Cash, cash equivalents, and restricted cash at beginning of period	16,855	17,207
Cash, cash equivalents, and restricted cash at end of period	\$ 13,439	\$ 17,024
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 15,942	\$ 12,140
Cash paid for income taxes, net of refunds	\$ 155	\$ 64
Non-cash transactions		
Purchases of property and equipment included in accounts payable	\$ 178	\$ 159
Transfer of inventory to property and equipment	\$ 253	\$ 393
Payment of litigation settlements with insurance proceeds	\$ 8,950	\$ —
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 7,542	\$ 10,926
Restricted cash, current	897	1,098
Restricted cash, long-term	5,000	5,000
Total cash, cash equivalents and restricted cash at the end of period	\$ 13,439	\$ 17,024

See accompanying Notes to Condensed Consolidated Financial Statements.

QUANTUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, unaudited)

Three Months Ended	Common Stock			Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount	Additional Paid-in Capital			
Balance, September 30, 2018	35,556	\$ 356	\$ 483,496	\$ (684,257)	\$ (1,243)	\$ (201,648)
Net loss	—	—	—	(4,286)	—	(4,286)
Foreign currency translation adjustments	—	—	—	—	(157)	(157)
Shares issued under employee incentive plans, net	—	—	—	—	—	—
Warrants issued related to long-term debt, net	—	—	8,753	—	—	8,753
Stock-based compensation	—	—	1,100	—	—	1,100
Balance, December 31, 2018	35,556	\$ 356	\$ 493,349	\$ (688,543)	\$ (1,400)	\$ (196,238)
Balance, September 30, 2019	36,717	\$ 368	\$ 502,398	\$ (704,076)	\$ (1,800)	\$ (203,110)
Net income	—	—	—	4,749	—	4,749
Foreign currency translation adjustments	—	—	—	—	839	839
Shares issued under employee incentive plans, net	355	3	(4)	—	—	(1)
Warrants exercised related to long-term debt, net	2,783	28	(28)	—	—	—
Stock-based compensation	—	—	2,056	—	—	2,056
Balance, December 31, 2019	39,855	\$ 399	\$ 504,422	\$ (699,327)	\$ (961)	\$ (195,467)
Balance, March 31, 2018	35,443	\$ 354	\$ 481,610	\$ (655,157)	\$ (274)	\$ (173,467)
Net loss	—	—	—	(33,386)	—	(33,386)
Foreign currency translation adjustments	—	—	—	—	(1,126)	(1,126)
Shares issued under employee incentive plans, net	38	1	(7)	—	—	(6)
Warrants exercised related to long-term debt, net	75	1	175	—	—	176
Warrants issued related to long-term debt, net	—	—	8,753	—	—	8,753
Stock-based compensation	—	—	2,818	—	—	2,818
Balance, December 31, 2018	35,556	\$ 356	\$ 493,349	\$ (688,543)	\$ (1,400)	\$ (196,238)
Balance, March 31, 2019	36,040	\$ 360	\$ 499,224	\$ (697,954)	\$ (1,410)	\$ (199,780)
Net loss	—	—	—	(1,373)	—	(1,373)
Foreign currency translation adjustments	—	—	—	—	449	449
Shares issued under employee incentive plans, net	1,032	11	(182)	—	—	(171)
Warrants exercised related to long-term debt, net	2,783	28	(28)	—	—	—
Stock-based compensation	—	—	5,408	—	—	5,408
Balance, December 31, 2019	39,855	\$ 399	\$ 504,422	\$ (699,327)	\$ (961)	\$ (195,467)

See accompanying Notes to Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1: DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Quantum Corporation, together with its consolidated subsidiaries (“Quantum” or the “Company”), founded in 1980 and reincorporated in Delaware in 1987, is an industry leader in storing and managing video and video-like data delivering the industry’s top streaming performance for video and rich media applications, along with low cost, high density massive-scale data protection and archive systems. The Company helps customers capture, create and share digital data and preserve and protect it for decades. The Company’s end-to-end, software-defined, hyperconverged storage solutions span from non-volatile memory express (“NVMe”), to solid state drives, (“SSD”), hard disk drive, (“HDD”), tape and the cloud and are tied together leveraging a single namespace view of the entire data environment. The Company works 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.

Basis of Presentation

The accompanying interim unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information. All intercompany balances and transactions have been eliminated. Certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted. The Company believes the disclosures made are adequate to prevent the information presented from being misleading. However, the accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included within the Company’s most recent Annual Report on Form 10-K filed with SEC on August 6, 2019, which includes the audited and consolidated financial statements for the Company’s fiscal years ended March 31, 2019, March 31, 2018 and March 31, 2017 (restated).

The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal and recurring items) necessary to present fairly the Company’s financial position as of December 31, 2019 and the results of operations, cash flows and changes in stockholders’ deficit for the three and nine months ended December 31, 2019 and 2018. Interim results are not necessarily indicative of full year performance because of the impact of seasonal and short-term variations.

Use of Estimates

The preparation of these condensed consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions. Certain accounting estimates involve significant judgments, assumptions and estimates by management that have a material impact on the carrying value of certain assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period, which management considers to be critical accounting estimates. The judgments, assumptions and estimates used by management are based on historical experience, management’s experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ materially from these judgments and estimates, which could have a material impact on the carrying values of the Company’s assets and liabilities and the results of operations.

Fair Value Measurements

The fair value of financial instruments is based on estimates using quoted market prices, discounted cash flows or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and the estimated timing and amount of future cash flows. Therefore, the estimates of fair value may differ substantially from amounts that ultimately may be realized or paid at settlement or maturity of the financial instruments, and those differences may be material. Accordingly, the aggregate fair value amounts presented may not represent the value as reported by the institution holding the instrument.

The Company uses the three-tier hierarchy established by U.S. GAAP, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value to determine the fair value of its financial instruments. This hierarchy indicates to what extent the inputs used in the Company's calculations are observable in the market. The different levels of the hierarchy are defined as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Other than quoted prices that are observable in the market for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or model-derived valuations or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Inputs are unobservable and reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

Recently Adopted Accounting Pronouncements

In February 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* ("ASU 2018-02"). ASU 2018-20 allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The Company did not elect to reclassify the income tax effects of the Tax Cuts and Jobs Act from accumulated other comprehensive income to accumulated deficit.

In June 2018, the FASB issued ASU No. 2018-07, *Share-based Payments to Non-Employees* ("ASU 2018-07"), to simplify the accounting for share-based payments to non-employees by aligning it with the accounting for share-based payments to employees, with certain exceptions. For public business entities, this ASU is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that fiscal year. The adoption of ASU 2018-07 did not impact the Company's condensed consolidated financial statements and related disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued ASU No. 2018-15, *Implementation Costs Incurred in Cloud Computing Arrangements* ("ASU 2018-15"), which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). For public entities, ASU 2018-15 is effective for annual reporting periods beginning after December 15, 2019, and interim periods within that fiscal year. The amendments should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is evaluating the impact this ASU will have on its consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU-2016-13"). ASU 2016-13 will change how entities account for credit impairment for trade and other receivables, as well as for certain financial assets and other instruments. ASU 2016-13 will replace the current "incurred loss" model with an "expected loss" model. Under the "incurred loss" model, a loss (or allowance) is recognized only when an event has occurred (such as a payment delinquency) that causes the entity to believe that it is probable that a loss has occurred (i.e., that it has been "incurred"). Under the "expected loss" model, a loss (or allowance) is recognized upon initial recognition of the asset that reflects all future events that leads to a loss being realized, regardless of whether it is probable that the future event will occur. The "incurred loss" model considers past events and current conditions, while the "expected loss" model includes expectations for the future which have yet to occur. ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*, was issued in November 2018 and excludes operating leases from the new guidance. The standard will require entities to record a cumulative-effect adjustment to the balance sheet as of the beginning of the first reporting period in which the guidance is effective. For public entities, ASU 2016-13 is effective for fiscal years beginning after December 15, 2019. The Company is currently evaluating the potential impact that ASU 2016-13 may have on the timing of recognition and measurement of future provisions for expected losses on its accounts receivable.

NOTE 2: REVENUE

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Based on how the Company manages its business, the Company has determined that it currently operates in one reportable segment. The Company operates in three geographic regions: (a) Americas; (b) Europe, Middle East and Africa (“EMEA”); and (c) Asia Pacific (“APAC”). Revenue by geography is based on the location of the customer from which the revenue is earned.

In the following table, revenue is disaggregated by major product offering and geographies (in thousands):

	Three Months Ended		Nine Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Americas				
Primary storage systems	\$ 17,748	\$ 9,488	\$ 45,088	\$ 28,377
Secondary storage systems	9,461	21,421	48,187	50,162
Device and media	6,467	6,706	24,486	24,618
Service	20,628	22,033	62,564	65,275
Total revenue	54,304	59,648	180,325	168,432
EMEA				
Primary storage systems	5,384	4,944	12,852	15,887
Secondary storage systems	11,233	11,161	28,967	27,809
Device and media	7,933	3,494	18,106	13,870
Service	10,063	9,421	29,114	27,910
Total revenue	34,613	29,020	89,039	85,476
APAC				
Primary storage systems	2,555	1,456	7,210	6,094
Secondary storage systems	4,612	3,287	11,127	9,497
Device and media	1,042	1,029	4,338	5,163
Service	2,201	2,643	6,995	7,828
Total revenue	10,410	8,415	29,670	28,582
Consolidated				
Primary storage systems	25,687	15,888	65,150	50,358
Secondary storage systems	25,306	35,869	88,281	87,468
Device and media	15,442	11,229	46,930	43,651
Service	32,892	34,097	98,673	101,013
Royalty*	3,988	4,896	15,700	16,913
Total revenue	\$ 103,315	\$ 101,979	\$ 314,734	\$ 299,403

* Royalty revenue is not allocable to geographic regions.

Revenue for Americas geographic region outside of the United States is not significant.

Contract Balances

The following table presents the Company’s contract liabilities and certain information related to this balance as of and for the nine months ended December 31, 2019 (in thousands):

	December 31, 2019
Contract liabilities (deferred revenue)	\$ 109,965
Revenue recognized in the period from amounts included in contract liabilities at the beginning of the period	\$ 70,027

Remaining Performance Obligations

Transaction price allocated to the remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and contractually agreed upon amounts, yet to be invoiced, that will be recognized as revenue in future periods. Remaining performance obligations are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, adjustments for revenue that have not materialized and foreign exchange adjustments. The Company applied the practical expedient in accordance within ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), to exclude amounts for variable consideration constituting a sale- or usage-based royalty promised in exchange for a license of intellectual property from remaining performance obligations.

Remaining performance obligation consisted of the following (in thousands):

	Current	Non-Current	Total
As of December 31, 2019	\$ 91,052	\$ 47,421	\$ 138,473

The Company expects to recognize approximately 66% of the remaining performance obligations within the next 12 months. The majority of the Company's noncurrent remaining performance obligations is expected to be recognized in the next 13 to 60 months.

NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS

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

No impairments charges were recognized for non-financial assets in the three and nine months ended December 31, 2019 and 2018. The Company has no non-financial liabilities measured and recorded at fair value on a non-recurring basis.

Warrants and Warrant Liability

The Company uses the Black-Scholes-Merton option valuation model for estimating fair value of common stock warrants. The expected life of warrants granted represent the period of time that they are expected to be outstanding. The Company determines the expected life based on historical experience with similar awards, giving consideration to the contractual terms, exercise patterns, and post-vesting forfeitures. The Company estimates volatility based on the historical volatility of the common stock over the most recent period corresponding with the estimated expected life of the award. The Company bases the risk-free interest rate used in the Black-Scholes-Merton 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. The Company has not paid any cash dividends on the common stock and does not anticipate paying any cash dividends in the foreseeable future.

During fiscal year 2018, the Company began issuing common stock warrants in connection with the Term Loan Credit and Security Agreement dated October 21, 2016 with TCW Asset Management Company LLC. The warrants were initially accounted for as a liability and recorded at estimated fair value on a recurring basis due to exercise price reset provisions contained with the warrant agreements. As such, the Company estimated the fair value of the warrants at the end of each reporting period using a Black-Scholes-Merton valuation model. At the end of each reporting period, the Company recorded the changes in the estimated fair value during the period in other (income) expense in the condensed consolidated statements of operations and comprehensive income (loss).

During the three months ended March 31, 2019, the exercise price for these warrants reset and became fixed, at which time they were considered to be indexed to the Company's own stock and met the scope requirements for equity classification. The fair value of the warrants upon the exercise price reset was reclassified to stockholders' deficit. The Company classified the warrants liability subject to recurring fair value measurement as Level 3 prior to the reclassification to stockholders' deficit. As the outstanding warrants were reclassified to stockholders' deficit in the fourth quarter of fiscal year 2019, there was no warrant liability as of December 31, 2019 and March 31, 2019.

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The table presented below is a summary of changes in the fair value of the Company's Level 3 valuations for the warrant liability for the nine months ended December 31, 2018 (in thousands):

	Warrant liability	
As of March 31, 2018	\$	272
Issuances		2,784
Settlements		(176)
Changes in fair value		164
As of December 31, 2018	\$	3,044

Long-term Debt

The total estimated fair value of long-term debt as of December 31, 2019 and March 31, 2019 was approximately \$162.9 million and \$160.3 million, respectively, based on outstanding borrowings and market interest rates for the period. The fair value has been classified as Level 2 within the fair value hierarchy.

NOTE 4: INVENTORIES

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

Manufacturing inventories

	December 31, 2019		March 31, 2019	
Finished goods:				
Manufactured finished goods	\$	13,925	\$	8,160
Distributor inventory		527		3,345
Total finished goods		14,452		11,505
Work in progress		885		107
Raw materials		9,835		6,828
Total manufacturing inventories	\$	25,172	\$	18,440

Service parts inventories

	December 31, 2019		March 31, 2019	
Finished goods	\$	13,735	\$	13,437
Component parts		5,200		5,633
Total service inventories	\$	18,935	\$	19,070

NOTE 5: LEASES

The Company adopted Accounting Standard Update ("ASU") No. 2016-02, Leases ("Topic 842") effective April 1, 2019 using the optional transition method in ASU 2018-11, *Targeted Improvements*. Therefore, the reported results as of December 31, 2019 and for the three and nine months ended December 31, 2019 reflect the application of Topic 842, while the reported results for the three and nine months ended December 31, 2018 and as of March 31, 2019 were not adjusted and continue to be reported under Accounting Standard Codification ("ASC") 840, *Leases*, the accounting guidance in effect for the prior periods.

Under Topic 842, the Company determines if an arrangement is a lease at inception. The lease term begins on the commencement date, which is the date the Company takes possession of the property and may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. The lease terms are

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used to determine lease classification as an operating or finance lease and is used to calculate straight-line lease expense for operating leases. The Company elected the package of practical expedients permitted under the transition guidance within Topic 842 to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs.

