

Data Domain Files IPO, Cuts Deal with Quantum

March 31 2007

Quantum will receive 390,000 shares of stock when the sale ensues, thanks to a pre-sale cross-licensing agreement with Data Domain.

Data Domain, which makes storage appliances for disk-based backup and network-based disaster recovery, filed a Form S-1 registration statement late on March 30 for an initial public offering of as much as \$100 million in common stock.

Goldman Sachs, Morgan Stanley, Thomas Weisel Partners LLC Pacific Crest Securities will underwrite the IPO, according to a preliminary offering document filed with the Securities and Exchange Commission, Reuters reported.

Data Domain said it would have no comment on the filing until April 2, a company spokesperson told eWEEK.

Data Domain, based in Santa Clara, Calif., is seeking a Nasdaq listing under the symbol "DDUP," an abbreviation for "deduplication" - which is one of Data Domain's chief stocks in trade.

Data deduplication is a process which eliminates redundant data throughout the storage network, allowing for better system performance and efficiency. It is one of the hottest technologies in the storage market at this time.

There are several approaches to this process; Data Domain and others

utilize one called "variable length deduplication," which was patented by Quantum.

Quantum, based in San Jose, Calif., stands to profit handsomely when Data Domain begins selling its public stock. Data Domain and Quantum have a pre-ordained cross-licensing deal going into the IPO, according to the S-1 filing.

Quantum, which makes both digital tape and spinning disk storage products, will receive a total of 390,000 shares of Data Domain stock - pre-sale value, approximately \$2.9 million - when it goes public. In return, Data Domain will continue to use Quantum's variable length deduplication process in its product line, with no legal strings attached.

"In the fourth quarter of 2006, we received an inquiry from Quantum Corporation regarding our interest in licensing certain patents that Quantum believed we may have previously incorporated into our products or may incorporate in the future," Data Domain states in the S-1 filing.

"As a result of our discussions with Quantum, which commenced in 2006, we entered into a patent cross-license agreement in March 2007, with an effective date of January 1, 2007.

"Under the terms of the cross-license, we issued Quantum 390,000 shares of our common stock in March 2007. We engaged an independent third-party valuation firm to assist us in valuing the shares of our common stock as of the date of issuance. Based on this valuation, the value of the common stock issued under the agreement was approximately \$3.3 million," Data Domain stated.

"The \$2.9 million balance of the settlement amount represents payment to Quantum for a release of all claims for any past acts or conduct, and

we have recorded the amount as settlement expense in our consolidated statements of operations for the year ended December 31, 2006," Data Domain said.

The Data Domain board of directors approved the IPO filing on March 26.

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