DOT HILL SYSTEMS CORP
Form 10-K
March 10, 2014

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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2013

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 1-13317

DOT HILL SYSTEMS CORP.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-3460176 (I.R.S. Employer Identification No.)
1351 S. Sunset Street, Longmont, CO (Address of principal executive offices)	80501 (Zip Code)

(303) 845-3200
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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	¨	Accelerated filer	x
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of June 30, 2013 was $125,602,389.

The registrant had 59,882,431 shares of common stock, $0.001 par value, outstanding as of February 28, 2014.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement for its 2014 annual meeting of stockholders are incorporated by reference into Part III of this Form 10-K.

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Forward-Looking Statements

Certain statements contained in this annual report on Form 10-K, including, but not limited to, statements regarding the development, growth and expansion of our business, our intent, belief or current expectations, primarily with respect to our future operating performance and the products we expect to offer, and other statements regarding matters that are not historical facts, are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and are subject to the "safe harbor" created by these sections. Future filings with the Securities and Exchange Commission, or SEC, future press releases and future oral or written statements made by us or with our approval, which are not statements of historical fact, may also contain forward-looking statements. Because such statements include risks and uncertainties, many of which are beyond our control, actual results may differ materially from those expressed or implied by such forward-looking statements. Some of the factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements are set forth in the section entitled "Risk Factors" and in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere throughout this annual report on Form 10-K.

Readers are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements speak only as of the date on which they are made, and, except as required by applicable law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

In this annual report on Form 10-K, "Dot Hill," "we," "us" and "our" refer to Dot Hill Systems Corp. and our wholly owned subsidiaries on a consolidated basis, unless the context otherwise provides.

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PART I
Item 1. Business

We design, manufacture and market a range of software and hardware storage systems for the entry and mid-range storage markets. We focus on selling through server-based original equipment manufacturers (OEMs), such as Hewlett-Packard, or HP, Dell Inc. or Dell, Lenovo Group Limited or Lenovo, Advanced Micro Devices, Inc. or AMD, and Stratus Technologies or Stratus; as well as into vertical markets through embedded solutions OEM's, such as Teradata Corporation or Teradata, CGG Veritas or CGG, Motorola, Inc. or Motorola, Tektronix Inc. or Tektronix, Samsung Electronics or Samsung, Concurrent Computer Corporation or Concurrent, Autodesk Inc. or Autodesk, Harris Broadcast Communications and Nokia Siemens Network or Nokia Siemens, which primarily include media and entertainment, telecommunications, high performance computing, digital image archive, big data and oil and gas. Our vertical market customers are OEMs, who embed our products into their solutions, as well as resellers.

Typical customers for our storage systems products, which include our AssuredSAN line of storage array products, include organizations requiring high reliability, high performance networked or direct attached storage and data management solutions in an open systems architecture. Most of our sales through our server-based OEM's go into the IT infrastructure of companies and organizations to support a wide variety of internal applications, including email, Enterprise Resource and Planning, retail transactions and voicemail. On the other hand, much of our product sales into vertical markets support the revenue streams of embedded solution partners' end-user customers, such as the central office infrastructure of telco providers, video editing and streaming appliances, and big data analytics solutions. Our storage solutions consist of integrated hardware, firmware and software products employing a modular system that allows end-users to add various protocol, performance, capacity or data protection schemes as needed. Our broad range of products, from small capacity direct attached to complete multi-hundred terabyte, or TB, storage area networks, or SANs, provide end-users with a cost-effective means of addressing increasing storage demands at compelling price-performance points. Our current product family based on our AssuredSAN architecture provides high performance and large disk array capacities for a broad variety of environments, employing Fibre Channel, Internet Small Computer Systems Interface, or iSCSI or Serial Attached SCSI, or SAS, interconnects to switches and/or hosts. In addition, our Assured family of data protection software products provides additional layers of data protection options to complement our line of storage disk arrays. Our current mainstream AssuredSAN(TM) family of entry-level and mid-range storage products and Just a Bunch of Disks, or JBOD, arrays are targeted primarily at mainstream enterprise and small-to-medium business, or SMB, applications. Some of our AssuredSAN products have been distinguished by certification as Network Equipment Building System, or NEBS, Level 3 (a telecommunications standard for equipment used in central offices) and are MIL-STD-810F (a military standard created by the U.S. government) compliant based on their ruggedness and reliability.