Right-of-use (“ROU”) assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. ROU assets also include prepaid lease payments and exclude lease incentives received. As the Company’s leases typically do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date for its leases. The determination of the incremental borrowing rate requires judgment. The Company determines the incremental borrowing rate using the Company’s current unsecured borrowing rate, adjusted for various factors such as collateralization and term to align with the terms of the lease. The Company elected the short-term lease recognition exemption for all leases that qualify. Therefore, leases with an initial term of 12 months or less are not recorded on the balance sheet; instead, lease payments are recognized as lease expense on a straight-line basis over the lease term.

The Company has operating leases for facilities, vehicles, computers, and other office equipment with various expiration dates. The leases have remaining terms of 1 to 8 years. Certain leases contain renewal options for varying periods, which are at the Company’s sole discretion. The Company did not use hindsight when determining lease term, therefore, the Company carried forward the lease term as determined prior to the adoption of Topic 842. For new leases with renewal or termination options, such option periods will be included in the determination of the Company’s ROU assets and lease liabilities if the Company is reasonably certain to exercise the option. Certain leases require the Company to pay taxes, insurance, maintenance, and other operating expenses associated with the leased asset. Such amounts are not included in the measurement of the lease liability to the extent they are variable in nature. These variable lease costs are recognized as a variable lease expense when incurred.

Components of lease cost were as follows (in thousands):

Lease Cost	Three Months Ended December 31, 2019		Nine Months Ended December 31, 2019	
Operating lease cost	\$	1,259	\$	3,835
Variable lease cost		109		321
Short-term lease cost		58		89
Total lease cost	\$	1,426	\$	4,245

Maturity of Lease Liabilities	Operating Leases	
2020, excluding the nine months ended December 31, 2019	\$	1,194
For the fiscal year ended March 31,		
2021		4,319
2022		3,356
2023		2,443
2024		2,327
Thereafter		4,819
Total lease payments	\$	18,458
Less: Imputed interest		(5,287)
Present value of lease liabilities	\$	13,171

Supplemental balance sheet information related to leases was as follows:

	December 31, 2019	
Operating lease right-of-use asset	\$	11,910
Other current liabilities	\$	3,126
Operating lease liability		10,045
Total operating lease liabilities	\$	13,171

Lease Term and Discount Rate	December 31, 2019	
Weighted average remaining operating lease term (years)		5.12
Weighted average discount rate for operating leases		13.91 %

Operating cash outflows related to operating leases totaled \$3.4 million for the nine months ended December 31, 2019.

NOTE 6: COMMITMENTS AND CONTINGENCIES

Commitments to Purchase Inventory

The Company uses contract manufacturers for its manufacturing operations. Under these arrangements, the contract manufacturer procures inventory to manufacture products based upon management forecast of customer demand. The Company has similar arrangements with certain other suppliers. The Company is 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 December 31, 2019, the Company had issued non-cancelable commitments for \$18.3 million to purchase inventory from its contract manufacturers and suppliers.

Legal Proceedings

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. On July 31, 2017, the District Court stayed proceedings in this litigation pending decision in Inter Partes Review proceedings currently before the Patent Trial and Appeal Board relating to the Realtime patents. That stay remains in effect. We believe the probability that this lawsuit will have a material adverse effect on our business, operating results or financial condition is remote.

Other Matters

Additionally, from time to time, the Company is a party to various legal proceedings and claims arising from the normal course of business activities. Based on current available information, the Company does not expect that the ultimate outcome of any currently pending unresolved matters, individually or in the aggregate, will have a material adverse effect on the Company's results of operations, cash flows or financial position.

NOTE 7: RESTRUCTURING CHARGES

There were no new restructuring plans initiated during the nine months ended December 31, 2019. In the nine months ended December 31, 2018, management approved two plans to eliminate 66 positions in the U.S. and internationally. The purpose of these plans was to improve operational efficiencies and align with management's strategic vision for the Company. Severance and benefits costs of approximately \$3.6 million were incurred as a result.

The following table summarizes the restructuring activities for the nine months ended December 31, 2019 and 2018 (in thousands):

	Severance and Benefits	Facilities	Total
Balance as of March 31, 2019	\$ —	\$ 2,876	\$ 2,876
Restructuring costs	—	—	—
Adjustments to prior estimates	—	1,020	1,020
Cash payments	—	(3,659)	(3,659)
Other non-cash	—	63	63
Balance as of December 31, 2019	\$ —	\$ 300	\$ 300
Balance as of March 31, 2018	\$ 1,430	\$ 4,389	\$ 5,819
Restructuring costs	4,602	55	4,657
Adjustments to prior estimates	—	771	771
Cash payments	(5,631)	(1,669)	(7,300)
Balance as of December 31, 2018	\$ 401	\$ 3,546	\$ 3,947

Facility restructuring accruals will be paid by the end of the fiscal year ending March 31, 2020.

NOTE 8: NET INCOME (LOSS) PER SHARE

The following outstanding stock-based instruments which are comprised of performance share units, restricted stock units, stock options and warrants were excluded from the calculation of diluted net income (loss) per share because their effect would have been anti-dilutive (in thousands):

Three Months Ended		Nine Months Ended	
December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
—	5,481	7,385	6,247

The dilutive impact related to common shares from restricted stock units, stock options and warrants is determined by applying the treasury stock method of determining value to the assumed vesting of outstanding restricted stock units and the exercise of outstanding options and warrants. The dilutive impact related to common shares from contingently issuable performance share units is determined by applying a two-step approach using both the contingently issuable share guidance and the treasury stock method.

For the three and nine months ended December 31, 2019, there were 0.3 million contingently issuable performance based restricted stock units excluded from the calculation of diluted net income (loss) per share, respectively, as their performance condition had not yet been achieved. These shares will be earned based on the Company's achievement of certain performance conditions in addition to a time-based vesting period.

For the three and nine months ended December 31, 2019, there were 1.3 million contingently issuable market based restricted stock units excluded from the calculation of diluted net income (loss) per share, respectively, as

their market performance condition had not yet been achieved. These shares will be earned based on the Company's achievement of certain average stock price targets in addition to a time-based vesting period.

On November 25, 2019, 3.8 million warrants issued by the Company related to the TCW Term Loan agreement were exercised on a cashless basis resulting in the issuance of 2.8 million shares of common stock.

NOTE 9: INCOME TAXES

The effective tax rate for the three and nine months ended December 31, 2019 was -2.7% and -52.2%, respectively, as compared to -9.0% and -2.0% for the three and nine months ended December 31, 2018, respectively. The effective tax rates differed from the federal statutory tax rate of 21% during each of these periods due primarily to unbenefited losses experienced in jurisdictions with valuation allowances on deferred tax assets as well as the forecasted mix of earnings in domestic and international jurisdictions.

As of December 31, 2019, including interest and penalties, the Company had \$118.4 million of unrecognized tax benefits, \$100.2 million of which, if recognized, would favorably affect the effective tax rate without consideration of the valuation allowance. As of December 31, 2019, the Company had accrued interest and penalties related to these unrecognized tax benefits of \$1.1 million. The Company recognizes interest and penalties related to income tax matters in the income tax provision in the condensed consolidated statements of operations. As of December 31, 2019, \$112.3 million of unrecognized tax benefits were recorded as a contra deferred tax asset in other long-term assets in the condensed consolidated balance sheets and \$6.1 million (including interest and penalties) were recorded in other long-term liabilities in the condensed consolidated balance sheets. During the next 12 months, it is reasonably possible that approximately \$11.2 million of tax benefits, inclusive of interest and penalties, that are currently unrecognized could be recognized as a result of the expiration of applicable statutes of limitations.

NOTE 10: LONG-TERM DEBT

The Company's long-term debt consisted of the following (in thousands):

	As of	
	December 31, 2019	March 31, 2019
Senior Secured Term Loan	\$ 163,350	\$ 164,588
Amended PNC Credit Facility	5,289	—
Less: current portion	(1,650)	(1,650)
Less: unamortized debt issuance costs ⁽¹⁾	(14,575)	(17,317)
Long-term debt, net	<u>\$ 152,414</u>	<u>\$ 145,621</u>

⁽¹⁾ The unamortized debt issuance costs related to the Senior Secured Term Loan are presented as a reduction of the carrying amount of the corresponding debt balance on the accompanying condensed consolidated balance sheets. Unamortized debt issuance costs related to the Amended PNC Credit Facility are presented within other assets on the accompanying condensed consolidated balance sheets.

As of December 31, 2019, the interest rates on the Senior Secured Term Loan and the Amended PNC Credit Facility were 12.0% and 7.8%, respectively. As of December 31, 2019, after drawing down \$5.3 million, the Amended PNC Credit Facility had a remaining borrowing availability of \$16.7 million.

As of December 31, 2019, the Company was required to maintain a \$5.0 million restricted cash reserve as part of the Amended PNC Credit Facility. This balance is presented as long-term restricted cash within the accompanying condensed consolidated balance sheet as of December 31, 2019.

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

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements in this report usually contain the words "will," "estimate," "anticipate," "expect," "believe," "project" or similar expressions and variations or negatives of these words. All such forward-looking statements including, but not limited to (1) our belief that our existing cash and capital resources will be sufficient to meet all currently planned expenditures and debt service, and sustain our operations for at least the next 12 months; (2) our expectations regarding the outcome of any litigation or investigations in which we are involved; and (3) our business goals, objectives, key focuses, opportunities and prospects, are inherently uncertain as they are based on management's expectations and assumptions concerning future events, and they are subject to numerous known and unknown risks and uncertainties. Readers are cautioned not to place undue reliance on these forward-looking statements, about which we speak only as of the date hereof. As a result, our actual results may differ materially from the forward-looking statements contained herein. Factors that could cause actual results to differ materially from those described herein include but are not limited to those factors discussed under "Risk Factors" in Part II, Item 1A. Our forward-looking statements are not guarantees of future performance. We disclaim any obligation to update information in any forward-looking statement.

OVERVIEW

Quantum Corporation ("Quantum", the "Company", "us" or "we"), is a leader in storing and managing video and video-like data. We deliver top streaming performance for video and rich media applications, along with low cost, high density massive-scale data protection and archive systems. We help customers capture, create and share digital data and preserve and protect it for decades. We work closely with a broad network of distributors, VARs, DMRs, OEMs and other suppliers to meet customers' evolving needs.

We earn our revenue from the sale of products and services through our channel partners and our sales force. Our products are sold under both the Quantum brand name and the names of various OEM customers. Our high-performance shared storage systems are powered by our StorNext software that provides high-performance and availability to enable movie and TV production, analysis of patient records, analysis of video and image data for government and military applications, and more. Our tape storage provides low cost, long-term data storage for archiving and retention, as well as offline storage to protect against ransomware. Our DXi backup systems provide high-performance, scalable storage for backup and multi-site disaster recovery.

We offer a broad range of services including maintenance, implementation and training. We recently introduced a new line of Distributed Cloud Services designed to provide the benefits of our products and technology with a cloud-like user experience, either via fully managed Operational Services, or via Storage-as-a-Service, or STaaS offerings.

We are also a member of the consortium that develops, patents, and licenses LTO® tape technology to media manufacturing companies. We receive royalty payments for LTO media technology sold under licensing agreements.

NON- U.S. GAAP FINANCIAL MEASURES

To provide investors with additional information regarding our financial results, we have presented Adjusted EBITDA and Adjusted Net Income (Loss), non-U.S. GAAP financial measures defined below.

Adjusted EBITDA is a non-U.S. GAAP financial measure defined by us as net loss before interest expense, net, provision for income taxes, depreciation and amortization expense, stock-based compensation expense, restructuring charges, costs related to the financial restatement and related activities described in the Explanatory Paragraph and Note 2: – *Restatement* in our most recently filed Annual Report on Form 10-K and other non-recurring expenses.

Adjusted Net Income (Loss) is a non-U.S. GAAP financial measure defined by us as net loss before restructuring charges, stock-based compensation expense, costs related to the financial restatement and related activities described in the Explanatory Paragraph and Note 2: – *Restatement* in the Annual Report on Form 10-K and other

non-recurring (income) expenses. The Company calculates Adjusted Net Income (Loss) per Basic and Diluted share using the Company's above-referenced definition of Adjusted Net Income (Loss).

The Company considers non-recurring expenses to be expenses that have not been incurred within the prior two years and are not expected to recur within the next two years. Such expenses include certain strategic and financial restructuring expenses.

We have provided below a reconciliation of Adjusted EBITDA and Adjusted Net Income (Loss) to Net Income (Loss), the most directly comparable U.S. GAAP financial measure. We have presented Adjusted EBITDA because it is a key measure used by our management and the board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short and long-term operating plans. In particular, we believe that the exclusion of the amounts eliminated in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business performance. We believe Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Basic and Diluted Share serve as appropriate measures to be used in evaluating the performance of our business and help our investors better compare our operating performance over multiple periods. Accordingly, we believe that Adjusted EBITDA and Adjusted Net Income (Loss) provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and our board of directors.

Our use of Adjusted EBITDA and Adjusted Net Income (Loss) have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our financial results as reported under U.S. GAAP. Some of these limitations are as follows:

- although depreciation and amortization expense are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect: (1) interest and tax payments that may represent a reduction in cash available to us; (2) capital expenditures, future requirements for capital expenditures or contractual commitments; (3) changes in, or cash requirements for, working capital needs; (4) the potentially dilutive impact of stock-based compensation; (5) potential ongoing costs related to the financial restatement and related activities; (6) loss on debt extinguishment or (7) potential future restructuring expenses; and
- Adjusted Net Income (Loss) does not reflect: (1) potential future restructuring activities; (2) the potentially dilutive impact of stock-based compensation; (3) potential ongoing costs related to the financial restatement and related activities; (4) loss on debt extinguishment; or (5) potential future restructuring expenses; and
- other companies, including companies in our industry, may calculate Adjusted EBITDA, Adjusted Net Income (Loss) or similarly titled measures differently, which reduces its usefulness as a comparative measure.

Because of these and other limitations, you should consider Adjusted EBITDA and Adjusted Net Income (Loss) along with other U.S. GAAP-based financial performance measures, including various cash flow metrics and our U.S. GAAP financial results.

