Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 29, 2002.

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 1-8703

WESTERN DIGITAL CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	33-0956711 (I.R.S. Employer Identification No.)
20511 Lake Forest Drive Lake Forest, California (Address of principal executive offices)	92630 (Zip Code)

REGISTRANT'S TELEPHONE NUMBER INCLUDING AREA CODE: (949) 672-7000
REGISTRANT'S WEB SITE: http://www.westerndigital.com

N/A

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

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 [ ]

Number of shares outstanding of Common Stock, as of April 26, 2002, is 192,088,108.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION
- Item 1. FINANCIAL STATEMENTS
  - CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
  - CONDENSED CONSOLIDATED BALANCE SHEETS
  - CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
  - NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
- Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
- Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

PART II. OTHER INFORMATION
- Item 1. LEGAL PROCEEDINGS
- Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS
- Item 6. EXHIBITS AND REPORTS ON FORM 8-K

SIGNATURES

EXHIBIT INDEX

EXHIBIT 3.1

EXHIBIT 10.2

EXHIBIT 10.47.6

WESTERN DIGITAL CORPORATION
INDEX

		PAGE NO.
PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Condensed Consolidated Statements of Operations — Three-Month Periods Ended March 30, 2001 and March 29, 2002	3
	Condensed Consolidated Statements of Operations — Nine-Month Periods Ended March 30, 2001 and March 29, 2002	4
	Condensed Consolidated Balance Sheets — June 29, 2001 and March 29, 2002	5
	Condensed Consolidated Statements of Cash Flows — Nine-Month Periods Ended March 30, 2001 and March 29, 2002	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	23
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	25
Item 2.	Changes in Securities and Use of Proceeds	26
Item 6.	Exhibits and Reports on Form 8-K	26
Signatures		27

PART I. FINANCIAL INFORMATION

Item 1. ***FINANCIAL STATEMENTS***

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	THREE-MONTH PERIOD ENDED	
	MAR. 30, 2001	MAR. 29, 2002
Revenues, net	$511,723	$594,867
Costs and expenses:		
Cost of revenues	448,428	513,849
Research and development	32,085	33,206
Selling, general and administrative	30,225	29,760
Total costs and expenses	510,738	576,815
Operating income	985	18,052
Net interest and other income (expense)	52	(492)
Income from continuing operations before income tax benefit and extraordinary gain	1,037	17,560
Income tax benefit	—	1,624
Income from continuing operations before extraordinary gain	1,037	19,184
Loss from discontinued operations	(7,156)	—
Extraordinary gain from redemption of debentures	371	14
Net income (loss)	$ (5,748)	$ 19,198
Basic income (loss) per common share:		
Income from continuing operations before extraordinary gain	$ .01	$ .10
Loss from discontinued operations	(.04)	—
Extraordinary gain	.00	.00
	$ (.03)	$ .10
Diluted income (loss) per common share:		
Income from continuing operations before extraordinary gain	$ .01	$ .10
Loss from discontinued operations	(.04)	—
Extraordinary gain	.00	.00
	$ (.03)	$ .10
Shares used in computing income per share amounts:		
Basic	176,250	190,091
Diluted	177,618	198,355

The accompanying notes are an integral part of these condensed consolidated financial statements.

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	NINE-MONTH PERIOD ENDED	
	MAR. 30, 2001	MAR. 29, 2002
Revenues, net	$1,497,659	$1,610,480
Costs and expenses:		
Cost of revenues	1,340,887	1,402,897
Research and development	97,703	96,040
Selling, general and administrative	91,673	88,071
Total costs and expenses	1,530,263	1,587,008
Operating income (loss)	(32,604)	23,472
Net interest and other income (expense)	(741)	2,769
Income (loss) from continuing operations before income tax benefit, extraordinary gain (loss) and cumulative effect of change in accounting principle	(33,345)	26,241
Income tax benefit	—	1,624
Income (loss) from continuing operations before extraordinary gain (loss) and cumulative effect of change in accounting principle	(33,345)	27,865
Discontinued operations:		
Loss from discontinued operations	(25,028)	—
Gain on disposal of discontinued operations	—	24,532
Extraordinary gain (loss) from redemption of debentures	22,190	(87)
Cumulative effect of change in accounting principle	(1,504)	—
Net income (loss)	$ (37,687)	$ 52,310
Basic income (loss) per common share:		
Income (loss) from continuing operations before extraordinary gain (loss) and cumulative effect of change in accounting principle	$ (.20)	$ .15
Discontinued operations		
Loss from discontinued operations	(.15)	—
Gain on disposal of discontinued operations	—	.13
Extraordinary gain (loss)	.13	(.00)
Cumulative effect of change in accounting principle	(.01)	—
	$ (.23)	$ .28
Diluted income (loss) per common share:		
Income (loss) from continuing operations before extraordinary gain (loss) and cumulative effect of change in accounting principle	$ (.20)	$ .14
Discontinued operations		
Loss from discontinued operations	(.15)	—
Gain on disposal of discontinued segments	—	.13
Extraordinary gain (loss)	.13	(.00)
Cumulative effect of change in accounting principle	(.01)	—
	$ (.23)	$ .27
Shares used in computing income (loss) per share amounts:		
Basic	165,156	188,139
Diluted	165,156	192,372

The accompanying notes are an integral part of these condensed consolidated financial statements.

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	JUN. 29, 2001	MAR. 29, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 167,582	$ 226,487
Accounts receivable, less allowance for doubtful accounts of $13,298 at June 29, 2001 and $8,811 at March 29, 2002	127,767	186,173
Inventories	78,905	94,513
Prepaid expenses and other current assets	11,455	17,388
Total current assets	385,709	524,561
Property and equipment at cost, net	106,166	110,742
Other assets, net	15,777	2,155
Total assets	$ 507,652	$ 637,458
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 224,544	$ 316,932
Accrued expenses	82,741	73,132
Accrued warranty	30,943	28,471
Net liabilities of discontinued operations	2,118	—
Total current liabilities	340,346	418,535
Other liabilities	38,629	39,968
Convertible debentures	112,491	89,517
Minority interest	9,383	—
Shareholders' equity:		
Preferred stock, $.01 par value;		
Authorized: 5,000 shares Outstanding: None	—	—
Common stock, $.01 par value; Authorized: 450,000 shares		
Outstanding: 192,800 shares at June 29, 2001 and 195,437 shares at March 29, 2002	1,928	1,955
Additional paid-in capital	731,694	719,019
Accumulated deficit	(581,720)	(529,410)
Accumulated other comprehensive income	3,112	4,094
Treasury stock-common stock at cost: 6,420 shares at June 29, 2001 and 3,648 shares at March 29, 2002	(148,211)	(106,220)
Total shareholders' equity	6,803	89,438
Total liabilities and shareholders' equity	$ 507,652	$ 637,458

The accompanying notes are an integral part of these condensed consolidated financial statements.

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	NINE-MONTH PERIOD ENDED	
	MAR. 30, 2001	MAR. 29, 2002
Cash flows from operating activities:		
Net income (loss)	$ (37,687)	$ 52,310
Adjustments to reconcile net loss to net cash used for operating activities of continuing operations:		
Gain on sale of discontinued operations	—	(24,532)
Loss from discontinued operations	25,028	—
Extraordinary (gain) loss on debenture redemptions	(22,190)	87
Depreciation and amortization	39,531	34,324
Non-cash interest expense	5,912	4,446
Other, net	(264)	(2,391)
Changes in assets and liabilities:		
Accounts receivable	29,394	(57,870)
Inventories	(4,649)	(15,608)
Prepaid expenses and other assets	(3,737)	(3,075)
Accrued warranty	(12,582)	(3,834)
Accounts payable and accrued expenses	(72,677)	79,888
Other, net	(5,401)	(781)
Net cash provided by (used for) continuing operations	(59,322)	62,964
Cash flows from investing activities:		
Capital expenditures, net	(39,893)	(39,484)
Proceeds from sales of marketable equity securities	14,979	912
Proceeds from recovery of Komag note receivable	—	9,000
Net cash used for investing activities of continuing operations	(24,914)	(29,572)
Cash flows from financing activities:		
Proceeds from ESPP shares issued and stock option exercises	6,427	8,810
Common stock issued for cash	72,674	—
Cash used in debenture redemptions	—	(13,217)
Proceeds from minority investment in subsidiary	—	2,950
Proceeds from subsidiary bridge loan	5,000	—
Net cash provided by (used for) financing activities of continuing operations	84,101	(1,457)
Net cash provided by (used for) discontinued operations	(23,017)	26,970
Net increase (decrease) in cash and cash equivalents	(23,152)	58,905
Cash and cash equivalents, beginning of period	184,021	167,582
Cash and cash equivalents, end of period	$160,869	$226,487
Supplemental disclosures of cash flow information:		
Cash paid during the period for income taxes	$ 1,519	$ 1,843
Cash paid during the period for interest	132	—

The accompanying notes are an integral part of these condensed consolidated financial statements.

WESTERN DIGITAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation

The accounting policies followed by the Company are set forth in Note 1 of Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K as of and for the year ended June 29, 2001.

In the opinion of management, all adjustments necessary to fairly state the condensed consolidated financial statements have been made. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K as of and for the year ended June 29, 2001.

The Company has a 52 or 53-week fiscal year and each fiscal month ends on the Friday nearest to the last day of the calendar month. All general references to years relate to fiscal years unless otherwise noted.

Certain prior periods' amounts have been reclassified to conform to the current period presentation as a result of the adoption of Staff Accounting Bulletin No. 101 and related interpretations and the discontinuance of the Company's Connex and SANavigator businesses.

2. Supplemental Financial Statement Data (in thousands)

	JUN. 29, 2001	MAR. 29, 2002
Inventories:		
Finished goods	$48,123	$67,498
Work in process	8,888	14,091
Raw materials and component parts	21,894	12,924
	$78,905	$94,513

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	MAR. 30, 2001	MAR. 29, 2002	MAR. 30, 2001	MAR. 29, 2002
Net Interest and Other Income (Expense):				
Interest income	$ 1,986	$ 875	$ 5,934	$ 3,226
Interest and other expense	(2,187)	(2,177)	(6,939)	(6,557)
Gains (losses) on investments, net (See note 6)	—	810	(738)	4,289
Minority interest in losses of consolidated subsidiaries	253	—	1,002	1,811
	$ 52	$ (492)	$ (741)	$ 2,769

	NINE-MONTH PERIOD ENDED	
	MAR. 30, 2001	MAR. 29, 2002
Supplemental disclosure of non-cash investing and financing activities:		
Common stock issued for redemption of convertible debentures	$ 94,122	$13,585
Redemption of convertible debentures for Company common stock, net of capitalized issuance costs	$116,312	$13,358

3. Income (loss) per Share

The following table illustrates the computation of basic and diluted net income (loss) per common share (in thousands, except per share data):

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	MAR. 30, 2001	MAR. 29, 2002	MAR. 30, 2001	MAR. 29, 2002
Numerator for basic and diluted income (loss) per share:				
Net income (loss)	$ (5,748)	$ 19,198	$ (37,687)	$ 52,310
Denominator:				
Basic weighted average common shares outstanding	176,250	190,091	165,156	188,139
Incremental common shares attributable to exercise of outstanding options, stock awards and ESPP contributions	1,368	8,264	—	4,233
Diluted shares	177,618	198,355	165,156	192,372
Basic income (loss) per share	$ (.03)	$ .10	$ (.23)	$ .28
Diluted income (loss) per share	$ (.03)	$ .10	$ (.23)	$ .27

The computation of diluted income per share for the three months ended March 30, 2001 and March 29, 2002 excludes 22.4 and 21.4 million shares, respectively, relating to the possible exercise of outstanding stock options. The computation of diluted income (loss) per share for the nine months ended March 30, 2001 and March 29, 2002 excludes 22.3 and 25.2 million shares, respectively, relating to the possible exercise of outstanding stock options. The computation of diluted income per share for the three months ended March 30, 2001 and March 29, 2002 excludes 4.0 and 3.0 million shares, respectively, issuable upon conversion of the convertible debentures.The computation of diluted income (loss) per share for the nine months ended March 30, 2001 and March 29, 2002 excludes 4.9 and 3.5 million shares, respectively, issuable upon conversion of the convertible debentures. These items were not included in the computation of diluted income (loss) per share as their effect would have been anti-dilutive.

4. Common Stock Transactions

During the nine months ended March 30, 2001, the Company issued approximately 1,199,000 shares of its common stock in connection with ESPP purchases and 631,000 shares of its common stock in connection with common stock option exercises, for aggregate cash proceeds of $6.4 million. During the nine months ended March 29, 2002, the Company issued approximately 1,343,000 shares of its common stock in connection with ESPP purchases and 1,204,000 shares of its common stock in connection with common stock option exercises, for aggregate cash proceeds of $8.8 million.

Under shelf registrations (the “equity facility”) previously in effect with the Securities and Exchange Commission, the Company issued shares of common stock to institutional investors for cash. Shares sold under the equity facility were at the market price of the Company’s common stock less a discount ranging from 2.75% to 4.25%. During the nine months ended March 30, 2001, the Company issued 14.5 million shares of common stock under the equity facility for net cash proceeds of $72.7 million.During the nine months ended March 29, 2002, no common stock was issued under the shelf registrations. During the three months ended March 29, 2002, the Company withdrew these shelf registrations.

During the nine months ended March 30, 2001, the Company issued 15.7 million shares of common stock to redeem a portion of its 5.25% zero coupon convertible subordinated debentures due February 18, 2018 (the “Debentures”) with a book value of $118.7 million, and an aggregate principal amount at maturity of $291.9 million.During the nine months ended March 29, 2002, the Company issued 2.6 million shares of common stock and $13.2 million in cash to redeem a portion of its Debentures with a book value of $27.1 million, and an aggregate principal amount at maturity of $62.3 million.These redemptions were private, individually negotiated transactions with certain institutional investors. The redemptions resulted in an extraordinary gain of $22.2 million during the nine months ended March 30, 2001 and an extraordinary loss of $0.1 million during the nine months ended March 29, 2002.As of March 29, 2002, the book value of the remaining outstanding Debentures was $89.5 million and the aggregate principal amount at maturity was $203.6 million.

5. Credit Facility

The Company has a three-year Senior Credit Facility for its hard drive business, Western Digital Technologies, Inc. ("WDT"), which provides up to $125 million in revolving credit (subject to outstanding letters of credit and a borrowing base calculation), matures on September 20, 2003 and is secured by WDT's accounts receivable, inventory, 65% of the stock in its foreign subsidiaries and other assets. At the option of WDT, borrowings bear interest at either LIBOR (with option periods of one to three months) or a base rate, plus a margin determined by the borrowing base. The Senior Credit Facility requires WDT to maintain certain amounts of tangible net worth, prohibits the payment of cash dividends on common stock and contains a number of other covenants. As of March 29, 2002, there were no borrowings under the facility. During March 2002, the Company issued a $25 million standby letter of credit to Cirrus Logic, Inc. ("Cirrus") concerning $25 million in disputed accounts payable to Cirrus. These accounts payable are included in the Company's balance sheet, but subject to the Company's litigation against Cirrus (See Note 10 — Legal Proceedings).The availability under the Senior Credit Facility has been reduced by a corresponding amount of the outstanding letter of credit.

6. Investments

As of March 29, 2002, the Company owned 1.0 million shares of Vixel Corporation ("Vixel") common stock. The Company has identified these shares as "available for sale" under the provisions of SFAS 115, and accordingly, the shares were marked to market value. At March 29, 2002, accumulated other comprehensive income consisted of an unrealized gain of $4.1 million from these shares. The aggregate book value of the shares was $4.1 million as of March 29, 2002, and the investment was classified as current. During the three months ended March 29, 2002, the Company sold 0.3 million shares of Vixel common stock for a realized gain of $0.9 million.

During the three months ended December 28, 2001, the Company recorded a $9.0 million cash recovery from its Komag note receivable that was written off during the fourth quarter of 2001. Also during the quarter ended December 28, 2001, the Company recorded a $5.5 million non-cash loss on the write-down of certain cost-method investments that were determined to be impaired. The net amount of the recovery and write-downs for the nine-months ended March 29, 2002 is classified in the accompanying statement of operations in "Net interest and other income".

7. Other Comprehensive Income (Loss)

Other comprehensive income (loss) refers to revenue, expenses, gains and losses that are recorded as an element of shareholders' equity but are excluded from net income (loss). The Company's other comprehensive income is comprised of unrealized gains and losses on marketable securities categorized as "available for sale" under SFAS 115. The components of total comprehensive income (loss) for the three and nine months ended March 30, 2001 and March 29, 2002 were as follows (in thousands):

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	MAR. 30, 2001	MAR. 29, 2002	MAR. 30, 2001	MAR. 29, 2002
Net income (loss)	$(5,748)	$19,198	$(37,687)	$52,310
Other comprehensive income (loss):				
Unrealized gain (loss) on available for sale investments, net	585	1,916	(10,813)	982
Total comprehensive income (loss)	$(5,163)	$21,114	$(48,500)	$53,292

8. Business Segments

The Company's primary segment is its hard drive business, WDT. In addition, the Company formed new business ventures in 1999, 2000 and 2001. The Company's new business ventures have included Connex, Inc. ("Connex"), SANavigator, Inc. ("SANavigator"), SageTree, Inc. ("SageTree"), Keen Personal Media, Inc. ("Keen PM"), and Cameo Technologies, Inc. ("Cameo"). Connex was formed in 1999 to design and market network attached storage products. SANavigator was formed as a subsidiary of Connex in 2001 to develop and market storage area network ("SAN") management software. SageTree was formed in 2000 to design and market packaged analytical software and related services for supply chain and product lifecycle applications. Keen PM was formed in 2000 to develop and sell interactive personal video recorder and set-top box software, services and hardware for broadband television content management and commerce. Cameo was formed in 2000 to develop technologies and services for delivering broadcast-quality video content to PC users. During the three months ended September 28, 2001, substantially all of the assets of Connex and SANavigator were sold and, accordingly, their operations were

discontinued (See Note 9).During January 2002, the Company's ownership percentage of its SageTree subsidiary decreased to less than 50%, through the sale by SageTree of additional preferred stock to another investor.As a result, the Company began accounting for its remaining investment in SageTree as an equity method investment, and no longer under the consolidation method. The carrying value of the SageTree investment as of March 29, 2002 was $0 due to the accumulated losses of SageTree exceeding the amounts invested. Prior to January 2002, the operating results of SageTree were consolidated with those of the Company.

The Company's chief operating decision maker uses the segment information for WDT and the Company's combined new business ventures to assess performance and to determine resource allocation. The new business venture amounts have been combined and presented in an "all other" category, separate from the WDT segment results. General and corporate expenses of the Company are included in the WDT segment. The loss from discontinued operations of $7.2 million and $25.0 million during the three and nine months ended March 30, 2001, respectively, and the gain from the disposal of discontinued operations of $24.5 million during the nine months ended March 29, 2002 have been excluded from the tables below.

Segment information (in thousands):

	THREE-MONTH PERIOD ENDED MAR. 30, 2001			THREE-MONTH PERIOD ENDED MAR. 29, 2002		
	WDT	ALL OTHER	TOTAL	WDT	ALL OTHER	TOTAL
Revenues	$511,557	$ 166	$511,723	$594,867	$ —	$594,867
Operating income (loss)	9,176	(8,191)	985	22,334	(4,282)	18,052
Total assets	525,195	15,531	540,726	637,164	294	637,458
Depreciation and amortization	11,835	1,007	12,842	11,606	109	11,715
Additions to property and equipment	12,655	389	13,044	13,446	—	13,446

	NINE-MONTH PERIOD ENDED MAR. 30, 2001			NINE-MONTH PERIOD ENDED MAR. 29, 2002		
	WDT	ALL OTHER	TOTAL	WDT	ALL OTHER	TOTAL
Revenues	$1,497,232	$ 427	$1,497,659	$1,609,586	$ 894	$1,610,480
Operating income (loss)	(6,368)	(26,236)	(32,604)	41,701	(18,229)	23,472
Total assets	525,195	15,531	540,726	637,164	294	637,458
Depreciation and amortization	36,558	2,973	39,531	33,208	1,116	34,324
Additions to property and equipment	38,474	1,419	39,893	39,484	—	39,484

9. Discontinued Operations

In July 2001, the Company decided to discontinue its Connex and SANavigator businesses. Connex and SANavigator were separate major lines of business and legal entities with separate facilities, operations, management teams, and classes of end-user customers from the Company's hard drive business. As such, the disposals have been accounted for as discontinued operations and, accordingly, the consolidated financial statements for the periods presented have been reclassified. On August 8, 2001, substantially all of the operating assets of Connex were sold to Quantum Corporation for cash proceeds of $11.0 million, and on September 21, 2001 substantially all of the operating assets of SANavigator were sold to McData Corporation for cash proceeds of $29.8 million. Approximately $4.1 million of the combined cash proceeds are held in escrow for one year pending expiration of customary indemnification periods and included in cash and cash equivalents on the accompanying balance sheet. As a result of these transactions, during the three months ended September 28, 2001, the Company recognized a gain of $24.5 million, net of costs incurred from the measurement date of July 1, 2001 through the end of the period to shutdown the businesses.At June 29, 2001, the net liabilities of discontinued operations consisted principally of individually immaterial amounts of inventories, fixed assets, accounts payable and accrued compensation.Revenues for the three and nine months ended March 30, 2001 were $0 and $0.3 million, respectively, for Connex and SANavigator combined.

10. Legal Proceedings

The following discussion contains forward-looking statements within the meaning of the federal securities laws. These statements relate to the Company's legal proceedings described below. The "Company", as used in this discussion, includes the Company's operating subsidiary Western Digital Technologies, Inc.Litigation is inherently uncertain and may result in adverse rulings or judgments, or lead to settlements, that may, individually or in the aggregate, have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. In addition, the costs of defending such litigation, individually or in the aggregate, may be material, regardless of the outcome. Accordingly, actual results could differ materially from those projected in the forward-looking statements.

In 1992 Amstrad plc (“Amstrad”) brought suit against the Company in California State Superior Court, County of Orange, alleging that disk drives supplied to Amstrad by the Company in 1988 and 1989 were defective and caused damages to Amstrad of not less than $186 million. The suit also sought punitive damages. The Company denied the material allegations of the complaint and filed cross-claims against Amstrad. The case was tried, and in June 1999 the jury returned a verdict in favor of Western Digital. Amstrad has appealed the judgment. The Company does not believe that the outcome of this matter will have a material adverse effect on its consolidated financial position, results of operations or liquidity.

In 1994 Papst Licensing (“Papst”) brought suit against the Company in federal court in California alleging infringement by the Company of five of its patents relating to disk drive motors that the Company purchased from motor vendors. Later that year Papst dismissed its case without prejudice, but it has notified the Company again recently that it intends to reinstate the suit if the Company does not enter into a license agreement with Papst. Papst has also put the Company on notice with respect to several additional patents. The Company does not believe that the outcome of this matter will have a material adverse effect on its consolidated financial position, results of operations or liquidity.

In June 2000 Discovision Associates (“Discovision”) notified the Company in writing that it believes certain of the Company’s hard disk drive products may infringe certain of Discovision’s patents. Discovision has offered to provide the Company with a license under its patent portfolio. The Company is in discussions with Discovision regarding its claims. There is no litigation pending. The Company does not believe that the outcome of this matter will have a material adverse effect on the Company’s consolidated financial position, results of operations or liquidity.

On July 5, 2001, the Company (and its Malaysian subsidiary) filed suit against Cirrus Logic, Inc. (“Cirrus”) in California Superior Court for the County of Orange for breach of contract and other claims resulting from Cirrus’ role as a strategic supplier of read channel chips for the Company’s hard drives.The Company also stopped making payments to Cirrus for past deliveries of chips and terminated all outstanding purchase orders from Cirrus for such chips.The Company’s complaint alleges that Cirrus’ unlawful conduct caused damages in excess of any amounts that may be owing on outstanding invoices or arising out of any alleged breach of the outstanding purchase orders.On August 20, 2001, Cirrus filed an answer and cross-complaint. Cirrus denied the allegations contained in the Company’s complaint and asserted counterclaims against the Company for, among other things, the amount of the outstanding invoices and the Company’s alleged breach of the outstanding purchase orders.The disputed payable, which is included in the Company’s balance sheet in accounts payable, is approximately $27 million.Cirrus claims that the canceled purchase orders, which are not reflected in the Company’s financial statements, total approximately $26 million.On October 9, 2001, the Court granted Cirrus’ Motion for Judgment on the Pleadings, with leave to amend, and on November 8, 2001, the Company filed its First Amended Complaint.Cirrus demurred to the First Amended Complaint, and on December 18, 2001, the Court denied Cirrus’ demurrer.On November 2, 2001, Cirrus filed Applications for Right to Attach Orders and for Writs of Attachment against the Company and its Malaysian subsidiary in the amount of $25.2 million as security for the approximately $27 million allegedly owed for read-channel chips purchased from Cirrus that is disputed by the Company.On December 20, 2001, the Court granted Cirrus’ Applications but required Cirrus to post undertakings in the amount of $0.5 million on each Writ before issuance.Pursuant to agreement with Cirrus, the Company posted a letter of credit in the amount of $25.2 million in satisfaction of the Writs.The parties have begun discovery and expect that such discovery will continue for the next several months.Based on its initial investigation and the limited discovery done to date, the Company does not believe that the ultimate resolution of this matter will have a material adverse effect on the Company’s consolidated financial position, results of operations or liquidity.

In November 2001, Dynacore Holding Corporation (“Dynacore”) filed suit against the Company and several other defendants in the United States District Court for the Southern District of New York.The suit alleges that the Company’s 1394 external hard drives fall within the scope of the subject matter of Dynacore’s patent covering communication between nodes within a network, wherein nodes have both enhanced and common capabilities.During January 2002, the Company filed an answer denying Dynacore’s complaint and alleged counterclaims.The Company does not believe that the outcome of this matter will have a material adverse effect on its consolidated financial position, results of operations or liquidity.

In the normal course of business, the Company receives and makes inquiries regarding possible intellectual property matters, including alleged patent infringement. Where deemed advisable, the Company may seek or extend licenses or negotiate settlements. Although patent holders often offer such licenses, no assurance can be given that in a particular case a license will be offered or that the offered terms will be acceptable to the Company. The Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its consolidated financial position, results of operations or liquidity.

From time to time the Company receives claims and is a party to suits and other judicial and administrative proceedings incidental to its business. Although occasional adverse decisions (or settlements) may occur, the Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its consolidated financial position, results of operations or liquidity.

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

Forward-Looking Statements

This report contains forward-looking statements within the meaning of federal securities laws. The statements that are not purely historical should be considered forward-looking statements. Often they can be identified by the use of forward-looking words, such as "may," "will," "could," "project," "believe," "anticipate," "expect," "estimate," "continue," "potential," "plan," "forecasts," and the like. Statements concerning current conditions may also be forward-looking if they imply a continuation of current conditions. These statements appear in a number of places in this report and include statements regarding the intentions, plans, strategies, beliefs or current expectations of the Company with respect to, among other things:

- the financial prospects of the Company;
- litigation and other contingencies potentially affecting the Company's financial position, operating results or liquidity;
- trends affecting the Company's financial condition or operating results;
- the Company's strategies for growth, operations, product development and commercialization; and
- conditions or trends in or factors affecting the computer, data storage, home entertainment or hard drive industry.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Readers are urged to carefully review the disclosures made by the Company concerning risks and other factors that may affect the Company's business and operating results, including those made under the captions "Risk factors related to the hard drive industry in which we operate" and "Risk factors relating to Western Digital particularly", in this report, as well as the Company's other reports filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Unless otherwise indicated, references herein to specific years and quarters are to the Company's fiscal years and fiscal quarters.

Overview

Western Digital is a longtime leader and one of the pioneers of the data storage industry. Through significant reorganization of its hard drive business in 1999 and 2000, close relationships with its suppliers and its design expertise, the Company has become one of the most cost-effective producers of hard drives in the industry. The Company is one of the world's three largest suppliers of hard drives to the desktop personal computer market. The Company's products are based on the EIDE interface (primarily used for desktop applications), while its key competitors have product lines which utilize both the EIDE interface and the SCSI interface (for use in high-end workstations and servers).

The hard drive industry is intensely competitive and has experienced a great deal of growth, entry and exit of competitors, and technological change over recent years. This industry is characterized by short product life cycles, dependence upon highly skilled engineering and other personnel, significant expenditures for product development, competitive pricing and declining average selling prices.

The Company continuously evaluates opportunities to apply its data storage core competencies beyond traditional markets for hard drives. In the past, the Company has pursued these opportunities directly through its hard drive business and by establishing new business ventures. The Company's new business ventures have included Connex, Inc. ("Connex"), SANavigator, Inc. ("SANavigator"), SageTree, Inc. ("SageTree"), Keen Personal Media, Inc. ("Keen PM") and Cameo Technologies, Inc. ("Cameo"). During the three months ended September 28, 2001, the Company discontinued the operations of both Connex and SANavigator, selling substantially all the assets of the two companies. In January 2002, the Company's ownership percentage of SageTree

decreased to less than 50% and, as a result, the Company began accounting for its remaining investment in SageTree under the equity method, rather than the consolidation method. These new business ventures have not generated significant revenue. Currently, new business opportunities are evaluated for their direct impact on the Company's ability to increase the sale of hard drives. These opportunities include the design of hard drives for use in consumer devices, such as gaming devices or personal video recorders, and for use in higher-end computer applications, such as server appliances.

Critical Accounting Policies

The following discussion and analysis of the Company's results of operations is based on its consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of the financial statements requires estimation and judgment that affect the reported amounts of revenues, expenses, assets and liabilities. The Company has adopted accounting policies and practices that are generally accepted in the industry in which it operates. Following are the Company's most critical accounting policies that affect significant areas and involve management's judgment and estimates. If these estimates differ materially from actual results, the impact to the consolidated financial statements may be material.

Revenue and Accounts Receivable

In accordance with standard industry practice, the Company has agreements with resellers that provide price protection for inventories held by resellers at the time of published list price reductions. In addition the Company may have agreements with resellers that provide for stock rotation on slow-moving items and other incentive programs. In accordance with current accounting standards, the Company recognizes revenue upon shipment or delivery to resellers and records a corresponding adjustment for estimated price protection and other programs in effect until the resellers sell such inventory to their customers. Adjustments are based on anticipated price decreases, estimated amounts to be reimbursed to qualifying customers, estimated future returns, as well as historical pricing information.

The Company establishes an allowance for doubtful accounts by analyzing specific customer accounts and assessing the risk of uncollectibility based on insolvency, disputes or other collection issues. In addition, the Company routinely analyzes the different receivable aging categories and establishes reserves based on the length of time receivables are past due.

The Company records a provision against revenue for estimated sales returns on sales of products in the same period that the related revenues are recognized. The Company bases the reserve on existing product return notifications as well as historical returns by product type (see Warranty).

Warranty

The Company records an accrual for estimated warranty costs when revenue is recognized. Warranty covers cost of repair or replacement of the hard drive, and the warranty periods range from 1 to 3 years. The Company has comprehensive processes with which to estimate accruals for warranty, which include specific detail on hard drives in the field by product type, historical field return rates and costs to repair.

Inventory

Inventories are valued at the lower of cost (first-in, first-out basis) or net realizable value. Reserves are established for the valuation of inventory at the lower of cost or net realizable value by analyzing market conditions, estimates of future sales prices, inventory costs and inventory balances.

The Company evaluates inventory balances for excess quantities and obsolescence on a regular basis by analyzing backlog, estimated demand, inventory on hand, sales levels and other information. The Company establishes a reserve against inventory balances for excess and obsolete inventory based on the analysis.

Litigation and Other Contingencies

In the normal course of business, the Company receives and makes inquiries regarding possible intellectual property matters and receives claims and is a party to suits and other judicial and administrative proceedings incidental to its business. Litigation is inherently uncertain and may result in adverse rulings, judgments, or settlements. In addition, in the normal course of business, the

Company is subject to other contingencies. The Company applies Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies" to determine when and how much to accrue for legal and other contingencies.

Results of Operations

Summary Comparison

The following table sets forth, for the periods indicated, items in the Company's statements of operations expressed as a percentage of total revenue. This table and the following discussion exclude the results of the discontinued Connex and SANavigator businesses.

	THREE- MONTH PERIOD ENDED		NINE- MONTH PERIOD ENDED	
	MAR 30, 2001	MAR 29, 2002	MAR 30, 2001	MAR 29, 2002
Revenues, net	100.0%	100.0%	100.0%	100.0%
Costs and expenses:				
Cost of revenues	87.6	86.4	89.5	87.1
Research and development	6.3	5.6	6.5	5.9
Selling, general and administrative	5.9	5.0	6.2	5.5
Total costs and expenses	99.8	97.0	102.2	98.5
Operating income (loss)	0.2	3.0	(2.2)	1.5
Net interest and other income (expense)	0.0	(0.1)	(0.0)	0.1
Income (loss) from continuing operations before income tax benefit	0.2%	2.9%	(2.2)%	1.6%

The Company's income from continuing operations before income tax benefit of $17.6 million for the three months ended March 29, 2002 increased by $16.5 million from the three months ended March 30, 2001 and $4.9 million from the immediately preceding quarter. The increase in income from continuing operations as compared to the corresponding period of the prior year was due to a $13.1 million increase in operating income in the hard drive business and a $3.9 million decrease in operating losses from new business ventures (excluding the change in minority interest) offset by a $0.5 million decrease in interest and other income. The increase as compared to the immediately preceding quarter was due to a $7.0 million increase in operating income in the hard drive business and a $1.5 million decrease in operating losses from new business ventures offset by a $3.6 million decrease in interest and other income. The Company's income from continuing operations before income tax benefit of $26.2 million for the nine months ended March 29, 2002 increased by $59.6 million, or 179%, from the nine months ended March 30, 2001. The increase was due to a $48.1 million increase in operating income in the hard drive business, an $8.0 million decrease in operating losses from new business ventures and a $3.5 million increase in interest and other income.

The operating losses of the new ventures (excluding minority interest) consist principally of research and development and selling, general and administrative costs. Operating losses of new ventures of $4.3 million for the three months ended March 29, 2002 decreased $3.9 million from the three months ended March 30, 2001 and decreased $1.5 million from the immediately preceding quarter. The operating losses of the new ventures of $18.2 million for the nine months ended March 29, 2002 decreased $8.0 million from the nine months ended March 30, 2001. These decreases result from a strategic shift of available resources from the new ventures to the hard drive business, including the reduction of spending at all new ventures, the sale of a majority interest in SageTree, and the closure of other new ventures.

