

Firms Want \$2M In Fees For Quantum Accounting Settlement

By **Rachel Graf**

Law360 (October 11, 2019, 5:50 PM EDT) -- Kirby McInerney and Glancy Prongay & Murray asked a California federal court Thursday for roughly \$2 million in fees for their efforts securing a tentative \$8 million from data storage company Quantum Corp. to resolve a shareholder lawsuit over its accounting practices.

The firms also asked for about \$101,000 in reimbursement for expenses, saying they spent more than 2,000 hours on work related to the litigation and achieved an "excellent result" for the investors.

"Lead counsel's extensive efforts and skill led to the settlement and strongly support the requested percentage fee," according to their motion for the fees.

The shareholders have accused Quantum of prematurely booking \$20 million in revenue from a single "large cloud project" customer in fiscal 2017, according to a July 2018 amended complaint. The revenue should have been deferred until various obligations had been met, according to the investors.

These accounting practices allowed the company to report overall revenue growth for fiscal 2017 despite declines in the market for data protection products, a big part of its business, according to investors.

In February of last year, Quantum disclosed a U.S. Securities and Exchange Commission subpoena and an internal investigation involving the accounting practices, according to the shareholders.

By the time the amended complaint was filed, shares of Quantum had lost roughly half their value since April 2016, when the company first disclosed a "major, multiyear scale-out storage win for a large cloud project," according to the amended complaint.

The proposed settlement, preliminarily approved in July, would cover investors who bought shares of Quantum between April 18, 2016, and Feb. 8, 2018.

The deal represents almost 20% of the estimated damages investors might have recovered from a jury trial in a best-case scenario, according to court documents.

"By any measure, the settlement is a favorable result for the settlement class and avoids the substantial risks and expenses of continued litigation, including the risk of recovering less than the settlement amount or nothing at all," according to the bid for attorney fees.

Counsel for Quantum declined to comment Friday. Counsel for the investors didn't respond to a request for comment.

The investors are represented by Ira Press and Christopher Studebaker of Kirby McInerney LLP and Robert Prongay, Lionel Glancy and Lesley Portnoy of Glancy Prongay and Murray LLP.

Quantum is represented by Boris Feldman of Wilson Sonsini Goodrich & Rosati.

The case is *Lazan v. Quantum Corp. et al.*, case number 3:18-cv-00923, in the U.S. District Court for the Northern District of California.

--Editing by Janice Carter Brown.