The following is a reconciliation of Adjusted EBITDA to the most comparable U.S. GAAP financial measure, Net Income (Loss) (in thousands):

	Three Months Ended		Nine Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net income (loss)	\$ 4,749	\$ (4,286)	\$ (1,373)	\$ (33,386)
Interest expense, net	6,425	6,238	19,079	14,809
Provision (benefit) for income taxes	(110)	337	471	739
Depreciation and amortization expense	1,081	1,047	3,119	3,228
Stock-based compensation expense	2,055	1,100	5,407	2,818
Restructuring charges	(64)	1,227	1,020	5,428
Loss on debt extinguishment	—	5,033	—	17,458
Cost related to financial restatement and related activities	564	4,297	12,743	12,743
Other non-recurring (income) expense, net	—	(3,925)	—	(3,176)
Adjusted EBITDA	\$ 14,700	\$ 11,068	\$ 40,466	\$ 20,661

The following is a reconciliation of Adjusted Net Income to the most comparable U.S. GAAP financial measure, Net Income (Loss) (in thousands):

	Three Months Ended		Nine Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net income (loss)	\$ 4,749	\$ (4,286)	\$ (1,373)	\$ (33,386)
Restructuring charges	(64)	1,227	1,020	5,428
Loss on debt extinguishment	—	5,033	—	17,458
Stock-based compensation	2,055	1,100	5,407	2,818
Cost related to financial restatement and related activities	564	4,297	12,743	12,743
Other non-recurring (income) expense, net	—	(3,925)	—	(3,176)
Adjusted Net income	\$ 7,304	\$ 3,446	\$ 17,797	\$ 1,885
Adjusted Net Income per share:				
Basic	\$ 0.19	\$ 0.10	\$ 0.48	\$ 0.05
Diluted	\$ 0.16	\$ 0.08	\$ 0.40	\$ 0.05
Weighted average shares outstanding:				
Basic	38,134	35,552	36,828	35,500
Diluted	46,567	41,033	44,213	41,747

RESULTS OF OPERATIONS

(in thousands)	Three Months Ended		Nine Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Total revenue	\$ 103,315	\$ 101,979	\$ 314,734	\$ 299,403
Total cost of revenue ⁽¹⁾	56,239	58,897	178,309	174,455
Gross profit	47,076	43,082	136,425	124,948
Operating expenses				
Research and development ⁽¹⁾	9,325	7,907	27,058	24,030
Sales and marketing ⁽¹⁾	15,421	16,991	46,101	52,797
General and administrative ⁽¹⁾	10,719	13,481	43,623	46,943
Restructuring charges	(64)	1,227	1,020	5,428
Total operating expenses	35,401	39,606	117,802	129,198
Income (loss) from operations	11,675	3,476	18,623	(4,250)
Other income (expense)	(611)	3,846	(446)	3,870
Interest expense	(6,425)	(6,238)	(19,079)	(14,809)
Loss on debt extinguishment, net	—	(5,033)	—	(17,458)
Income (loss) before income taxes	4,639	(3,949)	(902)	(32,647)
Income tax provision (benefit)	(110)	337	471	739
Net income (loss)	\$ 4,749	\$ (4,286)	\$ (1,373)	\$ (33,386)

⁽¹⁾Includes stock-based compensation as follows:

(in thousands)	Three Months Ended		Nine Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Cost of revenue	\$ 162	\$ 99	\$ 335	\$ 285
Research and development	480	118	745	335
Sales and marketing	300	195	708	262
General and administrative	1,114	688	3,620	1,936
Total	\$ 2,056	\$ 1,100	\$ 5,408	\$ 2,818

Comparison of the Three Months Ended December 31, 2019 and 2018

Revenue

(dollars in thousands)	Three Months Ended					
	December 31, 2019	% of revenue	December 31, 2018	% of revenue	\$ Change	% Change
Product revenue						
Primary storage systems	\$ 25,687	25%	\$ 15,888	16%	\$ 9,799	62 %
Secondary storage systems	25,306	24%	35,869	35%	(10,563)	(29)%
Devices and media	15,442	15%	11,229	11%	4,213	38 %
Total product revenue	\$ 66,435	64%	\$ 62,986	62%	\$ 3,449	5 %
Service revenue	32,892	32%	34,097	33%	(1,205)	(4)%
Royalty revenue	3,988	4%	4,896	5%	(908)	(19)%
Total revenue	\$ 103,315	100%	\$ 101,979	100%	\$ 1,336	1 %

Product revenue

In the three months ended December 31, 2019, product revenue increased \$3.4 million, or 5%, as compared to the same period in 2018. Primary storage systems represented \$9.8 million of the increase, driven by growth in our U.S. business. Secondary storage systems represented a \$(10.6) million decrease, driven by fluctuating purchase cycles with our hyperscale customers. Devices and media represented \$4.2 million of the increase, driven by the resolution of a legal dispute, which had caused a constraint on LTO tape supply between the two principal suppliers in the market.

Service revenue

We offer a broad range of services including maintenance, implementation and training. 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.

Service revenue was relatively flat, decreasing 4% in the three months ended December 31, 2019 compared to the same period in 2018 due to a combination of reduced new customer installations and reduced support renewals from our legacy customers.

Royalty revenue

We receive royalties from third parties that license our LTO media patents through our membership in the LTO consortium. Royalty revenue decreased \$ (0.9) million, or 19%, in the three months ended December 31, 2019 compared to the same period in 2018 due to lower overall market volume .

Gross Profit and Margin

(dollars in thousands)	Three Months Ended					
	December 31, 2019	Gross margin %	December 31, 2018	Gross margin %	\$ Change	Basis point change
Product gross profit	\$ 22,763	34.3%	\$ 17,167	27.3%	\$ 5,596	700
Service gross profit	20,325	61.8%	21,019	61.6%	(694)	20
Royalty gross profit	3,988	100.0%	4,896	100.0%	(908)	—
Gross profit	<u>\$ 47,076</u>	45.6%	<u>\$ 43,082</u>	42.2%	<u>\$ 3,994</u>	340

Product Gross Margin

Product gross margin increased 700 basis points for the three months ended December 31, 2019, as compared with the same period in 2018. This increase was due primarily to cost reductions across a wide range of product offerings and a sales mix weighted towards more profitable product lines.

Service Gross Margin

Service gross margin increased 20 basis points for the three months ended December 31, 2019, as compared with the same period in 2018. This increase was due primarily to weighting towards higher margin offerings.

Royalty Gross Margin

Royalties do not have significant related cost of sales.

Operating expenses

	Three Months Ended					
	December 31, 2019	% of revenue	December 31, 2018	% of revenue	\$ Change	% Change
(dollars in thousands)						
Research and development	\$ 9,325	9 %	\$ 7,907	8%	\$ 1,418	18 %
Sales and marketing	15,421	15 %	16,991	17%	(1,570)	(9)%
General and administrative	10,719	10 %	13,481	13%	(2,762)	(20)%
Restructuring charges	(64)	— %	1,227	1%	(1,291)	(105)%
Total operating expenses	\$ 35,401	34 %	\$ 39,606	39%	\$ (4,205)	(11)%

In the three months ended December 31, 2019, research and development expense increased \$1.4 million, or 18%, as compared with the same period in 2018. This increase was partially attributable to an increase in research and development headcount focused on new product development.

In the three months ended December 31, 2019, sales and marketing expenses decreased \$1.6 million, or 9%, as compared with the same period in 2018. This decrease was largely driven by an overall decrease in compensation and benefits as the result of lower headcount and a decrease in marketing programs and professional services costs.

In the three months ended December 31, 2019, general and administrative expenses decreased \$2.8 million, or 20% as compared with the same period in 2018. This decrease was due primarily to higher costs in 2018 related to the financial restatement and related activities, bad debt expense, and bank fees. This was partially offset by an increase in headcount and stock compensation.

In the three months ended December 31, 2019, restructuring expenses decreased \$1.3 million, or 105% as compared with the same period in 2018. The decrease was the result of no material restructuring activity incurred during the current quarter.

Other Income (Expense)

	Three Months Ended					
	December 31, 2019	% of revenue	December 31, 2018	% of revenue	\$ Change	% Change
(dollars in thousands)						
Other income (expense)	\$ (611)	(1)%	\$ 3,846	4 %	\$ 4,457	(116)%
Interest expense	(6,425)	(6)%	(6,238)	(6)%	187	(3)%
Loss on debt extinguishment	—	— %	(5,033)	— %	(5,033)	(100)%

Other (income) expense, net during the three months ended December 31, 2019 and 2018 were related primarily to a \$2.8 million gain on investment, and a \$1.1 million gain in the fair value of warrants.

In the three months ended December 31, 2019, interest expense increased \$0.2 million, or 3%, as compared with the same period in 2018 due primarily to a higher principal balance.

In the three months ended December 31, 2019, we incurred a loss on debt extinguishment related to our Term Loan.

	Three Months Ended					
	December 31, 2019	% of revenue	December 31, 2018	% of revenue	\$ Change	% Change
(dollars in thousands)						
Income tax provision	\$ (110)	— %	\$ 337	—%	\$ (447)	(133)%

The income tax provision for the three months ended December 31, 2019 is primarily influenced by foreign and state income taxes. Due to our history of net losses in the U.S., the protracted period for utilizing tax attributes in certain foreign jurisdictions, and the difficulty in predicting future results, we believe that we cannot rely on projections of future taxable income to realize most of our deferred tax assets. Accordingly, we have established a

full valuation allowance against our U.S. and certain foreign net deferred tax assets. Significant management judgement is required in 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 its reversal. 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.

Comparison of the Nine Months Ended December 31, 2019 and 2018

Revenue

(dollars in thousands)	Nine Months Ended					
	December 31, 2019	% of revenue	December 31, 2018	% of revenue	\$ Change	% Change
Product revenue						
Primary storage systems	\$ 65,150	21%	\$ 50,358	17%	\$ 14,792	29%
Secondary storage systems	88,281	28%	87,468	28%	813	1%
Devices and media	46,930	15%	43,651	15%	3,279	8%
Total product revenue	\$ 200,361	64%	\$ 181,477	60%	\$ 18,884	10%
Service revenue	98,673	31%	101,013	34%	(2,340)	(2)%
Royalty revenue	15,700	5%	16,913	6%	(1,213)	(7)%
Total revenue	\$ 314,734	100%	\$ 299,403	100%	\$ 15,331	5%

Product Revenue

In the nine months ended December 31, 2019, product revenue increased \$18.9 million, or 10%, as compared to the same period in the prior year. Primary storage systems represented \$14.8 million of the increase, driven by growth in our U.S. domestic business. Secondary storage systems represented \$0.8 million of the increase, driven by growth with our hyperscale customers. Devices and media increased \$3.3 million driven by the resolution of a legal dispute, which had caused a constraint on LTO tape supply between the two principal suppliers in the market.

Service Revenue

Service revenue was relatively flat, decreasing 2% in the nine months ended December 31, 2019 compared to the same period in the prior year. This decrease was due to a combination of reduced new customer installations and reduced support renewals from our legacy customers.

Royalty Revenue

We receive royalties from third parties that license our LTO media patents through our membership in the LTO consortium. Royalty revenue decreased \$1.2 million, or 7%, in the nine months ended December 31, 2019 as compared to the same period in the prior year.

Gross Profit and Margin

(dollars in thousands)	Nine Months Ended					
	December 31, 2019	Gross margin %	December 31, 2018	Gross margin %	\$ Change	Basis point change
Product gross profit	\$ 60,024	30.0%	\$ 48,901	26.9%	\$ 11,123	310
Service gross profit	60,701	61.5%	59,134	58.5%	1,567	300
Royalty gross profit	15,700	100.0%	16,913	100.0%	(1,213)	—
Gross profit	\$ 136,425	43.3%	\$ 124,948	41.7%	\$ 11,477	160

Product Gross Margin

Product gross margin increased 310 basis points for the nine months ended December 31, 2019, as compared with the same period in 2018. This increase was due primarily to cost reductions across a wide range of product offerings, and a mix weighted towards more profitable products.

Service Gross Margin

Service gross margin increased 300 basis points for the nine months ended December 31, 2019, as compared with the same period in 2018. This increase was due primarily to reductions in cost of service.

Royalty Gross Margin

Royalties do not have significant related cost of sales.

Operating expenses

(dollars in thousands)	Nine Months Ended					
	December 31, 2019	% of revenue	December 31, 2018	% of revenue	\$ Change	% Change
Research and development	\$ 27,058	9%	\$ 24,030	8%	\$ 3,028	13 %
Sales and marketing	46,101	15%	52,797	18%	(6,696)	(13)%
General and administrative	43,623	14%	46,943	16%	(3,320)	(7)%
Restructuring charges	1,020	—%	5,428	2%	(4,408)	(81)%
Total operating expenses	\$ 117,802	37%	\$ 129,198	43%	\$ (11,396)	(9)%

In the nine months ended December 31, 2019, research and development expense increased \$3.0 million, or 13%, as compared with the same period in 2018. This increase was partially attributable to an increase in research and development headcount and professional services cost related to new product development.

In the nine months ended December 31, 2019, sales and marketing expenses decreased \$6.7 million, or 13%, as compared with the same period in 2018. This decrease was driven by a decrease in compensation and benefits as the result of lower headcount and a decrease in marketing programs and professional services costs.

In the nine months ended December 31, 2019, general and administrative expenses decreased \$3.3 million, or 7%, as compared with the same period in 2018. This decrease was driven primarily by lower costs related to the financial restatement and related activities, lower software expenses as we streamline our processes and tools throughout the company, decreased facilities expenses as we consolidate our physical footprint, and decreased bank fees. These decreases were partially offset by increases to stock compensation expense.

In the nine months ended December 31, 2019, restructuring expenses decreased \$4.4 million, or 81%, as compared with the same period in 2018. This decrease was primarily due to the high level of headcount reductions that occurred during 2018.

Other Income (Expense)

(dollars in thousands)	Nine Months Ended					
	December 31, 2019	% of revenue	December 31, 2018	% of revenue	\$ Change	% Change
Other income (expense)	\$ (446)	0 %	\$ 3,870	1 %	\$ 4,316	(112)%
Interest expense	(19,079)	(6)%	(14,809)	(5)%	4,270	(29)%
Loss on debt extinguishment, net	—	— %	(17,458)	(6)%	(17,458)	(100)%

Other (income) expense, net during the nine months ended December 31, 2019 and 2018 were related primarily to a \$2.8 million gain on investment, and a \$1.1 million gain in the fair value of warrants.

In the nine months ended December 31, 2019, interest expense increased \$4.3 million, or 29%, as compared with the same period in 2018. This increase was primarily due to a higher principal balance.

In the nine months ended December 31, 2018, we incurred a loss on debt extinguishment related to our Term Loan.

(dollars in thousands)	Nine Months Ended					
	December 31, 2019	% of revenue	December 31, 2018	% of revenue	\$ Change	% Change
Income tax provision	\$ 471	—%	\$ 739	—%	(268)	(36)%

The income tax provision for the nine months ended December 31, 2019 is primarily influenced by foreign and state income taxes. Due to our history of net losses in the U.S., the protracted period for utilizing tax attributes in certain foreign jurisdictions, and the difficulty in predicting future results, we believe that we cannot rely on projections of future taxable income to realize most of our deferred tax assets. Accordingly, we have established a full valuation allowance against our U.S. and certain foreign net deferred tax assets. Significant management judgement is required in 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 its reversal. 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.

LIQUIDITY AND CAPITAL RESOURCES

We consider liquidity in terms of the sufficiency of internal and external cash resources to fund our operating, investing and financing activities. Our principal sources of liquidity include cash from operating activities, cash and cash equivalents on our balance sheet and amounts available under our Amended PNC Credit Facility (as defined below). Management believes that current working capital and borrowings available under the PNC Credit Facility will provide us with sufficient capital to fund operations for at least one year.