Consolidated revenues were $594.9 million for the three months ended March 29, 2002, an increase of 16%, or $83.1 million, from the three months ended March 30, 2001 and an increase of 4%, or $20.2 million, from the immediately preceding quarter. The increase in consolidated revenues as compared to the corresponding period of the prior year resulted from a 39% increase in unit shipments, partially offset by a 17% decrease in average selling prices (ASP's). The increase in consolidated revenues as compared to the immediately preceding quarter resulted from a 5% increase in unit shipments, partially offset by a 2% decrease in ASP's. Consolidated revenues were $1,610.5 million for the nine months ended March 29, 2002, an increase of 8%, or $112.8 million, from the nine months ended March 30, 2001. The increase in consolidated revenues resulted from a 24% increase in unit shipments, partially offset by a 14% decrease in ASP's. The significant change in units and ASP's from the corresponding period of the prior year is partially due to expansion of the Company's hard drive product line into lower-end desktop PC and consumer electronics markets. Revenues from new business ventures were not material for all periods presented.

Gross profit for the three months ended March 29, 2002 totaled $81.0 million, or 13.6% of revenue. This compares to a gross profit of $63.3 million, or 12.4% of revenue, for the three months ended March 30, 2001 and gross profit of $70.6 million, or 12.3% of

revenue, for the immediately preceding quarter. Gross profit for the nine months ended March 29, 2002 totaled $207.6 million, or 12.9% of revenue. This compares to a gross profit of $156.8 million, or 10.5% of revenue, for the nine months ended March 30, 2001. The increase in gross profit over prior periods was primarily the result of lower cost design efforts and higher unit volume, partially offset by lower ASP's.

Research and development ("R&D") expense for the three months ended March 29, 2002 was $33.2 million, an increase of $1.1 million from the three months ended March 30, 2001 and an increase of $1.9 million from the immediately preceding quarter. R&D expense for the nine months ended March 29, 2002 was $96.0 million, a decrease of $1.7 million from the corresponding period of the prior year. The changes from prior periods were primarily due to hard drive business and new venture expense reduction efforts, offset by increases in new development programs and higher incentive payments.

Selling, general and administrative ("SG&A") expense for the three months ended March 29, 2002 was $29.8 million, a decrease of $0.5 million from the three months ended March 30, 2001 and an increase of $0.1 million from the immediately preceding quarter. SG&A expense for the nine months ended March 29, 2002 was $88.1 million, a decrease of $3.6 million from the corresponding period of the prior year. The changes in SG&A expense from prior periods were primarily due to expense reduction efforts in the hard drive business and the new business ventures, partially offset by higher incentive payments.

Net interest and other income (expense) for the three months ended March 29, 2002 was ($0.5) million, compared to $0.1 million for the three months ended March 30, 2001 and $3.1 million for the immediately preceding quarter. The decrease in income from the corresponding period of the prior year was due primarily to a decrease in interest income due to lower interest rates, partially offset by a gain on the sale of "available for sale" investments. The decrease in income from the immediately preceding quarter was primarily the result of net investment gains of $3.5 million, consisting of a $9.0 million cash recovery from its Komag note receivable and a $5.5 million write-down of certain cost-method investments which were determined to be impaired. Net interest and other income (expense) for the nine months ended March 29, 2002 was $2.8 million, compared to ($0.7) million for the nine months ended March 30, 2001. The increase in income was primarily the result of an increase in net investment gains and minority interests in losses of consolidated subsidiaries, partially offset by lower net interest income.

During the three months ended March 29, 2002, the Company recorded a federal income tax benefit of $3.1 million offset by a provision for income taxes of $1.5 million. The tax benefit relates to a loss carryback available as a result of tax legislation enacted during the quarter. During the three and nine months ended March 30, 2001 the Company did not record an income tax benefit as no additional loss carrybacks were available at that time and management deemed it "more likely than not" that the deferred tax benefits generated would not be realized.

During the three months ended September 28, 2001, the Company decided to discontinue the operations of Connex and SANavigator and sold substantially all of the assets of these two businesses for a net gain of $24.5 million. Accordingly, the operating results of Connex and SANavigator for the periods reported and the net gain recognized on the sale of the businesses during the nine months ended March 29, 2002 have been segregated from continuing operations and reported separately on the statements of operations as discontinued operations.

During the nine months ended March 29, 2002, the Company issued 2.6 million shares of common stock and $13.2 million in cash in exchange for $62.3 million in face value of the Debentures (with a book value of $27.1 million). During the corresponding period of the prior year, the Company issued 15.7 million shares of common stock in exchange for $291.9 million in face value of the Debentures (with a book value of $118.7 million). These redemptions were private, individually negotiated transactions with certain institutional investors. As a result of the redemptions, the Company recognized an extraordinary gain of $14 thousand and an extraordinary loss of $0.1 million for the three and nine months ended March 29, 2002, respectively, and extraordinary gains of $0.4 million and $22.2 million for the three and nine months ended March 30, 2001, respectively.

Liquidity and Capital Resources

At March 29, 2002, the Company had cash and cash equivalents of $226.5 million as compared to $167.6 million at June 29, 2001. Net cash provided by continuing operations was $63.0 million during the nine months ended March 29, 2002, as compared to net cash used for continuing operations of $59.3 million during the nine months ended March 30, 2001. This $122.3 million improvement in cash provided by continuing operations consists of a $53.9 million improvement in the Company's net income, net of non-cash items, and a $68.4 million decrease in cash used to fund working capital requirements. These improvements are due to lower new venture losses and significantly better operating performance by the Company's hard drive business, including higher sales volume, improved cost management, and a lower conversion cycle. The Company's cash conversion cycle, which represents the sum

of the number of days sales outstanding ("DSO") and days inventory outstanding ("DIO") less days payable outstanding ("DPO"), was reduced by 3 days for the nine months ended March 29, 2002 compared to the corresponding period of the prior year.

Other uses of cash during the nine months ended March 29, 2002 included net capital expenditures of $39.5 million, primarily for normal replacement of existing assets and the purchase of assets for the Company's new manufacturing facility in Thailand, and $13.2 million for debenture redemptions. Other sources of cash during the nine month period included $9.9 million received from the sale of assets, $8.8 million received in connection with stock option and warrant exercises and Employee Stock Purchase Plan purchases, and $3.0 million received by the Company's subsidiaries from minority investors.

During the nine months ended March 30, 2001, other uses of cash included net capital expenditures of $39.9 million. Other sources of cash during that period included proceeds of $15.0 million received upon the sale of marketable equity securities, $72.7 million received upon issuance of 14.5 million shares of the Company's stock under the Company's equity facility, $5.0 million received from a third-party bridge loan to one of the Company's subsidiaries and $6.4 million received in connection with stock option exercises and Employee Stock Purchase Plan purchases.

The sale of discontinued operations provided $27.0 million of net proceeds for the nine months ended March 29, 2002, compared to $23.0 million in net cash used to fund the operating, investing and financing activities of the discontinued operations for the nine months ended March 30, 2001.

The Company has a three-year Senior Credit Facility for its hard drive business, Western Digital Technologies, Inc. ("WDT"), which provides up to $125 million in revolving credit (subject to outstanding letters of credit and a borrowing base calculation), matures on September 20, 2003 and is secured by WDT's accounts receivable, inventory, 65% of the stock in its foreign subsidiaries and other assets. At the option of WDT, borrowings bear interest at either LIBOR (with option periods of one to three months) or a base rate, plus a margin determined by the borrowing base. The Senior Credit Facility requires WDT to maintain certain amounts of tangible net worth, prohibits the payment of cash dividends on common stock and contains a number of other covenants. As of the date hereof, there were no borrowings under the facility. The Company issued a $25 million standby letter of credit to Cirrus Logic, Inc. ("Cirrus") concerning $25 million in disputed accounts payable to Cirrus. These accounts payable are included in the Company's balance sheet, but are part of the Company's litigation against Cirrus (See Part II, Item 1 — Legal Proceedings). The availability under the Senior Credit Facility has been reduced by a corresponding amount of the outstanding letter of credit.

During the nine months ended March 30, 2001, the Company issued 14.5 million shares of common stock under preexisting shelf registrations for net cash proceeds of $72.7 million. During the nine months ended March 29, 2002, no common stock was issued under the shelf registrations. During January 2002, the Company withdrew these shelf registrations as management determined they would not be utilized in the foreseeable future.

At March 29, 2002, the Company had cash and cash equivalents of $226.5 million, working capital of $106.0 million and shareholders' equity of $89.4 million. In addition, the Company has a Senior Credit Facility providing up to $125 million in revolving credit (subject to outstanding letters of credit and a borrowing base calculation). The Company believes its current cash and cash equivalents and its existing credit facility will be sufficient to meet its working capital needs through the foreseeable future. There can be no assurance that the Senior Credit Facility will continue to be available to the Company. Also, the Company's ability to sustain its working capital position is dependent upon a number of factors that are discussed below under the headings "Risk factors related to the hard drive industry in which we operate" and "Risk factors relating to Western Digital particularly."

Commitments

The following paragraphs summarize the Company's significant contractual cash obligations and commercial commitments at March 29, 2002:

Convertible Debentures

The Debentures are subordinated to all senior debt; are redeemable at the option of the Company any time after February 18, 2003 at the issue price plus accrued original issue discount to the date of redemption; and at the holder's option, will be repurchased by the Company, as of February 18, 2003, February 18, 2008 or February 18, 2013, or if there is a Fundamental Change (as defined in the Debenture documents), at the issue price plus accrued original issue discount to the date of repurchase. The payment on those dates, with the exception of a Fundamental Change, can be in stock, cash or any combination, at the Company's option. Accordingly, the Debentures are classified as long-term debt. The Debentures are

convertible into shares of the Company's common stock at the rate of 14.935 shares per $1,000 principal amount at maturity. The principal amount at maturity of the Debentures as of March 29, 2002 is $203.6 million.

Operating Leases

The Company leases certain facilities and equipment under long-term, non-cancelable operating leases which expire at various dates through 2010. The following table summarizes the future payments of these leases:

	Operating Leases
Remaining 2002	$ 4,015
2003	10,322
2004	7,995
2005	6,940
2006	6,993
Thereafter	25,279
Total future minimum obligations	$61,544

Purchase Orders

In the normal course of business, to reduce the risk of component shortages, the Company enters into purchase commitments with suppliers for the purchase of hard drive components used to manufacture the Company's products. These commitments generally cover forecasted component supplies needed for production during the next quarter, become payable upon receipt of the components and may be non-cancelable (cancellation charges may be significant). The Company's relationship with suppliers allows for some flexibility within these commitments and quantities are subject to change as a quarter progresses and the Company's needs change.

Forward Exchange Contracts

Although the majority of the Company's transactions are in U.S. Dollars, some transactions are based in various foreign currencies. The Company purchases short-term, forward exchange contracts to hedge the impact of foreign currency fluctuations on certain underlying assets, liabilities and commitments for operating expenses denominated in foreign currencies. The Company does not purchase short-term forward exchange contracts for trading purposes. As of March 29, 2002, the Company had $21.1 million outstanding of purchased foreign currency forward exchange contracts. The contracts have maturity dates that do not exceed three months and the carrying value of the contracts approximates fair value at March 29, 2002.

New Accounting Pronouncements

During July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141") and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Effective June 30, 2001, the Company adopted SFAS 141. SFAS 141 addresses financial accounting and reporting for business combinations and requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method. The adoption of SFAS 141 did not have a material impact on the Company's financial position or results of operations.

SFAS 142 requires that goodwill and intangible assets that have indefinite useful lives not be amortized but rather be tested at least annually for impairment. The Company is required to adopt SFAS 142 on June 29, 2002. However, goodwill and intangible assets acquired after June 30, 2001 are subject to the amortization provisions of SFAS 142. The Company does not expect the adoption of SFAS 142 to have a material impact on the Company's financial position or results of operations.

During October 2001 the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 is effective for fiscal years beginning after December 15, 2001. The Company does not expect the adoption of SFAS 144 to have a material impact on its consolidated financial position, results of operations or liquidity.

Risk factors related to the hard drive industry in which we operate

Our operating results depend on our being among the first-to-market and first-to-volume with our new products.

To achieve consistent success with computer manufacturer customers we must be an early provider of next generation hard drives featuring leading technology and high quality. If we fail to:

- consistently maintain or improve our time-to-market performance with our new products
- produce these products in sufficient volume within our rapid product cycle
- qualify these products with key customers on a timely basis by meeting our customers' performance and quality specifications
- achieve acceptable manufacturing yields and costs with these products

then our market share would be adversely affected, which would harm our operating results.

Short product life cycles make it difficult to recover the cost of development.

Over the past few years hard drive areal density (the gigabytes of storage per disk) has increased at a much more rapid pace than previously experienced. The technical challenges of maintaining this pace are becoming more formidable, and the risk of not achieving the targets for each new generation of drives increases, which could adversely impact product manufacturing yields and schedules, among other impacts. Higher areal densities mean that fewer heads and disks are required to achieve a given drive capacity. This has significantly shortened product life cycles, since each generation of drives is more cost effective than the previous one. Shorter product cycles make it more difficult to recover the cost of product development.

Short product life cycles force us to continually qualify new products with our customers.

Due to short product life cycles, we must regularly engage in new product qualification with our customers. To be considered for qualification we must be among the leaders in time-to-market with our new products. Once a product is accepted for qualification testing, any failure or delay in the qualification process can result in our losing sales to that customer until the next generation of products is introduced. The effect of missing a product qualification opportunity is magnified by the limited number of high volume computer manufacturers, most of which continue to consolidate their share of the PC market. These risks are magnified because we expect cost improvements and competitive pressures to result in declining sales and gross margins on our current generation products.

Unexpected technology advances in the hard drive industry could harm our competitive position.

If one of our competitors were able to implement a significant advance in head or disk drive technology that enables a step-change increase in areal density allowing greater storage of data on a disk, it would harm our operating results.

Advances in magnetic, optical, semiconductor or other data storage technologies could result in competitive products that have better performance or lower cost per unit of capacity than our products. If these products prove to be superior in performance or cost per unit of capacity, we could be at a competitive disadvantage to the companies offering those products.

Our average selling prices are declining.

We expect that our average selling prices for hard drives will continue to decline. Rapid increases in areal density mean that the average drive we sell has fewer heads and disks, and is therefore lower cost. Because of the competitiveness of the hard drive industry, lower costs generally mean lower prices. This is true even for those products that are competitive and introduced into the market in a timely manner. Our average selling prices decline even further when competitors lower prices to absorb excess capacity, liquidate excess inventories, restructure or attempt to gain market share.

The hard drive industry is highly competitive and characterized by rapid shifts in market share among the major competitors.

The price of hard drives has fallen over time due to increases in supply, cost reductions, technological advances and price reductions by competitors seeking to liquidate excess inventories or gain market share. In addition, rapid technological changes often reduce the volume and profitability of sales of existing products and increase the risk of inventory obsolescence. These factors, taken together, result in significant and rapid shifts in market share among the industry's major participants. For example, during 1998 and 1999, we lost significant share of the desktop market. During the first quarter of 2000, the Company lost market share as a result of a

previously announced product recall; since then we have recovered significant market share, although our share is still significantly below its 1997 level.

Our prices and margins are subject to declines due to unpredictable end-user demand and oversupply of hard drives.

Demand for our hard drives depends on the demand for computer systems manufactured by our customers and on storage upgrades to existing systems. The demand for computer systems has been volatile in the past and often has had an exaggerated effect on the demand for hard drives in any given period. As a result, the hard drive market tends to experience periods of excess capacity, which typically lead to intense price competition. During calendar year 2001, the industry experienced weak PC demand in the U.S. and other markets, and forecasts for calendar year 2002 are cautious. If intense price competition occurs as a result of weak demand, we may be forced to lower prices sooner and more than expected, which could result in lower revenues.

Changes in the markets for hard drives require us to develop new products.

Over the past few years the consumer market for desktop computers has shifted significantly towards lower priced systems, especially those systems priced below $1,000. Although we were late to market with a value line hard drive to serve the low-cost PC market, we are now offering such value line products at prices that we view as competitive. However, if we are not able to continue to offer a competitively priced value line hard drive for the low-cost PC market, our share of that market will likely fall, which could harm our operating results.

The PC market is fragmenting into a variety of computing devices and products. Some of these products, such as Internet appliances, may not contain a hard drive. On the other hand, many industry analysts expect, as do we, that as broadcasting and communications are increasingly converted to digital technology from the older, analog technology, the technology of computers and consumer electronics and communication devices will converge, and hard drives will be found in many consumer products other than computers. For the quarter ended March 29, 2002 more than 10% of our unit sales were for consumer products other than computers, primarily gaming devices. If we are not successful in using our hard drive technology and expertise to develop new products for these emerging markets, it will likely harm our operating results.

We depend on our key personnel.

Our success depends upon the continued contributions of our key employees, many of whom would be extremely difficult to replace. Worldwide competition for skilled employees in the hard drive industry is intense. We have lost a number of experienced hard drive engineers over the past two years as a result of the loss of retention value of their employee stock options (because of the decrease in price of our common stock) and aggressive recruiting of our employees. If we are unable to retain our existing employees or hire and integrate new employees, our operating results would likely be harmed.

Risk factors relating to Western Digital particularly

Loss of market share with a key customer could harm our operating results.

A majority of our revenue comes from a few customers. For example, during 2001, sales to our top 10 customers accounted for approximately 60% of revenues. These customers have a variety of suppliers to choose from and therefore can make substantial demands on us. Even if we successfully qualify a product with a customer, the customer generally is not obligated to purchase any minimum volume of products from us and is able to terminate its relationship with us at any time. Our ability to maintain strong relationships with our principal customers is essential to our future performance. If we lose a key customer, or if any of our key customers reduce their orders of our products or require us to reduce our prices before we are able to reduce costs, our operating results would likely be harmed. For example, this occurred with our enterprise hard drive product line early in the third quarter of 2000 and is one of the factors which led to our decision to exit the enterprise hard drive market.

Dependence on a limited number of qualified suppliers of components could lead to delays or increased costs.

Because we do not manufacture any of the components in our hard drives, an extended shortage of required components or the failure of key suppliers to remain in business, adjust to market conditions, or to meet our quality, yield or production requirements could harm us more severely than our competitors, some of whom manufacture certain of the components for their hard drives. A number of the components used by us are available from only a single or limited number of qualified outside suppliers. If a component is in short supply, or a supplier fails to qualify or has a quality issue with a component, we may experience delays or increased costs in

obtaining that component. This occurred in September 1999 when we had to shut down our Caviar product line production for approximately two weeks as a result of a faulty power driver chip that was sole-sourced from a third-party supplier.

To reduce the risk of component shortages, we attempt to provide significant lead times when buying these components. As a result, we may have to pay significant cancellation charges to suppliers if we cancel orders, as we did in 1998 when we accelerated our transition to magnetoresistive recording head technology, and as we did in 2000 as a result of our decision to exit the enterprise hard drive market.

In April 1999, we entered into a three-year volume purchase agreement with Komag under which we buy a substantial portion of our media components from Komag. In October 2001, we amended the volume purchase agreement to extend the initial term to six years. This strategic relationship has reduced our media component costs; however, it has increased our dependence on Komag as a supplier. Our future operating results may depend substantially on Komag's ability to timely qualify its media components in our new development programs and to supply us with these components in sufficient volume to meet our production requirements. A significant disruption in Komag's ability to manufacture and supply us with media could harm our operating results. Komag is currently in Chapter 11 reorganization proceedings, during which it is continuing its operations.

To develop new products we must maintain effective partner relationships with our strategic component suppliers.

Under our "virtual vertical integration" business model, we do not manufacture any of the parts used in our hard drives. As a result, the success of our products depends on our ability to gain access to and integrate parts that are "best in class" from reliable component suppliers. To do so we must effectively manage our relationships with our strategic component suppliers. We must also effectively integrate different products from a variety of suppliers and manage difficult scheduling and delivery problems. Although we believe that our relationships with our current strategic suppliers are good, we are currently engaged in litigation with Cirrus, which until this year was the sole source of read-channel chips for our hard drives. As a result of the disputes that gave rise to the litigation, our business operations were at risk until another supplier could be designed into our products.

We have only one primary high-volume manufacturing facility, and a secondary smaller facility, which subjects us to the risk of damage or loss of either facility.

Most of our manufacturing volume comes from one facility in Malaysia. We have recently acquired a second, smaller manufacturing facility in Thailand. A fire, flood, earthquake or other disaster or condition affecting either our Malaysian or Thailand facility would result in a loss of sales and revenue and harm our operating results.

Manufacturing our products abroad subjects us to numerous risks.

We are subject to risks associated with our foreign manufacturing operations, including:

- obtaining requisite United States and foreign governmental permits and approvals
- currency exchange rate fluctuations or restrictions
- political instability and civil unrest
- transportation delays or higher freight rates
- labor problems
- trade restrictions or higher tariffs
- exchange, currency and tax controls and reallocations
- loss or non-renewal of favorable tax treatment under agreements or treaties with foreign tax authorities.

We have attempted to manage the impact of foreign currency exchange rate changes by, among other things, entering into short-term, forward exchange contracts. However, those contracts do not cover our full exposure and can be canceled by the issuer if

currency controls are put in place, as occurred in Malaysia during the first quarter of 1999. As a result of the Malaysian currency controls, we are no longer hedging the Malaysian currency risk. Currently, we hedge the Thai Baht and British Pound Sterling.

Our plan to broaden our business takes us into new markets.

We are developing storage devices and content management software for the emerging broadband television market through our Keen PM subsidiary. We will be facing the challenge of developing products for a market that is still evolving and subject to rapid changes and shifting consumer preferences. There are several competitors that have also entered this emerging market, and there is no assurance that the market for digital storage devices for television and other audio-visual content will materialize or support all of these competitors.

We are considering other initiatives related to data and content management, storage and communication. In any of these initiatives we will be facing the challenge of developing products and services for markets that are still evolving and which have many current and potential competitors. If we are not successful in these new initiatives it will likely harm our operating results.

Our reliance on intellectual property and other proprietary information subjects us to the risk of significant litigation.

The hard drive industry has been characterized by significant litigation. This includes litigation relating to patent and other intellectual property rights, product liability claims and other types of litigation. We are currently evaluating notices of alleged patent infringement or notices of patents from patent holders. We also are a party to several judicial and other proceedings relating to patent and other intellectual property rights. If we conclude that a claim of infringement is valid, we may be required to obtain a license or cross-license or modify our existing technology or design a new non-infringing technology. Such licenses or design modifications can be extremely costly. We may also be liable for any past infringement. If there is an adverse ruling against us in an infringement lawsuit, an injunction could be issued barring production or sale of any infringing product. It could also result in a damage award equal to a reasonable royalty or lost profits or, if there is a finding of willful infringement, treble damages. Any of these results would likely increase our costs and harm our operating results.

Our reliance on intellectual property and other proprietary information subjects us to the risk that these key ingredients of our business could be copied by competitors.

Our success depends, in significant part, on the proprietary nature of our technology, including non-patentable intellectual property such as our process technology. Despite safeguards, to the extent that a competitor is able to reproduce or otherwise capitalize on our technology, it may be difficult, expensive or impossible for us to obtain necessary legal protection. Also, the laws of some foreign countries may not protect our intellectual property to the same extent as do the laws of the United States. In addition to patent protection of intellectual property rights, we consider elements of our product designs and processes to be proprietary and confidential. We rely upon employee, consultant and vendor non-disclosure agreements and a system of internal safeguards to protect our proprietary information. However, any of our registered or unregistered intellectual property rights may be challenged or exploited by others in the industry, which might harm our operating results.

Inaccurate projections of demand for our product can cause large fluctuations in our quarterly results.

If we do not forecast total quarterly demand accurately, it can have a material adverse effect on our quarterly results. We typically book and ship a high percentage of our total quarterly sales in the third month of the quarter, which makes it difficult for us to match our production plans to customer demands. In addition, our quarterly projections and results may be subject to significant fluctuations as a result of a number of other factors including:

- the timing of orders from and shipment of products to major customers
- our product mix
- changes in the prices of our products
- manufacturing delays or interruptions
- acceptance by customers of competing products in lieu of our products

- variations in the cost of components for our products
- limited access to components that we obtain from a single or a limited number of suppliers, such as Komag
- competition and consolidation in the data storage industry
- seasonal and other fluctuations in demand for computers often due to technological advances.

Rapidly changing market conditions in the hard drive industry make it difficult to estimate actual results.

We have made and continue to make a number of estimates and assumptions relating to our consolidated financial reporting. The rapidly changing market conditions with which we deal means that actual results may differ significantly from our estimates and assumptions. Key estimates and assumptions for us include:

- accruals for warranty against product defects
- price protection adjustments on products sold to resellers and distributors
- inventory adjustments for write-down of inventories to fair value
- reserves for doubtful accounts
- accruals for product returns.

The market price of our common stock is volatile.

The market price of our common stock has been, and may continue to be, extremely volatile. Factors such as the following may significantly affect the market price of our common stock:

- actual or anticipated fluctuations in our operating results
- announcements of technological innovations by us or our competitors which may decrease the volume and profitability of sales of our existing products and increase the risk of inventory obsolescence
- new products introduced by us or our competitors
- periods of severe pricing pressures due to oversupply or price erosion resulting from competitive pressures
- developments with respect to patents or proprietary rights
- conditions and trends in the hard drive, data and content management, storage and communication industries
- changes in financial estimates by securities analysts relating specifically to us or the hard drive industry in general.

In addition, the stock market from time to time experiences extreme price and volume fluctuations that particularly affect the stock prices of many high technology companies. These fluctuations are often unrelated to the operating performance of the companies.

Securities class action lawsuits are often brought against companies after periods of volatility in the market price of their securities. A number of such suits have been filed against us in the past, and should any new lawsuits be filed, such matters could result in substantial costs and a diversion of resources and management’s attention.

We may be unable to raise future capital through debt or equity financing.

Due to the risks described herein, in the future we may be unable to maintain adequate financial resources for capital expenditures, working capital and research and development. We have a credit facility for our WDT subsidiary, which matures on September 20, 2003. If we decide to increase or accelerate our capital expenditures or research and development efforts, or if results of

operations do not meet our expectations, we could require additional debt or equity financing. However, we cannot ensure that additional financing will be available to us or available on favorable terms. An equity financing could also be dilutive to our existing stockholders.

We have zero coupon convertible subordinated debentures due February 18, 2018 (the "Debentures") that, at the holder's option, will be repurchased by the Company, as of February 18, 2003, February 18, 2008 or February 18, 2013, or if there is a Fundamental Change (as defined in the Debenture documents), at the issue price plus accrued original issue discount to the date of repurchase. The payment on those dates, with the exception of a Fundamental Change, can be in cash, stock or any combination, at the Company's option. The issuance of stock to redeem the bonds could be dilutive to the existing stockholders. Alternatively, redemption of the debentures for cash would reduce our capital resources.

Item 3. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

Disclosure About Foreign Currency Risk

Although the majority of the Company's transactions are in U.S. Dollars, some transactions are based in various foreign currencies. The Company purchases short-term, forward exchange contracts to hedge the impact of foreign currency fluctuations on certain underlying assets, liabilities and commitments for operating expenses denominated in foreign currencies. The purpose for entering into these hedge transactions is to minimize the impact of foreign currency fluctuations on the results of operations. A majority of the increases or decreases in the Company's local currency operating expenses are offset by gains and losses on the hedges. The contracts have maturity dates that do not exceed three months. The Company does not purchase short-term forward exchange contracts for trading purposes.

Historically, the Company has focused on hedging its foreign currency risk related to the Singapore Dollar, the British Pound and the Malaysian Ringgit. With the establishment of currency controls and the prohibition of purchases or sales of the Malaysian Ringgit by offshore companies, the Company discontinued hedging its Malaysian Ringgit currency risk in 1999. Future hedging of this currency will depend on currency conditions in Malaysia. As a result of the closure of the Company's Singapore operations in 2000, the Company has also discontinued its hedging program related to the Singapore Dollar. During the third quarter of 2002, the Company purchased a manufacturing facility in Thailand and began hedging the Thai Baht.

As of March 29, 2002, the Company had outstanding the following purchased foreign currency forward exchange contracts (in millions, except average contract rate):

	MARCH 29, 2002		
	CONTRACT AMOUNT	WEIGHTED AVERAGE CONTRACT RATE	UNREALIZED GAIN (LOSS)
	(U.S. DOLLAR EQUIVALENT AMOUNTS)		
FOREIGN CURRENCY FORWARD CONTRACTS:			
British Pound Sterling	2.2	1.42	—
Thai Baht	18.9	43.74	—

During the three and nine months ended March 30, 2001 and March 29, 2002, total realized transaction and forward exchange contract currency gains and losses were not material to the consolidated financial statements and the carrying value of the contracts approximates fair value. Based on historical experience, the Company does not expect that a significant change in foreign exchange rates would materially affect the Company's consolidated financial statements.

Disclosure About Other Market Risks

Fixed Interest Rate Risk

At March 29, 2002, the market value of the Company's 5.25% zero coupon convertible subordinated debentures due in 2018 was approximately $86.3 million, compared to the related book value of $89.5 million. The convertible debentures will be repurchased by the Company, at the option of the holder, as of February 18, 2003, February 18, 2008, or February 18, 2013, or if there is a Fundamental Change (as defined in the Debenture documents), at the issue price plus accrued original issue discount to the date of redemption. The payment on those dates, with the exception of a Fundamental Change, can be in cash, stock or any combination, at the Company's option.

Variable Interest Rate Risk

At the option of WDT, borrowings under the Senior Credit Facility would bear interest at either LIBOR (with option periods of one to three months) or a base rate, plus a margin determined by the borrowing base. This is the only borrowing facility that does not have a fixed-rate of interest. As of the date hereof, there were no borrowings under the Senior Credit Facility.

Fair Value Risk

The Company owns approximately 1.0 million shares of Vixel common stock. As of March 29, 2002, the market value of the Vixel shares was $4.1 million. The Company determines, on a quarterly basis, the fair market value of the Vixel shares and records an unrealized gain or loss resulting from the difference in the fair market value of the shares as of the previous quarter end and the fair market value of the shares on the measurement date. As of March 29, 2002, a $4.1 million total accumulated unrealized gain has been recorded in accumulated other comprehensive income. If the Company sells all or a portion of this common stock, any unrealized gain or loss on the date of sale will be recorded as a realized gain or loss in the Company's results of operations. As a result of market conditions, the market value of the shares had decreased from $4.1 million as of March 29, 2002 to $3.3 million as of April 26, 2002.

PART II. OTHER INFORMATION

Item 1. *LEGAL PROCEEDINGS*

The following discussion contains forward-looking statements within the meaning of the federal securities laws. These statements relate to the Company's legal proceedings described below. The "Company", as used in this discussion, includes the Company's operating subsidiary Western Digital Technologies, Inc. Litigation is inherently uncertain and may result in adverse rulings or judgments, or lead to settlements, that may, individually or in the aggregate, have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. In addition, the costs of defending such litigation, individually or in the aggregate, may be material, regardless of the outcome. Accordingly, actual results could differ materially from those projected in the forward-looking statements.

In 1992 Amstrad plc ("Amstrad") brought suit against the Company in California State Superior Court, County of Orange, alleging that disk drives supplied to Amstrad by the Company in 1988 and 1989 were defective and caused damages to Amstrad of not less than $186 million. The suit also sought punitive damages. The Company denied the material allegations of the complaint and filed cross-claims against Amstrad. The case was tried, and in June 1999 the jury returned a verdict in favor of Western Digital. Amstrad has appealed the judgment. The Company does not believe that the outcome of this matter will have a material adverse effect on its consolidated financial position, results of operations or liquidity.

In 1994 Papst Licensing ("Papst") brought suit against the Company in federal court in California alleging infringement by the Company of five of its patents relating to disk drive motors that the Company purchased from motor vendors. Later that year Papst dismissed its case without prejudice, but it has notified the Company again recently that it intends to reinstate the suit if the Company does not enter into a license agreement with Papst. Papst has also put the Company on notice with respect to several additional patents. The Company does not believe that the outcome of this matter will have a material adverse effect on its consolidated financial position, results of operations or liquidity.

In June 2000 Discovision Associates ("Discovision") notified the Company in writing that it believes certain of the Company's hard disk drive products may infringe certain of Discovision's patents. Discovision has offered to provide the Company with a license under its patent portfolio. The Company is in discussions with Discovision regarding its claims. There is no litigation pending. The Company does not believe that the outcome of this matter will have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

On July 5, 2001, the Company (and its Malaysian subsidiary) filed suit against Cirrus Logic, Inc. ("Cirrus") in California Superior Court for the County of Orange for breach of contract and other claims resulting from Cirrus' role as a strategic supplier of read channel chips for the Company's hard drives. The Company also stopped making payments to Cirrus for past deliveries of chips and terminated all outstanding purchase orders from Cirrus for such chips. The Company's complaint alleges that Cirrus' unlawful conduct caused damages in excess of any amounts that may be owing on outstanding invoices or arising out of any alleged breach of the outstanding purchase orders. On August 20, 2001, Cirrus filed an answer and cross-complaint. Cirrus denied the allegations contained in the Company's complaint and asserted counterclaims against the Company for, among other things, the amount of the outstanding invoices and the Company's alleged breach of the outstanding purchase orders. The disputed payable, which is included in the Company's balance sheet in accounts payable, is approximately $27 million. Cirrus claims that the canceled purchase orders, which are not reflected in the Company's financial statements, total approximately $26 million. On October 9, 2001, the Court granted Cirrus' Motion for Judgment on the Pleadings, with leave to amend, and on November 8, 2001, the Company filed its First Amended Complaint. Cirrus demurred to the First Amended Complaint, and on December 18, 2001, the Court denied Cirrus' demurrer. On November 2, 2001, Cirrus filed Applications for Right to Attach Orders and for Writs of Attachment against the Company and its Malaysian subsidiary in the amount of $25.2 million as security for the approximately $27 million allegedly owed for read-channel chips purchased from Cirrus that is disputed by the Company. On December 20, 2001, the Court granted Cirrus' Applications but required Cirrus to post undertakings in the amount of $0.5 million on each Writ before issuance. Pursuant to agreement with Cirrus, the Company posted a letter of credit in the amount of $25.2 million in satisfaction of the Writs. The parties have begun discovery and expect that such discovery will continue for the next several months. Based on its initial investigation and the limited discovery done to date, the Company does not believe that the ultimate resolution of this matter will have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

In November 2001, Dynacore Holding Corporation ("Dynacore") filed suit against the Company and several other defendants in the United States District Court for the Southern District of New York. The suit alleges that the Company's 1394 external hard drives

fall within the scope of the subject matter of Dynacore's patent covering communication between nodes within a network, wherein nodes have both enhanced and common capabilities. During January 2002, the Company filed an answer denying Dynacore's complaint and alleged counterclaims. The Company does not believe that the outcome of this matter will have a material adverse effect on its consolidated financial position, results of operations or liquidity.

