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**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA**

\_\_\_\_\_, Individually and On  
Behalf of All Others Similarly Situated,

Plaintiff,

v.

QUANTUM CORPORATION, FUAD  
AHMAD, JON W. GACEK, and ADALIO  
T. SANCHEZ,

Defendants.

No.

**CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS**

**JURY TRIAL DEMANDED**

Plaintiff \_\_\_\_\_ (“Plaintiff”), by and through his attorneys, alleges upon personal knowledge as to himself, and upon information and belief as to all other matters, based upon the investigation conducted by and through his attorneys, which included, among other things, a review of documents filed by Defendants (as defined below) with the United States Securities and Exchange Commission (the “SEC”), conference call transcripts, news reports, press releases issued by Defendants, and other publicly available documents, as follows:

1 **NATURE AND SUMMARY OF THE ACTION**

2 1. This is a federal securities class action on behalf of all investors who purchased or  
3 otherwise acquired Defendant Quantum Corporation (“Quantum” or the “Company”) common  
4 stock between July 27, 2016 through February 7, 2018 inclusive (the “Class Period”). This action  
5 is brought on behalf of the Class for violations of Sections 10(b) and 20(a) of the Securities  
6 Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. §§ 78j(b) and 78t(a) and Rule 10b-5  
7 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5.

8 2. On February 8, 2018, before trading had opened, Quantum disclosed that it had  
9 received a subpoena from the SEC on January 11, 2018 “regarding its accounting practices and  
10 internal controls related to revenue recognition for transactions commencing April 1, 2016,”  
11 prompting an internal investigation by Quantum’s audit committee, which remains ongoing. As a  
12 result, the Company further announced that it would postpone the release of its fiscal third  
13 quarter 2018 results and earnings call.

14 3. On this news, Quantum’s share price plunged 29.9% to close at \$3.90 on February  
15 8, 2018, causing millions of dollars in losses to investors.

16 4. Throughout the Class Period, Defendants made false and/or misleading statements,  
17 as well as failed to disclose material adverse facts about the Company’s business, operations, and  
18 prospects. Specifically, Defendants made false and/or misleading statements and/or failed to  
19 disclose that (i) Quantum had inappropriately accounted for revenue relating to certain transactions  
20 commencing April 1, 2016; (ii) the Company lacked adequate internal controls over financial  
21 reporting; and (iii) that as a result of the foregoing, Quantum’s publicly disseminated financial  
22 statements were materially false and misleading.

23 **JURISDICTION AND VENUE**

24 5. The federal securities claims asserted herein arise under §§ 10(b) and 20(a) of the  
25 Exchange Act, 15 U.S.C. § 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC,  
26 17 C.F.R. § 240.10b-5.



1           12. Defendant Fuad Ahmad (“Ahmad”) has served at all relevant times as Quantum’s  
2 Chief Financial Officer, Executive Vice President, and Treasurer.

3           13. Defendant Jon W. Gacek (“Gacek”) served as Quantum’s Chief Executive Officer  
4 from April of 2011 through November 7, 2017.

5           14. Defendant Adalio Sanchez (“Sanchez”) served as interim Chief Executive Officer  
6 of Quantum from November 7, 2017 through January 16, 2018.

7           15. Collectively, Ahmad, Gacek, and Sanchez are referred to throughout this complaint  
8 as the “Individual Defendants.”

9           16. The Individual Defendants, because of their positions at the Company, possessed  
10 the power and authority to control the content and form of the Company’s annual reports, quarterly  
11 reports, press releases, investor presentations, and other materials provided to the SEC, securities  
12 analysts, money and portfolio managers and investors, *i.e.*, the market. The Individual Defendants  
13 authorized the publication of the documents, presentations, and materials alleged herein to be  
14 misleading prior to its issuance and had the ability and opportunity to prevent the issuance of these  
15 false statements or to cause them to be corrected. Because of their positions within the Company  
16 and their access to material non-public information available to them but not to the public, the  
17 Individual Defendants knew that the adverse facts specified herein had not been disclosed to and  
18 were being concealed from the public and that the positive representations being made were false  
19 and misleading. The Individual Defendants are liable for the false statements pleaded herein.

## **SUBSTANTIVE ALLEGATIONS**

### ***A. Statements Made Before the Class Period***

22           17. On February 5, 2016, Quantum filed on Form 10-Q its quarterly results for the  
23 period ended December 31, 2015. Among other things, Quantum announced that effective April  
24 1, 2016, it would be implementing new accounting standards as to certain accounts, as required  
25 by the Financial Accounting Standards Board:

1 In April 2015, the FASB issued ASU No. 2015-05, Customer's Accounting for Fees  
2 Paid in a Cloud Computing Arrangement ("ASU 2015-05"). ASU 2015-05 requires  
3 that customers apply the same criteria as vendors to determine whether a cloud  
4 computing arrangement ("CCA") contains a software license or is solely a service  
5 contract. Under ASU 2015-05, fees paid by a customer in a CCA will be within the  
6 scope of internal-use software guidance if both of the following criteria are met: 1)  
7 the customer has the contractual right to take possession of the software at any time  
8 without significant penalty, and 2) it is feasible for the customer to run the software  
9 on its own hardware (or to contract with another party to host the software). ASU  
10 2015-05 will be effective for us beginning April 1, 2016, or fiscal 2017. We do not  
11 anticipate adoption will impact our statements of financial position or results of  
12 operations.