We require significant cash resources to meet obligations to pay principal and interest on our outstanding debt, provide for our research and development activities, fund our working capital needs, and make capital expenditures. Our future liquidity requirements will depend on multiple factors, including our research and development plans and capital asset needs. We may need or decide to seek additional funding through equity or debt financings but cannot guarantee that additional funds would be available on terms acceptable to us, if at all.

We had cash and cash equivalents of \$7.5 million as of December 31, 2019, compared to \$10.8 million as of March 31, 2019. These amounts exclude, as of both dates, \$5.0 million in restricted cash that we are required to maintain under the Credit Agreements (as defined below) and \$0.9 million and \$1.1 million of short-term restricted cash, respectively.

Our outstanding long-term debt amounted to \$152.4 million as of December 31, 2019, net of \$14.6 million in unamortized debt issuance costs and \$1.7 million in current portion of long-term debt, and \$145.6 million as of March 31, 2019, net of \$17.3 million in unamortized debt issuance costs and \$1.7 million in current portion of long-term debt. Included in long-term debt as of December 31, 2019 was \$5.3 million of borrowings under our Amended PNC Credit Facility. After drawing down \$5.3 million under our Amended PNC Credit Facility, there was an additional \$16.7 million of borrowing availability as of December 31, 2019 (subject to change based on certain financial metrics). See “—Debt Profile and Covenants” and “—Contractual Obligations” below for further information about our outstanding debt.

We are subject to various debt covenants under our Credit Agreements (as defined below), including financial maintenance covenants that require progressive improvements in metrics related to our financial condition and results of operations. Our failure to comply with our debt covenants could materially and adversely affect our financial condition and ability to service our obligations. For additional information about our debt, see the sections entitled “Risk Factors—Risks Related to Our Business Operations” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2019.

Cash Flows

The following table summarizes our consolidated cash flows for the periods indicated.

(Dollars in thousands)	Nine Months Ended December 31,	
	2019	2018
Cash provided by (used in):		
Operating activities	\$ (4,966)	\$ (7,353)
Investing activities	(2,327)	(1,755)
Financing activities	3,880	9,008
Effect of exchange rate changes	(3)	(83)
Net decrease in cash and cash equivalents and restricted cash	\$ (3,416)	\$ (183)

Cash Used In Operating Activities

Net cash used in operating activities was \$5.0 million for the nine months ended December 31, 2019, a change of \$2.4 million from the same period in the prior year. Operating cash flow after adjustments to net loss excluding changes in assets and liabilities was \$16.1 million and \$0.4 million during the nine months ended December 31, 2019 and 2018, respectively. The increase is primarily attributable to an increase in gross profit of \$11.5 million, a decrease in operating expenses of \$11.4 million, a decrease in other income (expense) of \$4.3 million and an increase in interest expense of \$4.2 million. Cash used in operating activities related to changes in assets and liabilities was \$21.0 million and \$7.8 million during the nine months ended December 31, 2019 and 2018, respectively.

Cash Used in Investing Activities

Net cash used in investing activities was \$2.3 million in the nine months ended December 31, 2019, which was mostly flat compared to the same period the prior year. Our capital expenditures in both periods consisted primarily of tooling purchases and leasehold improvements.

Cash Used in Financing Activities

Net cash provided by financing activities was \$3.9 million in the nine months ended December 31, 2019, a decrease of \$5.1 million compared to the same period in the prior year. In the fiscal quarter ended December 31, 2019, we had net borrowings on our credit facility net of payments related to long-term debt of \$4.1 million compared to net borrowings of \$9.0 million during the prior comparable period.

Debt Profile and Covenants

We are party to a senior secured revolving credit facility in an available principal amount equal to the lesser of (i) \$45.0 million and (ii) the "borrowing base" (as defined under the Amended PNC Credit Agreement) (the "Amended PNC Credit Facility") under an Amended and Restated Revolving Credit and Security Agreement (the "Amended PNC Credit Agreement") with certain lenders and PNC Bank, National Association, as administrative agent. We are also party to a senior secured term loan facility in an aggregate principal amount of \$165.0 million (the "Senior Secured Term Loan") under a Term Loan Credit and Security Agreement between us, certain lenders and U.S. Bank, National Association, as disbursing and collateral agent, entered into in December 2018 (the "Senior Secured Credit Agreement" and together with the Amended PNC Credit Agreement, the "Credit Agreements").

The key terms of the Credit Agreements and material financial covenants are described under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2019.

We believe we were in compliance with all covenants under the Credit Agreements as of the date of filing of this Quarterly Report on Form 10-Q.

Covenant EBITDA

Covenant EBITDA is identical to "EBITDA" as defined under the Credit Agreements and we are required to report it to our lenders pursuant to the covenants contained in the Credit Agreements. Covenant EBITDA is a key component of compliance metrics under certain covenants in the Credit Agreement, as described above.

Consequently, we consider Covenant EBITDA to be an important measure of our financial condition. Covenant EBITDA reflects further adjustments to Adjusted EBITDA as discussed below.

Covenant EBITDA is calculated under the Credit Agreements as our GAAP net income (loss) for a given fiscal period, adjusted for certain items, including without limitation: taxes and tax credits, interest expense, depreciation and amortization, certain non-cash compensation and other charges, certain refinancing-related costs (up to certain aggregate limits), certain severance and facility closure costs (up to certain aggregate limits), transaction-related costs and purchase accounting and other adjustments with respect to acquisitions permitted under the Credit Agreements and, certain expenses in connection with the financial restatement activities (up to certain aggregate limits) that will be added back to Covenant EBITDA.

Commitments and Contingencies

Our contingent liabilities consist primarily of certain financial guarantees, both express and implied, related to product liability and potential infringement of intellectual property. We have little history of costs associated with such indemnification requirements and contingent liabilities associated with product liability may be mitigated by our insurance coverage. In the normal course of business to facilitate transactions of our services and products, we indemnify certain parties with respect to certain matters, such as intellectual property infringement or other claims. We also have indemnification agreements with our current and former officers and directors. 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.

We are also subject to ordinary course litigation and potential costs related to our financial statement restatement activities and related legal costs.

Off Balance Sheet Arrangements

We entered into a registration rights agreement with the holders of the warrants issued to the lenders under the Senior Secured Term Loan, described under “—Contractual Obligations” below.

The warrant holders have the right to require us to prepare and file a registration statement with the SEC within 45 days of a demand and use commercially reasonable efforts to cause the registration statement to be declared effective as soon as practicable. If we are unable to file a registration statement in accordance with the terms of the registration rights agreement, we would be required to make a monthly filing delay penalty payment to each warrant holder in an amount of cash equal to (i) \$300,000 multiplied by (ii) such holder’s pro rata share of all outstanding warrants until such filing delay is cured. In the event we fail to make the filing delay penalty payments in a timely manner, such outstanding payments shall bear interest at 5.0% until paid in full. We expect to meet all registration requirements and determined that such a payment was not probable at the time the agreement was entered into, nor was such a payment probable as of December 31, 2019 or as of the date of filing of this Quarterly Report on Form 10-Q.

Except for this registration rights contingency and the indemnification commitments described under “—Commitments and Contingencies” above, we do not currently have any other off-balance sheet arrangements and do not have any holdings in variable interest entities.

Contractual Obligations

We have contractual obligations and commercial commitments, some of which, such as purchase obligations, are not recognized as liabilities in our financial statements. As a result of our adoption of ASC Topic 842 as of April 1, 2019, certain operating lease obligations that were previously not reflected on our balance sheet have been reflected on the balance sheet at their fair values. See Note 5: *Leases*, to our unaudited condensed consolidated financial statements for further details. There have not been any other material changes to the contractual obligations disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2019.

In connection with our entry into the Senior Secured Term Loan, we issued warrants to purchase approximately 7.1 million shares of our common stock, at an exercise price of \$1.33 per share, to the lenders under the Senior Secured Term Loan (the “Senior Secured Term Loan Warrants”). The exercise price and the number of shares

underlying the Senior Secured Term Loan Warrants are subject to adjustment in the event of specified events, including dilutive issuances of common stock or common stock linked equity instruments at a price lower than the exercise price of the warrants, a subdivision, combination or reclassification of our common stock, or specified dividend payments. The Senior Secured Term Loan Warrants are exercisable until December 27, 2028. Upon exercise, the aggregate exercise price may be paid, at each warrant holder's election, in cash or on a net issuance basis, based upon the fair market value of our common stock at the time of exercise.

Critical Accounting Estimates and Policies

The preparation of our consolidated financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report on Form 10-Q. On an ongoing basis, we evaluate estimates, which are based on historical experience and

on various other assumptions that we believe to be reasonable under the circumstances. We consider certain accounting policies to be critical to understanding our financial statements because the application of these policies requires significant judgment on the part of management, which could have a material impact on our financial statements if actual performance should differ from historical experience or if our assumptions were to change. Our accounting policies that include estimates that require management's subjective or complex judgments about the effects of matters that are inherently uncertain are summarized in our most recently filed Annual Report on Form 10-K for the fiscal year ended March 31, 2019 under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Critical Accounting Policies." For additional information on our significant accounting policies, see Note 1 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Recently Issued and Adopted Accounting Pronouncements

We adopted ASC Topic 842, Leases, effective on April 1, 2019. As a result, we recorded lease liabilities of \$13.0 million and related right of use assets of \$11.9 million on our balance sheet as of December 31, 2019. See Note 5: *Leases*, to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

For other recently issued and adopted accounting pronouncements, see Note 1 to the notes to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q and Note 3 to our consolidated financial statements included in our most recently filed Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our quantitative and qualitative disclosures about market risk from those described under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our most recent Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

- (a) *Evaluation of disclosure controls and procedures.* We had concluded that our internal control over financial reporting and disclosure controls and procedures were not effective as of March 31, 2019, as described in Item 9A, "Controls and Procedures" of our most recently filed Annual Report on Form 10-K for the year ended March 31, 2019, for which remediation efforts are ongoing. We evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13-1-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by the Quarterly Report on Form 10-Q. This control evaluation was performed under the supervision and with the participation of management, including our CEO and our CFO. Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified by the SEC. Disclosure controls are also designed to ensure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate, to allow timely decisions regarding the required disclosure. Based on this evaluation, management, including our Chief Executive Officer and our Chief Financial Officer, concluded as of December 31, 2019 that our disclosure controls and procedures were not effective because of material weaknesses in our internal control over financial reporting.
- (b) *Changes in internal control over financial reporting.* Other than the changes described above in Item 9A, "Controls and Procedures" of our most recently filed Annual Report on Form 10-K for the year ended March 31, 2019, there were no other changes in our internal control over financial reporting that occurred during the nine months ended December 31, 2019 covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In February 2018, two putative class action lawsuits were filed in the U.S. District Court for the Northern District of California against the Company and two former executive officers (the "Class Action"). The lawsuits were consolidated on May 16, 2018. The Class Action plaintiffs sought unspecified damages for certain alleged material

misrepresentations and omissions made by the Company in connection with its financial statements for fiscal year 2017. On September 25, 2018, the Court granted permission to plaintiffs in the action to file an Amended Consolidated Complaint. Before the plaintiffs filed their amended consolidated complaint, the parties met with a mediator to discuss a potential settlement of the case. On February 20, 2019, the parties reached a settlement in principal; under the terms of the settlement, the Company agreed to pay \$8.2 million to plaintiffs. The amount includes all of plaintiffs' attorneys' fees, and the full amount was paid by the Company's directors and officers liability insurance carriers during the three months ended September 30, 2019. A Stipulation of Settlement was signed by the Parties on June 28, 2019, and the Court entered preliminary approval of the settlement on July 26, 2019. In its order granting preliminary approval, the Court set November 14, 2019 as the date for consideration of a motion for final approval of the settlement. On November 27, 2019, the United States District Court for the Northern District of California entered the Final Judgement and Order Granting Final Approval of the Stipulation of Settlement in the class action litigation.

On December 20, 2019, the Company and the Securities and Exchange Commission ("SEC") settled a cease-and-desist proceeding arising out of the SEC's investigation of the matters disclosed in the Company's Current Reports on Form 8-K filed on February 8, 2018, September 14, 2018 and August 6, 2019. The matters concern the Company's historic accounting practices, internal controls and a restatement related to revenue recognition for transactions between the fourth quarter of fiscal 2015 and the second quarter of fiscal 2018. The settlement includes a cease and desist order and payment of \$1.0 million as a civil penalty. The civil penalty was fully accrued for as of December 31, 2019 and the Company has paid the amount to the SEC.

As of December 31, 2019, there have been no material changes to the legal proceedings previously disclosed in our most recently filed Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

There have been no material changes to the previously disclosed risk factors discussed in Part 1 “Part I, Item 1A, Risk Factors” in our Annual Report on Form 10-K for the year ended March 31, 2019 filed with the SEC on August 6, 2019. You should consider carefully these factors, together with all of the other information in this Quarterly Report on Form 10-Q, including our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, before making an investment decision.

ITEM 6. EXHIBITS

The exhibits required to be filed or furnished as part of this Quarterly Report are listed below. Notwithstanding any language to the contrary, exhibits 32.1 and 32.2 shall not be deemed to be filed as part of this Quarterly Report for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or deemed to be incorporated by reference into any filing under the Exchange Act or the Securities Act of 1933, except to the extent that The Company specifically incorporates it by reference.

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Filing Date	Exhibit	
10.1	Offer letter between the Company and Rebecca Jacoby, dated December 16, 2019	8-K	1-13449	12/16/2019	10.1	
10.2	Amended and Restated Employee Stock Purchase Plan Agreement (As amended and restated through November 13, 2019)	8-K	1-13449	11/13/2019	10.2	
10.3	Amended and Restated Long-term Incentive Plan Agreement (As amended and restated through November 13, 2019)	8-K	1-13449	11/13/2019	10.1	
10.4	Offer letter between the Company and Regan MacPherson, dated September 10, 2019	10-Q	1-13449	11/6/2019	10.1	
31.1	Certification of the Principal Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of the Principal Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002					X
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

QUANTUM CORPORATION

/s/ J. MICHAEL DODSON

J. Michael Dodson
Chief Financial Officer
(Principal Financial Officer)
Date: January 29, 2019

December 16, 2019

Ms. Rebecca Jacoby
Via electronic mail

Dear Rebecca:

We are pleased to offer you the opportunity to serve on the Board of Directors (the "Board") of Quantum Corporation ("Quantum"), effective upon your signature on this letter.

Under the current Board compensation program, your Board retainer will be \$50,000 per annum. Additionally, as a member of each of the Audit Committee and the Leadership and Compensation Committee, you will receive additional cash retainers of \$12,500 per annum and \$10,000 respectively. These retainers are paid in cash, generally in quarterly installments, and will be prorated for partial periods of service. Quantum will also reimburse you for any reasonable travel or incidental expenses associated with performing your duties as a Board member.