In the normal course of business, the Company receives and makes inquiries regarding possible intellectual property matters, including alleged patent infringement. Where deemed advisable, the Company may seek or extend licenses or negotiate settlements. Although patent holders often offer such licenses, no assurance can be given that in a particular case a license will be offered or that the offered terms will be acceptable to the Company. The Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its consolidated financial position, results of operations or liquidity.

From time to time the Company receives claims and is a party to suits and other judicial and administrative proceedings incidental to its business. Although occasional adverse decisions (or settlements) may occur, the Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its consolidated financial position, results of operations or liquidity.

Item 2. ***CHANGES IN SECURITIES AND USE OF PROCEEDS***

During the three months ended March 29, 2002, the Company engaged in transactions pursuant to which it exchanged an aggregate principal amount at maturity of $32.3 million of the Company's Zero Coupon Convertible Subordinated Debentures due 2018, for an aggregate of 1,091,518 shares of the Company's common stock and $6,953,940 in cash. These transactions were undertaken in reliance upon the exemption from the registration requirements of the Securities Act afforded by Section 3(a)(9) thereof, as exchanges of securities by the Company with its existing security holders. No commission or other remuneration was paid or given directly or indirectly for soliciting such exchanges. These exchanges were consummated in private, individually negotiated transactions with institutional investors.

Item 6. ***EXHIBITS AND REPORTS ON FORM 8-K***

(a) ***Exhibits:***

3.1	Amended and Restated By-laws of the Company, adopted as of March 28, 2002.
10.2	Amended and Restated 401(K) Plan, adopted as of March 28, 2002.
10.47.6	Sixth Amendment to Credit Agreement among Western Digital Technologies, Inc., the lenders identified therein and General Electric Capital Corporation and Bank of America, N.A., dated as of January 11, 2002.

(b) ***Reports on form 8-K:***

On January 17, 2002, the Company filed a current report on Form 8-K to file its press release dated December 20, 2001, announcing that its revenues, units and profitability for its second quarter of the 2002 fiscal year were expected to exceed earlier guidance. In addition, the Company announced in its December 20, 2001 press release that it had signed a definitive agreement with Fujitsu (Thailand) Company Ltd. to purchase a 155,000-square foot hard drive and head stack assembly facility near Bangkok, Thailand.

On January 28, 2002, the Company filed a current report on Form 8-K to file its press release dated January 24, 2002, announcing its financial results for its second quarter of the 2002 fiscal year and the completion of its purchase of the assembly facility in Thailand.

On February 26, 2002, the Company filed a current report on Form 8-K dated February 22, 2001, to file investor conference information presented by Matthew Massengill, Chairman of the Board and Chief Executive Officer of the Company.

SIGNATURES

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

WESTERN DIGITAL CORPORATION
Registrant

/s/ Scott Mercer

D. Scott Mercer
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Joseph R. Carrillo

Joseph R. Carrillo
Vice President and Corporate Controller
(Principal Accounting Officer)

Date: May 3, 2002

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
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EXHIBIT 3.1

WESTERN DIGITAL CORPORATION
(A DELAWARE CORPORATION)

AMENDED AND RESTATED BY-LAWS

ARTICLE I
OFFICES

1.01 REGISTERED OFFICE. The registered office of Western Digital Corporation (hereinafter this "Corporation") in the State of Delaware shall be at 9 East Loockerman Street, Dover, and the name the registered agent in charge thereof shall be National Registered Agents, Inc.

1.02 PRINCIPAL OFFICE. The principal office for the transaction of the business of this Corporation shall be 20511 Lake Forest Drive, in the City of Lake Forest, County of Orange, State of California. The Board of Directors (hereinafter the Board) is hereby granted full power and authority to change said principal office from one location to another.

1.03 OTHER OFFICES. This Corporation may also have such other offices at such other places, either within or without the State of Delaware, as the Board may from time to time determine or as the business of this Corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

2.01 ANNUAL MEETINGS. Annual meetings of the stockholders of this Corporation for the purpose of electing directors and for the transaction of such proper business as may come before such meetings may be held at such time, date and place as the Board shall determine by resolution.

2.02 SPECIAL MEETINGS. Special meetings of the stockholders may be called at any time by the Board, the Chairman of the Board, or the President.

2.03 PLACE OF MEETINGS. All meetings of the stockholders shall be held at such places, within or without the State of Delaware, as may from time to time be designated by the person or persons calling the respective meeting and specified in the respective notices or waivers of notice thereof.

2.04 NOTICE OF MEETINGS. Except as otherwise required by law, notice of each meeting of the stockholders, whether annual or special, shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder of record entitled to vote at such meeting by delivering a printed notice thereof to the stockholder personally, by depositing such notice in the United States mail, in a postage-prepaid envelope, directed to the stockholder at the post office address furnished by the stockholder to the Secretary of this Corporation for such purpose or, if the stockholder shall not have furnished to the Secretary the stockholder's address for such purpose, then at the stockholder's post office address last known to the Secretary, or by transmitting a notice thereof to the stockholder by any other means, including electronic, directed to the stockholder at the location furnished by such stockholder to the Secretary of this Corporation for such purpose. Except as otherwise expressly required by law, no publication of any notice of a meeting of the stockholders shall be required. Every notice of a meeting of the stockholders shall state the place, date and hour of the meeting, and in the case of a special meeting, shall also state the purpose or purposes for which the meeting is called. Notice of any meeting of stockholders shall not be required to be given to any stockholder to whom notice may be omitted pursuant to applicable Delaware law or who shall have waived such notice and such notice shall be deemed waived by any stockholder who shall attend such meeting in person or by proxy except a stockholder who shall attend such meeting for the express purpose of objecting at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened. Except as otherwise expressly required by law, notice of any adjourned meeting of the stockholder need not be given if the time and place thereof are announced at the meeting at which the adjournment is taken.

2.05 QUORUM. Except as otherwise required by law, the holders of record of a majority in voting interest of the shares of stock of this Corporation entitled to be voted at any meeting of stockholders of this Corporation, present in person or by proxy, shall constitute a quorum at any meeting or any adjournment thereof. A majority in voting interest of the stockholders present in person or by proxy and entitled to vote at a meeting or, in the absence therefrom of all stockholders, any officer entitled to preside at, or to act as secretary of, such meeting may adjourn such meeting from time to time. At any such adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the meeting as originally called.

2.06 VOTING.

(a) Each stockholder shall, at each meeting of the stockholders, be entitled to vote in person or by proxy each share or fractional share of the stock of this Corporation having voting rights on the matter in question and which shall have been held by and registered in the name of the stockholder on the books of this Corporation:

(i) on the date fixed pursuant to Section 2.09 of these Amended and Restated By-Laws as the record for the determination of stockholder entitled to notice of and to vote at such meeting, or

(ii) if no such record date shall have been so fixed, then (A) at the close of business on the day next preceding the day on which notice of the meeting shall be given or (B) if notice of the meeting shall be waived, at the close of business on the day next preceding the day on which the meeting shall be held.

(b) Shares of its own stock belonging to this Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors in such other corporation is held, directly or indirectly, by this Corporation, shall neither be entitled to vote nor be counted for quorum purposes. Persons holding stock of this Corporation in a fiduciary capacity shall be entitled to vote such stock. Persons whose stock is pledged shall be entitled to vote, unless in the transfer by the pledgor on the books of this Corporation the pledgor shall have expressly empowered the pledge to vote thereon. Stock having voting power standing of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants in common, tenants by entirety or otherwise, or with respect to which two or more persons have the same fiduciary relationship, shall be voted in accordance with the provisions of the General Corporation Law of the State of Delaware.

(c) Any such voting rights may be exercised by the stockholder entitled thereto in person or by the stockholder's proxy, provided, however, that no proxy shall be voted or acted upon after eleven months from its date unless said proxy shall provide for a longer period. The attendance at any meeting of a stockholder who may theretofore have given a proxy shall not have the effect of revoking the same unless the stockholder shall in writing so notify the secretary of the meeting prior to the voting of the proxy. At any meeting of the stockholders all matters, except as otherwise provided in the Certificate of Incorporation, in these Amended and Restated By-Laws or by law, shall be decided by the vote of a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat and thereon, a quorum being present. The vote at any meeting of the stockholders on any question need not be by ballot, unless so directed by the chairman of the meeting. On a vote by ballot each ballot shall be signed by the stockholder voting, or by his or her proxy, if there be such proxy, and it shall state the number of shares voted.

2.07 LIST OF STOCKHOLDERS. The Secretary of this Corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

2.08 JUDGES. If at any meeting of the stockholder a vote by written ballot shall be taken on any questions, the chairman of such meeting may appoint a judge or judges to act with respect to such vote. Each judge so appointed shall first subscribe an oath faithfully to execute the duties of a judge at such meeting with strict impartiality and according to the best of his ability. Such judges shall decide upon the qualification of the voters and shall report the number of shares represented at the meeting and entitled to vote on such question, shall conduct and accept the votes, and, when the voting is completed, shall ascertain and report the number of shares voted respectively for and against the question. Reports of judges shall be in writing and subscribed and delivered by them to the Secretary of this Corporation. The judges need not be stockholders of this Corporation, and any officer of this Corporation may be a judge on any question other than a vote for or against a proposal in which he shall have a material interest.

2.09 FIXING DATE FOR DETERMINATION OF STOCKHOLDER OF RECORD. In order that this Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any other change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. If in any case involving the determination of stockholders for any purpose other than notice of or voting at a meeting of stockholders the Board shall not fix such a record date, the record date for determining stockholders for such purpose shall be the close of business on the day on which the Board shall adopt the resolution relating thereto. A determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of such meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

2.10 STOCKHOLDER PROPOSALS AND NOMINATIONS.

(a) At any meeting of stockholders, only such business shall be conducted, and only such proposals shall be acted upon, as shall have been brought before the meeting (1) by or at the direction of a majority of the directors or (2) by any stockholder of this Corporation who complies with the notice procedures set forth in this Section 2.10(a). For a proposal to be properly brought before a meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of this Corporation. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of this Corporation not less than 60 days nor more than 120 days prior to the scheduled meeting, regardless of any postponements, deferrals or adjournments of that meeting to a later date; provided, however, that if less than 70 days' notice or prior public disclosure of the date of the scheduled meeting is given or made, notice by the stockholder, to be timely, must be so delivered or received not later than the close of business on the tenth day following the earlier of the day on which such notice of the date of the scheduled meeting was mailed or the day on which such public disclosure was made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the meeting (i) a brief description of the proposal desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and address, as they appear on this Corporation's books, of the stockholder proposing such business and any other stockholders known by such stockholder to be supporting such proposal, (iii) the class and number of shares of this Corporation's stock which are beneficially owned by the stockholder on the date of such stockholder notice and by any other stockholders known by such stockholder to be supporting such proposal on the date of such stockholder notice, and (iv) any financial interest of the stockholder in such proposal. In addition, the stockholder making such proposal shall promptly provide any other information reasonably requested by this Corporation. The presiding officer of the meeting shall determine at the meeting whether the stockholder proposal was made in accordance with the terms of this Section 2.10(a). If the presiding officer determines that a stockholder proposal was not made in accordance with the terms of this Section 2.10(a), he or she shall so declare at the meeting and any such proposal shall not be acted upon at the meeting. This provision shall not prevent the consideration and approval or disapproval at the meeting of reports of officers, directors and committees or the Board, but, in connection with such reports, no new business shall be acted upon at such meeting that is brought by a stockholder unless stated, filed and received as herein provided.

(b) Subject to the rights, if any, of the holders of shares of preferred stock of this Corporation then outstanding, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the Board of this Corporation may be made at a meeting of stockholders (1) by or at the direction of the

Board, (2) by any nominating committee or person appointed by the Board or (3) by any stockholder of this Corporation entitled to vote for the election of directors at the meeting who

complies with the notice procedures set forth in this Section 2.10(b). Such nominations, other than those made by or at the direction of the Board, shall be made pursuant to timely notice in writing to the Secretary of this Corporation. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of this Corporation not less than 60 days nor more than 120 days prior to the scheduled meeting, regardless of any postponements, deferrals or adjournments of that meeting to a later date; provided, however, that if less than 70 days' notice or prior public disclosure of the date of the scheduled meeting is given or made, notice by the stockholder, to be timely, must be so delivered or received not later than the close of business on the tenth day following the earlier of the day on which such notice of the date of the scheduled meeting was mailed or the day on which such public disclosure was made. A stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (A) the name, age, business address and residence address of the person, (B) the principal occupation or employment of the person, (C) the class and number of shares of capital stock of this Corporation which are beneficially owned by the person, (D) the consent of the person to serve as a director of the Corporation if so elected, and (E) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to applicable rules and regulations of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended; and (ii) as to the stockholder giving the notice (A) the name and address, as they appear on this Corporation's books, of the stockholder, (B) the class and number of shares of this Corporation's stock which are beneficially owned by the stockholder on the date of such stockholder notice and (C) a description of all arrangements or understandings between the stockholder and each nominee and any other person(s) (naming such person(s)) pursuant to which the nomination is to be made by the stockholder. This Corporation may require any proposed nominee to furnish such other information as may reasonably be required by this Corporation to determine the eligibility of such proposed nominee to serve as director of this Corporation. In addition, the stockholder making such nomination shall promptly provide any other information reasonably requested by this Corporation. The presiding officer of the meeting shall determine and declare at the meeting whether the nomination was made in accordance with the terms of this Section 2.10(b). If the presiding officer determines that a nomination was not made in accordance with the terms of this Section 2.10(b), he or she shall so declare at the meeting and any such defective nomination shall be disregarded.

ARTICLE III
BOARD OF DIRECTORS

3.01 GENERAL POWERS. Subject to the requirements of the General Corporation Law of the State of Delaware, the property, business and affairs of this Corporation shall be managed by the Board.

3.02 NUMBER AND TERM OF OFFICE. The number of directors shall be not less than five nor more than twelve until this Section 3.02 is amended by a resolution duly adopted by the Board or by the stockholders, in either case, in accordance with the provisions of the Certificate of Incorporation of this Corporation. The specific number of directors at any time shall be that number between five and twelve as may be determined from time to time by the Board by resolution. Directors need not be stockholders. Each of the directors of this Corporation shall hold office until his successor shall have been duly elected and shall qualify or until he shall resign or shall have been removed in the manner provided in these Amended and Restated By-Laws.

3.03 ELECTION OF DIRECTORS. The directors shall be elected annually by the stockholders of this Corporation and the persons receiving the greatest number of votes, up to the number of directors to be elected, shall be the directors.

3.04 RESIGNATIONS. Any director of this Corporation may resign at any time by giving written notice to the Board or to the Secretary of this Corporation. Any such resignation shall take effect at the time specified therein, or, if the time be not specified, it shall take effect immediately upon its receipt; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

3.05 VACANCIES. Except as otherwise provided in the Certificate of Incorporation, any vacancy in the Board, whether because of death, resignation, disqualification, an increase in the number of directors, or any other cause, may be filed by vote of the majority of the remaining directors, although less than a quorum. Each director so chosen to fill a vacancy shall hold office until his successor shall have been elected and shall qualify or until he shall resign or shall have been removed in the manner provided in these Amended and Restated By-Laws.

3.06 PLACE OF MEETING, ETC. The Board may hold any of its meetings at such place or places within or without the State of Delaware as the Board may from time to time by resolution designate or as shall be designated by the person or persons calling the meeting or in the notice or a waiver of notice of any such meeting. Directors may participate in any regular or special meeting of the Board by means of conference telephone or similar communications equipment pursuant to which all persons participating in the meeting of the Board can hear each other, and such participation shall constitute presence in person at such meeting.

3.07 FIRST MEETING. The Board shall meet as soon as practicable after each annual election of directors and notice of such first meeting shall not be required.

3.08 REGULAR MEETINGS. Regular meetings of the Board shall be held at such times as the Board shall from time to time by resolutions determine. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting shall be held at the same hour and place on the next succeeding business day not a legal holiday. Except as provided by law, notice of regular meetings need not be given.

3.09 SPECIAL MEETINGS. Special meetings of the Board for any purpose or purposes may be called at any time by the Chairman of the Board, the President, any Vice President, the Secretary or any two directors. Special meetings of the Board shall not be held upon not less than four days' written notice or not less than 48 hours' given personally or by telephone, facsimile or other similar means of communication. Any such notice shall be addressed or delivered to each director at such director's address as it is shown upon the records of this Corporation or as may have been given to this Corporation by the director for such purpose or if no such address has been provided or is in the records of this Corporation, then to the place in which the meetings of the directors are regularly held. Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mails, postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or it is actually communicated to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient. Any other notice shall be deemed to have been given at the time it is communicated, in person or by telephone or similar means, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient.

3.10 QUORUM AND MANNER OF ACTING. Except as otherwise provided in these Amended and Restated By-Laws, the Certificate of Incorporation, or by law, the presence of a majority of the authorized number of directors shall be required to constitute a quorum for the transaction of business at any meeting of the Board, and all matters shall be decided at any such meeting, a quorum being present, by the affirmative votes of a majority of the directors present. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, provided any action taken is approved by at least a majority of the required quorum for such meeting. In the absence of a quorum, a majority of directors present at any meeting may adjourn the same from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given. The directors shall act only as a Board, and the individual directors shall have no power as such.

3.11 ACTION BY CONSENT. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if a written consent thereto is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

3.12 REMOVAL OF DIRECTORS. Subject to the provisions of the Certificate of Incorporation, any director may be removed at any time, either with or without cause, by the affirmative vote of the stockholders having a majority of the voting power of this Corporation given at a special meeting of the stockholders called for the purpose.

3.13 COMPENSATION. The directors shall receive only such compensation for their services as directors as may be allowed by resolution of the Board. The Board may also provide that this Corporation shall reimburse each such director for any expense incurred by such director on account of his or her attendance at any meetings of the Board or committees of the Board. Neither the payment of such compensation nor the reimbursement of such expenses shall be construed to preclude any director from serving this Corporation or its subsidiaries in any other capacity and receiving compensation therefor.

3.14 COMMITTEES. The Board may appoint one or more committees, each consisting of one or more directors, and delegate to such committees any of the authority of the Board permitted by law except with respect to:

(a) The approval of any action for which the General Corporation Law of the State of Delaware also requires stockholders approval or approval of the outstanding shares;

(b) The filing of vacancies on the Board or on any committee;

(c) The fixing of compensation of the directors for serving on the Board or on any committee;

(d) The amendment or repeal of these Amended and Restated By-Laws or the adoption of new By-Laws;

(e) The amendment or repeal of any resolution of the Board which by its express terms in not so amendable or repealable;

(f) A distribution to the stockholders of this Corporation except at a rate or in a periodic amount or within a price range determined by the Board;

(g) The appointment of other committees of the Board or the members thereof.

Any such committee must be appointed by resolution adopted by a majority of the authorized number of directors and may be designated an Executive Committee or by such other name as the Board shall specify. The Board may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the authorized number of directors. The Board shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless the Board or such committee shall provide, the regular and special meetings of any such committee shall be governed by the provisions of this Article applicable to meetings and actions of the Board. Minutes shall be kept of each meeting of such committee.

3.15 EXECUTIVE COMMITTEE. The passage of any resolution of the committee designated by the Board as the Executive Committee shall, in addition to any other limitations prescribed by the Board in accordance with the provisions of Section 3.14, require the affirmative vote of a majority of directors present and voting on such resolution who are not employees of this Corporation.

3.16 RIGHTS OF INSPECTION. Every director shall have the right to any reasonable time to inspect and copy all books, records, and documents of every kind and to inspect the physical properties of this Corporation and also of its subsidiary corporations, domestic or foreign. Such inspection by a director may be made in person or by agent or attorney and includes the right to copy and obtain extracts.

ARTICLE IV
OFFICERS

4.01 CORPORATE OFFICERS.

(a) The Officers of the Corporation shall consist of a Chief Executive Officer, a President, a Secretary and a Chief Financial Officer. The Corporation may have, at the discretion of the Board, a Chairman of the Board.

(b) In addition to the officers specified in Section 4.01(a), the Board may appoint such additional officers as the Board may deem necessary or desirable, including one or more Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers, each of whom shall hold office for such period, have such authority and perform such duties as the Board may from time to time determine. The Board may delegate to any officer of the Corporation or any committee of the Board the power to appoint, remove and prescribe the term and duties of any officer provided for in this Section 4.01(b).

(c) One person may hold two or more offices, except that the Secretary may not hold the office of President.

4.02 APPOINTMENT AND TERM OF OFFICE. Each officer shall serve at the pleasure of the Board of Directors and shall hold office until a successor shall have been appointed or until such officer's death, disqualification, resignation or removal. Any officer may be removed, either with or without cause, by the Board of Directors or, except in case of an officer appointed by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

4.03 RESIGNATIONS. Any officer may resign at any time by giving written notice of such officer's resignation to the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time be not specified, upon receipt thereof by the Corporation. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.04 VACANCIES. A vacancy in any office because of death, resignation, removal or disqualification or other event, may be filled in the manner prescribed in these By-Laws for regular appointments to such office.

4.05 CHAIRMAN OF THE BOARD. The Chairman of the Board, if such an officer is elected, shall preside at all meetings of the stockholders and the Board and shall have such other powers and duties as may from time to time be assigned to him or her by the Board or as may be prescribed by the By-Laws.

4.06 CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall have, subject to the control of the Board, general and active supervision, direction and control of the business of the Corporation and its officers, agents and employees, and shall perform all duties as may from time to time be assigned to him or her by the Board. In the absence of the Chairman of the Board, or if there be none, the Chief Executive Officer shall preside at all meetings of the stockholders and at all meetings of the Board.

4.07 PRESIDENT. The President of the Corporation shall have the general powers and duties of management usually vested in the office of president and general manager of a corporation and shall have such other authority and shall perform such other duties as may from time to time be assigned to him or her by the Board or Chief Executive Officer.

4.08 SECRETARY. The Secretary shall keep or cause to be kept, at the principal executive office of the Corporation or at such other place as the Board may order, a book of minutes of all meetings of the stockholders, the Board and its committees, the time and place of holding such meetings, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at Board and committee meetings, the number of shares present or represented at stockholder meetings and the proceedings thereof. The Secretary shall keep, or shall cause to be kept, at the principal executive office or at the office of the Corporation's transfer agent or registrar, a share register, or a duplicate share register, showing the names of stockholders and their addresses, the number and classes of shares of stock held by each, the number and date of certificates issued for such shares and the number and date of cancellation of every certificate surrendered for cancellation. The Secretary shall give, or shall cause to be given, in conformity with these Amended and Restated By-Laws, notice of all meetings of the stockholders and of the Board and of any committees thereof requiring notice. The Secretary shall keep the seal of the Corporation in safe custody and shall have such other powers and

shall perform such other duties as may from time to time be assigned to him or her by the Board.

4.09 CHIEF FINANCIAL OFFICER. The Chief Financial Officer shall keep and maintain, or shall cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Corporation, and shall send or shall cause to be sent to the stockholders of the Corporation such financial statements and reports as are by law or by these Amended and Restated By-Laws required to be sent to them. The books of account shall at all reasonable times be open to inspection by any director. The Chief Financial Officer shall render to the Chief Executive Officer and directors, whenever they request it, an account of all transactions as Chief Financial Officer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may from time to time be assigned to him or her by the Board.

4.10 COMPENSATION. The compensation of those officers appointed by the Board pursuant to Section 4.01(a) or (b) of these By-Laws shall be fixed from time to time by the Board or a committee of the Board delegated with such authority. No officer shall be prevented from receiving compensation by reason of the fact that the officer is also a director of the Corporation or of any subsidiary corporation. Nothing contained herein shall preclude any officer from serving the Corporation, or any subsidiary corporation, in any other capacity and receiving compensation therefore.

ARTICLE V
CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

5.01 EXECUTION OF CONTRACTS. The Board, except as in these Amended and Restated By-Laws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of this Corporation, and such authority may be general or confined to specific instances. Unless so authorized by the Board or by these Amended and Restated By-Laws, no officer, agent or employee shall have any power or authority to bind this Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

5.02 CHECKS, DRAFTS, ETC. All checks, drafts or other orders for payment of money, notes or other evidence of indebtedness, issued in the name of or payable to this Corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board. Each authorized person shall give such bond, if any, as the Board may require.

5.03 DEPOSITS. All funds of this Corporation not otherwise employed shall be deposited from time to time to the credit of this Corporation in such banks, trust companies and other depositories as the Board may select, or as may be selected by any officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of this Corporation to whom such power shall have been delegated by the Board. For the purpose of deposit and for the purpose of collection for the account of this Corporation, the President and Vice President or the Treasurer (or any other officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of this Corporation who shall from time to time be determined by the Board) may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of this Corporation.

5.04 GENERAL AND SPECIAL BANK ACCOUNTS. The Board may from time to time authorize the opening and keeping of general and special bank accounts with such banks, trust companies or other depositories as the Board may select or as may be selected by any officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of this Corporation to whom such power shall have been delegated by the Board. The Board may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of these Amended and Restated By-Laws, as it may deem expedient.

ARTICLE VI
SHARES AND THEIR TRANSFER

6.01 CERTIFICATES FOR STOCK.

(a) The shares of this Corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to this

Corporation. Notwithstanding the adoption of such a resolution by the Board every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate, in such form as the Board shall prescribe, signed by, or in the name of this Corporation by the Chairman or Vice Chairman of the Board, or the President or Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of this Corporation representing the number of shares registered in certificate form. Any of or all of the signatures on the certificates may be by facsimile. In case any officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon, any such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may nevertheless be issued by this Corporation with the same effect as though the person who signed such certificate, or whose facsimile signature shall have been place thereupon, were such officer, transfer agent or registrar at the date of issue.

(b) A record shall be kept of the respective names of the persons, firms or corporations owning the stock represented by such certificates, the number and class of shares represented by such certificates, respectively, and the respective dates thereof, and in case of cancellation, the respective dates of cancellation. Every certificate surrendered to this Corporation for exchange or transfer shall be cancelled, and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so cancelled, except in cases provided for in Section 6.04

6.02 TRANSFERS OF STOCK. Transfers of shares of stock of this Corporation shall be made only on the books of this Corporation by the registered holder thereof, or by such holder's attorney thereunto authorized by power of attorney duly executed and filed with the Secretary, or with a transfer clerk or a transfer agent appointed as provided in Section 6.03, and upon surrender of the certificate or certificates for such shares properly endorsed and the payment of all taxes thereon. The person in whose name shares of stock stand on the books of this Corporation shall be deemed the owner thereof for all purposes as regards this Corporation. Whenever any transfer of shares shall be made for collateral security, and not absolutely, such fact shall be so expressed in the entry of transfer if, when the certificate or certificates shall be presented to this Corporation for transfer agents and one or more registrars, and may require all certificates for stock to bear the signature or signatures of any of them.

6.03 REGULATIONS. This Board may make such rules and regulations as it may deem expedient, not inconsistent with these Amended and Restated By-Laws, concerning the issue, transfer and registration of certificates for shares of the stock of this Corporation. It may appoint, or authorize any officer or officers to appoint, one or more transfer clerks or one or more transfer agents and one or more registrars, and may require all certificates for stock to bear the signature or signatures of any of them.

6.04 LOST, STOLEN, DESTROYED, AND MUTILATED CERTIFICATES. In any case of loss, theft, destruction, or mutilation of any certificate of stock, another may be issued in its place upon proof of such loss, theft, destruction, or mutilation and upon the giving of a bond of indemnity to this Corporation in such form and in such sum as the Board may direct; provided, however, that a new certificate may be issued without requiring any bond when, in the judgment of the Board, it is proper to do so.

ARTICLE VII
INDEMNIFICATION

7.01 SCOPE OF INDEMNIFICATION. This Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that such person is or was a director, officer, employee or agent of this Corporation, or is or was serving at the request of this Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding to the fullest extent permitted by Delaware law and the Certificate of Incorporation.

7.02 ADVANCE OF EXPENSES. Costs and expenses (including attorneys' fees) incurred by or on behalf of a director, officer, employer or agent in defending or investigating any action, suit proceeding or investigation shall be paid by this Corporation in advance of the final disposition of such matter, if such director, officer, employee or agent shall undertake in writing to repay any such advances in the event that it is ultimately determined that he or she is not entitled to indemnification. Notwithstanding the foregoing, no advance shall

be made by this Corporation if a

determination is reasonably and promptly made by the Board by a majority vote of a quorum of disinterested directors, or (if such a quorum is not obtained or, even if obtainable, a quorum of disinterested directors so directs) by independent legal counsel, that, based upon the facts known to the Board or counsel at the time such determination is made, (a) the director, officer, employee or agent acted in bad faith or deliberately breached his or her duty to this Corporation or its stockholders, and (b) as a result of such actions by the director, officer, employee or agent, it is more likely than not that it will ultimately be determined that such director, officer, employee or agent is not entitled to indemnification.

7.03 OTHER RIGHTS AND REMEDIES. The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any Amended and Restated By-Laws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

7.04 CONTINUATION OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

7.05 INSURANCE. Upon resolution passed by the Board, this Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of this Corporation, or is or was serving at the request of this Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not this Corporation would have the power to indemnify such person against such liability under the provisions of this Article.

ARTICLE VIII
MISCELLANEOUS

8.01 SEAL. The Board shall adopt a corporate seal, which shall be in the form of a circle and shall bear the name of this Corporation and words and figures showing that this Corporation was incorporated in the State of Delaware and the year of incorporation.

8.02 WAIVER OF NOTICES. Whenever notice is required to be given by these Amended and Restated By-Laws or the Certificate of Incorporation or by law, the person entitled to said notice may waive such notice in writing, either before or after the time stated therein, and such waiver shall be deemed equivalent to notice. Attendance of a person at a meeting (whether in person or by proxy in the case of a meeting of stockholders) shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice.

8.03 AMENDMENTS. These Amended and Restated By-Laws, or any of them, may be altered, amended or repealed, and new By-Laws may be made, (i) by the Board, by vote of a majority of the number of directors then in office as directors, acting at any meeting of the Board, or (ii) by the stockholders, provided that notice of such proposed amendment, modification, repeal or adoption is given in the notice of special meeting.

8.04 REPRESENTATION OF OTHER CORPORATIONS. The President, any Vice President, or the Secretary of this Corporation are each authorized to vote, represent and exercise on behalf of this Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this Corporation. The authority herein granted to said officers to vote or represent on behalf of this Corporation any and all shares held by this Corporation in any other corporation or corporations may be exercised either by such officers in person or by any person authorized so to do by proxy or power of attorney duly executed by said officers.

# # #

CERTIFICATE OF SECRETARY

The undersigned, being the duly elected Secretary of Western Digital Corporation (formerly, Western Digital Holdings, Inc.), a Delaware corporation, hereby certifies that the Amended and Restated By-Laws to which this Certificate is attached were duly adopted by the Board of Directors of such corporation as of March 28, 2002.