13 **B. *Materially False And Misleading Statements Made During the Class Period***

14 18. The Class Period begins on July 27, 2016. On that day, Quantum issued a press  
15 release and filed the same as Exhibit 99.1 to a Form 8-K with the SEC, entitled "Quantum  
16 Corporation Reports Fiscal First Quarter 2017 Results," summarizing the financial and operating  
17 results for the period ended June 30, 2016. In pertinent part, the Company's July 27, 2016 press  
18 release provided:

19 **Quantum Corporation Reports Fiscal First Quarter 2017 Results**

20 *Year-Over-Year Highlights:*

- 21 • Total revenue growth of 5%
- 22 • 20th consecutive quarter of year-over-year growth in scale-out storage revenue, up 11%
- 23 • Data protection revenue growth of 6%
- 24 • GAAP and non-GAAP improvement in bottom line performance of \$7.0 million and \$7.3 million, respectively

25 **SAN JOSE, Calif. – July 27, 2016** – Quantum Corp. (NYSE: QTM) today reported results for the fiscal first quarter 2017 ended June 30, 2016 (all comparisons are relative to the fiscal first quarter 2016):

- 26 • Total revenue was \$116.3 million, an increase of \$5.4 million.
- 27 • Scale-out storage revenue grew to \$30.8 million, up from \$27.8 million.
- 28 • Total data protection revenue increased to \$76.9 million, consisting of \$21.5 million in disk backup systems revenue (up 24 percent), \$42.6 million in tape automation revenue (down 4 percent) and \$12.8 million in devices and media revenue (up 17 percent).
- Royalty revenue was \$8.6 million, a decline of \$1.6 million.

- 1 • Quantum reported a GAAP operating loss of \$2.1 million and non-GAAP2 operating income of \$2.1 million, an improvement of \$6.1 million and \$6.5 million, respectively.
- 2 • The GAAP net loss was \$3.8 million, or \$0.01 per diluted share, and non-GAAP3 net income was \$360,000, or \$0.00 per diluted share. This represented an improvement of \$0.03 per diluted share on both a GAAP and non-GAAP basis.
- 4 • The company generated \$5.2 million in cash from operations, in contrast to5 using \$13.6 million in cash in the comparable quarter a year ago.

6 “We’re very pleased with our first quarter results, as we delivered year-over-year7 revenue growth, with strong contributions from both our scale-out storage and data8 protection product lines,” said Jon Gacek, president and CEO of Quantum. “In9 scale-out storage, we continued to build on our momentum, securing major wins10 across our priority vertical markets and use cases and further expanding the11 addressable markets where our scale-out storage solutions offer unique value. For12 example, in April we announced a large public cloud, scale-out storage win, which13 we expected to generate \$10 million in total revenue for the year. That opportunity14 has since expanded, and we now expect the resulting revenue contributions —15 which started in the first quarter — to total at least \$20 million for the year.

16 “On the data protection side of our business, we closed a multi-million dollar17 DXi® deduplication deal and capitalized on a more stable tape backup market,18 where we are a long-standing leader. We also significantly improved our bottom19 line performance, as we continued to benefit from the cost reductions and20 operational changes we implemented over the previous six months, which further21 strengthened our business model and the leverage it provides.

22 “In short, we had a strong start to fiscal 2017, and we’re focused on building on our23 momentum to drive continued growth, profitability and cash flow. Based on our24 first quarter results, we have increased confidence in our ability to meet the full25 year guidance we provided on our May earnings call.”

26 19. On August 5, 2016, Quantum filed on Form 10-Q with the SEC, its quarterly27 financial results for the period ended June 30, 2016, providing the Company’s consolidated28 financial results for that period (which were previously summarized in the Company’s July 27,2016 press release). The income statement included in that Form 10-Q stated:

**QUANTUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)

(Unaudited)

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

**QUANTUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(In thousands)

(Unaudited)

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

20. The Company's August 5, 2016 Form 10-Q also informed investors that the adoption of recently adopted accounting methods had no impact on the Company's financial condition. Specifically, the 10-Q provided:

***Recently Adopted Accounting Pronouncements***

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

21. The Company's August 5, 2016 Form 10-Q also assured investors of the effectiveness of the Company's internal control over financial reporting:



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#### ITEM 4. CONTROLS AND PROCEDURES

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

(b) *Changes in internal control over financial reporting.* There was no change in our internal control over financial reporting that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

22. The Company's August 5, 2016 Form 10-Q was signed by Defendants Gacek and Amahd and contained certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX"), signed by each, which certified:

- 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:

- 1 a) designed such disclosure controls and procedures, or caused such disclosure  
2 controls and procedures to be designed under our supervision, to ensure that  
3 material information relating to the registrant, including its consolidated  
4 subsidiaries, is made known to us by others within those entities,  
5 particularly during the period in which this report is being prepared;
- 6 b) designed such internal control over financial reporting, or caused such  
7 internal control over financial reporting to be designed under our  
8 supervision, to provide reasonable assurance regarding the reliability of  
9 financial reporting and the preparation of financial statements for external  
10 purposes in accordance with generally accepted accounting principles;
- 11 c) evaluated the effectiveness of the registrant's disclosure controls and  
12 procedures and presented in this report our conclusions about the  
13 effectiveness of the disclosure controls and procedures as of the end of the  
14 period covered by this report based on such evaluation; and
- 15 d) disclosed in this report any change in the registrant's internal control over  
16 financial reporting that occurred during the registrant's most recent fiscal  
17 quarter (the registrant's fourth fiscal quarter in the case of an annual report)  
18 that has materially affected, or is reasonably likely to materially affect, the  
19 registrant's internal control over financial reporting; and
- 20 5) The registrant's other certifying officer(s) and I have disclosed, based on our most  
21 recent evaluation of internal control over financial reporting, to the registrant's  
22 auditors and the audit committee of the registrant's board of directors (or persons  
23 performing the equivalent functions):
- 24 a) all significant deficiencies and material weaknesses in the design or  
25 operation of internal control over financial reporting which are reasonably  
26 likely to adversely affect the registrant's ability to record, process,  
27 summarize and report financial information; and
- 28 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.

23. On November 4, 2016, Quantum filed with the SEC its quarterly report on Form  
10-Q for the three month period ended September 30, 2016, providing, among other things, the  
Company's consolidated financial results for that period:

**QUANTUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Product revenue	\$ 88,575	\$ 71,057	\$ 160,401	\$ 133,776
Service revenue	36,620	37,247	72,438	75,186
Royalty revenue	9,547	8,721	18,187	18,919
Total revenue	134,742	117,025	251,026	227,881
Cost of product revenue	64,352	53,073	114,484	100,037
Cost of service revenue	14,910	17,635	30,691	34,562
Total cost of revenue	79,262	70,708	145,175	134,599
Gross margin	55,480	46,317	105,851	93,282
Operating expenses:				
Research and development	11,401	13,370	22,459	26,693
Sales and marketing	26,146	28,043	52,513	55,648
General and administrative	12,572	14,136	25,532	28,122
Restructuring charges	15	387	2,067	645
Total operating expenses	50,134	55,936	102,571	111,108
Income (loss) from operations	5,346	(9,619)	3,280	(17,826)
Other income	10	714	166	428
Interest expense	(1,485)	(1,975)	(2,993)	(3,898)
Income (loss) before income taxes	3,871	(10,880)	453	(21,296)

1	Income tax provision	45	347	422	686
2	Net income (loss)	\$ 3,826	\$ (11,227)	\$ 31	\$ (21,982)
3					
4	Basic and diluted net income (loss) per share	\$ 0.01	\$ (0.04)	\$ 0.00	\$ (0.08)
5					
6	Weighted average shares:				
7					
8	Basic	270,432	263,058	268,396	260,766
9	Diluted	272,382	263,058	269,593	260,766

**QUANTUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(LOSS)**

(In thousands)

(Unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>		
	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	
15	Net income (loss)	\$ 3,826	\$ (11,227)	\$ 31	\$ (21,982)
16	Other comprehensive income (loss), net of taxes:				
17					
18	Foreign currency translation adjustments	206	(340)	(133)	101
19					
20	Net unrealized gain (loss) on revaluation of long-term intercompany balances	(57)	207	(15)	121
21					
22	Total other comprehensive income (loss)	149	(133)	(148)	222
23					
24	Total comprehensive income (loss)	\$ 3,975	\$ (11,360)	\$ (117)	\$ (21,760)
25					
26					

1           24.     The Company's November 4, 2016 Form 10-Q also informed investors that the  
2 adoption of recently adopted accounting methods had no impact on the Company's financial  
3 condition. Specifically, the 10-Q provided:

4           ***Recently Adopted Accounting Pronouncements***

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

17           25.     Quantum's November 4, 2016 Form 10-Q also assured investors of the  
18 effectiveness of Quantum's internal control over financial reporting:

19           **ITEM 4. CONTROLS AND PROCEDURES**

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

          (b)     *Changes in internal control over financial reporting.* There was no  
change in our internal control over financial reporting that occurred  
during the fiscal quarter covered by this Quarterly Report on Form 10-

Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

26. Quantum's November 4, 2016 Form 10-Q was signed by Defendants Gacek and Amahd and contained SOX certifications, signed by both which were substantially similar to the certifications described in ¶22, *supra*.

27. On February 3, 2017, Quantum filed on Form 10-Q its quarterly report on Form 10-Q for the three month period ended December 31, 2016, providing, among other things, the Company's consolidated financial results for that period:

**QUANTUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Product revenue	\$ 86,510	\$ 79,672	\$ 246,911	\$ 213,448
Service revenue	36,445	37,099	108,883	112,285
Royalty revenue	10,529	11,277	28,716	30,196
Total revenue	133,484	128,048	384,510	355,929
Cost of product revenue	63,324	56,323	177,808	156,656
Cost of service revenue	15,158	15,550	45,328	50,524
Total cost of revenue	78,482	71,873	223,136	207,180
Gross margin	55,002	56,175	161,374	148,749
Operating expenses:				
Research and development	10,579	11,148	33,038	37,841
Sales and marketing	25,145	28,212	77,658	83,860
General and administrative	12,130	13,488	37,662	41,610