We will recommend to the Leadership and Compensation Committee that restricted stock units (RSUs) with a total value of \$113,700.00 be awarded to you, which is the pro-rated equivalent of our standard annual equity award for non-employee directors. The number of RSUs to be awarded will be determined based on the company's closing stock price on the first trading day of the month following appointment. These RSUs will vest 100% on the earlier of one-year from the approval date of the award, or the date of the Company's next annual stockholder meeting. Once the grant of RSUs has been approved, you will receive documentation from E*Trade, Quantum's Stock Administrator. If you remain a Board member, you will receive an annual stock grant thereafter, currently set at a total value of \$125,000 per annum. Details regarding the annual stock program are subject to change.

Last, we are pleased to offer you the opportunity to participate in Quantum's Deferred Compensation Program. If you are interested in further information about this program, please let us know and we will forward it to you.

To confirm your acceptance of our offer, please sign one copy of this letter, complete the enclosed documents, and return them to Regan MacPherson via email at regan.macpherson@quantum.com, or by mail to: Regan MacPherson, Quantum Corporation, 224 Airport Parkway, Suite 550, San Jose, CA 95110.

Please contact me if you have any questions. Welcome to Quantum and I look forward to working with you.

Sincerely,

/s/ Jamie L. Lerner
Jamie L. Lerner
President & CEO
jamie.lerner@quantum.com
415.218.3714

I understand and accept the terms of this agreement and agree to comply with all Quantum and Board policies and procedures, copies of which will have been delivered to me electronically, including those described in Quantum's "The High Road: Business Conduct and Ethics Policy", Insider Trading Policy, and Corporate Governance Principles.

Signed: /s/ Rebecca J. Jacoby
Rebecca J. Jacoby

Date: December 16, 2019

CC: Legal Department
Human Resources

QUANTUM CORPORATION
EMPLOYEE STOCK PURCHASE PLAN
(As Amended and Restated November 13, 2019)

The following constitute the provisions of the Employee Stock Purchase Plan (herein called the "Plan") of Quantum Corporation (herein called the "Company").

1. **Purpose.** The purpose of the Plan is to provide Employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions or other contributions. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Code, although the Company makes no undertaking or representation to maintain such qualification. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code. In addition, this Plan document authorizes the purchase of Common Stock under a Non-423(b) Component, pursuant to rules, procedures or sub-plans adopted by the Board or a committee appointed by the Board and designed to achieve tax, securities law or other objectives.

2. **Definitions.**

(a) "**Board**" shall mean the Board of Directors of the Company.

(b) "**Code**" shall mean the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code herein will be a reference to any successor or amended section of the Code.

(c) "**Code Section 423(b) Plan**" shall mean an employee stock purchase plan which is designed to meet the requirements set forth in Section 423(b) of the Code, as amended. The provisions of the Code Section 423(b) Plan should be construed, administered and enforced in accordance with Section 423(b) of the Code.

(d) "**Common Stock**" shall mean the common stock of the Company.

(e) "**Company**" shall mean Quantum Corporation, a Delaware corporation.

(f) "**Compensation**" shall mean all regular straight time earnings, payments for overtime, shift premium, incentive compensation, incentive payments, bonuses, and commissions (except to the extent that the exclusion of any such items for all participants is specifically directed by the Board or a committee appointed by the Board). The Board or a committee appointed by the Board shall have the power and discretion to (i) change the definition of Compensation for future Offering Periods, and (ii) determine what constitutes Compensation for Employees outside of the United States.

(g) "**Continuous Status as an Employee**" shall mean the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of: (i) a leave of absence agreed to in writing by the Company, provided that such leave is for a period of not more than three (3) months or re-employment upon the expiration of such leave is guaranteed by contract or statute; or (ii) notification by the Company of termination under a reduction-in-force. Termination of participation in the Plan in the case of a reduction-in-force shall be considered to have occurred upon the earlier of (x) the end of the employee's continuation period, or (y) the first (1st) day after the three (3) month period immediately following the cessation of his or her employment services with the Company, provided, in each case, that he or she will not be entitled to participate in any Offering Period for which the Enrollment Date occurs after the cessation of his or her employment services with the Company.

(h) "**Designated Subsidiaries**" shall mean the Subsidiaries which have been designated by the Board or a committee appointed by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(i) "**Employee**" shall mean any person, including an officer, who is employed by the Company or one of its Designated Subsidiaries. The Board or a committee appointed by the Board, in its discretion, from time to time may, prior to an Enrollment Date for all options to be granted on such Enrollment Date, determine (on a uniform and nondiscriminatory basis or as otherwise permitted by Treasury Regulation Section 1.423-2(f)) that the definition of Employee under the Plan or with respect to an Offering will or will not include an individual if he or she: (i) has not completed at least two (2) years of service since his or her last hire date (or such lesser period of time as may be determined by the Board or a committee appointed by the Board in its discretion), (ii) customarily works not more than twenty (20) hours per week or not more than five (5) months per calendar year (or such lesser period of time as may be determined by the Board or a committee appointed by the Board in its discretion), or (iii) is a highly compensated employee under Section 414(q) of the Code.

(j) "**Enrollment Date**" shall mean, unless otherwise determined by the Board or a committee appointed by the Board, the first Trading Day on or after every February 6 and August 6 of each year.

(k) "**Exercise Date**" shall mean, unless otherwise determined by the Board or a committee appointed by the Board, the date(s) approximately every six months after the Enrollment Date of an Offering Period and shall be one Trading Day prior to an Enrollment Date of the immediately following Offering Period.

(l) "**Fair Market Value**" shall mean, as of any date, the closing sales price of the Common Stock (or the closing bid, if no sales were reported) as quoted on the stock exchange with the greatest volume of trading in Common Stock on the last market trading day prior to the date of determination, as reported in *The Wall Street Journal* or such other source as the Board or a committee appointed by the Board deems reliable.

(m) "**New Exercise Date**" shall mean a new Exercise Date if the Board or a committee appointed by the Board shortens any Offering Period then in progress.

(n) "Non-423(b) Component" shall mean the grant of an option under the Plan which is not intended to meet the requirements set forth in Section 423(b) of the Code, as amended.

(o) "Offering" shall mean an offer of an option under the Plan that may be exercised during an Offering Period. For purposes of the Plan, the Board or a committee appointed by the Board may designate separate Offerings under the Plan in which Employees of one or more employers will participate, even if the dates of the applicable Offering Periods of each such Offering are identical and the provisions of the Plan will apply separately to each Offering. To the extent permitted by Treasury Regulations Section 1.423-2(a)(1), the terms of each Offering need not be identical provided that the terms of the Plan and an Offering together satisfy Treasury Regulation Sections 1.423-2(a)(2) and (a)(3).

(p) "Offering Period" shall mean a period commencing on an Enrollment Date and ending on the Exercise Date, approximately six (6) months later, or as otherwise set forth in Section 4 hereof.

(q) "Parent" shall mean a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(r) "Plan" shall mean this Employee Stock Purchase Plan, which includes a Code Section 423(b) Plan and a Non-423(b) Component.

(s) "Purchase Price" shall have the meaning as set forth in Section 7(b).

(t) "Subsidiary" shall mean a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

(u) "Trading Day" shall mean a day on which the New York Stock Exchange is open for trading.

3. Eligibility

(a) Any Employee (as defined in Section 2) who shall be employed by the Company or one of its Designated Subsidiaries on the date his or her participation in the Plan is effective shall be eligible to participate in the Plan, unless the Company, in its discretion, decides that such participation would infringe any U.S. or foreign law, rules or regulations.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) if, immediately, after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own shares and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary, or (ii) which permits his or her rights to purchase shares under all employee stock purchase plans (as defined in Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate which exceeds Twenty-Five Thousand Dollars (US\$25,000) of the fair market value of the shares (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time.

(c) No employee of the Company or a Designated Subsidiary shall be eligible to participate in the Non-423(b) Component of the Plan if he or she is an officer or director of the Company subject to the requirements of Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the "Act").

(d) Employees who are citizens or residents of a non-U.S. jurisdiction (without regard to whether they also are citizens or residents of the U.S. or resident aliens of the U.S. (within the meaning of Section 7701(b)(1)(A) of the Code)) may be excluded from participation in the Plan or an Offering if the participation of such Employees is prohibited under the laws of the applicable jurisdiction or if complying with the laws of the applicable jurisdiction would cause the Plan or an Offering to violate Code Section 423. In the case of the Non-423 Component, Employees may be excluded from participation in the Plan or an Offering if the Board or a committee appointed by the Board has determined that participation of such Employees is not advisable or practicable.

4. Offering Periods and Purchase Periods

(a) Shares of the Company's Common Stock shall be offered for purchase under the Plan through a series of consecutive and/or overlapping Offering Periods with a new Offering Period commencing on an Enrollment Date and shall continue thereafter until terminated in accordance with Section 19 hereof. The Board or a committee appointed by the Board shall have the power to change the duration of Offering Periods with respect to future Offerings. In no event shall the duration of an Offering Period exceed twenty-seven (27) months. Notwithstanding the foregoing, no offers hereunder shall be made until compliance with all applicable securities law has been obtained.

(b) The Plan shall be implemented through a series of consecutive and/or overlapping Offering Periods, each to be of such duration (not to exceed twenty-seven (27) months per Offering Period) as determined by the Board or a committee appointed by the Board prior to the Enrollment Date. Offering Periods may consist of one or more purchase periods during which payroll deductions are collected from Plan participants and accumulated under the Plan. Payroll deductions shall commence on the first payroll date following the Enrollment Date, or the beginning of the purchase period if applicable, and shall end on the last payroll date in the Offering Period, or the purchase period if applicable, to which such authorization is applicable, unless sooner terminated by the participant as provided in Section 10. The Board or a committee appointed by the Board will announce the Enrollment Date of an Offering Period, the duration of that Offering Period, and any applicable purchase period(s) during the Offering Period in advance of the Enrollment Date.

(c) A participant shall be granted a separate purchase right for each Offering Period in which the participant participates. The purchase right shall be granted on the Enrollment Date and shall be automatically exercised on the applicable Exercise Date within that Offering Period or any earlier day the purchase right is to be exercised hereunder.

(d) An Employee may participate in only one Offering Period at a time. Accordingly, an Employee who wishes to join a new Offering Period must withdraw from the current Offering Period pursuant to Section 10.

5. Participation. An eligible Employee may become a participant in the Plan by completing a subscription agreement authorizing payroll deductions in the form and manner determined by the Company in its discretion from time to time. The Company, in its discretion, may decide that all participants in a specified Offering may submit contributions to the Plan by means other than payroll deductions. If participants are

permitted or required to contribute to the Plan by other means, the Company, in its discretion, will determine the procedure for providing the contributions prior to the Exercise Date.

6. Payroll Deductions/Contributions.

(a) At the time a participant files his or her subscription agreement, he or she shall elect to contribute to the Plan (in the form of payroll deductions or otherwise) on each payday during the Offering Period at a rate not exceeding ten percent (10%) of the Compensation which he or she received on such payday, and the aggregate of such payroll deductions pursuant to the Plan during the Offering Period shall not exceed ten percent (10%) of his or her aggregate Compensation during said Offering Period. A participant's subscription agreement shall remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof.

(b) All contributions made for a participant shall be credited to his or her account under the Plan.

(c) A participant may discontinue participation in the Plan as provided in Section 10, or may change the rate of payroll deductions or other contributions by submitting written notice to the Company in the form and manner prescribed by the Board or a committee appointed by the Board (or its designee) authorizing a change in the participant's payroll deduction or contribution rate. The change rate shall be effective (i) in the case of a decrease in rate, with the first payroll period following the Company's receipt of the notice of rate change, and (ii) in the case of an increase in rate at the beginning of the next Offering Period following the Company's receipt of the notice of rate change. If a participant has not followed the procedures prescribed by the Board or a committee appointed by the Board (or its designee) to change the rate of payroll deductions or other contributions, the rate of his or her payroll deductions or other contributions will continue at the originally elected rate throughout the Offering Period and future Offering Periods (unless terminated as provided in Section 10). The Board or a committee appointed by the Board may, in its sole discretion, limit the nature and/or number of payroll deduction or contribution rate changes that may be made by participants during any Offering Period.

7. Grant of Option.

(a) On the Enrollment Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on the Exercise Dates during such Offering Period up to a number of shares of the Company's Common Stock determined by dividing such Employee's contributions to the Plan accumulated during the Offering Period ending on such Exercise Date by the lower of (i) eighty-five percent (85%) of the Fair Market Value of a share of the Company's Common Stock on the Enrollment Date, or (ii) eighty-five (85%) of the Fair Market Value of a share of the Company's Common Stock on the Exercise Date; provided that in no event shall an Employee be permitted to purchase in one calendar year more than a number of shares determined by dividing US\$25,000 by the Fair Market Value of a share of the Company's Common Stock (determined at the time such option is granted), and provided further that such purchase shall be subject to the limitations set forth in Sections 3(b) and 12 hereof. The option shall be automatically exercised on the Exercise Date during the Offering Period, unless the participant has withdrawn pursuant to Section 10, and shall expire on the last day of the Offering Period.

(b) The purchase price per share of the shares offered in a given Offering Period shall be the lower of: (i) 85% of the Fair Market Value of a share of the Common Stock of the Company on the Enrollment Date; or (ii) 85% of the Fair Market Value of a share of the Common Stock of the Company on the Exercise Date (such price, the "Purchase Price").

(c) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) herein, a participant's contributions may be decreased to 0% at such time during any Offering Period which is scheduled to end during the current calendar year that the aggregate of all contributions accumulated with respect to such Offering Period and any other Offering Period ending within the same calendar year equal \$21,250. Contributions shall recommence at the rate provided in such participant's subscription scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 10.

(d) If the Board or a committee appointed by the Board determines, in its sole discretion, that the exercise of an option or the disposition of Common Stock issued under the Plan will result in tax liability for which the Company or a Designated Subsidiary will have an obligation to withhold, the participant must make adequate provision for the payment of such federal, state, local and foreign income, social insurance, employment and any other applicable taxes. At any time, the Company or the Designated Subsidiary may, but will not be obligated to, withhold from the participant's compensation the amount necessary for the Company or the Designated Subsidiary to meet applicable withholding obligations, including any withholding required to make available to the Company or the Designated Subsidiary any tax deductions or benefits attributable to the sale or early disposition of Common Stock by the eligible Employee.

8. Exercise of Option. The participant's option for the purchase of shares will be exercised automatically on each Exercise Date of each Offering Period and the maximum number of full shares subject to the option will be purchased for such participant at the applicable Purchase Price with the accumulated payroll deductions or other contributions in his or her account unless prior to such Exercise Date the participant has withdrawn from the Offering Period as provided in Section 10 or unless any of the limitations under Sections 3, 7 or 12 would be exceeded. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by the participant. No fractional shares shall be purchased; any payroll deductions or other contributions accumulated in a participant's account which are not sufficient to purchase a full share, or which would cause the limitations under Sections 3, 7 or 12 hereof to be exceeded, shall be returned to the participant after the Exercise Date.