Our products span Price Bands 2 through 5 as defined by International Data Corporation. Our AssuredSAN 2000 and 3000 Series products address the entry level market (bands 2 and 3) and AssuredSAN 4000 and Pro 5000 Series address the mid-range market (bands 4 and 5). AssuredSAN Pro 5000 Series products include RealStorTM software that incorporates autonomic real-time data tiering via a virtualized back-end. With RealStor, businesses gain the advantage of using very high performance Solid State Drives (SSDs) to their maximum benefit, while storing less frequently accessed data on larger and much less expensive hard disk drives (HDDs).

Our agreements with our customers do not contain any minimum purchase commitments and may be terminated at any time upon notice from the applicable customer. Our ability to achieve and maintain profitability will depend on, among other things, the level and mix of orders we actually receive from such customers, the actual amounts we spend on marketing support, the actual amounts we spend for inventory support and incremental internal investment, our ability to reduce product cost, our product lead time, our ability to meet delivery schedules required by our customers and the economic environment.

Our products and services are sold worldwide to facilitate server and SAN storage implementations, primarily through server-based OEMs, vertical markets partners that include embedded OEMs that integrate our products into their solutions, and value-added resellers, or VARs. Our storage system products' server-based OEM partners currently

include, among others, HP, Lenovo and Stratus, who purchase our AssuredSAN products, and Dell and AMD, who purchase our AssuredVRA products. Our vertical markets partners include Teradata, CGG, Motorola, Tektronix, Samsung, Concurrent, Autodesk, Harris Broadcast Communications and Nokia Siemens. Although our products and services are sold worldwide, the majority of our net revenue is derived from our U.S. operations.

We began shipping products to HP in the fourth quarter of 2007. Our products are primarily sold as HP's MSA 2000/P2000 product family. The agreement with HP does not contain any minimum purchase commitments. In October 2011, we extended our supply agreement with HP by five years to expire in October 2016 and also extended the expiration of 1.6 million warrants granted to HP in March 2008 to expire concurrently with the supply agreement in October 2016. Net revenue from HP

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approximated 59% of our total net revenue in 2013, down from 68% in 2012 and 74% in 2011. We expect sales to HP to continue to decline as a percentage of total revenue, but we still anticipate it to represent a substantial percentage of our total net revenue in 2014.

The demand for our products has been affected in the past, and may continue to be affected in the future, by various factors, including, but not limited to, the following:

- our ability to maintain and enhance relationships with our customers, in particular our OEM customers, as well as our ability to win new business;
- our ability to source critical components such as integrated circuits, hard disk drives, memory and other components on a timely basis;
- the amount of field failures resulting in product replacements or recalls;
- our ability to launch new products in accordance with OEM specifications, schedules and milestones;
- our ability to sell Dot Hill branded products through resellers;
- our ability to win new server-based OEM customers and OEMs who embed our products into their solutions;
- general economic and political conditions and specific conditions in the markets we address, including the continuing volatility in the technology sector, current general economic volatility and trends in the data storage markets in various geographic regions;
- the timing, rescheduling or cancellation of significant customer orders and our ability, as well as the ability of our customers, to manage inventory; and
- the inability of certain of our customers who depend on credit to have access to their traditional sources of credit to finance the purchase of products from us, particularly in the current global economic environment, which may lead them to reduce their level of purchases or to seek credit or other accommodations from us.

For these and other reasons, our net revenue and results of operations in 2013 and prior periods may not necessarily be indicative of future net revenue and results of operations.

We were formed in 1999 by the combination of Box Hill Systems Corp., or Box Hill, and Artecon, Inc., or Artecon. We reincorporated in Delaware in 2001. Our website address is http://www.dothill.com. Information contained on our website does not constitute a part of this annual report on Form 10-K. Our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and all amendments to those reports that we file with the SEC are currently available free of charge to the general public through our website promptly after being filed with the SEC and are also accessible through the SEC's website which may be found at http://www.sec.gov. In addition, you may read and copy the materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Industry Background

Overall Storage Market

According to "Worldwide Enterprise Storage Systems 2013 - 2017 Forecast," published by International Data Corporation (IDC), the overall enterprise storage market is a $35.0 billion industry in 2012, of which over $26.3 billion is generated by external networked storage systems. IDC projects networked storage revenue's compound annual growth rate (CAGR) to be 4.9% through 2017. The market for networked storage is further divided into Direct Attach Storage (DAS) with $2.6 billion in revenue and Networked Storage, which includes Storage Area Network (SAN) products, with $16.6 billion in revenue and Network Attach Storage (NAS) with $6.1 billion in revenue. External storage systems have been growing faster than internal storage systems for 2012 - 2017, and have been growing faster since 2002. Storage capacity growth has increased at a much higher rate than revenue, as capacity per disk device continues to increase while component prices are declining.