1	Restructuring charges				
2	(benefits)	(105)	1,895	1,962	2,540
3	Total operating expenses	47,749	54,743	150,320	165,851
4	Income (loss) from operations	7,253	1,432	11,054	(17,102)
5	Other income (expense)	519	(22)	685	406
6	Interest expense	(2,423)	(1,406)	(5,416)	(5,304)
7	Loss on debt extinguishment, net	(48)	(394)	(48)	(394)
8	Income (loss) before income taxes	5,301	(390)	6,275	(22,394)
9	Income tax provision	295	431	717	1,117
10	Net income (loss)	\$ 5,006	\$ (821)	\$ 5,558	\$ (23,511)
11	Basic and diluted net income (loss) per share	\$ 0.02	\$ (0.00)	\$ 0.02	\$ (0.09)
12	Weighted average shares:				
13	Basic	271,186	264,003	269,329	261,849
14	Diluted	274,443	264,003	271,473	261,849

**QUANTUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(LOSS)**

(In thousands)

(Unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>December 31, 2016</b>	<b>December 31, 2015</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Net income (loss)	\$ 5,006	\$ (821)	\$ 5,558	\$ (23,511)
Other comprehensive loss, net of taxes:				
Foreign currency translation adjustments	(1,442)	(244)	(1,575)	(143)
Net unrealized gain (loss) on revaluation of long-term intercompany balances	260	(124)	245	(3)
Total other comprehensive loss	(1,182)	(368)	(1,330)	(146)
Total comprehensive income (loss)	<u>\$ 3,824</u>	<u>\$ (1,189)</u>	<u>\$ 4,228</u>	<u>\$ (23,657)</u>

28. The Company's February 3, 2017 Form 10-Q also informed investors that the adoption of recently adopted accounting methods had no impact on the Company's financial condition. Specifically, the 10-Q provided:

***Recently Adopted Accounting Pronouncements***

In April 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement ("ASU 2015-05"). ASU 2015-05 requires that customers apply the same criteria as vendors to determine whether a cloud computing arrangement ("CCA") contains a software license or is solely a service contract. Under ASU 2015-05, fees paid by a customer in a CCA will be within the scope of internal-use software guidance if both of the following criteria are met: 1) the customer has the contractual right to take possession of the software at any time without significant penalty and 2) it is feasible for the customer to run the software on its own hardware



1 (or to contract with another party to host the software). ASU 2015-05 may be  
2 applied prospectively to all agreements entered into or materially modified after the  
3 adoption date or retrospectively. We adopted ASU 2015-05 prospectively in the  
4 first quarter of fiscal 2017 and adoption did not impact our statements of financial  
5 condition, results of operations, cash flows or financial statement disclosures.

6 29. Quantum's February 3, 2017 Form 10-Q also assured investors of the effectiveness  
7 of Quantum's internal control over financial reporting:

#### 8 **ITEM 4. CONTROLS AND PROCEDURES**

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

26 (b) *Changes in internal control over financial reporting.* There was no  
27 change in our internal control over financial reporting that occurred  
28 during the fiscal quarter covered by this Quarterly Report on Form 10-  
Q that has materially affected, or is reasonably likely to materially  
affect, our internal control over financial reporting.

29 30. Quantum's February 3, 2017 Form 10-Q was signed by Defendants Gacek and  
30 Amahd and contained SOX certifications, signed by both which were substantially similar to the  
31 certifications described in ¶22, supra.

32 31. On May 31, 2017, Quantum filed on Form 10-K with the SEC its full year and  
33 quarterly financial results for the periods ended March 31, 2017, providing, among other things,  
34 the Company's consolidated financial results for those periods:

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

**For the year ended March 31,**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Product revenue	\$ 322,212	\$ 286,217	\$ 355,579
Service revenue	144,335	148,548	155,674
Royalty revenue	38,798	41,193	41,842
Total revenue	505,345	475,958	553,095
Product cost of revenue	231,207	207,139	237,400
Service cost of revenue	60,714	65,778	70,686
Total cost of revenue	291,921	272,917	308,086
Gross profit	213,424	203,041	245,009
Operating expenses:			
Research and development	44,379	48,703	58,618
Sales and marketing	103,235	108,735	113,954
General and administrative	51,599	53,793	56,513
Restructuring charges	2,063	4,006	1,666
Goodwill impairment	—	55,613	—
Total operating expenses	201,276	270,850	230,751
Gain on sale of assets	—	—	462
Income (loss) from operations	12,148	(67,809)	14,720
Other income (expense)	562	(191)	13,836
Interest expense	(7,912)	(6,817)	(9,460)

1	Loss on debt extinguishment, net	(41)	(394)	(1,295)
2				
3	Income (loss) before income taxes	4,757	(75,211)	17,801
4				
5	Income tax provision	1,112	1,183	718
6				
7	Net income (loss)	\$ 3,645	\$ (76,394)	\$ 17,083
8				
9				
10	Basic net income (loss) per share	\$ 0.11	\$ (2.33)	\$ 0.54
11	Diluted net income (loss) per share	\$ 0.11	\$ (2.33)	\$ 0.53
12				
13	Weighted average shares:			
14	Basic	33,742	32,841	31,833
15	Diluted	34,113	32,841	32,503

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

	<u>For the year ended March 31,</u>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	
19	Net income (loss)	\$ 3,645	\$ (76,394)	\$ 17,083
20	Other comprehensive income (loss), net of taxes:			
21	Foreign currency translation adjustments	(826)	21	(3,490)
22	Net change on revaluation of long-term intercompany balances, net of taxes of \$23, \$(15) and \$200, respectively	87	(57)	750
23	Total other comprehensive (loss)	(739)	(36)	(2,740)
24	Total comprehensive income (loss)	\$ 2,906	\$ (76,430)	\$ 14,343
25				
26				
27				
28				