9. Delivery. As promptly as practicable after each Exercise Date, the Company shall arrange the delivery to each participant, as appropriate, the shares of Common Stock purchased upon exercise of the option. The Company may permit or require that shares be deposited directly with a broker designated by the Company or to a designated agent of the Company, and the Company may utilize electronic or automated methods of share transfer. The Company may require that shares be retained with such broker or agent for a designated period of time and/or may establish other procedures to permit tracking of disqualifying dispositions of such shares. No participant will have any voting, dividend, or other stockholder rights with respect to shares of Common Stock subject to any option granted under the Plan until such shares have been purchased and delivered to the participant as provided in this Section 9.

10. Withdrawal; Termination of Employment.

(a) A participant may withdraw all but not less than all the contributions credited to his or her account under the Plan at any time prior to the end of the Offering Period by giving written notice to the Company in the form and manner prescribed by the Board or a committee appointed by the Board for such purpose. All of the participant's contributions credited to his or her account will be paid to him or her promptly after receipt of his or her notice of withdrawal and his or her option for the current Offering Period will be automatically terminated, and no further contributions for the purchase of shares will be made during the Offering Period. If a participant withdraws from an Offering Period, contributions may not resume at the beginning of the succeeding Offering Period unless the participant delivers to the Company a new subscription agreement.

(b) Upon termination of the participant's employment prior to the end of the Offering Period for any reason, including retirement or death, the contributions credited to his or her account will be returned to him or her or, in the case of his or her death, to the person or persons entitled thereto under Section 14, and his or her option will be automatically terminated; provided that if an Employee shall take a leave of absence approved by the Company in accordance with Section 2(g) of this Plan during an Offering Period in which the Employee is a participant, the participant will be deemed to have his or her contributions reduced to 0% during such leave of absence, but he or she shall continue to be a participant in the applicable Offering Period and upon his or her return to employment with the Company shall be eligible to participate fully in any remaining portion of the applicable Offering Period. If the participant fails to return to employment with the Company at the end of such authorized leave of absence, or if his or her employment is otherwise terminated earlier, he or she shall be deemed to have withdrawn from participation in the Plan.

(c) A participant's withdrawal from an Offering Period will not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods.

(d) A participant whose employment transfers between entities through a termination with an immediate rehire (with no break in service) by the Company or a Designated Subsidiary will not be treated as terminated under the Plan; however, if a participant transfers from an Offering under the 423 Component to the Non-423 Component, the exercise of the option will be qualified under the 423 Component only to the extent it complies with Code Section 423.

11. Interest. No interest shall accrue on the contributions of a participant in the Plan, unless required by applicable law, as determined by the Company, and if so required by the laws of a particular jurisdiction, will apply to all participants in the relevant Offering under the 423 Component, except to the extent otherwise permitted by U.S. Treasury Regulation Section 1.423-2(f).

12. Stock.

(a) The maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be 9,725,769, subject to adjustment upon changes in capitalization of the Company as provided in Section 18. In addition, in no event shall more than 300,000 shares of the Company's Common Stock (subject to adjustment upon changes in capitalization of the Company as provided in Section 18) be made available for sale under the Plan on any one Exercise Date. Furthermore, the maximum number of shares that each participant may purchase on any one Exercise Date shall not exceed 10,000 shares of the Company's Common Stock (subject to adjustment upon changes in capitalization of the Company as provided in Section 18). However, the Board or a committee appointed by the Board, in its discretion and prior to the commencement of an Offering Period, may decide to impose a different limit on the number of shares of the Company's Common Stock that each participant may purchase on any one Exercise Date during such Offering Period. If the total number of shares which would otherwise be subject to options granted pursuant to Section 7(a) hereof at the beginning of an Offering Period exceeds the number of shares then available under the Plan (after deduction of all shares for which options have been exercised or are then outstanding) or the 300,000 share limit for any one Exercise Date, the Company shall make a pro rata allocation of the shares remaining available for option grant in as uniform a manner as shall be practicable and as it shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares subject to the option to each Employee affected thereby and shall similarly reduce the rate of contributions, if necessary.

(b) Until the shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized exchange agent of the Company), a participant will only have the rights of an unsecured creditor with respect to such shares, and no right to vote or receive dividends or any other rights as a stockholder will exist with respect to such shares.

(c) Shares to be delivered to a participant under the Plan will be registered in the name of the participant or in the name of the participant and his or her spouse, or as otherwise directed by the participant.

13. Administration. The Plan shall be administered by the Board or a committee appointed by the Board. The Board or a committee appointed by the Board will have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to designate separate Offerings under the Plan, to determine eligibility, to adjudicate all disputed claims filed under the Plan and to establish such procedures that it deems necessary for the administration of the Plan (including, without limitation, to adopt such procedures and sub-plans as are necessary or appropriate to permit the participation in the Plan by employees who are foreign nationals or employed outside the U.S., the terms of which sub-plans may take precedence over other provisions of this Plan, with the exception of Section 12(a), but unless otherwise superseded by the terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan). Unless otherwise determined by the Board or a committee appointed by the Board, the Employees eligible to participate in each sub-plan will participate in a separate Offering. Without limiting the generality of the foregoing, the Board or a committee appointed by the Board is specifically authorized (in its discretion) to adopt rules and procedures regarding eligibility to participate, the form and manner for making elections under the Plan, the definition of Compensation, handling of Contributions, making of Contributions to the Plan (including, without limitation, in forms other than payroll deductions), establishment of bank or trust accounts to hold Contributions, payment of interest (if any), conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements and withholding procedures and handling of stock certificates that vary with applicable local requirements. The Board or a committee appointed by the Board also is authorized to determine that, to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f), the terms of an option granted under the Plan or an Offering to citizens or residents of a non-U.S. jurisdiction will be less favorable than the terms of options granted under the Plan or the same Offering to employees resident solely in the U.S. Every finding, decision, interpretation and determination made by the Board or a committee appointed by the Board will, to the full extent permitted by law, be final and

binding upon all parties.

14. Designation of Beneficiary.

(a) Unless otherwise determined by the Company, a participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of the Offering Period but prior to delivery to him or her of such shares and cash. In addition, unless otherwise determined by the Company, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to the end of the Offering Period.

(b) Unless otherwise determined by the Company, such designation of beneficiary may be changed by the participant at any time by written notice to the Company in the form and manner prescribed by the Board or a committee appointed by the Board for such purpose. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate or determine to be the appropriate recipients of the shares and/or cash under applicable law.

(c) All beneficiary designations will be in such form and manner as the Board or a committee appointed by the Board may prescribe from time to time.

15. Transferability. Neither contributions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 14 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 10.

16. Use of Funds. All contributions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such contributions, except under Offerings or for participants in the Non-423 Component for which applicable laws require that contributions to the Plan by participants be segregated from the Company's general corporate funds and/or deposited with an independent third party. Until shares of Common Stock are issued, participants will only have the rights of an unsecured creditor with respect to such shares.

17. Reports. Individual accounts will be maintained for each participant in the Plan. Statements of account will be given to participating Employees at least annually as promptly as practically feasible following an Exercise Date, which statements will set forth the amounts of contributions, the per share Purchase Price, the number of shares purchased and the remaining cash balance, if any.

18. Adjustments Upon Changes in Capitalization. In the event that any dividend or other distribution (whether in the form of cash, shares of Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of shares of Common Stock or other securities of the Company, or other change in the corporate structure of the Company that affects the shares of Common Stock, then the Board or a committee appointed by the Board shall, in such manner as it may deem equitable, adjust the number and class of shares of Common Stock (or other securities, property or cash) that may be delivered under the Plan, and the number, class, and price of shares of Common Stock subject to any option under the Plan which has not yet been exercised, as determined by the Board or a committee appointed by the Board (in its sole discretion) to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

19. Amendment or Termination.

(a) The Board may at any time and for any reason terminate or amend the Plan. Except as provided in Section 18 hereof, no such termination can affect options previously granted, provided that an Offering Period may be terminated by the Board or a committee appointed by the Board on an Exercise Date if the Board or its committee, as applicable, determines that the termination of the Offering Period or the Plan is in the best interests of the Company and its shareholders. Except as provided in Section 18 and this Section 19 hereof, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other applicable law, regulation or stock exchange rule), the Company shall obtain shareholder approval in such a manner and to such a degree as required.

(b) Without shareholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the Board (or its committee) shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding or contributing to the Plan in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Board (or its committee) determines in its sole discretion advisable which are consistent with the Plan.

(c) In the event the Board or a committee appointed by the Board determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board or a committee appointed by the Board may, in its discretion and, to the extent necessary or desirable, modify, amend or terminate the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(i) amending the Plan to conform with the safe harbor definition under the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto), including with respect to an Offering Period underway at the time;

(ii) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;

(iii) shortening any Offering Period by setting a New Exercise Date, including an Offering Period underway at the time of the action by the Board or a committee appointed by the Board;

(iv) reducing the maximum percentage of Compensation a Participant may elect to set aside as payroll deductions or other contributions; and

(v) reducing the maximum number of shares of Common Stock a Participant may purchase during any Offering Period.

Such modifications or amendments shall not require stockholder approval or the consent of any Plan participants.

20. Notices. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. Stockholder Approval. If required by Section 19, any amendment to the Plan shall be subject to approval by the stockholders of the Company within twelve months before or after the date such amendment is adopted. If such stockholder approval is obtained at a duly held stockholders' meeting, it may be obtained by the affirmative vote of the holders of a majority of the outstanding shares of the Company present or represented and entitled to vote thereon, which approval shall be:

(a) solicited substantially in accordance with Section 14(a) of the Act and the rules and regulations promulgated thereunder, or solicited after the Company has furnished in writing to the holders entitled to vote substantially the same information concerning the Plan as that which would be required by the rules and regulations in effect under Section 14(a) of the Act at the time such information is furnished; and

(b) obtained at or prior to the first annual meeting of stockholders held subsequent to the later of (i) the first registration of Common Stock under Section 12 of the Act, or (ii) the acquisition of an equity security for which exemption is claimed.

In the case of approval by written consent, it must be obtained in accordance with applicable state law.

22. Conditions Upon Issuance of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the U.S. Securities Act of 1933, as amended, the Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Offering Period then in progress shall be shortened by setting a New Exercise Date, and shall terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Board or a committee appointed by the Board. The New Exercise Date shall be before the date of the Company's proposed dissolution or liquidation. The Board or a committee appointed by the Board shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

24. Merger or Asset Sale. In the event of a merger of the Company with or into another corporation or the sale of substantially all of the assets of the Company, each outstanding option shall be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, the Offering Period then in progress shall be shortened by setting a New Exercise Date and such Offering Period shall end on the New Exercise Date. The New Exercise Date shall be before the date of the Company's proposed merger or asset sale. The Board or a committee appointed by the Board shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

25. Code Section 409A. The Code Section 423(b) Plan is exempt from the application of Section 409A of the Code. The Non-423(b) Component is intended to be exempt from Section 409A of the Code under the short-term deferral exception and any ambiguities shall be construed and interpreted in accordance with such intent. In the case of a participant who would otherwise be subject to Section 409A of the Code, to the extent an option to purchase shares of Common Stock or the payment, settlement or deferral thereof is subject to Section 409A of the Code, the option to purchase shares of Common Stock shall be granted, paid, exercised, settled or deferred in a manner that will comply with Section 409A of the Code, including the final regulations and other guidance issued with respect thereto, except as otherwise determined by the Board or a committee appointed by the Board. Notwithstanding the foregoing, the Company shall have no liability to a participant or any other party if the option to purchase Common Stock under the Plan that is intended to be exempt from or compliant with Section 409A of the Code is not so exempt or compliant or for any action taken by the Board or a committee appointed by the Board with respect thereto.

26. No Right to Employment. Participation in the Plan by a participant will not be construed as giving a participant the right to be retained as an employee of the Company or a Subsidiary, as applicable. Further, the Company or a Subsidiary may dismiss a participant from employment at any time, free from any liability or any claim under the Plan.

27. Severability. If any provision of the Plan is or becomes or is deemed to be invalid, illegal, or unenforceable for any reason in any jurisdiction or as to any participant, such invalidity, illegality or unenforceability will not affect the remaining parts of the Plan, and the Plan will be construed and enforced as to such jurisdiction or participant as if the invalid, illegal or unenforceable provision had not been included.

28. Compliance with Applicable Laws. The terms of this Plan are intended to comply with all applicable laws and will be construed accordingly.

29. Governing Law. Except to the extent that provisions of this Plan are governed by applicable provisions of the Code or any other substantive provision of federal law, this Plan shall be construed in accordance with, and shall be governed by, the substantive laws of the State of California without regard to any provisions of California law relating to the conflict of laws.

QUANTUM CORPORATION
2012 LONG-TERM INCENTIVE PLAN

(November 13, 2019 Amendment and Restatement)

1. Background and Purposes of the Plan. This amended and restated Plan is effective as of November 13, 2019, subject to approval by an affirmative vote of the holders of a majority of Shares that are present in person or by proxy and entitled to vote at the 2019 Annual Meeting of Stockholders of the Company.

The purposes of this Plan are:

- to attract and retain the best available Employees, Directors and Consultants for positions of substantial responsibility,
- to provide incentive to Employees, Directors and Consultants,
- and
- to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units and Performance Shares.

2. Definitions. As used herein, the following definitions will apply:

- (a) "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.
- (b) "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.
- (c) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares.
- (d) "Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.
- (e) "Award Transfer Program" means any program instituted by the Administrator that would permit Participants the opportunity to transfer for value any outstanding Awards to a financial institution or other person or entity approved by the Administrator. A transfer for "value" shall not be deemed to occur under this Plan where an Award is transferred by a Participant not for consideration and for bona fide estate planning purposes to a trust or other entity approved by the Administrator and for the benefit of the Participant's family.
- (f) "Board" means the Board of Directors of the Company.
- (g) "Change in Control" means the occurrence of any of the following events:
- (i) A change in the ownership of the Company that occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than fifty percent (50%) of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection, the acquisition of additional stock by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the stock of the Company at the time of the acquisition of the additional stock will not be considered a Change in Control; or
- (ii) A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or
- (iii) A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company

(immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3). For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Section 409A.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(h) "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder shall include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(i) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board, or a duly authorized committee of the Board, in accordance with Section 4 hereof.

(j) "Common Stock" means the common stock of the Company.

(k) "Company" means Quantum Corporation, a Delaware corporation, or any successor thereto.

(l) "Consultant" means any natural person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity in a capacity other than as an Employee or Director; provided, however, that a Consultant will include only those persons to whom the issuance of Shares may be registered under Form S-8 under the Securities Act of 1933, as amended.