Michael A. Cornelius
Secretary

EXHIBIT 10.2

WESTERN DIGITAL CORPORATION

401(k) PLAN

TABLE OF CONTENTS

		Page
Article 1	INTRODUCTION	1
Article 2	DEFINITIONS	2
2.1	Accounts	2
2.2	Affiliated Company	3
2.3	Beneficiary	3
2.4	Board of Directors	3
2.5	Break in Service	3
2.6	Code	4
2.7	Company	4
2.8	Compensation	4
2.9	Computation Period	7
2.10	Disability	7
2.11	Distributable Benefit	7
2.12	Effective Date	7
2.13	Eligible Employee	7
2.14	Employee	8
2.15	Employer	9
2.16	Employment Commencement Date	9
2.17	Entry Date	9
2.18	ERISA	9
2.19	Forfeiture Account	9
2.20	Hardship	10
2.21	Highly Compensated Employee	10
2.22	Hour of Service	12
2.23	Investment Fund	13
2.24	Investment Manager	14
2.25	Leave of Absence	14
2.26	Matching Contributions	14
2.27	Maternity or Paternity Absence	14
2.28	Normal Retirement Age	14
2.29	Participant and Active Participant	14
2.30	Plan	15
2.31	Plan Administrator	15
2.32	Plan Year	15
2.33	Pre-Tax Contributions	15
2.34	Profit Sharing Contributions	15
2.35	Severance	15
2.36	Retirement Committee	15
2.37	Severance Date	16
2.38	Spouse	16
2.39	Stock	16
2.40	Trust and Trust Fund	16
2.41	Trust Agreement	16
2.42	Trustee	16
2.43	Valuation Date	16
2.44	Vested Interest	16

2.45 Year of Eligibility Service....16
2.46 Year of Vesting Service....18

Article 3 ELIGIBILITY AND PARTICIPATION....19
3.1 Eligibility to Participate....19
3.2 Commencement of Active Participation....19
3.3 Change in Status....20
3.4 Reemployment....20
3.5 Reemployment Following Qualified Military Service....20
3.6 Employee Responsibility....20

Article 4 PARTICIPANT CONTRIBUTIONS....20
4.1 Election to Contribute....20
4.2 Participant Contribution Amounts....21
4.3 Modification, Revocation or Termination of Contribution Election....22
4.4 Limitation on Pre-Tax Contributions by Highly Compensated Employees....22
4.5 Provisions for Disposition of Excess Pre-Tax Contributions by Highly Compensated Employees....25
4.6 Provisions for Return of Annual Pre-Tax Contributions in Excess of the Deferral Limitation....26
4.7 Character of Amounts Contributed as Pre-Tax Contributions....28
4.8 Participant Rollover Contributions....28
4.9 Plan-to-Plan Transfers....28

Article 5 EMPLOYER CONTRIBUTIONS....28
5.1 Determination of Employer Contributions....28
5.2 Pre-Tax Contributions....29
5.3 Basic Matching Contribution....29
5.4 Supplemental Matching Contributions and Qualified Nonelective Contributions....30
5.5 Profit Sharing Contributions....32
5.6 Timing of Employer Contributions....32
5.7 Application of Forfeitures....32
5.8 Requirement for Profits....33
5.9 Special Limitations on 401(m) Contributions....34
5.10 Provisions for Reduction of Excess 401(m) Contributions by or on Behalf of Highly Compensated Employees....37
5.11 Forfeiture of Matching Contributions Attributable to Excess Deferrals or Contributions....38
5.12 Irrevocability....38
5.13 Make-Up Contributions....39

Article 6 FUNDING....39
6.1 In General....39

Article 7 INVESTMENTS....39
7.1 Investments of Contributions....39
7.2 Investment in Employer Securities....40
7.3 Participant Investment Designations....40
7.4 Securities Transactions....41
7.5 Rights, Warrants, or Options....41

7.6 Voting of Stock....41
7.7 Valuation of Stock....43
7.8 Allocation of Stock Dividends and Splits....43
7.9 Reinvestment of Dividends....43
7.10 Allocation of Dividends other than Stock Dividends....43
7.11 Certain Offers for Stock....44

Article 8 VESTING....48
8.1 Vested Interest in Pre-Tax Contributions Account, Rollover Account, and Profit Sharing Account....48
8.2 Determination of Vested Interest in Matching Contributions Account....48
8.3 Amendment of Vesting Schedule....49

Article 9 PAYMENT OF PLAN BENEFITS....50
9.1 Distribution Upon Retirement....50
9.2 Distribution Upon Death Prior to Payment of Benefits....50
9.3 Distribution upon Disability....51
9.4 Severance Prior to Normal Retirement Age....51
9.5 Forfeitures; Restoration....53
9.6 Form of Payment of Distributable Benefit....53
9.7 In-Service Withdrawals....54
9.8 Loans....56
9.9 Designation of Beneficiary....57
9.10 Facility of Payment....59
9.11 Payee Consent....59
9.12 Additional Requirements for Distribution....59
9.13 Notice of Right to Elect Direct Rollover....60

Article 10 VALUATION OF ACCOUNTS....61
10.1 Allocation of Plan Earnings or Losses....61
10.2 Value of Participant Accounts for Distribution....61

Article 11 OPERATION AND ADMINISTRATION OF THE PLAN....62
11.1 Plan Administration....62
11.2 Retirement Committee Powers....62
11.3 Investment Manager....63
11.4 Retirement Committee Procedure....64
11.5 Compensation of Retirement Committee....64
11.6 Resignation and Removal of Members....64
11.7 Appointment of Successors....65
11.8 Records....65
11.9 Reliance Upon Documents and Opinions....65
11.10 Requirement of Proof....66
11.11 Reliance on Retirement Committee Memorandum....66
11.12 Multiple Fiduciary Capacity....66
11.13 Limitation on Liability....66
11.14 Indemnification....66
11.15 Bonding....67
11.16 Prohibition Against Certain Actions....67
11.17 Plan Expenses....67

Article 12 MERGER OF COMPANY; MERGER OF PLAN.....67
12.1 Effect of Reorganization or Transfer of Assets.....67
12.2 Merger Restriction.....68

Article 13 PLAN TERMINATION AND DISCONTINUANCE OF CONTRIBUTIONS.....68
13.1 Plan Termination.....68
13.2 Discontinuance of Contributions.....68
13.3 Rights of Participants.....69
13.4 Trustee's Duties on Termination.....69
13.5 Partial Termination.....70
13.6 Failure to Contribute.....70

Article 14 APPLICATION FOR BENEFITS.....70
14.1 Application for Benefits.....70
14.2 Action on Application.....70
14.3 Appeals.....71

Article 15 LIMITATIONS ON CONTRIBUTIONS.....72
15.1 General Rule.....72
15.2 Annual Additions.....72
15.3 Other Defined Contribution Plans.....72
15.4 Combined Plan Limitation (Defined Benefit Plan) For Plan Years Commencing Prior to July 1, 2000.....72
15.5 Adjustments for Excess Annual Additions.....73
15.6 Disposition of Excess Profit Sharing Contribution Amounts.....74
15.7 Affiliated Company.....74

Article 16 RESTRICTION ON ALIENATION.....74
16.1 General Restrictions Against Alienation.....74
16.2 Nonconforming Distributions Under Court Order.....75

Article 17 PLAN AMENDMENTS.....76
17.1 Amendments.....76

Article 18 MISCELLANEOUS.....77
18.1 No Enlargement of Employee Rights.....77
18.2 Mailing of Payments; Lapsed Benefits.....77
18.3 Addresses.....78
18.4 Notices and Communications.....78
18.5 Reporting and Disclosure.....79
18.6 Interpretation.....79
18.7 Withholding for Taxes.....79
18.8 Limitation on Company and Employer; Retirement Committee and Trustee Liability.....79
18.9 Successors and Assigns.....79
18.10 Counterparts.....79

Article 19 TOP-HEAVY PLAN RULES.....80
19.1 Applicability.....80
19.2 Definitions.....80
19.3 Top-Heavy Status.....81

19.4 Minimum Contributions.....83
19.5 Maximum Annual Addition.....84
19.6 Vesting Rules.....84
19.7 Non-Eligible Employees.....85

WESTERN DIGITAL CORPORATION
401(K) PLAN

ARTICLE 1

INTRODUCTION

Western Digital Corporation previously established the Western Digital Corporation Savings and Investment Plan (the "Predecessor Plan") effective October 1, 1984, for the benefit of certain of its employees.

Effective August 20, 1986, the Adaptive Data Systems, Inc. Employee Savings and Investment Plan was merged into the Predecessor Plan.

Effective July 1, 1987, the Western Digital Corporation Employee Stock Ownership Plan (the "ESOP") and the Faraday Electronics, Inc. Profit Sharing-Salary Savings Plan and Trust were merged into the Predecessor Plan and the resulting Predecessor Plan was renamed the Western Digital Corporation Savings and Employee Stock Ownership Plan.

Effective July 1, 1987, the Predecessor Plan was amended and restated to incorporate the provisions of the merged plans and to make various plan design changes. That restatement was intended to be a continuation of the Predecessor Plan.

Effective September 7, 1989 the Verticom Savings and Retirement Plan was merged into the Predecessor Plan.

Effective May 10, 1991, the Predecessor Plan was split into two plans, one consisting of the provisions relating to the ESOP Fund (as defined in Section 1.16 of the Predecessor Plan) and the other consisting of provisions relating to the remaining portion of the Predecessor Plan (the "401(k) Portion"). Effective that same date, the 401(k) Portion was spun off from the remaining portion of the Predecessor Plan and renamed the "Western Digital Corporation Savings Plan" (the "Savings Plan"). The remaining portion of the Predecessor Plan was renamed the "Western Digital Corporation Employee Stock Ownership Plan".

The Savings Plan was amended and restated as of May 10, 1991 to reflect the spin-off and the continuation of the 401(k) Portion of the Predecessor Plan. The Savings Plan subsequently was amended by the First through Fifth Amendments. The Savings Plan was amended and restated as of June 23, 1995 ("1995 Restatement"). The 1995 Restatement incorporated all amendments through and including the Fifth Amendment.

The 1995 Restatement of the Savings Plan was subsequently amended and restated as of July 1, 2001 (the "Restatement") to reflect changes in the law and to incorporate the First Amendment (executed June 30, 1995), the Second Amendment (executed March 27, 1996), the Third Amendment (executed January 9, 1997), the

Fourth Amendment (executed March 20, 1997), the Fifth Amendment (executed November 13, 1997), the Sixth Amendment (executed January 27, 2000), the Seventh Amendment (executed March 30, 2001), and the Eighth Amendment (executed April 6, 2001). This Restatement incorporates all amendments through and including the Eighth Amendment. Effective July 1, 2001 the name of the Savings Plan was changed to the Western Digital Corporation 401(k) Plan.

The Plan is intended to qualify under Code Section 401(a) as a profit sharing plan and Section 401(k) as a cash or deferred arrangement.

The purpose of the Plan is to enable participating employees to share in Employer profits and to accumulate additional capital for retirement through a convenient method of regular savings in a tax-efficient manner and matching Employer Contributions.

Although this Restatement reflects provisions of the Plan as in effect as of the date of execution hereof, the effective date of any provision of the Plan affected by amendment of the Plan shall be as set forth in such amendment or as otherwise set forth in this Restatement.

ARTICLE 2

DEFINITIONS

2.1 ACCOUNTS. "Accounts" or "Participant's Accounts" means the following Plan accounts maintained by the Retirement Committee for each Participant:

2.1.1 "After-Tax Contributions Account" shall mean the account established and maintained for each Participant to reflect amounts held in the Trust Fund on behalf of such Participant which are attributable to After-Tax Contributions by a Participant in accordance with Section 4.2.

2.1.2 "Pre-Tax Contributions Account" shall mean the account established and maintained for each Participant to reflect amounts held in the Trust Fund on behalf of such Participant which are attributable to Pre-Tax Contributions by an Employer on behalf of the Participant in accordance with Section 5.2.

2.1.3 "Matching Contributions Account" shall mean the account established and maintained for each Participant to reflect amounts held in the Trust Fund on behalf of such Participant which are attributable to Matching Contributions by an Employer under Section 5.3 and Section 5.4.

2.1.4 "Profit Sharing Contributions Account" shall mean the account established and maintained for each Participant to reflect amounts held in the Trust Fund on behalf of such Participant which are attributable to any Profit Sharing Contributions in accordance with Section 5.5.

2.1.5 "Rollover Account" shall mean the account established and maintained for a Participant to reflect amounts held in the Trust Fund which are attributable to Participant rollover contributions under Section 4.8.

2.2 AFFILIATED COMPANY. "Affiliated Company" shall mean:

2.2.1 Any corporation that is included in a controlled group of corporations, within the meaning of Section 414(b) of the Code, that includes the Company,

2.2.2 Any trade or business that is under common control with the Company within the meaning of Section 414(c) of the Code,

2.2.3 Any member of an affiliated service group, within the meaning of Section 414(m) of the Code, that includes the Company, and

2.2.4 Any other entity required to be aggregated with the Company pursuant to regulations under Section 414(o) of the Code.

2.3 BENEFICIARY. "Beneficiary" or "Beneficiaries" means the person or persons last designated by a Participant as set forth in Section 9.9 or, if there is no designated Beneficiary or surviving Beneficiary, the person or persons designated in Section 9.9 to receive the Distributable Benefit of a deceased Participant in such event.

2.4 BOARD OF DIRECTORS. "Board of Directors" shall mean the Board of Directors of Western Digital Corporation as it may from time to time be constituted, or a committee thereof, if duly authorized to act for and in place of the Board of Directors.

2.5 BREAK IN SERVICE. "Break in Service," for purposes of determining an Employee's Years of Vesting Service credit or Year of Eligibility Service credit, shall mean a Computation Period during which an individual completes not more than half the number of Hours of Service required for such Year of Vesting Service or Eligibility Service. A Break in Service shall be sustained, or be deemed to occur, on the last day of the applicable Computation Period.

2.5.1 Solely for purposes of determining whether an Employee sustains a Break in Service because he is not credited with the number of Hours of Service required for a Year of Vesting Service or a Year of Eligibility Service, the provisions of Subsections 2.5.2 and 2.5.3 below shall apply to an Employee's period of Maternity or Paternity Absence.

2.5.2 The number of Hours of Service which shall be credited to an Employee for a period of Maternity or Paternity Absence shall be

2.5.2.1 the number which otherwise would normally have been credited to the Employee but for the absence, or

2.5.2.2 if the Administrative Committee determines that the number described in 2.5.2.1 above can not be determined, eight (8) Hours of Service per day of such absence; provided, however, that the total number of hours treated as Hours of Service under this Subsection 2.5.2 shall not exceed five hundred one (501), and that these Hours of Service shall be taken into account solely for purposes of determining whether or not the Employee has incurred a Break in Service.

2.5.3 The Hours described in Subsection 2.5.2 above shall be credited to the Computation Period

2.5.3.1 in which the absence from work begins, if the Employee would be prevented from incurring a Break in Service in that Computation Period solely because of such crediting, or

2.5.3.2 in any other case, in the immediately following Computation Period.

2.6 CODE. "Code" shall mean the Internal Revenue Code of 1986, as in effect on the date of execution of this Plan document and as thereafter amended from time to time.

2.7 COMPANY. "Company" shall mean Western Digital Corporation.

2.8 COMPENSATION. "Compensation" for purposes of this Plan shall be determined in accordance with the provisions of this Section 2.8.

2.8.1 For purposes of Section 4.2 relating to a Participant's Pre-Tax Contribution amounts and Sections 5.3 and 5.4 and relating to certain limitations on Matching Contributions, "Compensation" shall mean the full salary and wages paid by the Employer to an Employee, including commissions, bonuses (to the extent not excluded under 2.8.3 below), tips, overtime pay, severance pay, and amounts of Pre-Tax Contributions elected pursuant to Section 3.2 of this Plan and/or a benefit plan sponsored by an Employer and qualified under Code Sections 125 or 132(f).

2.8.2 For purposes of Section 5.5 relating to the allocation of any Profit Sharing Contributions, "Compensation" shall mean Compensation as defined in 2.8.1 above, except that any non-draw commissions or bonuses payable by the Employer to an Employee shall be excluded.

2.8.3 "Compensation" as defined in 2.8.1 or 2.8.2 shall exclude the following:

2.8.3.1 any amounts contributed by the Employer, other than Pre-Tax Contributions, pursuant to Section 4.1, to any pension plan or plan of deferred compensation (including this Plan),

2.8.3.2 any automobile and relocation allowances (or reimbursement for any such expenses),

2.8.3.3 any amounts paid as a starting bonus or finder's fee,

2.8.3.4 amounts realized from the exercise of non-qualified stock options,

2.8.3.5 any amounts paid by the Employer (other than Pre-Tax Contributions described above) for other fringe benefits, such as health and welfare, hospitalization, and group life insurance benefits, or perquisites, or paid in lieu of such benefits, such as cash-out of credits generated under a plan qualified under Code Section 125; provided however, that payments to an eligible Employee from a non-qualified plan of deferred compensation shall not be excluded to the extent that (i) such payments consist of amounts voluntarily deferred upon election of the Eligible Employee in accordance with the terms of such plan (exclusive of earnings thereon and exclusive of any other additions by the Employer), (ii) such payments consist of amounts that, but for such deferral in accordance with the terms of such plan, would have constituted "Compensation" as defined in this Section 2.8 in the year that such amounts would have been paid (determined without application of any limit prescribed under Section 401(a)(17) of the Code), (iii) such payments were not previously considered as "Compensation" for purposes of this Section 2.8, and (iv) such payments are (subject to deferral under this Plan) includable in the gross income of the Eligible Employee for federal income tax purposes in the year of payment.

2.8.4 Except as provided in Exhibit A, Compensation shall include only the amounts determined in accordance with 2.8.1, 2.8.2 and 2.8.3 above that are paid to an individual while he is an Active Participant.

2.8.5 Solely for purposes of Article 15 (relating to certain limitations on annual additions to or benefits from qualified plans) and Article 19 (relating to top-heavy plans), the term "Compensation" shall mean wages within the meaning of Section 3401(a) of the Code and any other payments of compensation to the Employee by the Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the Employee a written statement under Sections 6041(d) and 6051(a)(3) of the Code; provided, however, that such "Compensation" shall not include any amounts paid or reimbursed by the Employer for moving expenses incurred by the Employee, but only to the extent that at the time of payment it is reasonable to believe that these amounts are deductible by the Employee under Section 217 of the Code. For Limitation Years beginning after December 31, 1991, for purposes of applying the limitations of Article 15, Compensation for a Limitation Year, as defined in Subsection 15.1.2, is the Compensation actually paid or includable in gross

income during such Limitation Year. For Limitation Years commencing on or after July 1, 1998, the term "compensation" for purposes of applying the limitations of Article 15 shall be determined in accordance with this Subsection 2.8.5. but without regard to exclusions from gross income of contributions under a cafeteria plan in accordance with Code Section 125, a qualified transportation fringe benefit in accordance with Code Section 132(f), or under a cash or deferred arrangement in accordance with Code Section 401(k).

2.8.6 Except to the extent otherwise permitted by law, "Compensation" for any Plan Year that begins on or after July 1, 1989 shall not exceed the annual compensation limit in effect under Section 401(a)(17) of the Code on the January 1 coinciding with or immediately preceding the first day of such Plan Year, as provided in this Subsection.

2.8.6.1 For any Plan Year that begins on or after July 1, 2001 such limit shall be $170,000, as that amount is adjusted in accordance with Section 401(a)(17)(B) of the Code.

2.8.6.2 In no event shall this Plan be deemed to violate the annual limitation on Compensation under this Subsection solely because such limitation is applied separately to Compensation taken into account for a Plan Year for purposes of Sections 4.2.1, 4.2.2, 4.4 and 5.9.

2.8.6.3 If Compensation for a period of less than twelve (12) months is taken into account for any Plan Year, then, to the extent required by regulations under Section 401(a)(17) of the Code, the otherwise applicable annual Compensation limit provided under this Subsection 2.8.6 is reduced in the same proportion as the reduction in the twelve-month period. However, no proration shall be required solely because Compensation taken into account for a Plan Year includes only Compensation paid for periods during which the Employee is an Active Participant (including a portion of a Compensation year corresponding to a period of Active Participation).

2.8.6.4 For purposes of the annual Compensation limit provided under this Subsection, the family aggregation rules of Section 414(q)(6) of the Code shall apply to an Employee who is a five percent (5%) owner or one of the top-ten highest paid Employees, except in applying such rules, the term "family member" shall include only the Spouse and any of the Employee's lineal descendants who have not attained age 19 before the close of the year. If, as a result of the application of such rules the limit is exceeded, then, the limit shall be prorated among the affected individuals in proportion to each such individual's Compensation as determined under this Subsection prior to the application of this limit. This Subsection shall be effective for Plan Years commencing prior to July 1, 1997.

2.9 COMPUTATION PERIOD. "Computation Period" shall mean the consecutive twelve-month period used for purposes of determining whether an Employee is to be credited with a Year of Vesting or Eligibility Service, or a Break in such Service.

2.9.1 For purposes of determining whether an Employee is to be credited with a Year of Eligibility Service or a Break in such Service, the Computation Period shall be the twelve-month period commencing on the Employee's Employment Commencement Date, or any Plan Year commencing with the Plan Year that includes the anniversary of the Employee's Employment Commencement Date.

2.9.2 For purposes of determining whether an Employee is to be credited with a Year of Vesting Service or a Break in such Service, the Computation Period shall be the Plan Year.

2.10 DISABILITY. "Disability" shall mean any physical or mental condition which renders a person unable to engage in any substantial gainful activity for the Company or an Affiliated Company for which he is reasonably fitted by education, training, or experience. A physical or mental condition which qualifies a Participant for disability payments under the Company or an Affiliated Company's long-term disability plan is deemed to be a Disability, effective as of the date on which the Participant qualifies for such payments. The Committee will determine, based on whatever competent medical evidence it requires, whether any other person has incurred a Disability and the effective date of such Disability.

2.11 DISTRIBUTABLE BENEFIT. "Distributable Benefit" shall mean the Vested Interest of a Participant in this Plan which is determined and distributable to the Participant in accordance with the provisions of Article 8, Article 9 and Article 10.

2.12 EFFECTIVE DATE. The original effective date of the Plan is October 1, 1984. The "Effective Date" of this Restatement is July 1, 2001.

2.13 ELIGIBLE EMPLOYEE. "Eligible Employee" shall mean any Employee of an Employer who is paid from the Employer's United States payroll, except as provided in Subsection 2.13.2 below.

2.13.2 The term "Eligible Employee" shall not include any person in one or more of the following categories:

2.13.2.1 Any person who is covered by a collective bargaining agreement to which an Employer is a party, unless the collective bargaining agreement provides for coverage under this Plan.

2.13.2.2 Any non-resident alien who receives no earned income (within the meaning of Code Section 911(d)(2)) from Employer that constitutes income from sources within the United States (within the meaning of Code Section 861(a)(3)).

2.13.2.3 Any person who is a "leased employee" within the meaning of Code Section 414(n).

2.13.2.4 Any person who is an "employee" within the meaning of Code Section 401(c)(3).

2.13.2.5 Any person who is recorded on the books and records of an Employer or Affiliated Company as an independent contractor, summer intern, consultant, or temporary employee; a worker provided by a third-party temporary staffing agency; or any person with respect to whom a written agreement governing the relationship between such person and an Employer or Affiliated Company provides in substance that such person shall not be an eligible Employee hereunder.

2.13.2.6 Any person who is not treated by an Employer or an Affiliated Company as a common law employee without regard to the characterization or recharacterization of such individual's status by any court or government agency.

2.13.3 The preceding provisions of this Section 2.13 shall be given effect notwithstanding any classification or reclassification of a person as an employee or common law employee of an Employer or Affiliated Company or as a member of any other category of person not excluded under the preceding provisions of this Section 2.13 by reason of action taken by any tax, or other governmental authority. In the event that a person rendering services to an Employer or to an Affiliated Company is an excluded category is classified or reclassified by reason of action taken by any tax, or other governmental authority, or by an Employer or Affiliated Company, such individual shall continue to be excluded under this Plan unless specifically included hereunder by the terms of an amendment to this Plan or by the terms of a written instrument executed by such person and an Employer.

2.13.4 The categories of excluded persons described above in this Section 2.13 are not mutually exclusive, it being contemplated that certain categories described above may include persons in one or more other categories, with the result that an individual may be excluded under more than one category set forth herein.

2.14 EMPLOYEE.

2.14.1 "Employee" shall mean each person currently employed in any capacity by an Employer or Affiliated Company, any portion of whose Compensation paid by an Employer or an Affiliated Company is subject to withholding of income tax and/or for whom Social Security contributions are made by an Employer or an Affiliated Company.

2.14.2 "Employee" shall include a person deemed to be employed by an Employer or an Affiliated Company, pursuant to Code Section 414(n).

Notwithstanding the foregoing, if such leased employees constitute less than twenty percent (20%) of the Company's non-highly compensated work force within the meaning of Section 414(n)(5)(C)(ii) of the Code, the term "Employee" shall not include those leased employees covered by a plan described in Section 414(n)(5) of the Code unless otherwise provided by the terms of the Plan.

2.14.3 Although Eligible Employees are the only class of Employees eligible to participate in this Plan, the term "Employee" is used to refer to persons employed in a non-Eligible Employee capacity as well as Eligible Employee category. Thus, those provisions of this Plan that are not limited to Eligible Employees, such as those relating to certain service computation rules, apply to both Eligible and non-Eligible Employees.

2.15 EMPLOYER. "Employer" shall mean Western Digital Corporation and any employer that is an Affiliated Company with respect to Western Digital Corporation and which may be included within the coverage of the Plan with the written consent of the Board of Directors (but only for such period of time that such Employer's participation in this Plan and Trust continues to be approved by the Board of Directors).

2.16 EMPLOYMENT COMMENCEMENT DATE. "Employment Commencement Date" shall mean each of the following:

2.16.1 The date on which an Employee first performs an Hour of Service in any capacity for an Employer or an Affiliated Company with respect to which the Employee is compensated or is entitled to compensation by the Employer or the Affiliated Company.

2.16.2 In the case of an Employee who incurs a Severance and who is reemployed by an Employer or an Affiliated Company, the term "Employment Commencement Date" shall mean either the Employee's "Employment Commencement Date" as defined in 2.16.1 above or, if the Participant incurs a Break in Service, the first day following the Severance on which the Employee performs an Hour of Service for the Employer or an Affiliated Company with respect to which he is compensated or entitled to compensation by the Employer or Affiliated Company.

2.17 ENTRY DATE. "Entry Date" shall mean, with respect to any Participant, the first day of any payroll period applicable to such Participant.

2.18 ERISA. "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.19 FORFEITURE ACCOUNT. "Forfeiture Account" shall mean an account established and maintained pursuant to Section 5.7 for purposes of holding any non-vested portion of a Participant's Account that is forfeited by the Participant in accordance with Section 9.5.

2.20 HARDSHIP.

2.20.1 "Hardship" shall mean a need created by an immediate and heavy financial need of the Participant, which need cannot be met by other sources reasonably available to the Participant and shall include a distribution for:

2.20.1.1 expenses for medical care described in Section 213(d) of the Code previously incurred by the Employee, the Employee's Spouse, children, or dependents, or necessary for such persons to obtain medical care described in Code Section 213(d);

2.20.1.2 costs directly related to the purchase (excluding mortgage payments) of a principal residence for the Employee;

2.20.1.3 payment of tuition and related educational fees for the next twelve (12) months of post-secondary education for the Employee, or the Employee's Spouse, children or dependents;

2.20.1.4 payments necessary to prevent the eviction of the Employee from, or a foreclosure on the mortgage of, the Employee's principal residence;

2.20.1.5 any other purpose specified by the Internal Revenue Service as a deemed immediate and heavy financial need; or

2.20.1.6 any other purpose determined by the Committee, in its sole discretion, to be an immediate and heavy financial need.

2.20.2 In addition to the above, a Hardship need may include amounts necessary to pay any federal, state, or local income taxes or penalties anticipated to result from a Hardship distribution.

2.20.3 Any determination of Hardship shall be in accordance with regulations promulgated under Code Section 401(k).

2.21 HIGHLY COMPENSATED EMPLOYEE.

2.21.1 Effective for Plan Years commencing on or after July 1, 1997, "Highly Compensated Employee" shall mean any Employee who

2.21.1.1 was a 5% owner, as defined in Code Section 416(i)(1)(A)(iii), at any time during the Plan Year or the preceding Plan Year, or,

2.21.1.2 received Compensation from an Employer in excess of $80,000 (as adjusted at the same time and in the same manner

as under Code Section 415(d)) during the preceding Plan Year, without regard to whether the Employee was in the "top paid" group of Employees (as defined in regulations under Section 414(q)(3) of the Code) for such preceding year.

2.21.2 Determination of a Highly Compensated Employee shall be in accordance with the following definitions and special rules:

2.21.2.1 "Compensation" is compensation within the meaning of Code Section 415(c)(3) including elective or salary reduction contributions to a cafeteria plan, cash or deferred arrangement or tax sheltered annuity.

2.21.2.2 A former Employee shall be treated as a Highly Compensated Employee if:

2.21.2.2.1 such Employee was a Highly Compensated Employee when such Employee incurred a Severance, or

2.21.2.2.2 such Employee was a Highly Compensated Employee at any time after attaining age fifty-five (55).

2.21.2.3 Code Sections 414(b), (c), (m), (n), and (o) shall be applied before the application of this Section 2.21. Also, the term "Employee" shall include "leased employees" within the meaning of Code Section 414(n), unless such leased Employee is covered under a "safe harbor" plan of the leasing organization and is not covered under a qualified plan of the Employer.

2.21.2.4 To the extent permissible under Code Section 414(q), the Retirement Committee may determine which Employees shall be categorized as Highly Compensated Employees by applying a simplified method prescribed by the Internal Revenue Service.

2.21.2.5 For purposes of determining the number of Employees in the top-paid group, if applicable, under Paragraph 2.21.1.2 of Subsection 2.21.1 above, the following Employees shall be excluded:

2.21.2.5.1 Employees who have not completed six (6) months of Service,

2.21.2.5.2 Employees who normally work less than 17-1/2 hours per week,

2.21.2.5.3 Employees who normally work not more than six (6) months during any Plan Year,

2.21.2.5.4 Employees who have not attained age 21,

2.21.2.5.5 Except to the extent provided in Treasury Regulations, Employees who are included in a unit of employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between Employee representatives and Employer, and

2.21.2.5.6 Employees who are nonresident aliens and who receive no earned income (within the meaning of Section 911(d)(2) from the Employer which constitutes income from sources within the United States (within the meaning of Section 861(a)(3)).

An Employer may elect to apply Subparagraphs 2.21.2.5.1 through 2.21.2.5.4 above by substituting a shorter period of Service, smaller number of hours or months, or lower age for the period of service, number of hours or months, or (as the case may be) than as specified in such Subparagraphs.

2.22 HOUR OF SERVICE.

2.22.1 "Hour of Service" of an Employee shall mean the following:

2.22.1.1 Each hour for which the Employee is paid by an Employer or an Affiliated Company or entitled to payment for the performance of services as an Employee. For purposes of this Section, overtime work shall be credited as straight time.

2.22.1.2 Each hour in or attributable to a period of time during which the Employee performs no duties (irrespective of whether he has terminated his employment) due to a vacation, holiday, illness, incapacity (including pregnancy or disability), layoff, jury duty or military duty for which he is so paid or so entitled to payment, whether direct or indirect. However, no such hours shall be credited to an Employee if such Employee is directly or indirectly paid or entitled to payment for such hours and if such payment or entitlement is made or due under a plan maintained solely for the purpose of complying with applicable worker's compensation, unemployment compensation or disability insurance laws or is a payment which solely reimburses the Employee for medical or medically related expenses incurred by him.

2.22.1.3 Each hour in or attributable to a period of time during which the Employee performs no duties due to service in the Armed Forces of the United States (other than by voluntary enlistment or commission), provided that such Employee's duties for the Employer or an Affiliated Company are resumed within ninety (90) days after release from

the Armed Forces. With respect to any such unpaid absence as set forth in this Paragraph 2.22.1.3, an Employee shall be deemed to complete Hours of Service at his customary work schedule prior to the commencement of such absence.

2.22.1.4 Each hour for which the Employee is entitled to back pay, irrespective of mitigation of damages, whether awarded or agreed to by the Employer or an Affiliated Company, provided that such Employee has not previously been credited with an Hour of Service with respect to such hour under Paragraphs 2.22.1.1 or 2.22.1.2 above.

2.22.2 In lieu of the Hours credited under Subsection 2.22.1 above, effective for hours attributable to periods on and after July 1, 1995, an Employee will be credited with the following Hours of Service for each pay period during which he would have otherwise received credit for at least one Hour of Service under Subsection 2.22.1 above; provided, however, that in no event will an Employee's credit for Years of Eligibility Service or Vesting Service as of June 30, 1995 be reduced by application of such equivalency method:

2.22.2.1 If the pay period is one week, forty-five (45) Hours of Service;

2.22.2.2 if the pay period is two weeks, ninety (90) Hours of Service;

2.22.2.3 if the pay period is one-half of a month, ninety-five (95) Hours of Service; and

2.22.2.4 if the pay period is one month, one hundred ninety (190) Hours of Service.

2.22.3 Hours of Service above shall be calculated in accordance with Department of Labor Regulation 29 C.F.R. Section 2530.200b-2(b). Hours of Service shall be credited to the appropriate computation period according to Department of Labor Regulation Section 2530.200b-2(c). However, an Employee will not be considered as being entitled to payment until the date when the Employer or the Affiliated Company would normally make payment to the Employee for such Hour of Service.

2.22.4 Unless expressly provided to the contrary by Exhibit A or by the Board of Directors, an Employee shall not be credited with Hours of Service for periods of employment with an Affiliated Company prior to the date on which an entity becomes an Affiliated Company, or part of an Affiliated Company.

2.23 INVESTMENT FUND. "Investment Fund" shall mean any of the separate Investment Funds established by the Retirement Committee which may be made available by the Retirement Committee from time to time for selection by Participants for purposes of the investment of amounts contributed to this Plan, as provided in Article 7.

2.24 INVESTMENT MANAGER. "Investment Manager" means the one or more Investment Managers, if any, that are appointed pursuant to Section 11.3.

2.25 LEAVE OF ABSENCE. "Leave of Absence" shall mean any absence without pay authorized by the Employer under the Employer's standard personnel practices. The treatment of Leaves of Absence under this Plan shall not result in discrimination in favor of Highly Compensated Employees in violation of Code Section 401(a)(4).

2.26 MATCHING CONTRIBUTIONS. "Matching Contributions" shall mean Profit Sharing Contributions that are geared to Participant contributions, as provided in Section 5.3 and Section 5.4.

2.27 MATERNITY OR PATERNITY ABSENCE. "Maternity or Paternity Absence" shall mean an absence from work for any period

2.27.1 By reason of the pregnancy of the Employee,

2.27.2 By reason of the birth of a child of the Employee,

2.27.3 By reason of the placement of a child with the Employee in connection with the adoption of the child by the Employee, or

2.27.4 For purposes of caring for the child for a period beginning immediately following the birth or placement referred to in Subsection 2.27.2 or 2.27.3 above.

Notwithstanding the foregoing, a period of absence shall be treated as a Maternity or Paternity Absence only if the Employee claims that such absence qualifies as a Maternity or Paternity Absence and furnishes such proof and information regarding such absence as the Retirement Committee reasonably requires.

A Maternity or Paternity Absence shall be recognized solely for purposes of determining whether or not an Employee has incurred a Break in Service. Accordingly, such a Maternity or Paternity Absence shall not result in an accrual of Service for purposes of the benefit accrual or vesting provisions of this Plan.

2.28 NORMAL RETIREMENT AGE. "Normal Retirement Age" shall be the Participant's age on his sixty-fifth birthday.

2.29 PARTICIPANT AND ACTIVE PARTICIPANT.

2.29.1 "Participant" shall mean any person for whom an Account is maintained under the Plan and whose Account, representing such person's interest in the Trust Fund, has not been distributed or otherwise disposed of in accordance with applicable law.

2.29.2 "Active Participant" as of any applicable date shall mean a Participant who is an Eligible Employee.

2.30 PLAN. "Plan" shall mean the Western Digital Corporation 401(k) Plan as set forth herein, and as it may be amended from time to time. For periods prior to May 10, 1991, unless the context clearly indicates to the contrary, the term "Plan" shall refer to the Predecessor Plan.

2.31 PLAN ADMINISTRATOR. "Plan Administrator" shall mean the administrator of the Plan, within the meaning of Section 3(16)(A) of ERISA. The Plan Administrator shall be Western Digital Corporation.

2.32 PLAN YEAR. "Plan Year" shall mean the twelve (12) month period ending on each June 30. For periods prior to the Effective Date, "Plan Year" shall mean the period, or periods, determined in accordance with the applicable provisions of the Predecessor Plan.

2.33 PRE-TAX CONTRIBUTIONS. "Pre-Tax Contributions" shall include those amounts contributed to the Plan as a result of a salary or wage reduction election made by the Participant in accordance with applicable provisions of the Plan, to the extent such contributions qualify for treatment as contributions made under a "qualified cash or deferred arrangement" within the meaning of Section 401(k) of the Code.

2.34 PROFIT SHARING CONTRIBUTIONS. "Profit Sharing Contributions" shall mean Profit Sharing Contributions described in Section 5.5.

2.35 SEVERANCE. "Severance" shall mean the termination of an Employee's employment, in any capacity, with the Employer and Affiliated Companies, by reason of such Employee's death, resignation, dismissal or otherwise, as determined in accordance with the provisions of this Section 2.35. For the purposes of this Plan, an Employee shall be deemed to have incurred a Severance on the date on which he dies, resigns, is discharged, or his employment with the Employer and its Affiliated Companies otherwise terminates, including a failure to return to work at the end of an approved Leave of Absence, which failure shall be deemed to constitute a termination of employment as of the date he is scheduled to return.