1           32.     The Company’s May 31, 2017 Form 10-K also informed investors that the adoption  
2 of recently adopted accounting methods had no impact on the Company’s financial condition.  
3 Specifically, the 10-K provided:

4                   ***Recently Adopted Accounting Pronouncements***

5           In April 2015, the Financial Accounting Standards Board (“FASB”) issued ASU  
6 No. 2015-05, Customer’s Accounting for Fees Paid in a Cloud Computing  
7 Arrangement (“ASU 2015-05”). ASU 2015-05 requires that customers apply the  
8 same criteria as vendors to determine whether a cloud computing arrangement  
9 (“CCA”) contains a software license or is solely a service contract. Under ASU  
10 2015-05, fees paid by a customer in a CCA will be within the scope of internal-use  
11 software guidance if both of the following criteria are met: 1) the customer has the  
12 contractual right to take possession of the software at any time without significant  
13 penalty and 2) it is feasible for the customer to run the software on its own hardware  
(or to contract with another party to host the software). ASU 2015-05 may be  
applied prospectively to all agreements entered into or materially modified after the  
adoption date or retrospectively. We adopted ASU 2015-05 prospectively in the  
first quarter of fiscal 2017 and adoption did not impact our statements of financial  
condition, results of operations, cash flows or financial statement disclosures.

14           33.     Quantum’s May 31, 2017 Form 10-K also assured investors of the effectiveness of  
15 Quantum’s internal control over financial reporting:

16                   **ITEM 9A. CONTROLS AND PROCEDURES**

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

23                   **Evaluation of Disclosure Controls and Procedures**

24           We evaluated the effectiveness of the design and operation of our disclosure  
25 controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the  
26 Exchange Act as of the end of the period covered by this Annual Report on Form  
27 10-K. This control evaluation was performed under the supervision and with the  
28 participation of management, including our CEO and CFO. Disclosure controls and  
procedures are designed to ensure that information required to be disclosed in our  
reports filed under the Exchange Act, such as this Annual Report on Form 10-K, is

1 recorded, processed, summarized and reported within the time periods specified by  
2 the SEC. Disclosure controls are also designed to ensure that such information is  
3 accumulated and communicated to our management, including the CEO and CFO,  
4 as appropriate, to allow timely decisions regarding required disclosure.

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

### 8 **Management's Report on Internal Control over Financial Reporting**

9 Our management is responsible for establishing and maintaining adequate internal  
10 control over financial reporting, as such term is defined in Exchange Act Rules 13a-  
11 15(f) and 15d-15(f). Under the supervision and with the participation of our  
12 management, including our CEO and CFO, we conducted an evaluation of the  
13 effectiveness of our internal control over financial reporting as of March  
14 31, 2017 based on the criteria for effective control over financial reporting  
15 described in *Internal Control - Integrated Framework (2013)* issued by the  
16 Committee of Sponsoring Organizations of the Treadway Commission (COSO).  
17 Based on the results of our evaluation, our management concluded that our internal  
18 control over financial reporting was effective as of March 31, 2017 to provide  
19 reasonable assurance regarding the reliability of financial reporting and preparation  
20 of financial statements for external reporting purposes in accordance with generally  
21 accepted accounting principles.

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

27 34. Quantum's May 31, 2017 Form 10-K was signed by Defendants Gacek and Amahd  
28 and contained SOX certifications, signed by both which were substantially similar to the  
certifications described in ¶22, supra.

35. On August 9, 2017, Quantum filed on Form 10-Q its quarterly report on Form 10-  
Q for the three month period ended June 30, 2017, providing, among other things, the Company's  
consolidated financial results for that period:

**QUANTUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)

(Unaudited)

**Three Months Ended**

	<b>June 30, 2017</b>		<b>June 30, 2016</b>
Product revenue	\$ 71,618	\$	71,826
Service revenue	35,246		35,818
Royalty revenue	9,994		8,640
Total revenue	116,858		116,284
Cost of product revenue	50,949		50,132
Cost of service revenue	15,090		15,506
Total cost of revenue	66,039		65,638
Gross margin	50,819		50,646
Operating expenses:			
Research and development	10,605		11,058
Sales and marketing	27,824		26,367
General and administrative	12,509		12,960
Restructuring charges	2,335		2,052
Total operating expenses	53,273		52,437
Loss from operations	(2,454)		(1,791)
Other income (expense)	98		155
Interest expense	(2,558)		(1,507)
Net loss before	(4,914)		(3,143)

1	income tax			
2	provision			
3	(benefit)			
4	Income tax			
5	provision			
6	(benefit)	(1,240)		377
7	Net loss	\$	(3,674)	\$
8				(3,520)
9	Basic and			
10	diluted net loss			
11	per share	\$	(0.11)	\$
12				(0.11)
13	Weighted			
14	average shares:			
15	Basic		34,084	33,292
16	Diluted		34,084	33,292

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

	<b>Three Months Ended</b>	
	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Net loss	\$ (3,674)	\$ (3,520)
Other comprehensive income (loss), net of taxes:		
Foreign currency translation adjustments	155	(339)
Net unrealized gain (loss) on reevaluation of long-term intercompany balances	13	42
Total other comprehensive income (loss)	168	(297)
Total comprehensive loss	<u>\$ (3,506)</u>	<u>\$ (3,817)</u>

36. The Company's August 9, 2017 Form 10-Q also assured investors of the effectiveness of Quantum's internal control over financial reporting:

1                   **ITEM 4. CONTROLS AND PROCEDURES**

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

19                  (b)     *Changes in internal control over financial reporting.* There was no  
20                  change in our internal control over financial reporting that occurred  
21                  during the fiscal quarter covered by this Quarterly Report on Form 10-  
22                  Q that has materially affected, or is reasonably likely to materially  
23                  affect, our internal control over financial reporting.