External storage refers to storage systems not inside a server. The main components of a storage array system are HDDs, SSDs, one or two storage controllers, power supplies and an enclosure. The main advantage of networked storage, including SAN and NAS, is that it allows multiple servers to share the storage resources connected through a network interface such as Fibre Channel or iSCSI.

IDC tracks shipments of products from storage vendors and divides the market into ten specific price bands. Price bands most relevant to Dot Hill are bands 2 through 6, which represent a $14.2 billion projected total available market

in 2014.

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Types of Data

Gartner, Inc. (Gartner), an information technology research and advisory company, classifies data types into four categories based on the format of how the data is stored. This differentiates data types across traditional relational, XML, messaging and multi-media formats. Examples of data types in the four categories include:

- Structured data. Structured data includes relational databases where full atomicity, consistency, isolation, and durability (ACID) features are supported.
- Semi-structured data. Semi-structured data is structured data that include metadata and are self-descripting. This also includes XML data.
- Quasi-structured data. Quasi-structured data includes web clickstream data that contains some inconsistencies in data values and format.
- Unstructured data. Unstructured data includes text documents, images, video and general file-based data.

Dot Hill storage products are suited to all data types.

Storage Systems by Market Segment

Traditionally, storage vendors have designed products for markets differentiated by capacity, performance, price and feature set. These storage markets are typically identified as:

- Entry-level. Entry-level storage products are designed for lower capacity, less complex data storage needs. OEMs and server companies address this market primarily through an indirect sales channel approach employing distributors, retailers and VARs that assist IT managers in identifying, purchasing and installing the product.
- Mid-range. Mid-range or departmental/workgroup storage products are designed for higher capacity and performance than entry-level products, but still feature ease of use and manageability, and are attached to a local server or a network of servers tailored to the needs of the local users. In this market, storage providers, OEMs and server companies primarily sell their products to local IT managers either directly or through distributors, VARs and regional system integrators (SIs).
- High-end. High-end or data center storage products are designed for use by larger organizations where data storage and management is critical. These organizations require large capacity storage systems that feature high-performance, automation, extreme reliability, continuous availability, operating systems interoperability and global service and support. In this market, storage providers, OEMs and server companies sell their products with a combination of a direct sales force and indirect channels, including OEMs, large SIs, VARs and managed services providers.

Dot Hill storage products address the entry-level (bands 2 and 3) and mid-range segments (bands 4 and 5).

Industry Trends

There are several disruptive trends in the storage industry that will continue to drive demand for increasing storage requirements in terms of capacity, performance, and price. These trends include the following:

- The explosion of personal data stored and shared on social networking sites and stored or accessed on various mobile devices;
- Consolidation of compute power and storage in a variety of centralized or cloud architectures;
- Big Data capture, storage and management of various unstructured and quasi-structured data formats;
- Business intelligence and analytics, often applied to Big Data stores that require additional storage resources during the map/reduce process;
- Data security and compliance requirements from government entities and customer privacy expectations; and
- Storage systems optimized for flash storage and storage class memory products to increase performance while optimizing cost.

We believe the storage industry is strong and growing and our unique product and company strengths will satisfy a growing set of customers in the years ahead.

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Our Strategy

Our primary objective is to sustain and grow profitability through our core business of selling entry and mid-level storage arrays through OEMs, including server-based OEMs and vertical markets OEMs focused on solutions for media and entertainment, telecommunications, Big Data, HPC Digital Image Archive and oil and gas, and also through channel based resellers focused primarily on the same vertical markets. We launched our first mid-range products on August 22, 2012, which include the AssuredSAN(TM) Pro 5000 Series, with RealStor(TM) software that incorporates autonomic real-time data tiering, and the AssuredSAN(TM) 4000 Series next-generation, high performance storage solution designed to deliver best-in-class price performance, 99.999 percent availability and exceptional streaming throughput. In addition, we will strive to create greater economies of scale and operating leverage in our entry level OEM storage array business, by focusing on new customer opportunities that may arise as a result of industry consolidation.