In determining whether the employment of an Employee has terminated, the customary policies and practices of the Employer shall apply. However, for purposes of determining whether an individual is entitled to receive a distribution of benefits by reason of a termination of Employment or termination of Service, no person shall be deemed to have experienced a termination of employment prior to the date as of which such person (a) experiences a "separation from service," as such term is used in Section 401(k) and regulations, rulings or other pronouncements thereunder issued by the Secretary of the Treasury or Internal Revenue Service, or (b) otherwise becomes entitled to a distribution of benefits under Section 401(k).

2.36 RETIREMENT COMMITTEE. "Retirement Committee" shall mean the Retirement Committee described in Article 11 hereof.

2.37 SEVERANCE DATE. "Severance Date" shall, in the case of any Employee who incurs a Severance, mean the day on which such Employee is deemed to have incurred said Severance, determined in accordance with the provisions of Section 2.35.

2.38 SPOUSE. "Spouse" shall mean the person to whom a Participant is legally married as of the date of the payment of all or a portion of the Participant's Vested Interest in his Accounts, or in the case of a payment after the Participant's death, the person to whom the Participant is legally married as of the date of the Participant's death. To the extent required under a qualified domestic relations order, a former spouse shall be treated as a Spouse.

2.39 STOCK. "Stock" shall mean shares of common stock issued by Western Digital Corporation, which are readily tradable on an established securities market. At the Company's discretion, stock may also include other types of stock which qualify as "employer securities" under Code Section 409(1).

2.40 TRUST AND TRUST FUND. "Trust" or "Trust Fund" shall mean the assets of the Plan held in a trust, insurance contract or custodial account established under a Trust Agreement pursuant to Article 6.

2.41 TRUST AGREEMENT. "Trust Agreement" shall mean the one or more trust agreements entered into by the Company in accordance with the provisions of Article 6 for the purpose of holding contributions and earnings under this Plan, and shall include any funding agreement with an insurance company or custodian treated as a Trustee under Section 401(f) of the Code.

2.42 TRUSTEE. "Trustee" shall mean any successor or other corporation or person or persons selected by the Board of Directors to act as a trustee of the Trust Fund under a Trust Agreement, and shall include any insurance company, bank or person treated as the holder of a qualified trust under Section 401(f) of the Code.

2.43 VALUATION DATE. "Valuation Date" shall mean, with respect to any Investment Fund, the date as of which the value of a Participant's Account, to the extent invested in such Investment Fund, is determined therein. With respect to Investment Funds consisting of mutual funds or other pooled investments for which net asset value or unit value generally is available each business day, such Valuation Date shall be each business day. With respect to any other Investment Fund, such Valuation Date shall be such date or dates as is determined by the Committee.

2.44 VESTED INTEREST. "Vested Interest" or "Vested Right" shall mean the interest of a Participant in his Accounts which is at all times fully vested and nonforfeitable.

2.45 YEAR OF ELIGIBILITY SERVICE. An Employee's Year of Eligibility Service credit shall be determined in accordance with the following provisions of this Section 2.45.

2.45.1 "Year of Eligibility Service" shall mean, for purposes of Article 3 of this Plan, a Computation Period during which the Employee completes at least one thousand (1,000) Hours of Service for an Employer or an Affiliated Company.

2.45.2 In the case of any Employee who incurs a Break in Service, upon such Employee's completion of one (1) Hour of Service following a Break in Service, his Years of Eligibility Service prior to said Break shall be taken into account under this Plan if he either had a Vested Right to benefits under this Plan immediately preceding such Break, or the number of his one-year Breaks in Service does not equal or exceed his Parity Period, as defined in Subsection 2.45.4 below.

2.45.3 In the case of any Employee who incurs a Break in Service and who, immediately preceding such Break, did not have any Vested Right to benefits under this Plan, if the number of his one-year Breaks in Service equals or exceeds his Parity Period, as defined in Subsection 2.45.4 below, then his Years of Eligibility Service prior to said Break in Service shall not be taken into account under this Plan. Any Years of Eligibility Service credit accrued before a Break shall be deemed not to include any Years of Eligibility Service not required to be taken into account under this Subsection 2.45.3 by reason of any prior Break in Service.

2.45.4 For purposes of this Section 2.45, the term Parity Period shall mean:

2.45.4.1 For Plan Years commencing on or before December 31, 1984, the Participant's Years of Eligibility Service credit accrued prior to a Severance giving rise to said Break.

2.45.4.2 For Plan Years commencing after December 31, 1984, the greater of (A) five Years of Eligibility Service, or (B) the number of Years of Eligibility Service credited under this Section prior to the Severance giving rise to such Break.

2.45.5 An Employee shall also be credited with a Year of Eligibility Service for Hours of Service, to the extent such Hours of Service would be credited had the Employee been employed during the period by the Employer or an Affiliated Company, as provided in Exhibit A.

2.45.6 An Employee shall be credited with Years of Eligibility Service with respect to periods of employment with an Affiliated Company, but only to the extent that such periods of employment would be so credited under the foregoing rules set forth in this Section had such Employee been employed during such period by the Employer. Notwithstanding the foregoing, unless provided by the Board of Directors or in Exhibit A, or unless otherwise expressly stated in this Plan, such an Employee shall not receive such Service credit for

any period of employment with an Affiliated Company prior to such entity becoming or becoming a part of, an Affiliated Company.

2.46 YEAR OF VESTING SERVICE. An Employee Years of Vesting Service credit shall be determined in accordance with the following provisions of this Section 2.46.

2.46.1 "Year of Vesting Service" shall mean a Computation Period during which the Employee completes at least one thousand (1,000) Hours of Service for an Employer or an Affiliated Company. In no instance will an Employee be credited with more than one (1) Year of Vesting Service with respect to service performed in a single Computation Period.

2.46.2 In the case of any Employee who incurs a Break in Service, upon such Employee's completion of one (1) Hour of Service following a Break in Service, his Years of Vesting Service prior to said Break shall be taken into account under this Plan if he either had a Vested Right to benefits under this Plan immediately preceding such Break, or the number of his one-year Breaks in Service does not equal or exceed his Parity Period, as defined in Subsection 2.46.4 below.

2.46.3 In the case of any Employee who incurs a Break in Service and who, immediately preceding such Break, did not have any Vested Right to benefits under this Plan, if the number of his one-year Breaks in Service equals or exceeds his Parity Period, as defined in Subsection 2.46.4 below, then his Years of Vesting Service prior to said Break in Service shall not be taken into account under this Plan. Any Years of Vesting Service credit accrued before a Break shall be deemed not to include any Years of Vesting Service not required to be taken into account under this Subsection 2.46.3 by reason of any prior Break in Service.

2.46.4 For purposes of this Section 2.46, the term Parity Period shall mean:

2.46.4.1 For Plan Years commencing on or before December 31, 1984, the Participant's Years of Vesting Service credit accrued prior to a Severance giving rise to said Break.

2.46.4.2 For Plan Years commencing after December 31, 1984, the greater of (A) five Years of Vesting Service, or (B) the number of Years of Vesting Service credited under this Section prior to the Severance giving rise to such Break.

2.46.5 An Employee shall be credited with Years of Vesting Service with respect to periods of employment with an Affiliated Company, but only to the extent that such periods of employment would be so credited under the foregoing rules set forth in this Section had such Employee been employed during such period by the Employer. Notwithstanding the foregoing, unless provided by the Board of Directors or in Exhibit A, or unless otherwise expressly stated in this

Plan, such an Employee shall not receive such Years of Vesting Service credit for any period of employment with an Affiliated Company prior to such entity becoming or becoming a part of, an Affiliated Company.

2.46.6 An Employee shall also be credited with Years of Vesting Service for periods of employment with another employer, to the extent such Years of Vesting Service would be credited had the Employee been employed during that period by the Company or an Affiliated Company, to the extent provided in Exhibit A.

2.46.7 In the event of a change in the Plan Year, an Employee who is credited with a Year of Vesting Service in both the twelve (12) month period that begins on the first day of the short Plan Year and the Plan Year that immediately follows such short Plan Year, shall be credited with two (2) Years of Vesting Service.

ARTICLE 3

ELIGIBILITY AND PARTICIPATION

3.1 ELIGIBILITY TO PARTICIPATE.

3.1.1 Each Eligible Employee who was a Participant in the Predecessor Plan on the date immediately preceding the Effective Date will automatically be a Participant in this Plan on the Effective Date, and any Pre-Tax Contribution election under the Predecessor Plan will apply to this Plan until changed according to Section 4.3.

3.1.2 Each other Eligible Employee will become a Participant on the date which is the later of his Employment Commencement Date or the date he becomes an Eligible Employee. Each Participant is responsible for designating a beneficiary under the Plan and for designating the manner in which such Participant's Accounts are invested. In the absence of any designation the Retirement Committee shall apply such provisions of the Plan as pertain to a failure to designate a beneficiary or as pertain to failure to designate an investment selection, as the case may be, and neither the Retirement Committee nor any other Plan representative shall have an obligation to monitor such designations.

3.1.3 A Participant will first be eligible to make Pre-Tax Contributions and/or After-Tax Contributions as provided in Section 3.2, below.

3.2 COMMENCEMENT OF ACTIVE PARTICIPATION.

3.2.1 An Active Participant may elect to make Pre-Tax Contributions and/or After-Tax Contributions in accordance with the provisions of Article 4 by making an election in form and manner satisfactory to the Retirement Committee.

3.2.2 The Retirement Committee may, in its discretion, prescribe such rules relating to elections to participate and/or contribute as it deems necessary or appropriate to promote the orderly and efficient administration of the Plan.

3.3 CHANGE IN STATUS. If an Active Participant is transferred from one Employer to another Employer, he shall automatically become an Active Participant under the Plan with such other Employer if he continues to be an Eligible Employee; further, he shall continue to be a Participant with respect to his Accounts at the date of transfer during the period that he is a Participant under the Plan with such Employer. If an Active Participant becomes an ineligible Employee and therefore becomes ineligible to continue to be an Active Participant because he is no longer an Eligible Employee, he shall continue to be a Participant with respect to his Accounts at the date of his change of status during the period of his subsequent employment as an ineligible Employee.

3.4 REEMPLOYMENT. A Participant who incurs a Severance and who again becomes an Eligible Employee, becomes an Active Participant on the date he again becomes an Eligible Employee, and such Participant shall again become eligible to contribute commencing as of the Entry Date that coincides with or next follows the date he again becomes an Active Participant, subject to the making of an appropriate election to contribute as provided in Section 3.2.

3.5 REEMPLOYMENT FOLLOWING QUALIFIED MILITARY SERVICE. Notwithstanding any provision of this Plan to the contrary, contributions benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code. This Section 3.5 shall be effective as of December 12, 1994.

3.6 EMPLOYEE RESPONSIBILITY. It shall be the continuing responsibility of an Eligible Employee who elects to contribute to this Plan to verify that amounts of his contributions are in accordance with his election, and investment of such contributions is in accordance with his investment designation.

ARTICLE 4

PARTICIPANT CONTRIBUTIONS

4.1 ELECTION TO CONTRIBUTE.

4.1.1 A Participant's contribution election, made in accordance with Section 3.2, shall be effective as of the Entry Date next following the date on which the election is properly made and is received by the Administration Committee. Notwithstanding the foregoing, a Participant may specify that his contribution election be effective on an earlier date which is not earlier than the first day of the payroll period during which the election is properly made and is received by the Administration Committee, and such request shall be given effect to the extent administratively practicable.

4.1.2 A Participant's contribution election shall remain in effect until it is modified, revoked or terminated, pursuant to Section 4.3, or until the Active Participant ceases to be an Eligible Employee. A contribution election shall be made in such form and manner as the Retirement Committee shall prescribe or approve.

4.1.3 A Participant's Pre-Tax Contributions and After-Tax Contributions shall be made by payroll deduction and an amount equal to such Contributions shall be paid by the Employer to the Trustee in accordance with Section 5.2.

4.2 PARTICIPANT CONTRIBUTION AMOUNTS. Participant contribution amounts shall be subject to the limitations of this Section 4.2, in addition to such other limitations as may be provided elsewhere in this Plan.

4.2.1 Pre-Tax Contributions. The amount of an Active Participant's Pre-Tax Contributions shall be in whole percentage amounts of from one percent (1%) to twenty percent (20%) of the Active Participant's Compensation for each payroll period for which his election to make Pre-Tax Contributions is in effect. Such maximum percentage shall, however, be reduced by the amount of After-Tax Contributions contributed by such Active Participant, in accordance with such rules as the Committee may prescribe.

4.2.2 After-Tax Contributions. The amount of an Active Participant's After-Tax Contributions shall be in whole percentage amounts of from one percent (1%) to ten percent (10%) of the Active Participant's Compensation for each payroll period for which his election to make After-Tax Contributions is in effect. Such maximum percentage shall, however, be reduced by the amount of Pre-Tax Contributions contributed by such Active Participant, in accordance with such rules as the Committee may prescribe. No Employer Matching Contributions are made with respect to a Participant's After-Tax Contributions.

4.2.3 In general, no Active Participant shall be permitted to make Pre-Tax Contributions in excess of the dollar limitation on the exclusion of elective deferrals from the Participant's gross income under Section 402(g) of the Code, as in effect with respect to the taxable year of the Participant (hereinafter referred to as the "Deferral Limitation"). However, in the event an Active Participant's Pre-Tax Contributions under this Plan, or the total amount of his elective deferrals, within the meaning of Code Section 402(g)(3), under all plans of the Employer and any Affiliated Company, exceed the Deferral Limitation for any reason, such excess elective deferrals, and any income or loss allocable thereto, shall be returned to the Participant in accordance with Section 4.6.

4.2.4 The Retirement Committee may prescribe such rules as it deems necessary or appropriate regarding an Active Participant's contributions under this Plan, including rules regarding the maximum amount that any Active

Participant may contribute and the timing of a contribution election. These rules shall apply to all Eligible Employees, except to the extent that the Retirement Committee prescribes special or more stringent rules applicable only to Highly Compensated Employees.

4.3 MODIFICATION, REVOCATION OR TERMINATION OF CONTRIBUTION ELECTION.

4.3.1 Subject to the limitations of Section 4.2, an Active Participant may modify his contribution election in accordance with such rules as the Retirement Committee shall prescribe. Such modification, made in accordance with Section 3.2 shall be effective as of the Entry Date next following the date on which the modification is properly made and is received by the Administration Committee. Notwithstanding the foregoing, a Participant may specify that a modification of his contribution election be effective on an earlier date which is not earlier than the first day of the payroll period during which the election is properly made and is received by the Retirement Committee, and such request shall be given effect to the extent administratively practicable.

4.3.2 An Active Participant may revoke his contribution election in accordance with such rules as the Retirement Committee shall prescribe. Such revocation shall be effective as of the later of the Entry Date next following the date on which the revocation is properly made and is received by the Administration Committee. Notwithstanding the foregoing, a Participant may specify that a revocation of his contribution election be effective on an earlier date which is not earlier than the first day of the payroll period during which the election is properly made and is received by the Retirement Committee, and such request shall be given effect to the extent administratively practicable. A revocation shall remain in effect throughout that Plan Year and all subsequent Plan Years until the Participant makes a new contribution election pursuant to Section 4.1.

4.3.3 A Participant's contribution election automatically shall terminate if he ceases to be an Eligible Employee. If he again becomes an Eligible Employee and desires to again contribute a portion of his Compensation, it shall be his responsibility to make a new contribution election pursuant to Section 3.2 in order to resume contributions.

4.3.4 The Retirement Committee may prescribe such rules as it deems necessary or appropriate regarding the modification, revocation or termination of an Active Participant's contribution election.

4.4 LIMITATION ON PRE-TAX CONTRIBUTIONS BY HIGHLY COMPENSATED EMPLOYEES. This Section 4.4 shall be effective for Plan Years commencing on or after July 1, 1997. With respect to each Plan Year, Participant Pre-Tax Contributions under the Plan for the Plan Year shall not exceed the limitations on contributions on behalf of Highly Compensated Employees under Section 401(k) of the Code, as provided in this Section. In the event that Pre-Tax Contributions under this Plan on

behalf of Highly Compensated Employees for any Plan Year exceed the limitations of this Section for any reason, such excess contributions and any income or loss allocable thereto shall be returned to the Participant as provided in Section 4.5.

4.4.1 The Pre-Tax Contributions by a Participant for a Plan Year shall satisfy the Average Deferral Percentage test set forth in Section 4.4.1.1.1 below, or the alternative Average Deferral Percentage test set forth in Section 4.4.1.1.2 below, and to the extent required by regulations under Code Section 401(m), also shall satisfy the test identified in 4.4.1.2 below:

4.4.1.1 Basic Test.

4.4.1.1.1 The "Actual Deferral Percentage" for the current Plan Year for Eligible Employees who are Highly Compensated Employees shall not be more than the "Actual Deferral Percentage" for the preceding Plan Year of all other Eligible Employees multiplied by 1.25, or

4.4.1.1.2 The excess of the "Actual Deferral Percentage" for the current Plan Year for Eligible Employees who are Highly Compensated Employees over the "Actual Deferral Percentage" for the preceding Plan Year for all other Eligible Employees shall not be more than two percentage points, and the "Actual Deferral Percentage" for the current Plan Year for Highly Compensated Employees shall not be more than the "Actual Deferral Percentage" for the preceding Plan year of all other Eligible Employees multiplied by 2.00.

4.4.1.1.3 Notwithstanding the foregoing, for Plan Years commencing on or after July 1, 1997, the Retirement Committee may elect to apply paragraphs 4.4.1.1.1 and 4.4.1.1.2 by using the Actual Deferral Percentage for the current Plan Year for Eligible Employees who are not Highly Compensated Employees. Effective for Plan Years commencing on or after July 1, 1997, paragraphs 4.4.1.1.1 and 4.4.1.1.2 shall be applied using the Actual Deferral Percentage for the prior Plan Year for Eligible Employees who are not Highly Compensated Employees.

4.4.1.2 Multiple Use Test. Average Contribution Percentage for Highly Compensated Employees eligible to participate in this Plan and a plan of the Company or an Affiliated Company that is subject to the limitations of Section 401(m) of the Code including, if applicable, this Plan, shall be reduced in accordance with Section 5.10, to the extent necessary to satisfy the requirements of Treasury Regulations Section 1.401(m)-2.

4.4.2 For the purposes of the limitations of this Section, the following definitions shall apply:

4.4.2.1 "Actual Deferral Percentage" means, with respect to Eligible Employees who are Highly Compensated Employees and all other Eligible Employees for a Plan Year, the average of the Deferral Percentages, calculated separately for each Eligible Employee in such group.

4.4.2.2 "Deferral Percentage" means for any Eligible Employee the ratio of the amount of Pre-Tax Contributions under the Plan allocated to each Eligible Employee for such Plan Year to such Employee's "Compensation" for such Plan Year. An Eligible Employee's Pre-Tax Contributions may be taken into account for purposes of determining his Deferral Percentage for a particular Plan Year only if such Pre-Tax Contributions are allocated to the Eligible Employee as of a date within that Plan Year. For purposes of this rule, an Eligible Employee's Pre-Tax Contributions shall be considered allocated as of a date within a Plan Year only if (A) the allocation is not contingent upon the Eligible Employee's participation in the Plan or performance of services on any date subsequent to that date, and (B) the Pre-Tax Contribution is actually paid to the Trust no later than the end of the twelve month period immediately following the Plan Year to which the contribution relates. In accordance with regulations issued by the Secretary of the Treasury, Employer contributions on behalf of an Active Participant that satisfy the requirements of Code Section 401(k)(3)(D)(ii) may also be taken into account for the purpose of determining the Deferral Percentage of such Active Participant.

4.4.2.3 "Eligible Employee" includes any Employee directly or indirectly eligible to make Pre-Tax Contributions at any time during the Plan Year, including any otherwise Eligible Employee during a period of suspension due to a hardship withdrawal, as prescribed by the Secretary of the Treasury in regulations under Code Section 401(k).

4.4.2.4 "Compensation" means Compensation determined by the Retirement Committee in accordance with the requirements of Section 414(s) of the Code, including, to the extent elected by the Retirement Committee, amounts deducted from an Employee's wages or salary that are excludable from income under Sections 125 and 402(a)(8) of the Code.

4.4.3 In the event that as of the last day of a Plan Year this Plan satisfies the requirements of Section 401(a)(4) or 410(b) of the Code only if aggregated with one or more other plans which include arrangements under Code Section 401(k), then this Section shall be applied by determining the Actual Deferral Percentage of Eligible Employees as if all such plans were a single plan,

in accordance with regulations prescribed by the Secretary of the Treasury under Section 401(k) of the Code.

4.4.4 For the purposes of this Section, the Deferral Percentage for any Highly Compensated Employee who is a participant under two or more Code Section 401(k) arrangements of the Company or an Affiliated Company shall be determined by taking into account the Highly Compensated Employee's Compensation under each such arrangement and contributions under each such arrangement which qualify for treatment under Code Section 401(k), in accordance with regulations prescribed by the Secretary of the Treasury under Section 401(k) of the Code.

4.4.5 For purposes of this Section, the amount of Pre-Tax Contributions by a Participant who is not a Highly Compensated Employee for a Plan Year shall be reduced by any Pre-Tax Contributions in excess of the Deferral Limitation which have been distributed to the Participant under Section 4.6, in accordance with regulations prescribed by the Secretary of the Treasury under Section 401(k) of the Code.

4.4.6 The determination of the Deferral Percentage of any Participant shall be made after applying the provisions of Section 15.5 relating to certain limits on Annual Additions under Section 415 of the Code.

4.4.7 The determination and treatment of Pre-Tax Contributions and the Deferral Percentage of any Participant shall satisfy such other requirements as may be prescribed by the Secretary of the Treasury.

4.4.8 The Retirement Committee shall keep or cause to have kept such records as are necessary to demonstrate that the Plan satisfies the requirements of Code Section 401(k) and the regulations thereunder, in accordance with regulations prescribed by the Secretary of the Treasury.

4.5 PROVISIONS FOR DISPOSITION OF EXCESS PRE-TAX CONTRIBUTIONS BY HIGHLY COMPENSATED EMPLOYEES.

4.5.1 This Section 4.5 shall be effective for Plan Years commencing on or after July 1, 1997. The Retirement Committee shall determine, as soon as is reasonably possible following the close of each Plan Year, if the Actual Deferral Percentage test is satisfied for the Plan Year. If, pursuant to the determination by the Retirement Committee, any or all of a Highly Compensated Employee's Pre-Tax Contributions must be reduced to enable the Plan to satisfy the Actual Deferral Percentage test, then any excess Pre-Tax Contributions by a Highly Compensated Employee, and any income or loss allocable thereto shall, if administratively feasible, be distributed to the Participant not later than two and one-half (2-1/2) months following the close of the Plan Year in which such excess Pre-Tax Contributions were made, but in any event no later than the close of the first Plan Year following the Plan Year in which such

excess Pre-Tax Contributions were made (after withholding any applicable income taxes due on such amounts). Recharacterization of excess Pre-Tax Contributions as Participant after-tax contributions shall not be permitted.

4.5.2 For purposes of satisfying the Actual Deferral Percentage Test the Retirement Committee shall determine the amount of any excess Pre-Tax Contributions by Highly Compensated Employees for a Plan Year by application of the leveling method set forth in Section 401(k)(8)(C) of the Code under which the Actual Deferral Percentage of the Highly Compensated Employee who has the highest such dollar amount of Pre-Tax Contributions for such Plan Year is reduced by the lesser of the amount required (i) to enable the Plan to satisfy the Actual Deferral Percentage test, or (ii) to cause the dollar amount of such Highly Compensated Employee's Pre-Tax Contributions to equal the dollar amount of the Highly Compensated Employee with the next highest dollar amount. This process shall be repeated until the Plan satisfies the Actual Deferral Percentage test.

4.5.3 For purposes of satisfying the Average Contribution Percentage test, income and loss allocable to a Participant's excess Matching Contributions, as determined under 4.5.2 above, may be determined by any reasonable method, provided the method does not violate Code Section 401(a)(4), is used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year, and is used by the Plan for allocating income and loss to Participants' accounts. If there is a loss allocable to the excess, the amount to be forfeited or distributed shall be the excess contribution amount adjusted to reflect such loss.

4.5.4 To the extent required by regulations under Section 401(k) or 415 of the Code, any excess Pre-Tax Contributions with respect to a Highly Compensated Employee shall be treated as Annual Additions under Article 15 for the Plan Year for which the excess Pre-Tax Contributions were made, notwithstanding the distribution of such excess in accordance with the provisions of this Section.

4.6 PROVISIONS FOR RETURN OF ANNUAL PRE-TAX CONTRIBUTIONS IN EXCESS OF THE DEFERRAL LIMITATION. In the event Participant's elective deferrals, within the meaning of Code Section 402(g)(3), for any calendar year exceed the Deferral Limitation, such excess elective deferrals shall be returned to the Participant as provided in this Section 4.6.

4.6.1 In the event that due to error or otherwise, a Participant's Pre-Tax Contributions under this Plan for any calendar year exceed the Deferral Limitation for such calendar year (without regard to elective deferrals under any other plan), the Retirement Committee shall notify the Plan of the amount of the excess Pre-Tax Contributions, and such excess Pre-Tax Contributions, together with income or loss allocable thereto, shall be distributed to the Participant on or

before the first April 15 following the close of the calendar year in which such excess Pre-Tax Contributions were made.

4.6.2 If in any calendar year, a Participant makes Pre-Tax Contributions under this Plan and additional elective deferrals, within the meaning of Code Section 402(g)(3), under any other plan maintained by the Employer or an Affiliated Company, and the combined total amount of the Participant's elective deferrals under this Plan and all such other plans exceed the Deferral Limitation, the Employer and each Affiliated Company maintaining a plan under which the Participant made any elective deferrals shall notify the affected plans, and corrective distributions of the excess elective deferrals, and any income or loss allocable thereto, shall be made from one or more such plans, to the extent determined by the Employer and each Affiliated Company. All corrective distributions of excess elective deferrals shall be made on or before the first April 15 following the close of the calendar year in which the excess elective deferrals were made.

4.6.3 Income or loss on Pre-Tax Contributions in excess of the Deferral Limitation shall be calculated in accordance with 4.5.3, except that if the Plan Year is not the calendar year, calculations of allocable income and loss shall be made with reference to income and loss allocable for the calendar year rather than the Plan Year, and based upon the Participant's account balance as of the last day of the calendar year.

4.6.4 The Retirement Committee shall not be liable to any Participant (or his Beneficiary, if applicable) for any losses caused by misestimating the amount of any Pre-Tax Contributions in excess of the limitations of this Article 4 and any income or loss allocable to such excess.

4.6.5 In accordance with rules and procedures as may be established by the Committee, a Participant may submit a claim to the Committee in which he certifies in writing the specific amount of his Pre-Tax Contributions for the preceding calendar year which, when added to amounts deferred for such calendar year under any other plans or arrangements described in Section 401(k), 408(k) or 403(b) of the Code (other than a plan maintained by the Company or an Affiliated Company), will cause the Participant to exceed the Deferral Limitation for the calendar year in which the deferral occurred. To the extent the amount specified by the Participant does not exceed the amount of the Participant's Pre-Tax Contributions under the Plan for the applicable calendar year, the Committee shall treat the amount specified by the Participant in his claim as a Pre-Tax Contribution in excess of the Deferral Limitation for such calendar year and return such excess and any income or loss allocable thereto to the Participant, as provided in 4.6.1 above. In the event that for any reason such Participant's Pre-Tax Contributions in excess of the Deferral Limitation for any calendar year are not distributed to the Participant by the time prescribed in 4.6.1 above, such excess shall be held in the Participant's Pre-Tax

Contribution Account until distribution can be made in accordance with the provisions of this Plan.

4.6.6 To the extent required by regulations under Section 402(g) or 415 of the Code, Pre-Tax Contributions with respect to a Participant in excess of the Deferral Limitation shall be treated as Annual Additions under Article 15 for the Plan Year for which the excess Pre-Tax Contributions were made, unless such excess is distributed to the Participant in accordance with the provisions of this Section.

4.7 CHARACTER OF AMOUNTS CONTRIBUTED AS PRE-TAX CONTRIBUTIONS. Unless otherwise specifically provided to the contrary elsewhere in this Plan, Pre-Tax Contributions pursuant to a Participant's contribution election described above in Section 4.1 (and which qualify for treatment under Code Section 401(k) and are contributed to the Trust Fund pursuant to Article 6) shall be treated, for federal and state income tax purposes, as Employer contributions.

4.8 PARTICIPANT ROLLOVER CONTRIBUTIONS. To the extent permissible under Code Section 402(c), all or part of a distribution from a plan that satisfies the requirements of Code Section 401(a), or from an individual retirement account which is attributable solely to a rollover contribution within the meaning of Code Section 408(d)(3), may be rolled over into this Plan by any Active Participant and credited to a Rollover Account established for such Active Participant in accordance with rules which the Retirement Committee shall prescribe from time to time. Any rollover contributions in accordance with this Section shall not be subject to distribution except as expressly provided under the terms of this Plan. No rollover shall be accepted which is not in cash, except that in the case of an amount consisting in whole or in part of Stock distributable from the from the Western Digital Corporation Employee Stock Ownership Plan following and on account of the termination of such Plan, such requirement that a rollover be in cash shall not preclude the acceptance of such rollover amount. Any shares of Stock rolled into this Plan pursuant to this Section 4.8 shall be subject to rules set forth in this Plan regarding Stock, and the Retirement Committee may establish such accounts or subaccounts as it deems appropriate to reflect such shares of Stock.

4.9 PLAN-TO-PLAN TRANSFERS. No amounts held under another plan that is qualified under Code Section 401(a) may be transferred directly from the trustee of that plan to the Trustee of this plan, except in the case of a merger of this plan with another plan qualified under Code Section 401(a) in accordance with Code Sections 401(k), 411(d)(6) and 414(l).

ARTICLE 5

EMPLOYER CONTRIBUTIONS

5.1 DETERMINATION OF EMPLOYER CONTRIBUTIONS. Subject to the requirements and restrictions of this Article 5 and Article 4 and Article 15, and subject also to the amendment or termination of the Plan or the suspension or discontinuance of

contributions as provided herein, Employer contributions to the Plan shall be determined in accordance with this Article 5.

5.2 PRE-TAX CONTRIBUTIONS. The Employer shall make a Pre-Tax Contribution on behalf of each Active Participant who is an Eligible Employee of such Employer in an amount equal to the amount of the Pre-Tax Contribution elected by the Active Participant in accordance with Article 4, provided such Pre-Tax Contribution qualifies for tax treatment under Code Section 401(k). Effective February 3, 1997, a Pre-Tax Contribution on behalf of an Active Participant for a payroll period shall be paid to the Trustee and allocated to the Active Participant's Pre-Tax Contribution Account as soon as administratively practicable following the last day of such payroll period, but in no event later than the fifteenth day of the month following the month in which the Pre-Tax Contribution was withheld or received by the Employer, unless a greater period is permitted by law.

5.3 BASIC MATCHING CONTRIBUTION.

5.3.1 As of the last day of a contribution cycle (as such term is defined in 5.3.4 below), the Employer shall make a Basic Matching Contribution on behalf of each "Eligible Participant," as defined in Subsection 5.3.3 below, who is an Eligible Employee of such Employer. A Basic Matching Contribution on behalf of an Eligible Participant under this Section 5.3 shall be in an amount equal to fifty percent (50%) of the Eligible Participant's Pre-Tax Contributions for the contribution cycle which do not exceed five percent (5%) of the Eligible Participant's Compensation for the contribution cycle, not to exceed a maximum Aggregate Basic Matching Contribution of $2,000 for any calendar year.

5.3.2 Any Basic Matching Contributions for a contribution cycle shall be paid to the Trustee and allocated to the Eligible Participant's Matching Contributions Account as soon as practicable following the last day of such contribution cycle.

5.3.3 For purposes of this Section 5.3, "Eligible Participant" means for any contribution cycle, each Eligible Employee of the Employer who is an Active Participant throughout and on the last day of such contribution cycle.

5.3.4 For purposes of this Section 5.3, the term "contribution cycle" shall mean each calendar month, or, to the extent determined by the Retirement Committee, a shorter period of time, including, but not limited to, a payroll period.

5.3.5 Notwithstanding the foregoing, the Board of Directors, in its sole discretion, may suspend Basic Matching Contributions on a prospective basis only, provided prior notice is given to all affected Participants.

5.4 SUPPLEMENTAL MATCHING CONTRIBUTIONS AND QUALIFIED NONELECTIVE CONTRIBUTIONS.

5.4.1 As of the last day of a Plan Year, the Board of Directors may determine, in its sole discretion, that each Employer shall make a Supplemental Matching Contribution on behalf of each "Eligible Participant," as defined in this Subsection 5.4.1, who is an Eligible Employee of such Employer. Any Supplemental Matching Contribution under this Subsection 5.4.1 shall be allocated among the Matching Contribution Accounts of Eligible Participants in the same proportion that each Eligible Participant's Pre-Tax Contributions for the Plan Year bears to the Pre-Tax Contributions of all such Eligible Participants for the Plan Year which do not exceed five percent (5%) of each Eligible Participant's Compensation for the Plan Year. For purposes of this Subsection 5.4.1, "Eligible Participant" means for a Plan Year, each Eligible Employee of the Employer who is an Active Participant as of the last day of such Plan Year and is credited with a Year of Vesting Service during such Plan Year. Any Supplemental Matching Contributions for a Plan Year under this Subsection 5.4.1 shall be paid to the Trustee and allocated to the Eligible Participant's Matching Contributions Account as soon as practicable following the last day of such Plan Year. Unless the Company determines that Supplemental Matching Contributions shall be made for a Plan Year in accordance with this Subsection 5.4.1, no such Supplemental Matching Contributions shall be made for such Plan Year.

5.4.2 As of the last day of a Plan Year, the Board of Directors may, in its sole discretion, determine that each Employer shall make a Qualified Matching Contribution on behalf of "Eligible Participants," as defined in this Subsection 5.4.2, which contribution shall be a "qualified matching contribution," within the meaning of regulations under Section 401(k) of the Code. Any such "qualified matching contribution" shall be allocated among the Matching Contribution Accounts of Eligible Participants in the same proportion that each Eligible Participant's Pre-Tax Contributions for the Plan Year bears to the Pre-Tax Contributions of all such Eligible Participants for the Plan Year. For purposes of Subsection 5.4.2, "Eligible Participant" means for a Plan Year, an Eligible Employee of an Employer who is an Active Participant and has been designated by the Board of Directors as an Eligible Participant for such Plan Year with respect to a "qualified matching contribution." Any such designation in accordance with this Subsection 5.4.2 shall satisfy the nondiscrimination requirements of Section 401(a)(4) of the Code. Any Qualified Matching Contributions for a Plan Year under this Subsection 5.4.2 shall be paid to the Trustee and allocated to the Eligible Participant's Matching Contributions Account as soon as practicable following the last day of such Plan Year. Unless the Company determines that Qualified Matching Contributions shall be made for a Plan Year in accordance with this Subsection 5.4.2, no such Qualified Matching Contributions shall be made for such Plan.