24                  37.     Quantum’s August 9, 2017 Form 10-Q was signed by Defendants Gacek and  
25                  Amahd and contained SOX certifications, signed by both which were substantially similar to the  
26                  certifications described in ¶22, supra.

27                  38.     On November 9, 2017, Quantum filed on Form 10-Q its quarterly report on Form  
28                  10-Q for the three month period ended September 30, 2017, providing, among other things, the  
                  Company’s consolidated financial results for that period:



**QUANTUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Product revenue	\$ 63,606	\$ 88,575	\$ 135,224	\$ 160,401
Service revenue	34,165	36,620	69,411	72,438
Royalty revenue	9,280	9,547	19,274	18,187
Total revenue	107,051	134,742	223,909	251,026
Cost of product revenue	48,561	64,352	99,510	114,484
Cost of service revenue	14,717	14,664	29,807	30,170
Total cost of revenue	63,278	79,016	129,317	144,654
Gross margin	43,773	55,726	94,592	106,372
Operating expenses:				
Research and development	10,190	11,401	20,795	22,459
Sales and marketing	26,179	26,146	54,003	52,513
General and administrative	12,158	12,572	24,667	25,532
Restructuring charges	31	15	2,366	2,067
Total operating expenses	48,558	50,134	101,831	102,571
Income (loss) from operations	(4,785)	5,592	(7,239)	3,801
Other income	77	10	175	166
Interest expense	(2,617)	(1,485)	(5,175)	(2,993)
Loss on debt extinguishment, net	(39)	—	(39)	—

1	Net income						
2	(loss) before						
3	income tax						
4	provision						
5	(benefit)	(7,364)	4,117	(12,278)	974		
6	Income tax						
7	provision						
8	(benefit)	499	45	(741)	422		
9	Net income						
10	(loss)	<u>\$ (7,863)</u>	<u>\$ 4,072</u>	<u>\$ (11,537)</u>	<u>\$ 552</u>		
11	Earnings per						
12	share:						
13	Basic and						
14	Diluted	\$ (0.23)	\$ 0.12	\$ (0.34)	\$ 0.02		
15	Weighted						
16	average shares:						
17	Basic	34,561	33,804	34,337	33,549		
18	Diluted	34,561	34,048	34,337	33,699		

**QUANTUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(LOSS)**

(In thousands)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net income (loss)	\$ (7,863)	\$ 4,072	\$ (11,537)	\$ 552
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustments	673	206	828	(133)
Net unrealized gain (loss) on revaluation of long-term intercompany balances	(204)	(57)	(192)	(15)
Total other comprehensive income (loss)	469	149	636	(148)
Total comprehensive income (loss)	<u>\$ (7,394)</u>	<u>\$ 4,221</u>	<u>\$ (10,901)</u>	<u>\$ 404</u>

39. The Company's November 9, 2017 Form 10-Q also assured investors of the effectiveness of Quantum's internal control over financial reporting:

**ITEM 4. CONTROLS AND PROCEDURES**

- (a) *Evaluation of disclosure controls and procedures.* We evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by the Quarterly Report on Form 10-Q. This control evaluation was performed under the supervision and with the participation of management, including our CEO and our CFO. Disclosure controls and procedures are designed to

1 ensure that information required to be disclosed in our reports filed  
2 under the Exchange Act, such as this Quarterly Report on Form 10-Q,  
3 is recorded, processed, summarized and reported within the time periods  
4 specified by the SEC. Disclosure controls are also designed to ensure  
5 that such information is accumulated and communicated to our  
6 management, including the CEO and CFO, as appropriate, to allow  
7 timely decisions regarding the required disclosure. Based on the  
8 controls evaluation, our CEO and CFO have concluded that as of the  
9 end of the period covered by this Quarterly Report on Form 10-Q, our  
10 disclosure controls were effective.

11 (b) *Changes in internal control over financial reporting.* There was no  
12 change in our internal control over financial reporting that occurred  
13 during the fiscal quarter covered by this Quarterly Report on Form 10-  
14 Q that has materially affected, or is reasonably likely to materially  
15 affect, our internal control over financial reporting.

16 40. Quantum's November 9, 2017 Form 10-Q was signed by Defendants Sanchez and  
17 Amahd and contained SOX certifications, signed by both which were substantially similar to the  
18 certifications described in ¶22, supra.

19 **C. The Truth Emerges – Disclosures At The End Of The Class Period**

20 41. On November 13, 2017, Quantum filed a Form 8-K with the SEC announcing,  
21 among other things, that its long-time CEO, Jon Gacek, had abruptly resigned and would be  
22 replaced by interim CEO Adalio Sanchez.