More specifically our strategy for the storage array business includes the following:

- Focus on embedding our storage products into solutions for media and entertainment, telecommunications, Big Data, HPC Digital Image Archive and oil and gas. Our AssuredSAN products are particularly well-suited for read and write workloads that are both random and sequential. A random workload implies that multiple users may wish to access the same data simultaneously. A sequential workload implies that users will need access to large files. The vertical markets we target all need storage with such performance characteristics. By addressing the needs of these markets through both OEMs that would embed our storage into their solutions and resellers that also sell into these segments, we can benefit from our channel partners' knowledge of these vertical markets, extensive direct and indirect distribution networks, installed customer bases and greater sales, marketing and global service and support infrastructures. The costs associated with a direct worldwide sales force are extensive. By leveraging the sales networks of our partners, we can manage our sales and marketing costs to much lower levels. In addition, we encourage our partners to provide direct support and service to end-users.
- Focus on existing customers and develop new customer relationships. We have entered into OEM agreements with, HP, Tektronix, Lenovo, Dell, AMD, Motorola, Samsung, Stratus, Concurrent, Teradata, and CGG, among others. We intend to focus on expanding our relationships with our existing customers and to continue seeking additional OEM relationships with other industry leaders to sell current products and expand the number of products offered to these customers to enable them to address new markets.
- Grow and extend technology leadership. We view our core competencies as the research, design and engineering of modular open storage systems and data protection for enterprise servers. We believe that focused research and development on advanced, cost effective storage technologies is critical to our ongoing success. We intend to continue to develop and integrate high-end features into our products in order to offer more complete storage solutions and enhance our existing products to benefit our channel partners' efforts to increase sales.
- Leverage our AssuredSAN architecture. We developed our AssuredSAN architecture as a foundational element of our AssuredSAN modular storage arrays. This modular architecture allows us to quickly develop and bring to market new products based on this foundation. We intend to focus and unify our development efforts on this approach, which we believe offers a competitive time to market advantage to us. In particular, we intend to utilize our AssuredSAN products to continually extend the feature sets of both our entry-level and mid-range solutions and build a comprehensive set of software-based features that offer our customers increased levels of value and differentiation.
- Quickly adopt new standards. We strive to introduce products that are first to market. For example, in November 2013 we introduced AssuredSAN 4004, the first entry-level storage array with flexible Fibre Channel and Fibre Channel / iSCSI interfaces that can be configured for 8Gb or 16Gb FIBRE Channel, or 1Gb or 10Gb iSCI host connectivity. This model series also offers a 12Gb SAS interface option. In August 2012, we introduced AssuredSAN(TM) Pro 5000 Series with RealStor(TM) software that incorporates autonomic real-time data tiering. With RealStor, businesses gain the advantage of very high performance SSDs, using them to their maximum benefit to store very frequently accessed or "hot" data, while storing less frequently accessed data on slower, but much less expensive, hard disk drives. This storage array technology delivers performance improvements within minutes for workloads as data being stored on the Series 5000 products are analyzed in real-time and migrated to faster but more expensive SSDs or to slower HDDs, based on frequency of use. On the same day, we also introduced our AssuredSAN(TM) 4000 Series

next-generation, high performance storage solution designed to deliver best-in-class price performance, 99.999 percent availability, and exceptional streaming throughput. The Series 4000 shares the same architecture as the Series 5000. In addition, our AssuredVRA enterprise RAID (redundant array of independent disks) stack for Windows and Linux servers allow us to quickly adopt and migrate to next generation Intel and AMD class server architectures due to its highly modular architecture and approach.

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- Pursue strategic alliances, partnerships and acquisitions. We plan to continue to evaluate and selectively pursue strategic acquisitions, alliances and partnerships and other strategic alternatives that are complementary to our business. We believe that growth of the network storage market will create additional opportunities to expand our business. In some cases, we believe the most efficient pursuit of these opportunities may be through partnerships and relationships that allow us to leverage our existing products, core competencies and channels while capitalizing on products, technologies and channels that may be available through potential strategic partners.