5.4.3 As of the last day of a Plan Year, the Company in its sole discretion may determine that each Employer shall make an additional Employer contribution for such Plan Year in an amount to be determined by the Company in accordance with the provisions of this Subsection 5.4.3.

5.4.3.1 Any Employer contributions under this Subsection 5.4.3 shall be designated as "qualified nonelective contributions," within the meaning of regulations under Section 401(k) of the Code. Unless the Company determines that Employer contributions shall be made for a Plan Year in accordance with this Subsection 5.4.3, no Employer contributions shall be made for such Plan Year under this Subsection 5.4.3.

5.4.3.2 Any Employer contributions for a Plan Year in accordance with this Subsection 5.4.3 shall be allocated as of the last day of such Plan Year to the Pre-Tax Contributions Accounts of Eligible Participants, in accordance with the following rules:

5.4.3.2.1 Such contributions shall first be allocated to the Pre-Tax Contributions Account of the Eligible Participant with the lowest Compensation for the Plan Year in an amount sufficient to cause the Deferral Percentage (as defined in Paragraph 4.4.2.2) of the Participant to equal the maximum percentage of Compensation an Active Participant is permitted to contribute to the Plan for the Plan Year as a Pre-Tax Contribution in accordance with Subsection 4.2.1.

5.4.3.2.2 Such contributions shall then be allocated in the amount described above to the Eligible Participant with the next lowest Compensation, and such allocations shall continue in the same manner until a sufficient amount has been allocated to the Pre-Tax Contributions Accounts of Eligible Participants to satisfy the Actual Deferral Percentage test with the smallest aggregate Employer contribution.

5.4.3.3 If, by the deadline for making "qualified nonelective contributions" to the Plan under Treasury Regulations 1.401(k)-1(b)(4)(i)(A)(2), the Company does not have sufficient data or is unable to determine exactly the smallest amount of qualified nonelective contributions necessary to satisfy the Actual Deferral Percentage test in accordance with the provisions of Subparagraph 5.4.3.2.2, the Company may estimate such amount and add a cushion sufficient to ensure that the test will be met. Under these circumstances, qualified nonelective contributions shall be allocated as provided in Subparagraphs 5.4.3.2.1 and 5.4.3.2.2, except that allocations under Subparagraph 5.4.3.2.2 shall continue until the aggregate estimated amount of such contributions is completely allocated.

5.4.3.4 For purposes of this Subsection 5.4.3, "Eligible Participant" means any Participant who has Compensation for the Plan Year, who is not a Highly Compensated Employee, and who is eligible to receive an allocation of the Employer contribution pursuant to the provisions of Paragraph 5.4.3.2.

5.5 PROFIT SHARING CONTRIBUTIONS.

5.5.1 As of the last day of any Plan Year commencing on or after July 1, 1994, the Board of Directors may, in its sole discretion, determine that each Employer shall make a Profit Sharing Contribution for such Plan year on behalf of "Eligible Participants," as defined in this Subsection 5.5.1, in an amount to be determined by the Board. Any Profit Sharing Contribution made in accordance with this Subsection 5.5.1 shall be allocated as of the last day of a Plan Year to the Profit Sharing Contributions Account of each Eligible Participant in the same proportion that the Eligible Participant's Compensation for the Plan Year bears to the Compensation of all Eligible Participants for the Plan year, provided, however, that the Board of Directors may, in its discretion, provide for a profit sharing contribution to be made to each Eligible Participant's account in a uniform amount (expressed as a percentage of each such Eligible Participant's Compensation), subject to such limitations as are prescribed by law as a condition to maintaining the tax-qualified status of the Plan under Sections 401(a) et seq. of the code. For purposes of this Subsection 5.5.1, "Eligible Participant" means for a Plan Year, each individual who is an Eligible Employee of the Employer as of the last day of the Plan Year. Unless the Company determines that Profit Sharing Contributions shall be made for a Plan Year in accordance with this Subsection 5.5.1, no Profit Sharing Contributions shall be made for such Plan Year under this Subsection 5.5.1. With respect to periods prior to the Plan Year beginning July 1, 1994, contributions by the Employer shall be governed by provisions of this Plan as in effect with respect to such periods.

5.5.2 "Compensation" for purposes of the allocation of a Profit Sharing Contribution in accordance with this Section 5.5 shall mean "Compensation" as defined in Subsection 2.8.2.

5.6 TIMING OF EMPLOYER CONTRIBUTIONS. In no event shall any Employer contributions under this Article 5 for any Plan Year be made later than the time prescribed by law for the deduction of such contributions for purposes of the Employer's Federal income tax, as determined by the applicable provisions of the Code.

5.7 APPLICATION OF FORFEITURES. Any non-vested portion of a Participant's Matching Contributions Account or Profit Sharing Contributions Account that is forfeited as provided in Subsection 9.4.1 shall be credited to a Forfeiture Account and applied as provided in 5.7.1 and 5.7.2 below. Any Matching Contributions forfeited in accordance with Section 5.10 or 5.11 shall be applied as provided in 5.7.3 below.

5.7.1 Any non-vested Matching Contributions credited to a Forfeiture Account during a Plan Year shall be applied first to restore Matching Contribution amounts previously forfeited, as provided in Subsection 9.4.2, and then any forfeitures that are not needed to restore forfeited matching contributions shall, at the election of the Company, be used to (i) pay Plan expenses, (ii) satisfy the Company's obligation to make employer contributions, or (iii) offset the Company's obligation to make qualified nonelective contributions.

5.7.1.1 who are actively employed as Eligible Employees on the last day of the Plan Year,

5.7.1.2 who have completed one thousand (1,000) Hours of Service in such Plan Year, and

5.7.1.3 who have Pre-Tax Contribution Accounts as of the last day of such Plan Year,

in proportion to each Participant's Compensation for such Plan Year.

5.7.2 Any non-vested Profit Sharing Contribution amounts credited to a Forfeiture Account during a Plan Year shall first be applied to restore any Profit Sharing Contributions amounts previously forfeited, as provided in Subsection 9.4.2 and then shall be allocated as of the last day of such Plan Year among Profit Sharing Contribution Accounts of Participants who are eligible to share in an allocation of any Profit Sharing Contribution as of the last day of such Plan Year in proportion to each Participant's Compensation for the Plan Year. "Compensation" for purposes of the allocation of forfeitures of Profit Sharing Contributions shall mean "Compensation" as defined in Subsection 2.8.2.

5.7.3 Any Matching Contributions forfeited by a Participant in accordance with Section 5.10 or 5.11 shall be applied to reduce future Matching Contributions by such Participant's Employer.

5.8 REQUIREMENT FOR PROFITS.

5.8.1 Any contributions by an Employer under this Plan (other than Pre-Tax Contributions), shall be made only from current or accumulated net profits.

5.8.2 Notwithstanding the foregoing, if an Employer does not have sufficient current or accumulated net profits in any period to make the applicable contribution, then the Board of Directors, in its sole discretion, may determine that the Employer will make the contribution notwithstanding the lack of current or accumulated net profits, provided, however, the Plan is designed to qualify as a profit sharing plan for purposes of Section 401(a), et seq. of the Code.

5.8.3 The term current or accumulated net profits means the net income of the Employer determined in accordance with generally accepted accounting principles and methods consistently applied.

5.9 SPECIAL LIMITATIONS ON 401(m) CONTRIBUTIONS. This Section 5.9 shall be effective for Plan Years commencing on or after July 1, 1997. With respect to each Plan Year, any employer matching contributions, as defined in Section 401(m) of the Code, or employee After-Tax Contributions, as defined in regulations under Section 401(m) of the Code, under the Plan for the Plan Year (hereafter referred to collectively as "401(m) Contributions") shall not exceed the limitations on such contributions by or on behalf of Highly Compensated Employees under Section 401(m) of the Code, as provided in this Section. In the event that 401(m) Contributions under this Plan by or on behalf of Highly Compensated Employees for any Plan Year exceed the limitations of this Section for any reason, such excess 401(m) Contributions and any income or loss allocable thereto shall be disposed of in accordance with Section 5.10.

5.9.1 401(m) Contributions by and on behalf of Participants for a Plan Year shall satisfy the Average Contribution Percentage test set forth in 5.9.1.1.1 below or the alternative Average Contribution Percentage test set forth in 5.9.1.1.2 below, and to the extent required by regulations under Code Section 401(m), shall satisfy the test identified in 5.9.1.2 below.

5.9.1.1 Basic Test.

5.9.1.1.1 The Average Contribution Percentage for the current Plan Year for Eligible Employees who are Highly Compensated Employees shall not be more than the Average Contribution Percentage for the preceding Plan Year of all other Eligible Employees multiplied by 1.25, or

5.9.1.1.2 The excess of the Average Contribution Percentage for the current Plan Year for Eligible Employees who are Highly Compensated Employees over the Average Contribution Percentage for the prior Plan Year for all other Eligible Employees shall not be more than two (2) percentage points, and the Average Contribution Percentage for the Highly Compensated Employees for the current Plan Year shall not be more than the Average Contribution Percentage for the prior Plan Year of all other Eligible Employees multiplied by 2.00.

5.9.1.1.3 Notwithstanding the forgoing, for Plan Years commencing on or after July 1, 1997 the Retirement Committee may elect to apply paragraphs 5.9.1.1.1 and 5.9.1.1.2 using the Average Contribution Percentage for the current Plan Year for Eligible Employees who are not Highly Compensated Employees. Effective for Plan Years commencing on or after July 1, 1997, paragraphs 5.9.1.1.1 and 5.9.1.1.2 shall be applied

using the Average Contribution Percentage for the prior Plan Year for Eligible Employees who are not Highly Compensated Employees.

5.9.1.2 Multiple Use Test. The Average Contribution Percentage for Highly Compensated Employees eligible to participate in this Plan and a plan of the Employer or an Affiliated Company that satisfies the requirements of Section 401(k) of the Code, including, if applicable, this Plan, shall be reduced to the extent necessary to satisfy the requirements of Treasury Regulations Section 1.401(m)-2 or similar such rule relating to the multiple use of the alternative test described in 5.9.1.1.2 above.

5.9.2 For purposes of this Article 5, the following definitions shall apply:

5.9.2.1 "Average Contribution Percentage" means, with respect to a group of Eligible Employees for a Plan Year, the average of the Contribution Percentage, calculated separately for each Eligible Employee in such group.

5.9.2.2 The "Contribution Percentage" means for any Eligible Employee the percentage determined by dividing the sum of 401(m) Contributions under the Plan on behalf of each Eligible Employee for such Plan Year, by such Eligible Employee's Compensation for such Plan Year in accordance with regulations prescribed by the Secretary of the Treasury under Code Section 401(m). An after-tax contribution shall be taken into account for a Plan Year if it is paid to the Trust during the Plan Year or paid to an agent of the Plan and transmitted to the Trust within a reasonable period after the end of the Plan Year. A matching contribution shall be taken into account for a Plan Year only if it is (A) made on account of a Participant's Pre-Tax Contributions or after-tax contributions for the Plan Year; (B) allocated to the Participant's matching contributions account during that Plan Year; and (C) actually paid to the Trust no later than the end of the twelve month period immediately following the Plan Year to which the contribution relates. To the extent determined by the Retirement Committee and in accordance with regulations issued by the Secretary of the Treasury under Code Section 401(m)(3), Pre-Tax Contributions on behalf of an Eligible Employee and any qualified nonelective contributions, within the meaning of Code Section 401(m)(4)(C), on behalf of an Eligible Employee may also be taken into account for purposes of calculating the Contribution Percentage of such Eligible Employee, but shall not otherwise be taken into account. However, if matching contributions are taken into account for purposes of determining the Actual Deferral Percentage of an Eligible Employee for a Plan Year under Section 4.4 then such matching contributions shall not be taken into account under this Section.

5.9.2.3 "Eligible Employee" means any Eligible Employee directly or indirectly eligible to contribute to the Plan, including any otherwise Eligible Employee during a period of suspension due to a Hardship withdrawal, in accordance with regulations prescribed by the Secretary of the Treasury under Code Section 401(k).

5.9.2.4 "Compensation" means Compensation determined by the Retirement Committee in accordance with Section 414(s) of the Code, including to the extent determined by the Retirement Committee, amounts deducted from an Employee's wages or salary that are not currently includable in the Employee's gross income by reason of the application of Code Section 402(a)(8) or 125.

5.9.3 In the event that as of the last day of a Plan Year this Plan satisfies the requirements of Section 410(b) of the Code only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of Section 410(b) of the Code only if aggregated with this Plan, then this Section shall be applied by determining the Contribution Percentages of Eligible Employees as if all such plans were a single plan, in accordance with regulations prescribed by the Secretary of the Treasury under Section 401(m) of the Code.

5.9.4 For the purposes of this Section, the Contribution Percentage for any Eligible Employee who is a Highly Compensated Employee under two or more Code Section 401(a) plans of an Employer or an Affiliated Company to the extent required by Code Section 401(m), shall be determined in a manner taking into account the participant contributions and matching contributions for such Eligible Employee under each of such plans.

5.9.5 The determination of the Contribution Percentage of any Participant shall be made after first applying the provisions of Section 15.5 relating to certain limits on Annual Additions under Section 415 of the Code, then applying the provisions of Section 4.6 relating to the return of Pre-Tax Contributions in excess of the Deferral Limitation, then applying the provisions of Section 4.5 relating to certain limits under Section 401(k) of the Code imposed on Pre-Tax Contributions of Highly Compensated Employees and last, applying the provisions of Section 5.11 relating to the forfeiture of matching contributions attributable to excess deferrals or contributions.

5.9.6 The determination and treatment of the Contribution Percentage of any Participant shall satisfy such other requirements as may be prescribed by the Secretary of the Treasury.

5.9.7 The Retirement Committee shall keep or cause to have kept such records as are necessary to demonstrate that the Plan satisfies the requirements of Code Section 401(m) and the regulations thereunder, in accordance with regulations prescribed by the Secretary of the Treasury.

5.10 PROVISIONS FOR REDUCTION OF EXCESS 401(m) CONTRIBUTIONS BY OR ON BEHALF OF HIGHLY COMPENSATED EMPLOYEES.

5.10.1 This Section 5.10 shall be effective for Plan Years commencing on or after July 1, 1997. The Retirement Committee shall determine, as soon as is reasonably possible following the close of the Plan Year, if 401(m) Contributions by or on behalf of Highly Compensated Employees satisfy the Average Contribution Percentage test for such Plan Year. If, pursuant to the determination by the Retirement Committee, 401(m) Contributions by or on behalf of a Highly Compensated Employee must be reduced to enable the Plan to satisfy the Average Contribution Percentage test, then the Retirement Committee shall take the following steps:

5.10.1.1 First, any excess After-Tax Contributions that were not matched by matching contributions, and any income or loss allocable thereto, shall be distributed to the Highly Compensated Employee.

5.10.1.2 Second, if any excess remains after the provisions of 5.10.1.1 above are applied, to the extent necessary to eliminate the excess, any matching contributions on behalf of the Highly Compensated Employee, any corresponding After-Tax Contributions, and any income or loss allocable thereto, shall be forfeited, to the extent forfeitable under the Plan, or distributed to the Highly Compensated Employee, to the extent non-forfeitable under the Plan (after withholding any applicable income taxes on such amounts).

5.10.1.3 If administratively feasible, excess 401(m) Contributions including any income or loss allocable thereto, which are distributable under this Section 5.10, shall be distributed to Highly Compensated Employees within two and one-half (2-1/2) months following the close of the Plan Year for which the excess Contributions were made, but in any event no later than the end of the first Plan Year following the Plan Year for which the excess Contributions were made, notwithstanding any other provision in this Plan.

5.10.1.4 Any amounts of excess matching contributions forfeited by Highly Compensated Employees under this Section, including any income or loss allocable thereto, shall be applied in accordance with Section 5.7.

5.10.2 The Retirement Committee shall determine the amount of any excess 401(m) Contributions made by or on behalf of Highly Compensated Employees for a Plan Year by application of the method set forth in Section 401(m)(6)(C) of the Code under which the Average Contribution Percentage of the Highly Compensated Employee who has the highest dollar amount of 401(m) Contributions for the Plan Year is reduced, to the extent required (a) to enable

the Plan to satisfy the Average Contribution Percentage test, or (b) to cause the dollar amount of such Highly Compensated Employee's 401(m) Contributions to equal the dollar amount of 401(m) Contributions of the Highly Compensated Employee with the next highest dollar amount. This process shall be repeated until the Plan satisfies the Average Contribution Percentage test.

5.10.3 For purposes of satisfying the Average Contribution Percentage test, income or loss allocable to a Participant's excess 401(m) Contributions, as determined under 5.10.2 above, shall be determined in accordance with any reasonable method used by the Plan for allocating income or loss to Participant Accounts, provided such method does not discriminate in favor of Highly Compensated Employees and is consistently applied to all Participants for all corrective distributions under the Plan for a Plan Year. The Retirement Committee shall not be liable to any Highly Compensated Employee (or his Beneficiary, if applicable) for any losses caused by misestimating the amount of any excess 401(m) Contributions on behalf of a Highly Compensated Employee and the income or loss attributable to such excess.

5.10.4 To the extent required by regulations under Section 401(m) or 415 of the Code, any 401(m) Contributions in excess of the limitations of Section 5.9 forfeited by or distributed to a Highly Compensated Employee in accordance with this Section shall be treated as an Annual Addition under Article 15 for the Plan Year for which the excess contribution was made, notwithstanding such forfeiture or distribution.

5.11 FORFEITURE OF MATCHING CONTRIBUTIONS ATTRIBUTABLE TO EXCESS DEFERRALS OR CONTRIBUTIONS. To the extent any Matching Contributions allocated to a Participant's Matching Contributions Account are attributable to excess Pre-Tax Contributions required to be distributed to the Participant in accordance with Section 4.5 or 4.6, such Matching Contributions, including any income or loss allocable thereto, shall be forfeited, notwithstanding that such Matching Contributions may otherwise be non-forfeitable under the terms of the Plan. Any Matching Contributions forfeited by a Participant in accordance with this Section 5.11 shall be applied in the manner specified in Section 5.7.

5.12 IRREVOCABILITY. An Employer shall have no right or title to, nor interest in, the contributions made to the Trust Fund, and no part of the Trust Fund shall revert to an Employer except that on and after the Effective Date funds may be returned to the Employer as follows:

5.12.1 In the case of an Employer contribution which is made by a mistake of fact, that contribution (and any income or loss allocable to such contribution) may be returned to the Employer within one (1) year after it is made.

5.12.2 All Employer contributions are hereby conditioned upon the Plan initially satisfying all of the requirements of Code Section 401(a) and Section 401(k). If the Plan does not initially qualify, at the Company's written

election the Plan or any portion thereof may be revoked and any or all such contributions with respect to the portion revoked may be returned to the Employer within one year after the date of IRS denial of the initial qualification of the Plan. Upon such a revocation the affairs of the Plan and Trust shall be terminated and wound up as the Company shall direct.

5.12.3 All contributions to the Trust Fund are conditioned on deductibility under Code Section 404. In the event a deduction is disallowed for any such contribution such contribution shall be returned to the Employer.

5.13 MAKE-UP CONTRIBUTIONS. In addition to other Employer contributions described in this Article 5, the Employer may make special make-up contributions to the Plan, if necessary. A make-up contribution will be necessary if there are insufficient forfeitures under the Plan to restore a Participant's Matching Contribution Account or Profit Sharing Account as provided in Section 9.5, if a Participant or Beneficiary's Accounts must be reinstated according to Section 18.2, or if a mistake or omission in the allocation of contributions is discovered and cannot be corrected by revising prior allocations.

ARTICLE 6

FUNDING

6.1 IN GENERAL. The Company has entered into a Trust Agreement with a Trustee creating the Trust Fund. Such Trust Agreement provides for the administration of the Trust Fund by the Trustee. The Trust Fund shall be invested in accordance with provisions of Article 7 and the Trust Agreement and shall be held in trust for the exclusive benefit of Participants or their Beneficiaries. The Company by action of the Board of Directors shall select such Trustee and may, without further reference to or action by any Participant, from time to time

6.1.1 enter into such further agreements with the Trustee or other parties and make such amendments to the Trust Agreement or said further agreements as it may deem necessary or desirable to carry out the Plan,

6.1.2 designate a successor Trustee or successor Trustees, and

6.1.3 take such other steps and execute such other instruments as it may deem necessary or desirable to put the Plan into effect or to carry out the provisions thereof.

ARTICLE 7

INVESTMENTS

7.1 INVESTMENTS OF CONTRIBUTIONS. Contributions by and on behalf of a Participant shall be invested in accordance with the Participant's investment designations in one or more Investment Funds established by the Retirement

Committee for this purpose. The Retirement Committee in its discretion, shall from time to time determine the Investment Funds that shall be available to Participants, which funds shall include a fund invested in Stock, and may include one or more mutual funds or similar pooled investments.

7.2 INVESTMENT IN EMPLOYER SECURITIES.

7.2.1 Notwithstanding the establishment of separate Investment Funds, up to one hundred percent (100%) of the assets of the Plan may be invested in Stock, and up to twenty-five percent (25%) of the assets of the Plan may be invested in Company Debentures; provided, however, immediately following any acquisition of Company Debentures, not more than twenty-five percent (25%) of the assets of the Plan shall be invested in "marketable obligations" (as such term is defined in Section 407(e) of ERISA) of the Company or an Affiliated Company.

7.2.2 The term "Company Debentures" shall mean any debenture of the Company which constitutes "qualifying employer securities," as defined in Section 407(d)(5) of ERISA.

7.2.3 To the extent all or a portion of a Participant's Accounts are invested in Stock, such Accounts shall reflect the number of whole and fractional shares of Stock.

7.3 PARTICIPANT INVESTMENT DESIGNATIONS. In accordance with rules of uniform application which the Retirement Committee may from time to time adopt and subject to any limitations set forth below in this Article 7, each Participant shall have the right to designate one or more of the Investment Funds for the investment of his Accounts under the Plan, in accordance with the following rules:

7.3.1 Investment of contributions by and on behalf of a Participant in any Investment Fund and transfer of a Participant's Account balances between Investment Funds shall be in such whole percentage increments as the Retirement Committee may determine from time to time.

7.3.2 A Participant may make a new investment designation which shall apply to (i) the amount standing to his credit in his Accounts, effective as of any Valuation Date; and (ii) future contributions to his Accounts, effective as of any Valuation Date by giving notice to the Retirement Committee to the extent required by the Retirement Committee prior to the effective date of the change.

7.3.3 Investment Funds may, from time to time, hold cash or cash equivalent investments (including interests in any fund maintained by the Trustee as provided in the Trust Agreement) resulting from investment transactions relating to the property of said Fund; provided, however, that neither the Retirement Committee, the Company, the Employer, the Trustee or any other person shall have any duty or responsibility to cause such Funds to be held in cash or cash equivalent investments for investment purposes. In the case of any

Investment Fund under the management and control of an Investment Manager appointed by the Retirement Committee in accordance with Section 11.3, neither the Retirement Committee, the Company, the Employer, the Trustee, nor any other person shall have any responsibility or liability for investment decisions made by such Investment Manager.

7.3.4 In the event a Participant fails to make an investment designation in accordance with this Article 7, contributions by and on behalf of the Participant shall be invested in a fixed interest fund.

7.4 SECURITIES TRANSACTIONS. The Trustee may acquire Stock in the open market or from the Company or any other person, including a party in interest. No commission will be paid in connection with the Trustee's acquisition of Stock from a party in interest. Neither the Company, nor any Employer, nor the Committee, nor any Trustee have any responsibility or duty to time any transaction involving Stock in order to anticipate market conditions or changes in Stock value. Neither the Company, nor any Employer, nor the Committee, nor any Trustee have any responsibility or duty to sell Stock held in the Trust Fund in order to maximize return or minimize loss.

7.5 RIGHTS, WARRANTS, OR OPTIONS. Subject to the provisions applicable to voting rights in Section 7.6, and unless otherwise directed by the Committee, stock rights (including warrants and options) issued with respect to Stock will be exercised by the Trustee on behalf of Participants to the extent that cash is available. Unless otherwise directed by the Committee, rights which cannot be exercised because of the lack of cash will be sold and the proceeds will be invested in Stock.

7.6 VOTING OF STOCK. Notwithstanding any other provision of the Plan to the contrary, the Trustee shall not vote Stock held in the Trust on any matter presented for a vote by the stockholders of the Company except in accordance with timely directions received by the Trustee either from the Committee or from Participants, depending on who has the right to direct the voting of such stock as provided in the following provisions of this Section 7.6.

7.6.1 All stock held in the Trust Fund shall be voted by the Trustee as the Committee directs in its absolute discretion, except as provided in this Subsection 7.6.1.

7.6.1.1 If the Company has a registration-type class of securities (as defined in Section 409(e)(4) of the Code), then with respect to all corporate matters, (i) each Participant shall be entitled to direct the Trustee as to the voting of all Stock allocated and credited to his Accounts and (ii) each Participant who is an Eligible Employee shall be entitled to direct the Trustee as to the voting of a portion of all Stock not allocated to the Accounts of Participants, with such portion equal to the total number of shares of such unallocated Stock multiplied by a fraction the numerator of which is the number of shares of Stock allocated to the Accounts of such

Participant and the denominator of which is the total number of shares of Stock allocated to the Accounts of all Participants.

7.6.1.2 If the Company does not have a registration-type class of securities (as defined in Section 409(e)(4) of the Code), then only with respect to such matters as the approval or disapproval of any corporate merger consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all assets of trade or business, or such similar transactions as may be prescribed in Treasury Regulations, (i) each Participant shall be entitled to direct the Trustee as to the voting of all Stock allocated and credited to his Accounts and (ii) each Participant who is an Eligible Employee shall be entitled to direct the Trustee as to the voting of a portion of all Stock not allocated to the Accounts of Participants, with such portion determined in the same manner as under Paragraph 7.6.1.1 above.

7.6.2 All Participants entitled to direct such voting shall be notified by the Company, pursuant to its normal communications with shareholders, of each occasion for the exercise of such voting rights within a reasonable time before such rights are to be exercised. Such notification shall include all information distributed to shareholders either by the Company or any other party regarding the exercise of such rights. To the extent that a Participant shall fail to direct the Trustee as to the exercise of voting rights arising under any Stock credited to his Accounts, such Stock shall not be voted. The Trustee shall maintain confidentiality with respect to the voting directions of all Participants.

7.6.3 Each Participant shall be a named fiduciary (as that term is defined in ERISA Section 402(a)(2)) with respect to Stock for which he has the right to direct the voting under the Plan but solely for the purpose of exercising voting rights pursuant to this Section 7.6 or certain Offers pursuant to Section 7.11.

7.6.4 In the event a court of competent jurisdiction shall issue an opinion or order to the Plan, the Company, any Employer, or the Trustee, which shall, in the opinion of counsel to the Company, the Employer or the Trustee, invalidate under ERISA, in all circumstances or in any particular circumstances, any provision or provisions of this Section regarding the manner in which Stock held in the Trust shall be voted or cause any such provision or provisions to conflict with ERISA, then, upon notice thereof to the Company, the Employer, or the Trustee, as the case may be, such invalid or conflicting provisions of this Section shall be given no further force or effect. In such circumstances the Trustee nevertheless shall not vote Stock held in the Trust unless required under such order or opinion but shall follow instructions received from Participants, to the extent such instructions have not been invalidated. To the extent required to exercise any residual fiduciary responsibility with respect to voting, the Trustee shall take into account in exercising its fiduciary judgment, unless it is clearly imprudent to do so, directions timely received from Participants, as such

directions are most indicative of what is in the best interests of Participants. Further, the Trustee, in addition to taking into consideration any relevant financial factors bearing on any such decision, shall take into consideration any relevant nonfinancial factors, including, but not limited to, the continuing job security of Participants as employees of the Company or any of its subsidiaries, conditions of employment, employment opportunities and other similar matters, and the prospect of the Participants and prospective Participants for future benefits under the Plan.

7.7 VALUATION OF STOCK. When it is necessary to value Stock held by the Plan, the value will be the current fair market value of the Stock, determined in accordance with applicable legal requirements.

If the Stock is publicly traded, its fair market value will be based on the most recent closing price in public trading, as determined by the Trustee.

If the Stock cannot be valued on the basis of its closing price in recent public trading, its fair market value will be determined by the Company in good faith based on all relevant factors for determining the fair market value of securities. Relevant factors include an independent appraisal by a person who customarily makes such appraisals, if an appraisal of the fair market value of the Stock as of the relevant date was obtained.

In the case of a transaction between the Plan and an Employer or another party in interest, the fair market value of the Stock must be determined as of the date of the transaction rather than as of some other Valuation Date occurring before or after the transaction. In other cases, the fair market value of the Stock will be determined as of the most recent Valuation Date.

7.8 ALLOCATION OF STOCK DIVIDENDS AND SPLITS. Stock received by the Trust as a result of a Stock split or Stock dividend on Stock held in Participants' Pretax Deferral Accounts, Matching Contribution Accounts, and Rollover Accounts will be allocated as of the Valuation Date coincident with or following the date of such split or dividend, to each Participant who has such an Account. The amount allocated will bear substantially the same proportion to the total number of shares received as the number of shares in the Participant's Pretax Deferral Account, Matching Contribution Account and/or Rollover Account bears to the total number of shares allocated to such Accounts of all Participants immediately before the allocation. The shares will be allocated to the nearest thousandth of a share.

7.9 REINVESTMENT OF DIVIDENDS. Upon direction of the Committee, cash dividends may be reinvested as soon as practicable by the Trustee in shares of Stock for Participants' Accounts. Cash dividends may be reinvested in Stock purchased as provided in Section 7.4 or purchased from the Accounts of Participants who receive cash distributions.

7.10 ALLOCATION OF DIVIDENDS OTHER THAN STOCK DIVIDENDS. At the direction of the Committee, dividends in cash or in property other than Stock which are actually

received by the Trust during a Plan Year may be applied by the Trustee to the purchase of Stock, as provided in Section 7.9. Dividends in property other than Stock which are received by the Trustee with respect to Stock held by the Trust may, to the extent practicable, be sold or exchanged for the ultimate purpose of acquiring additional Stock.

Stock purchased by the Trustee for the Trust out of dividends and out of the proceeds of rights or warrants sold (or exercised, to the extent of the bargain element if such exercise is made with Employer contributions) will be allocated, as of the Valuation Date coincident with or following the date such shares were purchased, to the Account of each Participant who has an Account on such Valuation Date.

Stock purchased with dividends on Stock held in Participants' Matching Contribution Accounts, Pre-Tax Contributions Accounts, and Rollover Accounts will be allocated to each Participant's Matching Contributions Account, Pre-Tax Contributions Account and Rollover Account.

Shares allocated to an Account in accordance with this Section 7.10 will be allocated in an amount which bears substantially the same proportion to the total number of shares purchased as the ratio that the number of shares in such Account on the Valuation Date immediately preceding such purchase bears to the total number of shares that were allocated to such Accounts of all Participants on such preceding Valuation Date (disregarding the shares that were distributed to Participants as of such preceding Valuation Date).

Shares allocated under this Section will be allocated to the nearest thousandth of a share.

7.11 CERTAIN OFFERS FOR STOCK. Notwithstanding any other provisions of this Plan to the contrary, in the event an offer shall be received by the Trustee (including, but not limited to, a tender offer or exchange offer within the meaning of the Securities Exchange Act of 1934, as from time to time amended and in effect) to acquire any or all shares of Stock held by the Trust (an "Offer"), whether or not such Stock is allocated to Participants' Accounts, the discretion or authority to sell, exchange or transfer any of such shares shall be determined in accordance with the following rules:

7.11.1 The Trustee shall not sell, exchange or transfer any of such Stock pursuant to such Offer except to the extent, and only to the extent that the Trustee is timely directed to do so in writing (i) with respect to any Stock held by the Trustee subject to such Offer and allocated to the Accounts of any Participant, by each Participant to whose Accounts any of such shares are allocated and (ii) with respect to any Stock held by the Trustee subject to such Offer and not allocated to the Accounts of any Participant, by each Participant who is an Eligible Employee with respect to a number of shares of such unallocated Stock equal to the total number of shares of such unallocated Stock multiplied by a fraction the numerator of which is the number of shares of Stock allocated to the Accounts of such Participant and the denominator of which is the total number of shares of Stock allocated to the Accounts of all Participants.

Upon timely receipt of such instructions, the Trustee shall, subject to the provisions of Subsections 7.11.3 and 7.11.12 of this Section, sell, exchange or transfer pursuant to such Offer, only such shares as to which such instructions were given. The Trustee shall use its best efforts to communicate or cause to be communicated to each Participant the consequences of any failure to provide timely instructions to the Trustee.

In the event, under the terms of an Offer or otherwise, any shares of Stock tendered for sale, exchange or transfer pursuant to such Offer may be withdrawn from such Offer, the Trustee shall follow such instructions respecting the withdrawal of such securities from such Offer in the same manner and the same proportion as shall be timely received by the Trustee from the Participants entitled under this Paragraph to give instructions as to the sale, exchange or transfer of securities pursuant to such Offer.

7.11.2 In the event that an Offer for fewer than all of the shares of Stock held by the Trustee in the Trust shall be received by the Trustee, each Participant shall be entitled to direct the Trustee as to the acceptance or rejection of such Offer (as provided by Subsection 7.11.1 of this Section) with respect to the largest portion of such Stock as may be possible given the total number or amount of shares of Stock the Plan may sell, exchange or transfer pursuant to the Offer based upon the instructions received by the Trustee from all other Participants who shall timely instruct the Trustee pursuant to this Paragraph to sell, exchange or transfer such shares pursuant to such Offer, each on a pro rata basis in accordance with the maximum number of shares each such Participant would have been permitted to direct under Subsection 7.11.1 had the Offer been for all shares of Stock held in the trust.