23 42. Among other things, that Form 8-K stated:

24 On November 7, 2017, Quantum Corporation ("Quantum" or the "Company")  
25 appointed Adalio T. Sanchez, 58, a member of the Company's board of directors  
26 (the "Board") as interim CEO to replace Jon Gacek who left the Company effective  
27 November 7, 2017. Mr. Sanchez is a 35-year IT industry veteran who spent most  
28 of his career at IBM, including 16 years in senior executive and global general  
management roles. Mr. Sanchez has served as a member of the Board since May  
2017 and also serves on the board of directors of ACI Worldwide, Inc. (NASDAQ:  
ACIW). His full biographical information is set forth in the Company's proxy  
statement for its annual meeting held on August 23, 2017 (the "2017 Proxy  
Statement") and is incorporated herein by reference.

There are no arrangements or understandings between Mr. Sanchez and any other  
persons pursuant to which he was selected as interim Chief Executive Officer.  
There are no family relationships between Mr. Sanchez and any director or  
executive officer of the Company and he has no direct or indirect material interest

1 in any transaction required to be disclosed pursuant to Item 404(a) of Regulation  
2 S-K.

3 In connection with Mr. Sanchez's appointment, the Board ended Raghu Rau's  
4 service as Executive Chair and Mr. Rau resumed his prior role as Chairman of the  
5 Board. The terms of Mr. Rau's service as Executive Chair, including his  
6 compensation arrangements were previously disclosed on the Company's Form 8-  
7 K, filed on September 5, 2017.

8 43. On February 8, 2018, Quantum issued a press entitled "Quantum Corporation  
9 Postpones Earnings Conference Call," in which the Company disclosed that it had previously  
10 received a subpoena from the SEC "related to revenue recognition for transactions commencing  
11 April 1, 2016," prompting a still ongoing internal investigation. As a result, the Company  
12 announced, it would delay the release of its fiscal third quarter 2018 results and its earnings  
13 conference call. In pertinent part, the February 8, 2018 press release provided:

14 **Quantum Corporation Postpones Earnings Conference Call**

15 SAN JOSE, Calif., Feb. 8, 2018 /PRNewswire/ -- Quantum Corp. (NYSE: QTM)  
16 today announced that it is postponing release of its fiscal third quarter 2018 results  
17 and its earnings conference call, which were scheduled for this afternoon. The  
18 company is taking this action so that Quantum's audit committee, in keeping with  
19 its strong corporate governance practices, can complete an investigation into  
20 accounting matters and related internal controls that were raised in response to a  
21 recent inquiry by the Securities and Exchange Commission (SEC). In the meantime,  
22 the company provided an update on its ongoing business transformation and cost  
23 savings initiative, including the acceleration of certain cost reduction actions  
24 announced last November. Quantum also announced that the company and its  
25 senior lenders have signed a term sheet to provide additional financial flexibility  
26 under its credit facility.

27 **Postponement of Quarterly Results and Conference Call**

28 On Jan. 11, 2018, Quantum received a subpoena from the SEC regarding its  
accounting practices and internal controls related to revenue recognition for  
transactions commencing April 1, 2016. Following receipt of the SEC subpoena,  
the company's audit committee began an independent investigation with the  
assistance of independent advisors, which is currently in process. Because the audit  
committee's investigation is ongoing, Quantum decided it was prudent to postpone  
its quarterly results release and conference call, pending conclusion of the  
investigation. The company is cooperating with the SEC and cannot predict the

1 timing of completion or outcome of either the audit committee's investigation or  
2 the SEC's inquiry at this time.

3 **CLASS ACTION ALLEGATIONS**

4 44. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules  
5 of Civil Procedure on behalf of a class of all persons and entities who purchased or otherwise  
6 acquired Quantum securities between July 27, 2016 through February 7, 2018, inclusive. Excluded  
7 from the Class are Defendants, directors and officers of the Company, as well as their families and  
8 affiliates.

9 45. The members of the Class are so numerous that joinder of all members is  
10 impracticable. Throughout the Class Period, Quantum securities were actively traded on the NYSE  
11 stock exchange. While the exact number of Class members is unknown to Plaintiff at this time and  
12 can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds  
13 or thousands of members in the proposed Class. As of November 3, 2017, the Company had  
14 34,673,884 shares of common stock outstanding. Record owners and other members of the Class  
15 may be identified from records maintained by Quantum or its transfer agent and may be notified  
16 of the pendency of this action by mail, using the form of notice similar to that customarily used in  
17 securities class actions.

18 46. There is a well-defined community of interest in the questions of law and fact  
19 involved in this case. Questions of law and fact common to the members of the Class which  
20 predominate over questions which may affect individual Class members include:

- 21 a. Whether Defendants violated the Exchange Act ;  
22 b. Whether Defendants omitted and/or misrepresented material facts;  
23 c. Whether Defendants' statements omitted material facts necessary in order to make  
24 the statements made, in light of the circumstances under which they were made, not  
25 misleading;  
26 d. Whether Defendants knew or recklessly disregarded that their statements were false  
27 and misleading;  
28

- 1 e. Whether the price of the Company's stock was artificially inflated; and  
2 f. The extent of damage sustained by Class members and the appropriate measure of  
3 damages.

4 47. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class  
5 sustained damages from Defendants' wrongful conduct alleged herein.

6 48. Plaintiff will adequately protect the interests of the Class and has retained counsel  
7 who are experienced in class action securities litigation. Plaintiff has no interests that conflict with  
8 those of the Class.