Our Products

Product Positioning and Highlights

We design, manufacture and market a range of enterprise storage solutions and virtual RAID adapters for the entry and mid-range storage markets. Typical customers for our storage systems products, which include our AssuredSAN line of storage array products, include organizations requiring high reliability, high performance networked or direct attached storage and data management solutions in an open systems architecture. Most of our sales through our server-based OEM's go into the IT infrastructure of companies and organizations to support a wide variety of internal applications, including email, Enterprise Resource and Planning, retail transactions and voicemail. On the other hand, much of our product sales into vertical markets support the revenue streams of embedded solution partners' end-user customers, such as the central office infrastructure of telco providers, video editing and streaming appliances, and big data analytics solutions. Our storage solutions consist of integrated hardware, firmware and software products employing a modular system that allows end-users to add various protocol, performance, capacity or data protection schemes as needed. Our broad range of products, from small capacity direct attached to complete multi-hundred terabyte, or TB, storage area networks, or SANs, provide end-users with a cost-effective means of addressing increasing storage demands at compelling price-performance points. Our current product family based on our AssuredSAN architecture provides high performance and large disk array capacities for a broad variety of environments, employing Fibre Channel, Internet Small Computer Systems Interface, or iSCSI or Serial Attached SCSI, or SAS, interconnects to switches and/or hosts. In addition, our Assured family of data protection software products provides additional layers of data protection options to complement our line of storage disk arrays.

Our AssuredSAN storage solutions are positioned in the market to lead in these areas:

- Proven value for network storage. Our storage arrays support raw capacities up to 288TB with 4TB disk drives, and offer High Availability with dual redundant controllers.
- Best-in-Class reliability and high availability. Based on over 650,000 total storage array systems shipped, and the large number of systems tracked in field service, the AssuredSAN product line has consistently demonstrated 99.999% availability. Our products have been validated by rigorous testing by multiple demanding OEM customers.
- Best-in-Class price/performance. With the introduction of the AssuredSAN 4004 models, we have established industry leading performance in terms of streaming read/write performance and transactions per second for this class of product. Our mid-range class products deliver more performance at a given price point than competing systems in the market. Since the initial launch in August 2012, multiple OEM customers have selected and qualified our mid-range products for their storage solutions.
- Most responsive storage with real-time tiering. Our AssuredSAN Pro 5000 series with RealStor™ software enables autonomic real-time tiering across disk technologies to achieve greater performance for dynamic workloads. With RealStor, businesses gain the advantage of deploying very high performance SSDs, using them to their maximum benefit to store very frequently accessed or “hot” data, while storing less frequently accessed data on slower, but much less expensive hard disk drives. This 8th generation storage array technology delivers performance improvements within minutes for workloads, as data being stored on the Series 5000 products are analyzed in real-time and migrated to faster but more expensive SSDs or to slower HDDs based on frequency of use.
- Disruptively simple interface for improved operational efficiency. In addition to the autonomic real-time tiering in the Assured SAN Pro 5000 series, the software interface has been designed for simplicity that eliminates all low level configuration tasks without complex policy settings.

AssuredSAN Product Line

We design our family of open systems storage hardware and software products with the reliability, flexibility and performance necessary to meet IT managers' needs for easily scalable cost-effective solutions. We currently offer

storage systems in Fibre Channel, iSCSI, and SAS host interfaces which include HDD and SSD drive technologies. We also offer enterprise class RAID software for industry standard Windows and Linux servers, as well as storage management applications, which can manage any one or all of our storage system configurations. The AssuredSAN Pro 5000, RealStor™ software adds

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autonomic real-time tiering, thin provisioning, fast RAID rebuild and a disruptively simple user interface called Storage Management Console. In addition, performance-enhancing and Data Management Software is sold bundled with our storage systems or licensed separately to OEM customers, including AssuredSnap, AssuredCopy and AssuredRemote.

We also offer AssuredSAN Modular Storage Architecture products focused on the incorporation of SAS drive technology with a variety of front-end host interfaces. These products are focused on the general purpose market initially and introduce several technological advancements including EcoStor™ (elimination of batteries in a RAID cache management system) and SimulCache™ (high-speed mirrored cache coherency).