(m) "Director" means a member of the Board.

(n) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

(o) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

(p) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(q) "Exchange Program" means a program under which (i) outstanding awards are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type, and/or cash, (ii) Participants would have the opportunity to participate in an Award Transfer Program, and/or (iii) the exercise price of an outstanding Award is reduced (for example, the downward "repricing" of an underwater stock option). The term Exchange Program excludes any action permitted under Section 13. The Administrator will determine the terms and conditions of any Exchange Program in its discretion, but only to the extent permitted by an amendment to the Plan that is approved by the Company's stockholders.

(r) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the New York Stock Exchange, the NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market of The Nasdaq Stock Market, its Fair Market Value will be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Common Stock on the day of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

- (iii) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.
- (s) “Fiscal Year” means the fiscal year of the Company.
- (t) “Full Value Awards” means Awards of Restricted Stock, Restricted Stock Units, and Performance Shares.
- (u) “Incentive Stock Option” means an Option that by its terms qualifies and is otherwise intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.
- (v) “Nonstatutory Stock Option” means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.
- (w) “Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.
- (x) “Option” means a stock option granted pursuant to the Plan.
- (y) “Outside Director” means a Director who is not an Employee or Consultant.
- (z) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.
- (aa) “Participant” means the holder of an outstanding Award.
- (ab) “Performance-Based Award” means any Award that is subject to the terms and conditions set forth in Section 10 of the Plan.
- (ac) “Performance Period” means any Fiscal Year (or period of four (4) consecutive fiscal quarters) or such longer period as determined by the Administrator in its sole discretion during which the performance objectives must be met.
- (ad) “Performance Share” means an Award denominated in Shares which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine pursuant to Section 10 of the Plan.
- (ae) “Performance Unit” means an Award which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 10 of the Plan.
- (af) “Period of Restriction” means the period during which Restricted Stock Units, Performance Shares, Performance Units and/or the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, continued service, the achievement of target levels of performance, the achievement of performance goals, or the occurrence of other events as determined by the Administrator.
- (ag) “Plan” means this 2012 Long-Term Incentive Plan.
- (ah) “Restricted Stock” means Shares issued pursuant to a Restricted Stock award under Section 7 of the Plan, or issued pursuant to the early exercise of an Option.
- (ai) “Restricted Stock Unit” means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 8 of the Plan. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.
- (aj) “Rule 16b-3” means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.
- (ak) “Section 16(b)” means Section 16(b) of the Exchange Act.
- (al) “Section 409A” means Section 409A of the Code, and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.
- (am) “Service Provider” means an Employee, Director or Consultant.
- (an) “Share” means a share of the Common Stock, as adjusted in accordance with Section 13 of the Plan.
- (ao) “Stock Appreciation Right” or “SAR” means an Award, granted alone or in connection with an Option, that pursuant to Section 9 of the Plan is designated as a Stock Appreciation Right.
- (ap) “Subsidiary” means a “subsidiary corporation or company,” whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan.

- (a) Stock Subject to the Plan. Subject to the provisions of Section 13 of the Plan, the maximum aggregate number of Shares that may be issued under the Plan shall equal 9,768,750 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.
- (b) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an Exchange Program, or, with respect to Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares, is forfeited to or repurchased by the Company due to failure to vest, the unpurchased Shares (or for Awards other than Options or Stock Appreciation Rights the forfeited or repurchased Shares), which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). Upon exercise of a Stock Appreciation Right settled in Shares, the gross number of Shares covered by the portion of the Award so exercised, whether or not actually issued
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pursuant to such exercise will cease to be available under the Plan. Shares that have actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units are repurchased by the Company or are forfeited to the Company, such Shares will become available for future grant under the Plan. Shares used to pay the exercise price or purchase price of an Award will not become available for future grant or sale under the Plan. Shares used to satisfy the tax withholding obligations related to Restricted Stock awards, Restricted Stock units, Performance Units or Performance Shares will become available for future grant or sale under the Plan. Shares used to satisfy the tax withholding obligations under an Option or Stock Appreciation Right will not become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Shares purchased in the open market with proceeds from option exercises will not be added to the Share reserve under the Plan. Notwithstanding anything in the Plan or any Award Agreement to the contrary, Shares actually issued pursuant to Awards transferred under any Award Transfer Program will not be again available for grant under the Plan. Notwithstanding the foregoing and, subject to adjustment as provided in Section 13 of the Plan, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a) of the Plan, plus, to the extent allowable under Section 422 of the Code and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to this Section 3(b).

(c) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.
(ii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.

(iii) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws.

(iv) Delegation of Authority for Day-to-Day Administration. Except to the extent prohibited by Applicable Law, the Administrator may delegate to one or more individuals the day-to-day administration of the Plan and any of the functions assigned to it in this Plan. Such delegation may be revoked at any time.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

(i) to determine the Fair Market Value;
(ii) to select the Service Providers to whom Awards may be granted hereunder;
(iii) to determine the number of Shares to be covered by each Award granted hereunder (subject to the provisions of the Plan);
(iv) to approve forms of Award Agreements for use under the Plan;
(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction, limitation or requirement regarding any Award or the Shares covered thereby (for example, but not by way of limitation, any holding period or ownership requirement), based in each case on such factors as the Administrator (in its discretion) shall determine;

(vi) to determine the terms and conditions of any Exchange Program and/or Award Transfer Program and with the consent of the Company's stockholders, to institute an Exchange Program and/or Award Transfer Program (provided that the Administrator may not implement an Exchange Program and/or Award Transfer Program without first receiving the consent of the Company's stockholders to an amendment to the Plan that expressly permits the Exchange Program or Award Transfer Program);

(vii) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;
(viii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying or facilitating compliance with applicable foreign laws and/or for qualifying for favorable tax treatment under applicable foreign laws;

(ix) to modify or amend each Award (subject to Section 18 of the Plan), including but not limited to the discretionary authority to extend the post-termination exercisability period of Awards and to extend the maximum term of an Option (subject to Section 6(b) of the Plan regarding Incentive Stock Options);

(x) to allow Participants to satisfy withholding tax obligations in such manner as prescribed in Section 14 of the Plan;
(xi) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator pursuant to such procedures as the Administrator may determine;

(xii) to allow a Participant, in compliance with all Applicable Laws including, but not limited to, Section 409A, to defer the receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant under an Award; and

(xiii) to determine whether Awards will be settled in Shares, cash or in any combination thereof;

(xiv) to impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by a Participant or other subsequent transfers by the Participant of any Shares issued as a result of or under an Award, including without limitation, (A) restrictions under an insider trading policy, and (B) restrictions as to the use of a specified brokerage firm for such resales or other transfers;

(xv) to require that the Participant's rights, payments and benefits with respect to an Award (including amounts received upon the settlement or exercise of an Award) shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award, as may be specified in an Award Agreement at the time of the Award, or later if (A) Applicable Laws require the Company to adopt a policy requiring such reduction, cancellation, forfeiture or recoupment, or (B) pursuant to an amendment of an outstanding Award; and

(xvi) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards and shall be given the maximum deference permitted by law.

(d) Fiscal Year Limit on Outside Director Awards. No Outside Director may be granted, in any Fiscal Year, Awards (the value of which will be based on their grant date fair value determined in accordance with generally accepted accounting principles) which, in the aggregate, exceed \$500,000, provided that such amount is increased to \$750,000 in the Fiscal Year of his or her initial service as an Outside Director. Any Awards or other compensation provided to an individual for his or her services as an Employee, or for his or her services as a Consultant other than as an Outside Director, will be excluded for purposes of applying the preceding limit.

5. Eligibility. Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

6. Stock Options.

(a) Limitations.

(i) Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars (\$100,000), such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted.

(ii) The Administrator will have complete discretion to determine the number of Shares subject to an Option granted to any Service Provider, provided that, subject to Section 13, during any Fiscal Year, no Employee or Consultant may be granted Options and/or SARs covering more than a total of 1,000,000 Shares, except that during the Fiscal Year in which a Participant first becomes an Employee or Consultant, the Participant may be granted Options and/or SARs covering up to a total of an additional 1,000,000 Shares. (The grant limit for Outside Directors is in Section 4(d).)

(b) Term of Option. The term of each Incentive Stock Option or Nonstatutory Stock Option will be stated in the Award Agreement; provided, however, that the term will be no more than seven (7) years from the date of grant hereof. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

(c) Option Exercise Price and Consideration.

(i) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following:

(1) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any

Parent or Subsidiary, the per Share exercise price will be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(2) In the case of a Nonstatutory Stock Option, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(3) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

(ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

(iii) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of, without limitation: (1) cash; (2) check; (3) promissory note, to the extent permitted by Applicable Laws, (4) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (5) consideration received by the Company under a cashless exercise program (whether through a broker, net exercise program or otherwise) implemented by the Company in connection with the Plan; (6) by reduction in the amount of any Company liability to the Participant, (7) by net exercise; (8) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or (9) any combination of the foregoing methods of payment.

(d) Exercise of Option.

(i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) a notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13 of the Plan.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's termination as the result of the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for three (3) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will be forfeited and revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified by the Award Agreement, this Plan or the Administrator, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will be forfeited and revert to the Plan. If after

termination the Participant does not exercise his or her Option within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised following the Participant's death within such period of time as is specified in the Award Agreement (but in no event may the option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's designated beneficiary, provided such designation has been permitted by the Administrator and provided a beneficiary has been designated prior to Participant's death in a form acceptable to the Administrator. If a beneficiary designation has not been permitted by the Administrator or if no beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following Participant's death. Unless otherwise provided by the Administrator, if at the time of death Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will be forfeited and immediately revert to the Plan. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

7. Restricted Stock.

(a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine; provided, that, subject to the provisions of Section 13 of the Plan, during any Fiscal Year, no Employee or Consultant may be granted Full Value Awards covering more than 750,000 Shares, except that during the Fiscal Year in which a Participant first becomes an Employee or Consultant, the Participant may be granted Full Value Awards covering up to a total of an additional 750,000 Shares. (The grant limit for Outside Directors is in Section 4(d).)

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.

(c) Transferability. Except as provided in this Section 7 or the Award Agreement, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(i) General Restrictions. The Administrator may set restrictions based upon continued employment or service, the achievement of specific performance objectives (Company-wide, departmental, divisional, business unit, or individual), applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.

(e) Removal of Restrictions. Except as otherwise provided in this Section 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction or at such other time as the Administrator may determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless the Administrator provides otherwise. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

(h) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and, subject to Section 3, again will become available for grant under the Plan.

8. Restricted Stock Units.

(a) Grant. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Restricted Stock Units to Service Providers in such amounts as the Administrator, in its sole discretion, will determine; provided, that, subject to the provisions of Section 13 of the Plan, during any Fiscal Year, no Employee or Consultant may be granted Full Value Awards covering more than 750,000 Shares, except that during the Fiscal Year in which a Participant first becomes an Employee or Consultant, the Participant may be granted Full Value Awards covering up to a total of an additional 750,000 Shares. (The grant limit for Outside Directors is in Section 4(d).) After the Administrator determines that it will grant Restricted Stock Units under the Plan, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant.

(i) General Restrictions. The Administrator may set vesting criteria based upon continued employment or service, the achievement of specific performance objectives (Company-wide, departmental, divisional, business unit, or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws or any other basis determined by the Administrator in its discretion.

(c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

(d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) determined by the Administrator and set forth in the Award Agreement; provided, however, that the timing of payment shall in all cases comply with Section 409A to the extent applicable to the Award. The Administrator, in its sole discretion, may only settle earned Restricted Stock Units in cash, Shares, or a combination of both.

(e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company and, subject to Section 3 of the Plan, again will become available for grant under the Plan.

9. Stock Appreciation Rights.

(a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of Stock Appreciation Rights granted to any Service Provider, provided that, subject to the provisions of Section 13, during any Fiscal Year, no Employee or Consultant may be granted SARs and/or Options covering more than a total of 1,000,000 Shares, except that during the Fiscal Year in which a Participant first becomes an Employee or Consultant, the Participant may be granted SARs and/or Options covering up to a total of an additional 1,000,000 Shares. (The grant limit for Outside Directors is in Section 4(d).)

(c) Exercise Price and Other Terms. The per share exercise price for the Shares to be issued pursuant to exercise of a Stock Appreciation Right will be determined by the Administrator and will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. Otherwise, the Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan.

(d) Stock Appreciation Right Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(e) Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the rules of Section 6(b) of the Plan relating to the maximum term and Section 6(d) of the Plan relating to exercise also will apply to Stock Appreciation Rights.

(f) Payment of Stock Appreciation Right Amount. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

- (i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times
- (ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

10. Performance Units and Performance Shares

(a) Grant of Performance Units/Shares. Subject to the terms and conditions of the Plan, Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion. The Administrator will have complete discretion in determining the number of Performance Units and Performance Shares granted to each Participant; provided, that subject to the provisions of Section 13 of the Plan, during any Fiscal Year, no Employee or Consultant (a) may be granted Full Value Awards covering more than 750,000 Shares, except that during the Fiscal Year in which a Participant first becomes an Employee or Consultant, the Participant may be granted Full Value Awards covering up to a total of an additional 750,000 Shares, and (b) will receive Performance Units having an initial value greater than \$10,000,000; provided, however, that in the Fiscal Year in which his or her service as an Employee or Consultant first commences, the Participant may be granted additional Performance Units having a value no greater than \$10,000,000. (The grant limit for Outside Directors is in Section 4(d).)

(b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

(c) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions (including, without limitation, continued status as a Service Provider) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Service Providers. The time period during which the performance objectives or other vesting provisions must be met will be called the "Performance Period." Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(i) General Restrictions. The Administrator may set vesting criteria based upon continued employment or service, the achievement of specific performance objectives (Company-wide, departmental, divisional, business unit, or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws or any other basis determined by the Administrator in its discretion.

(d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share.

(e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made as soon as practicable after the expiration of the applicable Performance Period or as otherwise determined by the Administrator; provided, however, that the timing of payment shall in all cases comply with Section 409A to the extent applicable to the Award. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof. No right to receive any ordinary cash dividends will exist with respect to any unvested Shares under the Performance Units/Shares. In the event of any extraordinary cash dividend payable with respect to Shares, the extraordinary cash dividends payable with respect to the unvested Shares under the Performance Units/Shares, if any (as determined in accordance with Section 13 and/or other applicable provisions of the Plan), will be subject to the same restrictions on vesting, transferability and forfeitability as the Shares subject to the Performance Shares/Units with respect to which the dividends are payable.

(f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and, subject to Section 3 of the Plan, again will be available for grant under the Plan.

11. Leaves of Absence/Transfer Between Locations. If determined by the Administrator (in its discretion and on a case-by-case basis) or as otherwise required by Applicable Law, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence, such that vesting shall cease on the first day of any unpaid leave of absence and shall only recommence upon return to active service. A Participant will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then six (6) months following the first (1st) day of such leave any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

12. Transferability of Awards. Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate. Notwithstanding anything to the contrary in the Plan, in no event will the Administrator have the right to determine and implement the terms and conditions of any Award Transfer Program without stockholder approval.