9 49. A class action is superior to other available methods for the fair and efficient  
10 adjudication of this controversy. Furthermore, as the damages suffered by individual Class  
11 members may be relatively small, the expense and burden of individual litigation makes it  
12 impossible for members of the Class to individually redress the wrongs done to them. There will  
13 be no difficulty in the management of this action as a class action.

#### 14 **LOSS CAUSATION**

15 50. Defendants' wrongful conduct, as alleged herein, directly and proximately caused  
16 the economic loss suffered by Plaintiff and the Class.

17 51. During the Class Period, Plaintiff and the Class purchased Quantum securities at  
18 artificially inflated prices and were damaged thereby.

19 52. On February 8, 2018, before trading had opened, Quantum disclosed that it had  
20 received a subpoena from the SEC on January 11, 2018 "regarding its accounting practices and  
21 internal controls related to revenue recognition for transactions commencing April 1, 2016,"  
22 prompting an internal investigation by Quantum's audit committee, which remains ongoing. As a  
23 result, the Company further announced that it would postpone the release of its fiscal third quarter  
24 2018 results and earnings call.

25 53. On this news, Quantum's share price fell 29.9% to close at \$3.90 on February 8,  
26 2018.





1 **NO SAFE HARBOR**

2 57. The statutory safe harbor provided for forward-looking statements under certain  
3 conditions do not apply to any of the allegedly false statements pleaded in this Complaint. The  
4 specific statements pleaded herein were not identified as forward-looking statements when made.

5 58. To the extent there were any forward-looking statements, there were no meaningful  
6 cautionary statements identifying important factors that could cause actual results to differ  
7 materially from those in the purportedly forward-looking statements.

8 **CAUSES OF ACTION**

9 **COUNT I**

10 **Violation of § 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder**

11 **(Against All Defendants)**

12 59. Plaintiff repeats and re-alleges each and every allegation contained above as if fully  
13 set forth herein.

14 60. During the Class Period, Defendants disseminated or approved the false statements  
15 specified above, which they knew or deliberately disregarded were misleading in that they  
16 contained misrepresentations and failed to disclose material facts necessary in order to make the  
17 statements made, in light of the circumstances under which they were made, not misleading.

18 61. Defendants violated § 10(b) of the Exchange Act and Rule 10b-5 in that they (i)  
19 employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact  
20 and/or omitted to state material facts necessary to make the statements not misleading; and (iii)  
21 engaged in acts, practices, and a course of business which operated as a fraud and deceit upon  
22 those who purchased or otherwise acquired the Company's securities during the Class Period.

23 62. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of  
24 the market, they paid artificially inflated prices for the Company's common stock. Plaintiff and  
25 the Class would not have purchased the Company's common stock at the price paid, or at all, if  
26 they had been aware that the market prices had been artificially and falsely inflated by Defendants'  
27 misleading statements.

1 **COUNT II**

2 **Violation of § 20(a) of the Exchange Act**

3 **(Against The Individual Defendants)**

4 63. Plaintiff repeats and re-alleges each and every allegation contained above as if fully  
5 set forth herein.

6 64. The Individual Defendants acted as controlling persons of the Company within the  
7 meaning of § 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions  
8 at the Company, the Individual Defendants had the power and authority to cause or prevent the  
9 Company from engaging in the wrongful conduct complained of herein. The Individual  
10 Defendants were provided with or had unlimited access to the Company's reports, press releases,  
11 public filings and other statements alleged by Plaintiffs to be false or misleading both prior to and  
12 immediately after their publication, and had the ability to prevent the issuance of those materials  
13 or to cause them to be corrected so as not to be misleading.

14 65. In particular, each of these Individual Defendants had direct and supervisory  
15 involvement in the day-to-day operations of the Company and, therefore, is presumed to have had  
16 the power to control or influence the particular transactions giving rise to the securities violations  
17 as alleged herein, and exercised the same.

18 66. As set forth above, Quantum violated Section 10(b) and Rule 10b-5 by its acts  
19 and/or omissions as alleged in this Complaint. By virtue of their positions as controlling persons,  
20 the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct  
21 and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class  
22 suffered damages in connection with their purchases of the Company's securities during the Class  
23 Period.

24 **PRAYER FOR RELIEF**

25 WHEREFORE, Plaintiff prays for relief and judgment, as follows:

26 A. determining that this action is a proper class action pursuant to Rule 23(a) and  
27 23(b)(3) of the Federal Rules of Civil Procedure on behalf of the Class as defined herein, and a  
28

1 certification of Plaintiff as class representative pursuant to Rule 23 of the Federal Rules of Civil  
2 Procedure and appointment of Plaintiff's counsel as Lead Counsel;

3 B. awarding compensatory damages in favor of Plaintiff and the other class members  
4 against all Defendants, jointly and severally, for all damages sustained as a result of Defendants'  
5 wrongdoing, in an amount to be proven at trial, including pre-judgment and post-judgment interest  
6 thereon.

7 C. awarding Plaintiff and other members of the Class their costs and expenses in this  
8 litigation, including reasonable attorneys' fees and experts' fees and other costs and disbursements;  
9 and

10 D. awarding Plaintiff and the other Class members such other relief as this Court may  
11 deem just and proper.

12 **DEMAND FOR JURY TRIAL**

13 Plaintiff hereby demands a trial by jury in this action of all issues so triable.

14 DATED: February 13, 2018

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