7.11.3 In the event an Offer shall be received by the Trustee and instructions shall be solicited from Participants in the Plan pursuant to Subsection 7.11.1 of this Section regarding such Offer, and prior to termination of such Offer, another Offer is received by the Trustee for the securities subject to the first Offer, the Trustee shall use its best efforts under the circumstances to solicit instructions from the Participants to the Trustee (i) with respect to securities tendered for sale, exchange or transfer pursuant to the first Offer, whether to withdraw such tender, if possible, and, if withdrawn, whether to tender any securities so withdrawn for sale, exchange or transfer pursuant to the second Offer and (ii) with respect to securities not tendered for sale, exchange or transfer pursuant to the first Offer, whether to tender or not to tender such securities for sale, exchange or transfer pursuant to the second Offer. The Trustee shall follow all such instructions received in a timely manner from Participants in the same manner and in the same proportion as provided in Subsection 7.11.1. of this Section. With respect to any further Offer for any Stock received by the Trustee and subject to any earlier Offer (including successive Offers from one or more existing offerors), the Trustee shall act in the same manner as described above.

7.11.4 With respect to any Offer received by the Trustee, the Trustee shall distribute, at the Employer's expense, copies of all relevant material, including, but not limited to, material filed with the Securities and Exchange Commission with such Offer or regarding such Offer, and shall seek confidential written instructions from each Participant who is entitled to respond to such Offer pursuant to Subsections 7.11.1, 7.11.2 or 7.11.3. The identities of Participants, the amount of Stock allocated to their Accounts, and the Compensation of each Participant shall be determined from the list of Participants delivered to the Trustee by the Committee which shall take all reasonable steps necessary to provide the Trustee with the latest possible information.

7.11.5 The Trustee shall distribute and/or make available to each Participant who is entitled to respond to an Offer pursuant to Subsections 7.11.1, 7.11.2 or 7.11.3 an instruction form to be used by each such Participant who wishes to instruct the Trustee. The instruction form shall state that: (i) if the Participant fails to return an instruction form to the Trustee by the indicated deadline, the Stock with respect to which he is entitled to give instructions will not be sold, exchanged or transferred pursuant to such Offer, (ii) the Participant will be a named fiduciary (as described in Subsection 7.11.10 below) with respect to all shares for which he is entitled to give instructions, and (iii) the Employer acknowledges and agrees to honor the confidentiality of the Participant's instructions to the Trustee.

7.11.6 Each Participant may choose to instruct the Trustee in one of the following two ways: (i) not to sell, exchange or transfer any shares of Stock for which he is entitled to give instructions, or (ii) to sell, exchange or transfer all Stock for which he is entitled to give instructions. The Trustee shall follow up with additional mailings and postings of bulletins, as reasonable under the time constraints then prevailing, to obtain instructions from Participants not otherwise responding to such requests for instructions. Subject to Subsection 7.11.3, the Trustee shall then sell, exchange or transfer shares according to instructions from Participants, except that shares for which no instructions are received shall not be sold, exchanged or transferred.

7.11.7 The Employer shall furnish former Participants who have received distributions of Stock so recently as to not be shareholders of record with the information given to Participants pursuant to Subsections 7.11.4, 7.11.5, and 7.11.6 of this Section. The Trustee is hereby authorized to sell, exchange or transfer pursuant to an Offer any such Stock in accordance with appropriate instructions from such former Participants.

7.11.8 Neither the Committee nor the Trustee shall express any opinion or give any advice or recommendation to any Participant concerning the Offer, nor shall they have any authority or responsibility to do so. The Trustee has no duty to monitor or police the party making the Offer; provided, however, that if the Trustee becomes aware of activity which on its face reasonably

appears to the Trustee to be materially false, misleading, or coercive, the Trustee shall demand promptly that the offending party take appropriate corrective action. If the offending party fails or refuses to take appropriate corrective action, the Trustee shall communicate with affected Participants in such manner as it deems advisable.

7.11.9 The Trustee shall not reveal or release a Participant's instructions to the Company or to any Employer, its officers, directors, employees, or representatives. If some but not all Stock held by the Trust is sold, exchanged, or transferred pursuant to an Offer, the Employer, with the Trustee's cooperation, shall take such action as is necessary to maintain the confidentiality of Participant's records, including, without limitation, establishment of a security system and procedures which restrict access to Participant records and retention of an independent agent to maintain such records. If an independent record-keeping agent is retained, such agent must agree, as a condition of its retention by the Employer, not to disclose the composition of any Participant Accounts to the Company, the Employer, its officers, directors, employees, or representatives. The Company and the Employer acknowledge and agree to honor the confidentiality of Participants' instructions to the Trustee.

7.11.10 Each Participant shall be a named fiduciary (as that term is defined in ERISA Section 402(a)(2)) with respect to Stock allocated to his Accounts under the Plan and with respect to his pro-rata portion of the unallocated Stock for which he is entitled to issue instructions in accordance with Subsection 7.11.1 of this Section solely for purposes of exercising the rights of a shareholder with respect to an Offer pursuant to this Section 7.11 and voting rights pursuant to Section 7.6.

7.11.11 To the extent that an Offer results in the sale of Stock in the Trust, the Committee shall instruct the Trustee as to the investment of the proceeds of such sale.

7.11.12 In the event a court of competent jurisdiction shall issue to the Plan, the Company, any Employer, or the Trustee an opinion or order, which shall, in the opinion of counsel to the Company, the Employer or the Trustee, invalidate, in all circumstances or in any particular circumstances, any provision or provisions of this Section regarding the determination to be made as to whether or not Stock held by the Trustee shall be sold, exchanged or transferred pursuant to an Offer or cause any such provision or provisions to conflict with securities laws, then, upon notice thereof to the Company, the Employer or the Trustee, as the case may be, such invalid or conflicting provisions of this Section shall be given no further force or effect. In such circumstances the Trustee shall not sell, exchange or transfer Stock held in the Trust unless required under such order or opinion, but shall follow instructions received from Participants, to the extent such instructions have not been invalidated by such order or opinion. To the extent required to exercise any residual fiduciary responsibility with respect to such sale, exchange or transfer,

the Trustee shall take into account in exercising its fiduciary judgment, unless it is clearly imprudent to do so, directions timely received from Participants, as such directions are most indicative of what action is in the best interests of Participants. Further, the Trustee, in addition to taking into consideration any relevant financial factors bearing on any such decision, shall take into consideration any relevant nonfinancial factors, including, but not limited to, the continuing job security of Participants as employees of the Company or any Affiliate, conditions of employment, employment opportunities and other similar matters, and the prospect of the Participants and prospective Participants for future benefits under the Plan.

ARTICLE 8

VESTING

8.1 VESTED INTEREST IN PRE-TAX CONTRIBUTIONS ACCOUNT, ROLLOVER ACCOUNT, AND PROFIT SHARING ACCOUNT. Each Participant shall at all times have one hundred percent (100%) Vested Interest in the value of his Pre-Tax Contributions Account, his Rollover Account, and, effective for individuals who complete a Hour of Service for any payroll period commencing after May 31, 1995 and to the extent a forfeiture of such Participant's Profit Sharing Account has not occurred prior to the completion of such Hour of Service and is not subject to restoration in accordance with Section 9.5, his Profit Sharing Account under the Plan.

8.2 DETERMINATION OF VESTED INTEREST IN MATCHING CONTRIBUTIONS ACCOUNT. A Participant shall acquire a Vested Interest in the value of his Matching Contributions Account (and in his profit Sharing Account to the extent not vested as provided in Section 8.1) in accordance with the following provisions of this Section 8.2.

8.2.1 The Vested Interest of each Participant in the value of his Matching Contributions Account shall be determined as provided in the following table:

Number of Full Years of Vesting Service	Vested Interest
Under 1	0%
At least 1, less than 2	20%
At least 2, less than 3	40%
At least 3, less than 4	60%
At least 4, less than 5	80%
5 or more	100%

Fractional Years of Service shall not be taken into account.

8.2.2 In addition, a Participant shall be one hundred percent 100% vested in the value of his Matching Contributions Account upon attainment of

Normal Retirement Age while employed by the Employer or an Affiliated Company or upon an earlier Severance due to death or Disability.

8.2.3 Any Matching Contributions that have been designated as "qualified matching contributions" within the meaning of regulations under Section 401(k) of the Code shall be one hundred percent (100%) vested when paid to the Trustee, notwithstanding anything to the contrary in this Plan.

8.2.4 If a Participant who incurs a Severance receives a distribution from an Account at a time when the Participant does not have a one hundred percent (100%) Vested Interest in the value of such Account, and again becomes an Active Participant, upon restoration of the non-vested portion of the Account in accordance with Section 9.5:

8.2.4.1 such non-vested portion shall be established as a separate Account as of the date of distribution, and

8.2.4.2 at any relevant time the Participant's Vested Interest in the value of such separate Account shall be equal to an amount ("X") determined by the formula:

$$X = P(AB + D) - D$$

For purposes of applying the formula above: P is the nonforfeitable percentage at the relevant time, AB is the Account balance at the relevant time, and D is the amount of the prior distribution.

8.2.5 Notwithstanding the provisions of Subsection 8.2.1 above, any Years of Vesting Service completed by a Participant after he incurs at least five (5) consecutive Breaks in Service shall not be taken into account for purposes of determining his Vested Interest in the value of his Matching Contributions Account and Profit Sharing Contributions Account prior to his incurring such five (5) consecutive Breaks in Service.

8.3 AMENDMENT OF VESTING SCHEDULE. If the vesting schedule under the Plan is amended or if the Plan is amended in any way that directly or indirectly affects the computation of a Participant's Vested Interest, each Participant who has completed at least three (3) Years of Service may elect, within a reasonable time after the adoption of the amendment, to continue to have his Vested Interest computed under the Plan without regard to such amendment. The period during which the election may be made shall commence with the date the amendment is adopted and shall end on the latest of: (i) 60 days after the amendment is adopted; (ii) 60 days after the amendment is effective; or (iii) 60 days after the Participant is issued notice of the amendment.

ARTICLE 9

PAYMENT OF PLAN BENEFITS

9.1 DISTRIBUTION UPON RETIREMENT.

9.1.1 Upon a Participant's Severance on or after he attains Normal Retirement Age such Participant shall be entitled to a distribution of his Distributable Benefit as provided in Section 9.5 as soon as administratively feasible following the Valuation Date determined in accordance with Section 10.2. In no event shall distribution be made later than the sixtieth day after the later of the close of the Plan Year in which occurs the Severance, or the close of the Plan Year in which the Participant attains Normal Retirement Age unless the Participant makes an election to defer payment to his "Required Beginning Date" as defined in accordance with 9.1.3 below.

9.1.2 If the Participant continues in the service of the Employer after he attains Normal Retirement Age, he shall continue to participate in the Plan in the same manner as Participants who have not attained Normal Retirement Age.

9.1.3 Notwithstanding the foregoing, effective January 1, 1997, distribution of a Participant's Distributable Benefit shall be made not later than his "Required Beginning Date" as determined in accordance with this Subsection:

9.1.3.1 Except as provided in 9.1.3.2 below, a Participant's "Required Beginning Date" shall mean the April 1 following the calendar year in which the Participant attains age 70 1/2, whether or not such Participant has incurred a Severance or whether or not the Participant consents to the distribution. The Participant's Distributable Benefit determined as of the December 31 of the calendar year in which occurs his Required Beginning Date and the December 31 of each subsequent calendar year shall be distributed no later than the December 31 of the next following calendar year.

9.1.3.2 Except in the case of a Participant who is a "5-percent owner" within the meaning of Section 401(a)(9) of the Code, the "Required Beginning Date" for a Participant who attains age 70 1/2 after January 1, 1997 and remains in service shall mean the April 1 following the later of (i) the calendar year in which the Participant attains age 70-1/2, or (ii) the calendar year in which the Participant incurs a Severance.

9.2 DISTRIBUTION UPON DEATH PRIOR TO PAYMENT OF BENEFITS.

9.2.1 Upon the death of a Participant prior to the payment of his Distributable Benefit, the Retirement Committee shall direct the Trustee to make a distribution of such Distributable Benefit as provided in Section 9.5, to the

Beneficiary designated by the deceased Participant, or otherwise entitled to such Distributable Benefit, as provided in Section 9.9.

9.2.2 Distribution of a Participant's Distributable Benefit shall be made as soon as administratively practicable after the later of (i) the Valuation Date determined in accordance with Section 10.2, or (ii) the date all facts required by the Retirement Committee to be established as a condition of payment shall have been established to the satisfaction of the Retirement Committee, but in any event within five (5) years of the Participant's death.

9.3 DISTRIBUTION UPON DISABILITY.

9.3.1 If a Participant incurs a Disability prior to his Severance, distribution of his Distributable Benefit shall be made as provided in Section 9.5 as soon as administratively practicable after the later of (i) the Valuation Date determined in accordance with Section 10.2, or (ii) the date the Participant's Disability has been determined by the Retirement Committee.

9.3.2 Effective July 1, 1998 if a Participant incurs a Disability prior to his attainment of Normal Retirement Age, the requirements of Section 9.4 relating to consent to a distribution in excess of $5,000 shall be applicable.

9.4 SEVERANCE PRIOR TO NORMAL RETIREMENT AGE.

9.4.1 If a Participant incurs a Severance prior to attainment of Normal Retirement Age for any reason other than death, distribution of his Distributable Benefit before Normal Retirement Age shall be made as provided in Section 9.5 after receipt by the Retirement Committee of all required documentation, as follows:

9.4.1.1 In the case of a Participant whose Distributable Benefit is $5,000 or less, distribution shall be made as soon as administratively practicable following the Valuation Date coinciding with or immediately following such Participant's Severance, whether or not the Participant consents to such distribution. The preceding provisions of this Subsection 9.4.1.1 shall not be interpreted or applied to preclude the administrative practice of effecting distribution as of the last day of a month, quarter or other period not less frequent than annual, of all distributions to be made pursuant to this Subsection 9.4.1.1 with respect to Severances occurring during such period.

9.4.1.2 In the case of a Participant whose Distributable Benefit exceeds $5,000, distribution shall be made as soon as administratively practicable following the Valuation Date coinciding with or next following the later of (A) the Valuation Date determined in accordance with Section 10.2, or (B) the receipt by the Retirement Committee of the consent of the Participant to the distribution in accordance with 9.4.1.4 below.

9.4.1.3 If a Participant described in 9.4.1.2 above fails to consent to distribution of the Participant's Distributable Benefit prior to the first Valuation Date that occurs at least ninety (90) days following the Participant's Severance Date, such a Participant shall be deemed to have made an election to defer distribution to Normal Retirement Age, unless prior to Normal Retirement Age and in accordance with 9.4.1.2 above, the Participant submits a request for an earlier distribution. Notwithstanding the preceding provisions of this Subsection 9.4.1.3, no distribution shall occur on or after Normal Retirement Age unless and until the Participant submits an application, in form and manner satisfactory to the Committee, distribution of the Participant's Distributable Benefit, except in connection with a distribution required by Code Section 401(a)(9) as provided in Section 9.1.3.

9.4.1.4 Any consent by a Participant to receive distribution of the Participant's Distributable Benefit prior to Normal Retirement Age shall not be valid unless such consent is made both (A) after the Participant receives a notice advising him of his right to defer distribution to Normal Retirement Age and (B) within the ninety (90) day period ending on the Participant's "Benefit Starting Date." The notice to the Participant advising him of his right to defer distribution shall be given no less than thirty (30) nor more than ninety (90) days prior to the Participant's Benefit Starting Date; provided, however, that a Participant who receives the notice may waive the thirty (30) day notice period by making an affirmative election to receive or commence payment prior to the expiration of such thirty (30) day period. For purposes of this Paragraph 9.4.1.4, "Benefit Starting Date" shall mean the first day of the first period for which the Participant's Distributable Benefit is paid.

9.4.2 If a Participant who incurs a Severance does not have a 100% Vested Interest in any Account as of such Severance, the portion of such Participant's Account which is not vested as of such Severance shall be held in such Account, subject to forfeiture in accordance with Section 9.5.

9.4.3 To the extent permissible under Section 401(k)(10) of the Code, if a Participant ceases to be an Employee by reason of the sale or other disposition by the Employer or an Affiliated Company of either (i) substantially all of the assets used by the Employer, or an Affiliated Company, as the case may be, in a trade or business to an unrelated corporation, or (ii) the interest of the Employer or an Affiliated Company, as the case may be, in a subsidiary to an unrelated entity or individual, such Participant shall be entitled to distribution of his Distributable Benefit as if, for purposes of this Plan only, such event constitutes a Severance.

9.5 FORFEITURES; RESTORATION.

9.5.1 Subject to the provisions of 9.5.3 below, any non-vested portion of a Participant's Accounts shall be forfeited as of the earlier of the date the Participant's Distributable Benefit is paid to him as provided in Section 9.4, or the date the Participant incurs five (5) consecutive Breaks in Service. For purposes of this Section, if the value of a Participant's Distributable Benefit is zero, the Participant shall be deemed to have received payment of his Distributable Benefit.

9.5.2 Any non-vested portion of a Participant's Accounts which is forfeited in accordance with 9.5.1 above shall be applied as provided in Section 5.7.

9.5.3 In accordance with such rules as the Retirement Committee may prescribe, there shall be restored to the Participant's Account the dollar value of any non-vested portion of such a Participant's Account which was forfeited upon payment of the Participant's Distributable Benefit in accordance with Subsection 9.4.1 prior to the date on which he incurs five (5) consecutive Breaks in Service; provided, however, that such restoration shall be made only in the case of the Participant's reemployment as an Eligible Employee prior to incurring five (5) consecutive Breaks in Service. The determination of the dollar value of the forfeited portion of the Participant's Account required to be restored to the Participant shall be made as of the Valuation Date the Participant's Account was valued for purposes of determining his Distributable Benefit, as provided in Article 10. No adjustment in the dollar value of the forfeited amounts shall be made for any gains or losses of the Trust Fund, between the applicable Valuation Date and the restoration of the dollar value of the forfeited portion of the Participant's Account. Restored amounts shall be paid from the Forfeiture Account, or if forfeitures are not available, the Employer shall make an additional contribution for this purpose.

9.6 FORM OF PAYMENT OF DISTRIBUTABLE BENEFIT. Payment of a Participant's Distributable Benefit under this Article 9 shall be made in a lump sum consisting of whole shares of Stock held in the Participant's Accounts and in cash with respect to the remaining portion of the Participant's Accounts; provided, however, effective for distributions made on or after April 1, 1992, a Participant may elect payment of his Distributable Benefit either (a) in cash, or (b) in whole shares of Stock with the value of fractional shares paid in cash. To the extent that a Participant elects payment of his Distributable Benefit in cash and such payment is attributable to Stock held in the Participant's Accounts, such Stock shall be sold by the Trustee as soon as practicable after communication to the Trustee of the Participant's election to receive cash with respect to such shares, and the amount distributable to the Participant shall be equal to the proceeds of such sale, after deduction of any expenses associated with the sale, if any.

9.7 IN-SERVICE WITHDRAWALS. To the extent permissible under the provisions of this Section, while still an Employee or on an approved Leave of Absence, a Participant may make a withdrawal of his Vested Interest in his Accounts in the Plan.

9.7.1 A Participant may make a withdrawal of his Pre-Tax Contributions from his Rollover Account, from his Vested Interest in his Matching Contributions Account, and from his Vested Interest in his Profit Sharing Contributions Account in accordance with rules of uniform application which the Retirement Committee may from time to time prescribe.

9.7.2 Unless otherwise provided in this Section, no Participant may make a withdrawal prior to a determination by the Retirement Committee that such Participant has a Hardship need in excess of $500, and such withdrawal is necessary on account of such Hardship need as provided in this Section 9.7. Any determination of Hardship shall be in accordance with regulations promulgated under Section 401(k) of the Code, and to the extent determined by the Retirement Committee, may be determined in accordance with either Subsection 9.7.3 or Subsection 9.7.4 below. In no event shall a Participant be permitted to make an in-service withdrawal of any amounts attributable to Matching Contributions that are designated as "qualified matching contributions" or Profit Sharing Contributions that are designated as "nonelective contributions," as defined in regulations issued under Section 401(k) of the Code, except for Hardship reasons.

9.7.3 The existence of a Participant's Hardship and the amount required to meet the need created by the Hardship may be determined by the Retirement Committee on the basis of facts and circumstances, and in accordance with rules of uniform application which the Retirement Committee may from time to time prescribe. A distribution shall not be treated as necessary to satisfy a Hardship need of a Participant to the extent the amount of the distribution is in excess of the amount required to relieve the Hardship need or to the extent that the Hardship need may be satisfied from other resources reasonably available to the Participant. The amount of a Hardship need may include amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution. A distribution generally may be treated as necessary on account of a Hardship need of a Participant if the Retirement Committee reasonably relies on the Participant's written representations to the Retirement Committee, unless the Committee has actual knowledge to the contrary, that the Hardship need cannot be relieved:

9.7.3.1 through reimbursement or compensation by insurance or otherwise,

9.7.3.2 by reasonable liquidation of assets, if such liquidation would not itself cause an immediate and heavy financial need,

9.7.3.3 by the cessation of the Participant's contributions to the Plan, or

9.7.3.4 by other distributions or non-taxable loans from plans of the Employer or any other employer, or by borrowing from commercial sources on reasonable commercial terms.

9.7.4 A Hardship distribution may be considered as necessary to satisfy an immediate and heavy financial need of the Employee only if:

9.7.4.1 The distribution is not in excess of the amount of the Hardship need of the Participant. The amount of the Hardship need may include any amounts necessary to pay federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution.

9.7.4.2 The Employee has obtained all distributions, other than Hardship distributions under all plans maintained by the Employer, and similarly, has obtained all nontaxable (at the time of the loan) loans under all plans maintained by the Employer to the extent that any such loan or the obligation to repay such loan would not increase the amount necessary to relieve the hardship (including, but not limited to the circumstance in which, in connection with a withdrawal to purchase a principal residence, such loan would disqualify the Participant from obtaining other necessary financing in connection therewith).

For purposes of determining a Hardship need, a Participant's resources shall be deemed to include those assets of his Spouse and minor children that are reasonably available to the Participant.

9.7.5 The amount of a Participant's Pre-Tax Contributions Account which is available for a Hardship withdrawal on any date will not exceed the lesser of

9.7.5.1 the value of the Account in the Predecessor Plan on December 31, 1988, plus the dollar amount of Pre-Tax Contributions added to such Account under the Predecessor Plan and this Plan on and after January 1, 1989 minus all amounts withdrawn from the Account under the Predecessor Plan and this Plan since January 1, 1989, or

9.7.5.2 the value of the Account on the date as of which the withdrawal will occur.

9.7.6 A Participant may request a withdrawal by submitting a request for such withdrawal in a form satisfactory to the Retirement Committee, together with any supporting documentation which the Retirement Committee in its sole discretion may require. The maximum amount subject to any withdrawal under this Section shall be determined as of the Valuation Date coinciding with or

immediately preceding the Retirement Committee's determination authorizing the withdrawal. To the extent permitted under this Section, any withdrawal of a Participant's Vested Interest in the value of his Accounts shall be made from such Accounts in the following order of priority: After-Tax Contributions Account, Pre-Tax Contributions Account, Rollover Account, Matching Contributions Account, and Profit Sharing Contributions Account. Any unmatched Pre-Tax Contributions shall be withdrawn before matched Pre-Tax Contributions.

9.7.7 The Retirement Committee shall not limit the number of withdrawals a Participant shall be permitted to make, provided the requirements of this Section are satisfied.

9.7.8 If a Participant makes an in-service withdrawal from an Account at a time when the Participant does not have a one hundred percent (100%) Vested Interest in the value of such Account, and the Participant may increase his Vested Interest in the Account:

9.7.8.1 such Account shall be established as a separate Account as of the date of distribution, and

9.7.8.2 at any relevant time the Participant's Vested Interest in the value of such separate Account shall be equal to an amount ("X") determined by the formula:

$$X = P(AB + D) - D$$

For purposes of applying the formula above: P is the nonforfeitable percentage at the relevant time, AB is the Account balance at the relevant time, and D is the amount of the withdrawal.

9.8 LOANS. From time to time, the Retirement Committee may establish a Participant loan program under the Plan in accordance with the provisions of this Section.

9.8.1 The implementation of a Participant loan program shall be subject to the adoption by the Retirement Committee of written rules and procedures governing the operation of such loan program, to the extent required by regulations issued by the Department of Labor under Section 408(b)(1)(C) of ERISA. The written rules and procedures of the Participant loan program shall form a part of the Plan and shall include, but need not be limited to, the following: (i) the identity of the person or positions authorized to administer the Participant loan program; (ii) a procedure for applying for loans; (iii) the basis on which loans will be approved or denied; (iv) any limitations on the types and amounts of loans offered; (v) the procedure under the loan program for determining a reasonable rate of interest; (vi) the types of collateral which may secure a Participant loan; and (vii) the events constituting default and the steps that will be taken to preserve Plan assets in the event of such default.

9.8.2 In addition to such other requirements as may be imposed by applicable law, any Participant loan shall bear a reasonable rate of interest, shall be adequately secured by proper collateral, and shall be repaid within a specified period of time according to a written repayment schedule that calls for substantially level amortization over the term of the loan.

9.8.3 In no event shall the principal amount of a loan hereunder, at the time the loan is made, together with the outstanding balance of all other loans to the Participant under this Plan, exceed the lesser of:

9.8.3.1 fifty percent (50%) of the value of the Participant's vested interest in his Accounts under this Plan, or

9.8.3.2 fifty thousand dollars ($50,000), reduced by the excess (if any) of

9.8.3.2.1 the highest outstanding balances of loans from the Plan during the one-year period ending on the day before the date on which such loan was made, over

9.8.3.2.2 the outstanding balance of loans from the Plan on the date on which such loan was made.

9.8.4 To the extent required to comply with the requirements of Section 401(a)(4) of the Internal Revenue Code, loans hereunder shall be made in a uniform and non-discriminatory manner.

9.9 DESIGNATION OF BENEFICIARY.

9.9.1 Subject to the provisions of 9.9.2 below, each Participant shall have the right to designate a Beneficiary or Beneficiaries to receive his interest in the Trust Fund in the event of his death before receipt of his entire interest in the Trust Fund. This designation is to be made on the form prescribed by and delivered to the Retirement Committee. Subject to the provisions of 9.9.2 below, a Participant shall have the right to change or revoke any such designation by filing a new designation or notice of revocation with the Retirement Committee, and no notice to any Beneficiary nor consent by any Beneficiary shall be required to effect any such change or revocation.

9.9.2 If a Participant designates a Beneficiary and on the date of his death has a Spouse who is not such Beneficiary, no effect shall be given to such designation unless such Spouse has consented or thereafter consents in writing to such designation, the consent acknowledges the effect of the designation and the consent is witnessed by a notary public. A Spouse's consent to a Beneficiary designation is not required under the following circumstances:

9.9.2.1 if it is established to the satisfaction of the Retirement Committee that there is no Spouse; or

9.9.2.2 if the Participant's Spouse cannot be located; or

9.9.2.3 because of other circumstances under which a Spouse's consent is not required in accordance with applicable Treasury or Department of Labor Regulations.

The Retirement Committee shall have absolute discretion as to whether the consent of a Spouse shall be required. The provisions of this Section shall not be construed to place upon the Company or the Retirement Committee any duty or obligation to require the consent of a Spouse for the purpose of protecting the rights or interests of present or former Spouses of Participants, except to the extent required to comply with Code Section 401(a)(11) or Section 205 of ERISA.

9.9.3 If a deceased Participant shall have failed to designate a Beneficiary, or if the Retirement Committee shall be unable to locate a designated Beneficiary after reasonable efforts have been made, or if for any reason (including but not limited to application of the rules in 9.9.2 above) the designation shall be legally ineffective, or if the Beneficiary shall have predeceased the Participant without effectively designating a successor Beneficiary, any distribution required to be made under the provisions of this Plan shall commence within one (1) year after the Participant's death to the person or persons included in the highest priority category among the following, in order of priority:

9.9.3.1 The Participant's surviving Spouse;

9.9.3.2 The Participant's surviving children, including adopted children and children of deceased children, per stirpes;

9.9.3.3 The Participant's surviving parents in equal shares;

9.9.3.4 The Participant's brothers and sisters, and nephews and nieces who are children of deceased brothers and sisters, per stirpes; or

9.9.3.5 The Participant's estate.

The determination by the Retirement Committee as to which persons, if any, qualify within the foregoing categories shall be final and conclusive upon all persons. Notwithstanding the preceding provisions of this Section, distribution made pursuant to this Section shall be made to the Participant's estate if the Retirement Committee so determines in its discretion.

9.9.4 In the event that the deceased Participant was not a resident of California at the date of his death, the Retirement Committee, in its discretion, may require the establishment of ancillary administration in California. In the

event that a Participant shall predecease his Beneficiary and on the subsequent death of the Beneficiary a remaining distribution is payable under the applicable provisions of this Plan, the distribution shall be payable in the same order of priority categories as set forth above but determined with respect to the Beneficiary, subject to the same provisions concerning non-California residency, the unavailability of an estate representative and/or the absence of administration of the Beneficiary's estate as are applicable on the death of the Participant.

9.9.5 The Retirement Committee shall not be required to authorize any payment to be made to any person following a Participant's death, whether or not such person has been designated by the Participant as a Beneficiary, if the Retirement Committee determines that the Plan may be subject to conflicting claims in respect of said payment for any reason, including, without limitation, the designation or continuation of a designation of a Beneficiary other than the Participant's Spouse without the consent of such Spouse to the extent such consent is required by Section 401(a)(11) of the Code. In the event the Retirement Committee determines in accordance with this Section not to make payment to a designated Beneficiary, the Retirement Committee shall take such steps as it determines appropriate to resolve such potential conflict.

9.10 FACILITY OF PAYMENT. If any payee under the Plan is a minor or if the Retirement Committee reasonably believes that any payee is legally incapable of giving a valid receipt and discharge for any payment due him, the Retirement Committee may have the payment, or any part thereof, made to the person (or persons or institution) whom it reasonably believes is caring for or supporting the payee, unless it has received due notice of claim therefor from a duly appointed guardian or committee of the payee. Any payment shall be a payment from the Accounts of the payee and shall, to the extent thereof, be a complete discharge of any liability under the Plan to the payee.

9.11 PAYEE CONSENT. To the extent required to comply with Code Section 411(a)(11), the Retirement Committee shall require each Participant or other payee to consent to any payment of a Participant's Accounts.

9.12 ADDITIONAL REQUIREMENTS FOR DISTRIBUTION.

9.12.1 The Retirement Committee or Trustee, or both, may require the execution and delivery of such documents, papers and receipts as the Retirement Committee or Trustee may determine necessary or appropriate in order to establish the fact of death of the deceased Participant and of the right and identity of any Beneficiary or other person or persons claiming any benefits under this Article 9.

9.12.2 The Retirement Committee or the Trustee, or both, may, as a condition precedent to the payment of death benefits hereunder, require an inheritance tax release and/or such security as the Retirement Committee or Trustee, or both, may deem appropriate as protection against possible liability for state or federal death taxes attributable to any death benefits.

9.12.3 Notwithstanding any other provision in this Article 9 regarding the time within which a Participant's Distributable Benefit will be paid, if, in the opinion of the Retirement Committee there are or reasonably may be conflicting claims or other legal impediments to the payment of such Distributable Benefit to a payee, such payment may be delayed for so long as is necessary to resolve such conflict, potential conflict, or other legal impediment, but not beyond the date permitted by applicable law.

9.13 NOTICE OF RIGHT TO ELECT DIRECT ROLLOVER.

9.13.1 At least thirty (30) days, but not more than ninety (90) days, before an eligible rollover distribution is made, each Participant shall be given notice of any right he/she may have to elect a direct rollover of his/her eligible rollover distribution in accordance with this Section 9.13; provided, however, that a Participant who receives the notice may waive the thirty (30) day notice requirement by making an affirmative election to make or not to make a direct rollover of all or a portion of his/her distributable benefit.

9.13.2 To the extent required by Section 401(a)(31) of the Code a Participant whose Plan benefit becomes payable in an "eligible rollover distribution," as defined below, shall be entitled to make an election for a direct rollover of all or a portion of the taxable portion of such benefit to an "eligible retirement plan," as defined in below. For purposes of this Section 9.13, a Participant who makes a direct rollover election in accordance with this Section 9.13 shall be deemed to have received payment of his/her benefit as of the date payment is made from the Plan.

9.13.3 For purposes of this Section 9.13,

9.13.3.1 an "eligible rollover distribution" shall mean any distribution of all or any portion of a Participant's Plan benefit, except that an eligible rollover distribution shall not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Participant or the joint lives (or joint life expectancies) of the Participant and the Participant's designated Beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities); and, effective for distributions after December 31, 1998, any hardship distribution described in Code Section 401(k)(2)(B)(i)(IV), and

9.13.3.2 an "eligible retirement plan" shall mean any plan described in Code Section 402(c)(8)(B), the terms of which permit the acceptance of a direct transfer from a qualified plan.

9.13.4 A Participant's direct rollover election under this Section shall be made in accordance with rules and procedures established by the Committee and shall specify the dollar or percentage amount of the direct rollover, the name and address of the eligible retirement plan selected by the Participant and such additional information as the Committee deems necessary or appropriate in order to implement the Participant's election. It shall be the Participant's responsibility to confirm that the eligible retirement plan designated in the direct rollover election will accept the eligible rollover distribution. The Committee shall be entitled to effect the direct rollover based on its reasonable reliance on information provided by the Participant, and shall not be required to independently verify such information, unless it is clearly unreasonable not to do so.

9.13.5 If a Participant whose benefit becomes payable fails to file a direct rollover election with the Committee within sixty (60) days after receipt of the direct rollover notice, or if the Committee is unable to effect the rollover within a reasonable time after the election is filed with the Committee due to the failure of the Participant to take such actions as may be required by the eligible retirement plan before it will accept the rollover, the Participant's benefit shall be paid to him/her in accordance with applicable provisions of this Plan, after withholding any applicable income taxes and no direct rollover shall be made.

9.13.6 To the extent required by Section 401(a)(31) of the Code, if all or a portion of a Participant's benefit is payable to his/her surviving Spouse in an eligible rollover distribution, or to a former Spouse in accordance with a "qualified domestic relations order," such surviving Spouse or former Spouse shall be entitled to elect a direct rollover of all or a portion of such distribution to an individual retirement account or an individual retirement annuity in accordance with the provisions of this Section.

ARTICLE 10

VALUATION OF ACCOUNTS

10.1 ALLOCATION OF PLAN EARNINGS OR LOSSES. As of each Valuation Date, the Retirement Committee will determine the net investment gain or loss, after adjustment for applicable expenses, if any, of each Investment Fund since the immediately preceding Valuation Date.