13. Adjustments; Dissolution or Liquidation; Merger or Change in Control

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award, the numerical Share limits in Section 3 of the Plan and the per person numerical Share limits in Sections 6(a), 7(a), 8(a), 9(b) and 10(a) of the Plan. Notwithstanding the preceding, the number of Shares subject to any Award always shall be a whole number. Also, for the avoidance

of doubt and notwithstanding any contrary provision of the Plan, adjustments to Awards and the grant of new Awards (including, but not limited to, substitute Awards) under this Section 13 will not count against the per person numerical Share or dollar limits under the Plan (including, but not limited to, the Sections referenced above).

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised (with respect to an Option or SAR) or vested (with respect to an Award other than an Option or SAR), an Award will terminate immediately prior to the consummation of such proposed action.

(c) Merger or Change in Control. In the event of a merger of the Company with or into another corporation or other entity or a Change in Control, each outstanding Award will be treated as the Administrator determines, including, without limitation, that each Award be assumed or an equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. The Administrator will not be required to treat all Awards similarly in the transaction.

In the event that the successor corporation does not assume or substitute for the Award, the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and Stock Appreciation Rights, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met. In addition, if an Option or Stock Appreciation Right is not assumed or substituted in the event of a merger or Change in Control, the Administrator will notify the Participant in writing or electronically that the Option or Stock Appreciation Right will be exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right will terminate upon the expiration of such period.

For the purposes of this subsection (c), an Award will be considered assumed if, following the merger or Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the transaction, the consideration (whether stock, cash, or other securities or property) received in the transaction by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the transaction is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, Performance Unit or Performance Share, for each Share subject to such Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the transaction.

Notwithstanding anything in this Section 13(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-transaction corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

(d) Outside Director Awards. With respect to Awards granted to an Outside Director that are assumed or substituted for, if on the date of or following such assumption or substitution the Participant's status as a Director or a director of the successor corporation, as applicable, is terminated other than upon a voluntary resignation by the Participant (unless such resignation is at the request of the acquirer), then the Participant will fully vest in and have the right to exercise Options and/or Stock Appreciation Rights as to all of the Shares underlying such Award, including those Shares which would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met.

14. Tax.

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof) or such earlier time as any tax withholding obligations are due, the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Participant's FICA obligations) required to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligations, in whole or in part by (without limitation) (a) paying cash, (b) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the maximum statutory amount required to be withheld or such other amount as will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion, or (c) delivering to the Company already-owned Shares having a Fair Market Value equal to the maximum statutory amount required to be withheld or

such other amount as will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

(c) Compliance With Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A, except as otherwise determined in the sole discretion of the Administrator. Each payment or benefit under this Plan and under each Award Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. The Plan, each Award and each Award Agreement under the Plan is intended to be exempt from or otherwise meet the requirements of Section 409A and will be construed and interpreted, including but not limited with respect to ambiguities and/or ambiguous terms, in accordance with such intent, except as otherwise specifically determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A.

15. No Effect on Employment or Service. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company, nor will they interfere in any way with the Participant's right or the Company's right to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

16. Date of Grant. The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

17. Term of Plan. Subject to Section 23 of the Plan, the Plan will become effective upon its approval by the Company's stockholders. It will continue in effect for a term of ten (10) years from the date of the initial Board action to adopt the Plan unless terminated earlier under Section 18 of the Plan. Pursuant to the amendment and restatement of the Plan approved by the Administrator on September 30, 2019, subject to approval by the Company's stockholders, the term of the Plan was extended until August 14, 2024.

18. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Administrator may at any time amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

19. Compliance with Applicable Laws. The terms of the Plan are subject to Applicable Laws and shall be interpreted in such a manner as to comply with Applicable Laws.

20. Conditions Upon Issuance of Shares.

(a) Legal Compliance. The granting of Awards and the issuance and delivery of Shares under the Plan shall be subject to all Applicable Laws, rule and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. Shares will not be issued pursuant to the exercise or vesting of an Award and the Company may not permit the exercise or vesting of an Award unless the exercise or vesting of such Award and the issuance and delivery of such Shares will comply with Applicable Laws, rules and regulations and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

21. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction or to complete or comply with the requirements of any registration or other qualification of the Awards and/or Shares under any state, federal or foreign law or under the rules and regulations of the Securities and Exchange Commission, the stock

exchange on which Shares of the same class are then listed, or any other governmental or regulatory body, which authority, registration, qualification or rule compliance is deemed by the Company's counsel to be necessary or advisable for the grant, exercise or vesting of Awards or the issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to grant Awards, to allow exercise or vesting of Awards or to issue or sell such Shares as to which such requisite authority, registration, qualification or rule compliance will not have been obtained.

22. Forfeiture Events. The Administrator may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, fraud, breach of a fiduciary duty, restatement of financial statements as a result of fraud or willful errors or omissions, termination of employment for cause, violation of material Company and/or Subsidiary policies, breach of non-competition, confidentiality, or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company and/or its Subsidiaries. The Administrator may also require the application of this Section with respect to any Award previously granted to a Participant even without any specified terms being included in any applicable Award Agreement to the extent required under Applicable Laws.

23. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

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www.quantum.com

Regan MacPherson
4465 Opal Cliff Drive
Santa Cruz, CA 95062

September 10, 2019

Dear Regan,

I am pleased to offer to you the opportunity to join Quantum in the position of Chief General Counsel Officer reporting directly to Jamie Lerner, President and Chief Executive Officer. Your start date will be October 21, with your office in our San Jose, CA location.

Base Salary: You will have an annual base salary of \$325,000 divided equally by 26 pay periods, at \$12,500 per pay period subject to applicable tax and other required withholding, paid in accordance with the Company's normal payroll procedures.

Bonus Opportunity: In addition, you will be eligible to participate in Quantum's Incentive Plan (QIP) which is the Company's annual bonus program. Your target bonus opportunity will be 50% of your annual salary or \$162,500 and pro-rated based on your hire date for the current fiscal year. The actual amount earned will be determined based on Quantum's Corporate and/or business specific results, your own performance and paid in accordance with the Plan. The bonus targets and terms of the Quantum Incentive Plan are subject to annual re-valuation.

Equity Grant: The Company will recommend to the Leadership and Compensation Committee (LCC) of the Board of Directors that a total of 75,000 Restricted Stock Units be granted to you that include (i) 20% or 15,000 time-based Restricted Stock Units (RSUs) scheduled to vest in three (3) equal installments on each anniversary of the Grant Date (as defined below) and will become fully vested three (3) years from the Grant Date, subject to your continued employment through each such date and (ii) 80% or 60,000 performance-based Restricted Stock Units (PSUs). The PSUs will be earned if the average closing price of a share of the Company's Common Stock on a national securities exchange (or, if not then listed on a national securities exchange, the OTC Markets) (an "Exchange") as quoted in the Wall Street Journal during any one hundred (100) day trading period (the "100-Day Average Price") following the Grant Date is at least the amount per share indicated below and is met during the term of the PSU, to the LCC's certification of the achievement of the applicable performance criteria and subject to your continued service with the Company through the later of the certification date and the time-based vest date as follows:

- 20,000 PSUs will be earned, if the 100-Day Average Price is at least \$6.25 and will vest upon the later of the LCC certification and November 1, 2020.
- An additional 20,000 PSUs will be earned, if the 100-Day Average Price is at least \$7.00 and will vest upon the later of the LCC certification and November 1, 2021.
- An additional 20,000 PSUs will be earned, if the 100-Day Average Price is at least \$8.00 and will vest upon the later of the LCC certification and November 1, 2022.
- Notwithstanding the foregoing, to the extent required by the terms of the applicable stock plan, the PSUs will not vest earlier than the first anniversary of the Grant Date.

Subject to approval by the LCC, your RSU Grant and PSU Grant will be approved on the first day of the first month following your employment start date (the "Grant Date") and made effective as of the first business day on which the Company becomes listed on a national securities exchange, unless the LCC elects in its discretion and in accordance with applicable law, to make the RSU and PSU grants effective as of an earlier date. Your stock information will be transferred to E*Trade, the Company's online equity broker. You will receive information from E*Trade on how to setup your account and accept your grants. Should you voluntarily terminate your employment with Quantum, any unvested equity will be forfeited.

Severance: As Quantum's General Counsel, you will be eligible to participate in Quantum's Change of Control Program. That agreement will be provided to you during your orientation which will be scheduled during your first week at Quantum. In addition, in the event that (a) you incur an Involuntary Termination other than for Cause (and other than due to your death or Disability, as such terms are defined in your Change of Control Agreement), and (b) the termination of your employment with the Company occurs outside of the Change of Control Period, as defined in the Change of Control Agreement, the Company will provide to you the following severance payments and benefits (the "Severance"):

- (i) a lump sum cash payment equal to six (6) months of your then-annual base salary;
- (ii) if you elect continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") within the time period prescribed by COBRA for you and your eligible dependents (if any), monthly reimbursements from the Company for COBRA premiums for continued coverage under the Company's group health plans for you and your eligible dependents, if any, in which you (and your eligible dependents, if any) participated on the day immediately before the date of termination of your employment with the Company through the earlier of (A) six (6) months after the date of termination of your employment with the Company, or (B) the date you (and your eligible dependents, if any) no longer are eligible to receive continuation coverage pursuant to COBRA (the "COBRA Benefits"). Notwithstanding the foregoing, if the Company determines in its sole discretion that it cannot provide the COBRA Benefits without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then in lieu of the COBRA Benefits, the Company will provide to you a taxable monthly payment, during the six (6) months after the termination of your employment with the Company, in a monthly amount equal to the monthly COBRA premium that you would be required to pay to continue coverage under the Company's group health plans for you and your eligible dependents (if any) in effect on the day immediately before the date of termination of your employment with the Company (which amount will be based on the premium for the first month of COBRA coverage), which payments will be made regardless of whether you elect COBRA continuation coverage; and
- (iii) in the event the Involuntary Termination contemplated by this paragraph occurs on or before October 21, 2020, six (6) months of accelerated vesting for your outstanding RSUs; provided that, if the Involuntary Termination occurs prior to the date that your RSU grant becomes effective, then in lieu of the accelerated vesting contemplated above, the Company will provide you with a cash payment equal to the number of shares of the Company's Common Stock that would have vested multiplied by the closing price of a share of the Company's Common Stock on the date of the Involuntary Termination.

The Severance is subject to your entering into and not revoking a release of claims, in substantially the form attached to your Change of Control Agreement (and with such revisions thereto as may be made in accordance with the Change of Control Agreement), in favor of the Company (the "Release"), within the period required by the Release but in no event later than sixty (60) days following the date of termination of your employment with the Company, inclusive of any revocation period set forth in the Release. Any salary Severance due to you under clause (i) above will be paid on the sixty first (61st) day following the date of termination of your employment with the Company, or such later date required by applicable law, including Section 409A of the Code (as defined below.)

For the avoidance of doubt, if the termination of your employment with the Company occurs on a date during the Change of Control Period, then the terms of the Change of Control Agreement will govern the payment of any severance benefits to you and no Severance will be payable to you. Any Severance under this offer letter also will be subject to the provisions set forth in the section of the Change of Control Agreement titled "Limitation on Payments" relating to Section 280G of the Internal Revenue Code of 1986, as amended, and any regulations and guidance promulgated thereunder (the "Code"). Further, the provisions set forth in section of the Change of Control Agreement titled "Offset" will be deemed to apply to your Severance.

Other Benefits: Quantum's flexible benefit program provides a full range of benefits for you and your qualified dependents. Additionally, you will be eligible to participate in Quantum's Deferred Compensation Program. A benefit overview packet will be emailed immediately upon your acceptance and you will receive a detailed review of our benefits program during your orientation. Information relating to the Deferred Compensation program will be sent to you within 30 days of your hire date. Your orientation will be scheduled by a Human Resources representative prior to your hire date.

During your employment with Quantum you will have access to confidential and proprietary information, which Quantum vigorously protects. Therefore, this offer is conditioned on your execution and delivery to Quantum of its Proprietary Information and Inventions Agreement. You will receive these documents electronically as part of your

orientation packet. You are requested to review this information carefully and sign via Adobe EchoSign, our electronic signature service partner.

To comply with government mandated confirmation of employment eligibility, please complete the "Lists of Acceptable Documents" as approved by the United States Department of Justice for establishing identity and employment eligibility - the "I-9" process - which will be mailed to you with your benefits information. Please bring these documents to your orientation.

To confirm your acceptance of our offer, please sign a copy of this letter electronically through Adobe EchoSign. Once signed, you will receive a copy of this letter for records and the offer will be sent directly to our recruiting department. If you have questions about your offer or onboarding process prior to your start date, you may reach DawnAnn Wilmot via email at DawnAnn.Wilmot@Quantum.com or directly at 719.208.2540. This offer is contingent upon successful completion of security background verification.

This offer supersedes any and all other written or verbal offers. Employment at Quantum is at will – either you or Quantum has the right to terminate your employment at any time for any reason, with or without cause. You understand and agree that neither your job performance nor promotions, commendations, bonuses or the like from Quantum give rise to or in any way serve as the basis for modification, amendment, or extension, by implication or otherwise, of your at-will employment with Quantum. Further, this offer is contingent upon proof of your right to work at Quantum and a satisfactory background verification. We assume that the education and employment history you provided is accurate. Any false information provided by you or at your request may result in immediate termination of your employment with no compensation to you.

Regan, we look forward to your start date and having you join the Quantum executive team.

Sincerely,

Jamie Girouard
Vice President Human Resources

ACCEPTANCE

I accept this offer of employment and acknowledge that my employment with Quantum will be on an at-will basis.

Regan MacPherson

Date Sep 10, 2019

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

I, James J. Lerner, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Quantum Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JAMES J. LERNER

James J. Lerner

Chairman of the Board of Directors,
President and Chief Executive Officer
(Principal Executive Officer)

Date: January 29, 2019

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

I, J Michael Dodson, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Quantum Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ J. MICHAEL DODSON

J. Michael Dodson
Chief Financial Officer
(Principal Financial Officer)
Date: January 29, 2019

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, James J. Lerner, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Quantum Corporation, on Form 10-Q for the quarterly period ended December 31, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Quantum Corporation.

QUANTUM CORPORATION

/s/ JAMES J. LERNER

James J. Lerner
Chairman of the Board of Directors,
President and Chief Executive Officer
(Principal Executive Officer)
Date: January 29, 2019

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, J. Michael Dodson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Quantum Corporation, on Form 10-Q for the quarterly period ended September 30, 2019, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Quantum Corporation.

QUANTUM CORPORATION

/s/ J. MICHAEL DODSON

J. Michael Dodson

Chief Financial Officer

(Principal Financial Officer)

Date: January 29, 2019