- AssuredSAN 2000 Series. Our product line begins with the value priced storage arrays in the 2000 Series. The 2000 Series provides entry level SAN storage for business applications, with an easy to use management interface. The AssuredSAN model 2333 offers a 1Gb iSCSI interface and supports 1TB, 2TB, and 3TB HDDs with options to include SSD drives.
- AssuredSAN 3000 Series. The 3000 Series is ideal for demanding applications such as video post-production, surveillance, and virtual machine environments (VMware, Microsoft and Citrix). With the introduction of the 24 drive small form factor drive products (2U/24), we believe we were also the first to offer such systems with full embedded RAID and data protection capability. Our AssuredSAN 3000 Series includes a range of interface options including 8Gb Fibre Channel, 1Gb and 10Gb iSCSI, 6Gb SAS and a hybrid Fibre Channel / iSCSI option.
- AssuredSAN 4000 Series. Our AssuredSAN™ 4000 storage arrays which were announced on August 22, 2012 are the highest performing storage solutions in our portfolio with a traditional user interface for RAID storage systems. On November 6, 2013, we further enhanced the 4000 Series with the 4004 models based on the Company's ninth-generation RAID architecture. These products offer greater data security, faster throughput and substantial business benefits for markets that demand extremely high-bandwidth performance, such as cloud service providers, media & entertainment, oil & gas, telecommunications, big data analytics and digital image archiving. Host interface options include 12Gb SAS, 16Gb FC, 1Gb and 10Gb iSCI and the only hybrid 16Gb Gen 5 Fibre Channel/10Gb iSCI converged interface.
- AssuredSAN Pro 5000 Series. Also announced on August 22, 2012, our AssuredSAN Pro 5000 Series adds automated tiered storage capabilities to our smart, simple, SAN storage line-up. Using the Pro 5000 Series with integrated RealStor™ management software, IT managers can improve data responsiveness, remove provisioning and allocation guesswork, and simplify storage management and expansion. RealStor, our unique, patent pending software takes tiered storage to a more advanced level -beyond batch data migration to Real-Time automated tiered storage, that continuously responds to user data demands by moving 'hot' data to a high-speed SSD tier. RealStor software includes these key features:

RealTier™, Autonomic Tiered Storage software;
RealThin™, Thin provisioning solution;
RealPool™, automated pooling dramatically simplifies storage setup; and
RealQuick™, method for rapidly rebuilding sectors in record time.

Additional AssuredSAN Features

- High Availability. We believe that high availability is essential to our customers due to the critical nature of the data being stored. We have demonstrated 99.999% availability in our product lines and integrate the latest in technological advances to meet expanding market opportunities. We design redundancy, high reliability, high performance and ruggedness into our storage systems. Redundant components have the ability to be replaced while the system is on-line without interrupting network activity.
- Modular Scalability. Our products are designed using a single cohesive modular architecture that allows customers to size and configure storage systems to meet their specific requirements or storage network type. This modular architecture also allows customers to easily expand and, in some cases, reconfigure a system as their needs change, permitting them to extend the useful life of and better utilize their existing systems.
- Rugged Product Design. Our AssuredSAN products are designed to operate under extreme climatic and other harsh operating conditions without degradation in reliability or performance, as attested to with the NEBS, Level 3 and MIL-STD-810F compliance.

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- Open Systems, Multi-Platform Support. As an independent provider of storage products, we are well positioned to provide storage solutions on a variety of platforms and operating systems, including Linux, HP-UX, Solaris and Windows. Our product lines support access to data by multiple servers using different operating systems simultaneously. This multi-platform compatibility allows customers to standardize on a single storage system that can readily be reconfigured and redeployed at minimal cost as the customer's storage architecture changes.

Data Management Software (DMS) for AssuredSAN Products

Software features available with our AssuredSAN products include the following:

- AssuredSnap. AssuredSnap is our DMS software that introduces point in time snapshot technology into the AssuredSAN product family. AssuredSnap provides the ability to create point-in-time copies or backups of disk volumes with restoration of data to any captured point in time snapshot. Since AssuredSnap only copies changed data to disk, it can virtually eliminate backup windows. The AssuredSnap implementation is not only fast, but also reduces the size of snapshots by storing only a single instance of changed blocks. This technology allows IT managers increased backup efficiency and flexibility.
- AssuredCopy. AssuredCopy is our DMS software that introduces data cloning or volume copy services into the AssuredSAN product family. AssuredCopy leverages snapshot technology to create complete, physically independent copies of master or snapshot volumes. Once complete, volume copies can be mounted to any host system for read-only or read-write access. As both a data protection and a data management technology, AssuredCopy can be used to support applications such as backup and data recovery, data mining, decision support, data distribution and migration, application development and test. AssuredCopy protects against accidental or malicious loss or corruption of data, and provides additional protection against complete volume failure.
- AssuredRemote. AssuredRemote is our DMS software that introduces remote replication into the AssuredSAN product family. AssuredRemote leverages snapshot technology and then transfers them to a paired array over either Fiber Channel or Ethernet for enhanced data protection and disaster recovery.