10.2 VALUE OF PARTICIPANT ACCOUNTS FOR DISTRIBUTION. For purposes of payment of a Participant's Distributable Benefit following a Severance for any reason, the value of a Participant's Accounts shall be determined in accordance with Section 10.1 and rules prescribed by the Retirement Committee, subject, however, to the following provisions:

10.2.1 Subject to 10.2.2 below, in the case of any Severance including death, the value of a Participant's Accounts under the Plan shall be

determined by reference to the Valuation Date immediately following both (i) the occurrence of an event entitling the Participant to a distribution, and (ii) the receipt by the Retirement Committee of the properly completed application of the Participant (or his Beneficiary) for payment of the Participant's Distributable Benefit with respect to such event.

10.2.2 The value of a Participant's Accounts shall be increased or decreased (as appropriate) by any contributions, withdrawals or distributions properly allocable under the terms of this Plan to his Accounts that occurred on or after the applicable Valuation Date or which, for any other reason were not otherwise reflected in the valuation of his Accounts on such Valuation Date.

ARTICLE 11

OPERATION AND ADMINISTRATION OF THE PLAN

11.1 PLAN ADMINISTRATION.

11.1.1 Authority to control and manage the operation and administration of the Plan shall be vested in the Western Digital Corporation Retirement Plan Committee (herein referred to as the "Retirement Committee") as provided in this Article 11.

11.1.2 The Retirement Committee shall have at least three members, all of whom shall be appointed by the Board of Directors and shall hold office until resignation, death or removal by the Board of Directors.

11.1.3 For purposes of ERISA Section 402(a), the members of the Retirement Committee shall be the Named Fiduciaries of this Plan.

11.1.4 Notwithstanding the foregoing, a Trustee with whom Plan assets have been placed in trust or an Investment Manager appointed pursuant to Section 11.3 may be granted exclusive authority and discretion to manage and control all or any portion of the assets of the Plan in accordance with the terms of a Trust Agreement or investment management agreement, as applicable.

11.2 RETIREMENT COMMITTEE POWERS. The Retirement Committee shall have all powers necessary to supervise the administration of the Plan and control its operations. In addition to any powers and authority conferred on the Retirement Committee elsewhere in the Plan or by law, the Retirement Committee shall have, by way of illustration but not by way of limitation, the following powers and authority:

11.2.1 To allocate fiduciary responsibilities (other than trustee responsibilities) among the Named Fiduciaries and to designate one or more other persons to carry out fiduciary responsibilities (other than trustee responsibilities). However, no allocation or delegation under this Section 11.2 shall be effective until the person or persons to whom the responsibilities have been allocated or delegated agree to assume the responsibilities. The term

"trustee responsibilities" as used herein shall have the meaning set forth in Section 405(c) of ERISA.

11.2.2 To designate agents to carry out responsibilities relating to the Plan, other than fiduciary responsibilities.

11.2.3 To employ such legal, actuarial, medical, accounting, clerical and other assistance as it may deem appropriate in carrying out the provisions of this Plan, including one or more persons to render advice with regard to any responsibility any Named Fiduciary or any other fiduciary may have under the Plan.

11.2.4 To establish rules and regulations from time to time for the conduct of the Retirement Committee's business and the administration and effectuation of this Plan.

11.2.5 To administer, interpret, construe and apply this Plan and to decide all questions which may arise or which may be raised under this Plan by any Employee, Participant, former Participant, Beneficiary or other person whatsoever, including but not limited to all questions relating to eligibility to participate in the Plan, the amount of service of any Participant, and the amount of benefits to which any Participant or his Beneficiary may be entitled.

11.2.6 To determine the manner in which the assets of this Plan, or any part thereof, shall be disbursed.

11.2.7 To the extent provided in Section 7.1, to direct the investment of any portion of the Trust Fund that is not under the management and control of the Trustee or an Investment Manager.

11.2.8 To perform or cause to be performed such further acts as it may deem to be necessary, appropriate or convenient in the efficient administration of the Plan.

Any action taken in good faith by the Retirement Committee in the exercise of authority conferred upon it by this Plan shall be conclusive and binding upon the Participants and their Beneficiaries. All discretionary powers conferred upon the Retirement Committee shall be absolute. However, all discretionary powers shall be exercised in a uniform and nondiscriminatory manner.

11.3 INVESTMENT MANAGER.

11.3.1 The Retirement Committee, by action reflected in the minutes thereof, may appoint one or more Investment Managers, as defined in Section 3(38) of ERISA, to manage all or a portion of the assets of the Plan.

11.3.2 An Investment Manager shall discharge its duties in accordance with applicable law and in particular in accordance with Section 404(a)(l) of ERISA.

11.3.3 An Investment Manager, when appointed, shall have full power to manage the assets of the Plan for which it has responsibility, and neither the Company, an Employer nor the Retirement Committee shall thereafter have any responsibility for the management of those assets.

11.4 RETIREMENT COMMITTEE PROCEDURE.

11.4.1 A majority of the members of the Retirement Committee as constituted at any time shall constitute a quorum, and any action by a majority of the members present at any meeting, or authorized by a majority of the members in writing without a meeting, shall constitute the action of the Retirement Committee.

11.4.2 The Retirement Committee may designate certain of its members as authorized to execute any document or documents on behalf of the Retirement Committee, in which event the Retirement Committee shall notify the Trustee of this action and the name or names of the designated members. The Trustee, Company, an Employer, Participants, Beneficiaries, and any other party dealing with the Retirement Committee may accept and rely upon any document executed by the designated members as representing action by the Retirement Committee until the Retirement Committee shall file with the Trustee a written revocation of the authorization of the designated members.

11.5 COMPENSATION OF RETIREMENT COMMITTEE.

11.5.1 Members of the Retirement Committee shall serve without compensation unless the Board of Directors shall otherwise determine. However, in no event shall any member of the Retirement Committee who is an Employee receive compensation from the Plan for his services as a member of the Retirement Committee.

11.5.2 All members shall be reimbursed by the Company for any necessary or appropriate expenditures incurred in the discharge of duties as members of the Retirement Committee.

11.5.3 The compensation or fees, as the case may be, of all officers, agents, counsel, the Trustee, or other persons retained or employed by the Retirement Committee shall be fixed by the Retirement Committee.

11.6 RESIGNATION AND REMOVAL OF MEMBERS. Any member of the Retirement Committee may resign at any time by giving written notice to the other members and to the Company effective as therein stated. Any member of the Retirement Committee may, at any time, be removed by the Board of Directors. If a member of the Retirement

Committee who is an Employee incurs a Severance, such person shall no longer be a member of the Retirement Committee.

11.7 APPOINTMENT OF SUCCESSORS.

11.7.1 Upon the death, resignation, or removal of any Retirement Committee member, or other termination of a member's status as a member of the Retirement Committee, the Board of Directors may appoint a successor.

11.7.2 Notice of appointment of a successor member shall be given by the Board of Directors in writing to the Trustee and to the members of the Retirement Committee.

11.7.3 Upon termination, for any reason, of an Retirement Committee member's status as a member of the Retirement Committee, the member's status as a Named Fiduciary shall concurrently be terminated, and upon the appointment of a successor Retirement Committee member the successor shall assume the status of a Named Fiduciary as provided in Section 11.1.

11.8 RECORDS.

11.8.1 The Retirement Committee shall keep a record of all its proceedings and shall keep, or cause to be kept, all such books, accounts, records or other data as may be necessary or advisable in its judgment for the administration of the Plan and to properly reflect the affairs thereof.

11.8.2 However, nothing in this Section 11.8 shall require the Retirement Committee or any member thereof to perform any act which, pursuant to law or the provisions of this Plan, is the responsibility of the Plan Administrator, nor shall this Section 11.8 relieve the Plan Administrator from such responsibility.

11.9 RELIANCE UPON DOCUMENTS AND OPINIONS.

11.9.1 The members of the Retirement Committee, the Board of Directors, the Company, the Employer and any person delegated under the provisions hereof to carry out any fiduciary responsibilities under the Plan ("delegated fiduciary"), shall be entitled to rely upon any tables, valuations, computations, estimates, certificates and reports furnished by any consultant, or firm or corporation which employs one or more consultants, upon any opinions furnished by legal counsel, and upon any reports furnished by the Trustee. The members of the Retirement Committee, the Board of Directors, the Company, the Employer and any delegated fiduciary shall be fully protected and shall not be liable in any manner whatsoever for anything done or action taken or suffered in reliance upon any such consultant or firm or corporation which employs one or more consultants, Trustee, or counsel.

11.9.2 Any and all such things done or actions taken or suffered by the Retirement Committee, the Board of Directors, the Company, the Employer and any delegated fiduciary shall be conclusive and binding on all Employees, Participants, Beneficiaries, and any other persons whomsoever, except as otherwise provided by law.

11.9.3 The Retirement Committee and any delegated fiduciary may, but are not required to, rely upon all records of the Company with respect to any matter or thing whatsoever, and may likewise treat those records as conclusive with respect to all Employees, Participants, Beneficiaries, and any other persons whomsoever, except as otherwise provided by law.

11.10 REQUIREMENT OF PROOF. The Retirement Committee or the Company may require satisfactory proof of any matter under this Plan from or with respect to any Employee, Participant, or Beneficiary, and no person shall acquire any rights or be entitled to receive any benefits under this Plan until the required proof shall be furnished.

11.11 RELIANCE ON RETIREMENT COMMITTEE MEMORANDUM. Any person dealing with the Retirement Committee may rely on and shall be fully protected in relying on a certificate or memorandum in writing signed by any Retirement Committee member or other person so authorized, or by the majority of the members of the Retirement Committee, as constituted as of the date of the certificate or memorandum, as evidence of any action taken or resolution adopted by the Retirement Committee.

11.12 MULTIPLE FIDUCIARY CAPACITY. Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan.

11.13 LIMITATION ON LIABILITY. Except as provided in Part 4 of Title I of ERISA, no person shall be subject to any liability with respect to his duties under the Plan unless he acts fraudulently or in bad faith.

11.13.2 No person shall be liable for any breach of fiduciary responsibility resulting from the act or omission of any other fiduciary or any person to whom fiduciary responsibilities have been allocated or delegated, except as provided in Part 4 of Title I of ERISA.

11.13.3 No action or responsibility shall be deemed to be a fiduciary action or responsibility except to the extent required by ERISA.

11.14 INDEMNIFICATION. To the extent permitted by law, the Company shall indemnify each member of the Board of Directors and the Retirement Committee, and any other Employee of the Company with duties under the Plan, against expenses (including any amount paid in settlement) reasonably incurred by him in connection with any claims against him by reason of his conduct in the performance of his duties under the Plan, except in relation to matters as to which he acted fraudulently or in bad faith in the performance of such duties. The preceding right of indemnification shall pass to the estate of such a person.

11.14.2 The preceding right of indemnification shall be in addition to any other right to which the Board member or Retirement Committee member or other person may be entitled as a matter of law or otherwise.

11.15 BONDING. Except as is prescribed by the Board of Directors, as provided in Section 412 of ERISA, or as may be required under any other applicable law, no bond or other security shall be required by any member of the Retirement Committee, or any other fiduciary under this Plan.

11.15.2 Notwithstanding the foregoing, for purposes of satisfying its indemnity obligations under Section 11.14, the Company may (but need not) purchase and pay premiums for one or more policies of insurance. However, this insurance shall not release the Company of its liability under the indemnification provisions.

11.16 PROHIBITION AGAINST CERTAIN ACTIONS. To the extent prohibited by law, in administering this Plan the Retirement Committee shall not discriminate in favor of any class of Employees and particularly it shall not discriminate in favor of Highly Compensated Employees.

11.16.2 The Retirement Committee shall not cause the Plan to engage in any transaction that constitutes a nonexempt prohibited transaction under Section 4975(c) of the Code or Section 406(a) of ERISA.

11.16.3 All individuals who are fiduciaries with respect to the Plan (as defined in Section 3(21) of ERISA) shall discharge their fiduciary duties in accordance with applicable law, and in particular, in accordance with the standards of conduct contained in Section 404 of ERISA.

11.17 PLAN EXPENSES. All expenses incurred in the establishment, administration and operation of the Plan, including but not limited to the expenses incurred by the members of the Retirement Committee in exercising their duties, shall be paid by the Company if not paid by the Trust Fund.

ARTICLE 12

MERGER OF COMPANY; MERGER OF PLAN

12.1 EFFECT OF REORGANIZATION OR TRANSFER OF ASSETS. In the event of a consolidation, merger, sale, liquidation, or other transfer of the operating assets of the Company to any other company, the ultimate successor or successors to the business of the Company shall automatically be deemed to have elected to continue this Plan in full force and effect, in the same manner as if the Plan had been adopted by resolution of its board of directors, unless the successor(s), by resolution of its board of directors, shall elect not to so continue this Plan in effect, in which case the Plan shall automatically be deemed terminated as of the applicable effective date set forth in the board resolution.

12.2 MERGER RESTRICTION. Notwithstanding any other provision in this Article, this Plan shall not in whole or in part merge or consolidate with, or transfer its assets or liabilities to any other plan unless each affected Participant in this Plan would receive a benefit immediately after the merger, consolidation, or transfer (if the Plan then terminated) which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had then terminated).

ARTICLE 13

PLAN TERMINATION AND DISCONTINUANCE OF CONTRIBUTIONS

13.1 PLAN TERMINATION. Subject to the following provisions of this Section 13.1, the Board of Directors may terminate the Plan and the Trust Agreements at any time by an instrument in writing executed in the name of the Retirement Committee, and delivered to the Trustee.

13.1.2 The Plan and Trust Agreements may terminate if the Company merges into any other corporation, if as the result of the merger the entity of the Company ceases, and the Plan is terminated pursuant to the rules of Section 12.1.

13.1.3 Upon and after the effective date of the termination, an Employer shall not make any further contributions under the Plan and no contributions need be made by the Employer applicable to the Plan Year in which the termination occurs, except as may otherwise be required by applicable law.

13.1.4 The rights of all affected Participants to benefits accrued to the date of termination of the Plan, to the extent funded as of the date of termination, shall automatically become fully vested as of that date, to the extent required to comply with the requirements of Code Section 411.

13.2 DISCONTINUANCE OF CONTRIBUTIONS.

13.2.1 In the event an Employer decides it is impossible or inadvisable for business reasons to continue to make Profit Sharing Contributions under the Plan, the Employer may discontinue contributions to the Plan. Upon and after the effective date of this discontinuance, the Employer shall not make any further Profit Sharing Contributions under the Plan and no Profit Sharing Contributions need be made by the Employer with respect to the Plan Year in which the discontinuance occurs, except as may otherwise be required by applicable law.

13.2.2 The discontinuance of Profit Sharing Contributions on the part of an Employer shall not terminate the Plan as to the funds and assets then held by the Trustee, or operate to accelerate any payments of distributions to or for the benefit of Participants or Beneficiaries, and the Trustee shall continue to

administer the Trust Fund in accordance with the provisions of the Plan until all of the obligations under the Plan shall have been discharged and satisfied.

13.2.3 However, if this discontinuance of Profit Sharing Contributions shall cause the Plan to lose its status as a qualified plan under Code Section 401(a), the Plan shall be terminated in accordance with the provisions of this Article 13.

13.2.4 On and after the effective date of a complete discontinuance of an Employer's contributions, the rights of all affected Participants to benefits accrued to that date, to the extent funded as of that date, shall automatically become fully vested as of that date, to the extent required by Code Section 411.

13.3 RIGHTS OF PARTICIPANTS. In the event of the termination of the Plan, for any cause whatsoever, all assets of the Plan, after payment of expenses, shall be used for the exclusive benefit of Participants and their Beneficiaries and no part thereof shall be returned to the Company, except as provided in Section 5.12 of this Plan.

13.4 TRUSTEE'S DUTIES ON TERMINATION.

13.4.1 Upon the termination of the Plan, the Trustee shall proceed as soon as administratively practicable, but in any event within six months from the effective date, to reduce all of the assets of the Trust Fund to cash and/or common stock and other securities in such proportions as the Retirement Committee shall determine (after approval by the Internal Revenue Service, if necessary or desirable, with respect to any portion of the assets of the Trust Fund held in common stock or securities of the Company).

13.4.2 After first deducting the estimated expenses for liquidation and distribution chargeable to the Trust Fund, and after setting aside a reasonable reserve for expenses and liabilities (absolute or contingent) of the Trust, the Retirement Committee shall make required allocations of items of income and expense to the Accounts.

13.4.3 Following these allocations, the Trustee shall promptly, after receipt of appropriate instructions from the Retirement Committee, distribute in accordance with Section 9.5 to each former Participant a benefit equal to the amount credited to his Accounts as of the date of completion of the liquidation.

13.4.4 The Trustee and the Retirement Committee shall continue to function as such for such period of time as may be necessary for the winding up of this Plan and for the making of distributions in accordance with the provisions of this Plan.

13.4.5 Notwithstanding the foregoing, distributions to Participants upon Plan termination in accordance with this Section 13.4 shall not be made if the Employer establishes or maintains a "successor plan" as defined in regulations issued under Section 401(k)(10) of the Code. In the event benefits

are not distributable upon the termination of the Plan, the Retirement Committee shall direct the Trustee to transfer such benefits to the successor plan in accordance with regulations prescribed by the Secretary of the Treasury.

13.5 PARTIAL TERMINATION.

13.5.1 In the event of a partial termination of the Plan within the meaning of Code Section 411(d)(3), the interests of affected Participants in the Trust Fund, as of the date of the partial termination, shall become nonforfeitable as of that date.

13.5.2 That portion of the assets of the Plan affected by the partial termination shall be used exclusively for the benefit of the affected Participants and their Beneficiaries, and no part thereof shall otherwise be applied.

13.5.3 With respect to Plan assets and Participants affected by a partial termination, the Retirement Committee and the Trustee shall follow the same procedures and take the same actions prescribed in this Article 13 in the case of a total termination of the Plan.

13.6 FAILURE TO CONTRIBUTE. The failure of an Employer to contribute to the Trust in any year, if contributions are not required under the Plan for that year, shall not constitute a complete discontinuance of contributions to the Plan.

ARTICLE 14

APPLICATION FOR BENEFITS

14.1 APPLICATION FOR BENEFITS. The Retirement Committee may require any person claiming benefits under the Plan to submit an application therefor, together with such documents and information as the Retirement Committee may require. In the case of any person suffering from a disability which prevents the claimant from making personal application for benefits, the Retirement Committee may, in its discretion, permit another person acting on his behalf to submit the application.

14.2 ACTION ON APPLICATION.

14.2.1 Within ninety days following receipt of an application and all necessary documents and information, the Retirement Committee's authorized delegate reviewing the claim (the "Claims Administrator") shall furnish the claimant with written notice of the decision rendered with respect to the application.

14.2.2 In the case of a denial of the claimant's application, the written notice shall set forth:

14.2.2.1 The specific reasons for the denial, with reference to the Plan provisions upon which the denial is based;

14.2.2.2 A description of any additional information or material necessary for perfection of the application (together with an explanation why the material or information is necessary); and

14.2.2.3 An explanation of the Plan's claim review procedure.

14.2.3 A claimant who wishes to contest the denial of his application for benefits by the Claims Administrator or to contest the amount of benefits payable to him shall follow the procedures for an appeal of benefits as set forth in Section 14.3 below, and shall exhaust such administrative procedures prior to seeking any other form of relief.

14.3 APPEALS.

14.3.1 A claimant who does not agree with the decision rendered by the Claims Administrator with respect to his application may appeal the decision to the Retirement Committee.

14.3.2 The appeal shall be made, in writing, within sixty-five days after the date of notice of the decision with respect to the application.

14.3.3 If the application has neither been approved nor denied within the ninety-day period provided in Section 14.2 above, then the appeal shall be made within sixty-five days after the expiration of the ninety-day period.

14.3.4 The claimant may request that his application be given full and fair review by the Retirement Committee. The claimant may review all pertinent documents and submit issues and comments in writing in connection with the appeal.

14.3.5 The decision of the Retirement Committee shall be made promptly, and not later than sixty days after the Retirement Committee's receipt of a request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one hundred twenty days after receipt of a request for review.

14.3.6 The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant with specific reference to the pertinent Plan provisions upon which the decision is based.

ARTICLE 15

LIMITATIONS ON CONTRIBUTIONS

15.1 GENERAL RULE. This Subsection 15.1 shall be effective for Plan Years commencing on or after July 1, 1995. Notwithstanding anything to the contrary contained in this Plan the total Annual Additions under this Plan to a Participant's Plan Accounts for any Plan Year shall not exceed the lesser of:

15.1.1.1 Thirty-Five Thousand Dollars ($35,000); or

15.1.1.2 Twenty-five percent of the Participant's total Compensation from the Employer and any Affiliated Companies for the year, excluding amounts otherwise treated as Annual Additions under Section 15.2.1.

15.1.2 For purposes of this Article 15, the Employer has elected a "Limitation Year" corresponding to the Plan Year.

15.2 ANNUAL ADDITIONS. For purposes of Section 15.1, the term "Annual Additions" shall mean, for any Plan Year, the sum of (i) the amount credited to the Participant's Accounts from Profit Sharing Contributions for such Plan Year; (ii) any Employee contributions for the Plan Year; and (iii) any amounts described in Sections 415(l)(1) or 419(A)(d)(2) of the Code. The term "Employee Contributions," for purposes of the preceding sentence, shall mean amounts considered contributed by the Employee and which do not qualify for tax deferral treatment under Section 401(k) of the Code.

15.2.2 Notwithstanding anything to the contrary in this Section, the Annual Addition for any Limitation Year beginning before January 1, 1987 shall not be recomputed to treat all Employee contributions as Annual Additions.

15.3 OTHER DEFINED CONTRIBUTION PLANS. If the Employer or an Affiliated Company is contributing to any other defined contribution plan (as defined in Section 415(i) of the Code) for its Employees, some or all of whom may be Participants in this Plan, then contributions to the other plan shall be aggregated with contributions under this Plan for the purposes of applying the limitations of Section 15.1.

15.4 COMBINED PLAN LIMITATION (DEFINED BENEFIT PLAN) FOR PLAN YEARS COMMENCING PRIOR TO JULY 1, 2000. In the event a Participant hereunder also is a participant in any qualified defined benefit plan (within the meaning of Section 414(j) of the Code) of the Employer or an Affiliated Company, then for Plan Years commencing prior to July 1, 2000, the benefit payable under such defined benefit plan, or any of them, shall be reduced for so long and to the extent necessary to provide that the sum of the "defined benefit fraction" and the "defined contribution fraction" for any Plan Year, as defined below, shall not exceed 1.

15.4.1 "Defined Benefit Fraction" shall be a fraction, the numerator of which is the projected benefit of a Participant under all qualified defined benefit plans adopted by the Employer or an Affiliated Company expressed as either an annual straight life annuity or a qualified joint and survivor annuity providing the maximum permissible survivor benefit (determined as of the close of the Plan Year), and the denominator of which is the lesser of (i) the maximum dollar amount otherwise allowable for such Plan Year under applicable law times 1.25 or (ii) the percentage of compensation limit for such Plan Year times 1.4.

15.4.2 "Defined Contribution Fraction" shall be a fraction, the numerator of which is the sum of the annual addition of the Participant's account under this Plan and any other defined contribution plans adopted by the Employer or an Affiliated Company for each Plan Year, and the denominator of which is the lesser for each such Plan Year of (i) maximum Annual Addition which could have been made under this Plan and any other defined contribution plans adopted by the Employer or an Affiliated Company for such Plan Year and for each prior Plan Year of service with the Employer or an Affiliated Company times 1.25 or (ii) the amount determined under the percentage of compensation limit for such Plan Year times 1.4.

15.5 ADJUSTMENTS FOR EXCESS ANNUAL ADDITIONS. In general, Annual Additions for any Plan Year under this Plan and any other defined contribution plan (as defined in Code Section 414(i)) or defined benefit plan (as defined in Code Section 414(j)) maintained by the Employer or an Affiliated Company will be determined so as to avoid Annual Additions in excess of the limitations set forth in Sections 15.1 through 15.4. However, if as a result of a reasonable error in estimating the amount of the Annual Additions to a Participant's Accounts under this Plan, such Annual Additions (after giving effect to the maximum permissible adjustments under the other plans) exceed the applicable limitations described in Sections 15.1 through 15.4, such excess Annual Additions shall be corrected as follows:

15.5.1 If the Participant made any voluntary after-tax contributions to this or any other defined contribution plan that is maintained by the Employer or an Affiliated Company, which after-tax contributions were not matched by matching contributions, within the meaning of Code Section 401(m), such after-tax contributions shall be returned to the Participant to the extent of any excess Annual Additions.

15.5.2 If excess Annual Additions remain after the application of the above rule, if the Participant made any Pre-Tax Contributions to this or any other defined contribution plan that is maintained by the Employer or an Affiliated Company, which Pre-Tax Contributions were not matched by matching contributions, within the meaning of Code Section 401(m), such Pre-Tax Contributions shall be returned to the Participant to the extent of any excess Annual Additions.

15.5.3 If excess Annual Additions remain after the application of the above rule, if the Participant made any after-tax contributions to this or any other defined contribution plan that is maintained by the Employer or an Affiliated Company, which after-tax contributions were matched by matching contributions, within the meaning of Code Section 401(m), any such after-tax contributions shall be returned to the Participant and any matching contributions attributable thereto shall be reduced to the extent necessary to eliminate any remaining excess Annual Additions.

15.5.4 If excess Annual Additions remain after the application of the above rule, if the Participant made any Pre-Tax Contributions to this or any other defined contribution plan that is maintained by the Employer or an Affiliated Company, which Pre-Tax Contributions were matched by matching contributions, within the meaning of Code Section 401(m), any such Pre-Tax Contributions shall be returned to the Participant and any matching contributions attributable thereto shall be reduced to the extent necessary to eliminate any remaining excess Annual Additions.

15.5.5 If excess Annual Additions remain after the application of the above rule, any other Profit Sharing Contributions shall be reduced to the extent necessary to eliminate any remaining excess Annual Additions.

15.6 DISPOSITION OF EXCESS PROFIT SHARING CONTRIBUTION AMOUNTS. Any excess Annual Additions attributable to Profit Sharing Contributions on behalf of a Participant for any Plan Year, other than Pre-Tax Contributions returned to the Participant in accordance with Section 15.5, shall be held unallocated in a suspense account for the Plan Year and applied to reduce the Profit Sharing Contributions for the succeeding Plan Year, or Years, if necessary. No investment gains or losses shall be allocated to a suspense account established for this purpose.

15.7 AFFILIATED COMPANY. For purposes of this Article 15, the status of an entity as an Affiliated Company shall be determined by reference to the percentage tests set forth in Code Section 415(h).

ARTICLE 16

RESTRICTION ON ALIENATION

16.1 GENERAL RESTRICTIONS AGAINST ALIENATION.

16.1.1 The interest of any Participant or Beneficiary in the income, benefits, payments, claims or rights hereunder, or in the Trust Fund shall not in any event be subject to sale, assignment, hypothecation, or transfer. Each Participant and Beneficiary is prohibited from anticipating, encumbering, assigning, or in any manner alienating his or her interest under the Trust Fund, and is without power to do so, except as may otherwise be provided for in the Trust Agreement. The interest of any Participant or Beneficiary shall not be liable

or subject to his debts, liabilities, or obligations, now contracted, or which may be subsequently contracted. The interest of any Participant or Beneficiary shall be free from all claims, liabilities, bankruptcy proceedings, or other legal process now or hereafter incurred or arising; and the interest or any part thereof, shall not be subject to any judgment rendered against the Participant or Beneficiary.

16.1.2 In the event any person attempts to take any action contrary to this Article 16, that action shall be void and the Company, the Employer, the Retirement Committee, the Trustees and all Participants and their Beneficiaries, may disregard that action and are not in any manner bound thereby, and they, and each of them separately, shall suffer no liability for any disregard of that action, and shall be reimbursed on demand out of the Trust Fund for the amount of any loss, cost or expense incurred as a result of disregarding or of acting in disregard of that action.

16.1.3 The preceding provisions of this Section 16.1 shall be interpreted and applied by the Retirement Committee in accordance with the requirements of Code Section 401(a)(13) as construed and interpreted by authoritative judicial and administrative rulings and regulations.

16.2 NONCONFORMING DISTRIBUTIONS UNDER COURT ORDER.

16.2.1 In the event that a court with jurisdiction over the Plan and the Trust Fund shall issue an order or render a judgment requiring that all or part of a Participant's interest under the Plan and in the Trust Fund be paid to a spouse, former spouse and/or children of the Participant by reason of or in connection with the marital dissolution and/or marital separation of the Participant and the spouse, and/or some other similar proceeding involving marital rights and property interests, then notwithstanding the provisions of Section 16.1 the Retirement Committee may, in its absolute discretion, direct the applicable Trustee to comply with that court order or judgment and distribute assets of the Trust Fund in accordance therewith.

16.2.2 The Retirement Committee's decision with respect to compliance with any such court order or judgment shall be made in its absolute discretion and shall be binding upon the Trustee and all Participants and their Beneficiaries, provided, however, that the Retirement Committee in the exercise of its discretion shall not make payments in accordance with the terms of an order which is not a qualified domestic relations order or which the Retirement Committee determines would jeopardize the continued qualification of the Plan and Trust under Section 401 of the Code. Nothing in this Plan shall prevent the Retirement Committee from honoring a domestic relations order as a qualified domestic relations order solely because it requires payment to an alternate payee prior to the date the Participant attains age fifty (50).

16.2.3 Neither the Plan, the Company, an Employer, the Retirement Committee nor the Trustee shall be liable in any manner to any person, including

any Participant or Beneficiary, for complying with any such court order or judgment.

16.2.4 Nothing in this Section 16.2 shall be interpreted as placing upon the Company, an Employer, the Retirement Committee or any Trustee any duty or obligation to comply with any such court order or judgment. The Retirement Committee may, if in its absolute discretion it deems it to be in the best interests of the Plan and the Participants, determine that any such court order or judgment shall be resisted by means of judicial appeal or other available judicial remedy, and in that event the Trustee shall act in accordance with the Retirement Committee's directions.

16.2.5 The Retirement Committee shall adopt procedures and provide notifications to a Participant and alternate payees in connection with a qualified domestic relations order, to the extent required under Code Section 414(p).

ARTICLE 17

PLAN AMENDMENTS

17.1 AMENDMENTS. The Company, acting through its Board of Directors may at any time, and from time to time, amend the Plan by an instrument in writing executed in the name of the Company and delivered to the applicable Trustee. Notwithstanding the foregoing, no amendment shall be made at any time, the effect of which would be:

17.1.1 To cause any assets of the Trust Fund to be used for or diverted to purposes other than providing benefits to the Participants and their Beneficiaries, and defraying reasonable expenses of administering the Plan, except as provided in Section 5.12.;

17.1.2 To have any retroactive effect so as to deprive any Participant or Beneficiary of any accrued benefit to which he would be entitled under this Plan if his employment were terminated immediately before the amendment, to the extent so doing would contravene Code Section 411(d)(6);

17.1.3 To eliminate or reduce a subsidy or early retirement benefit or an optional form of benefit to the extent so doing would contravene Code Section 411(d)(6); or

17.1.4 To increase the responsibilities or liabilities of a Trustee or an Investment Manager without his written consent.

ARTICLE 18

MISCELLANEOUS

18.1 NO ENLARGEMENT OF EMPLOYEE RIGHTS.

18.1.1 This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company or any Employer and any Employee, or to be consideration for, or an inducement to, or a condition of, the employment of any Employee.

18.1.2 Nothing contained in this Plan or the Trust shall be deemed to give any Employee the right to be retained in the employ of the Company or an Employer or to interfere with the right of the Company or an Employer to discharge or retire any Employee at any time.

18.1.3 No Employee, nor any other person, shall have any right to or interest in any portion of the Trust Fund other than as specifically provided in this Plan.

18.2 MAILING OF PAYMENTS; LAPSED BENEFITS.

18.2.1 All payments under the Plan shall be delivered in person or mailed to the last address of the Participant (or, in the case of the death of the Participant, to the last address of any other person entitled to such payments under the terms of the Plan) furnished pursuant to Section 18.3 below.

18.2.2 In the event that a benefit is payable under this Plan to a Participant or any other person and after reasonable efforts such person cannot be located for the purpose of paying the benefit for a period of three (3) consecutive years, the benefit shall be forfeited and as soon thereafter as practicable shall be applied to reduce contributions by the Employer who was the Employer of the Participant as of the Participant's Severance Date. In the event any person entitled to payment of a benefit that has been forfeited in accordance with this Section 18.2 submits a claim for such benefit, payment shall be made to such person out of current forfeitures, or if necessary, such Employer shall make an additional contribution for purposes of paying such benefit.

18.2.3 For purposes of this Section 18.2, the term "Beneficiary" shall include any person entitled under Section 9.9 to receive the interest of a deceased Participant or deceased designated Beneficiary. It is the intention of this provision that the benefit will be distributed to an eligible Beneficiary in a lower priority category under Section 9.9 if no eligible Beneficiary in a higher priority category can be located by the Retirement Committee after reasonable efforts have been made.

18.2.4 The Accounts of a Participant shall continue to be maintained until the amounts in the Accounts are paid to the Participant or his

Beneficiary. Notwithstanding the foregoing, in the event that the Plan is terminated, the following rules shall apply:

18.2.4.1 All Participants (including Participants who have not previously claimed their benefits under the Plan) shall be notified of their right to receive a distribution of their interests in the Plan;

18.2.4.2 All Participants shall be given a reasonable length of time, which shall be specified in the notice, in which to claim their benefits;

18.2.4.3 All Participants (and their Beneficiaries) who do not claim their benefits within the designated time period shall be presumed to be dead. The Accounts of such Participants shall be forfeited at such time. These forfeitures shall be disposed of according to rules prescribed by the Retirement Committee, which rules shall be consistent with applicable law.

18.2.4.4 The Retirement Committee shall prescribe such rules as it may deem necessary or appropriate with respect to the notice and forfeiture rules stated above.

18.2.5 Should it be determined that the preceding rules relating to forfeiture of benefits upon Plan termination are inconsistent with any of the provisions of the Code and/or ERISA, these provisions shall become inoperative without the need for a Plan amendment and the Retirement Committee shall prescribe rules that are consistent with the applicable provisions of the Code and/or ERISA.

18.3 ADDRESSES. Each Participant shall be responsible for furnishing the Retirement Committee with his correct current address and the correct current name and address of his Beneficiary or Beneficiaries.

18.4 NOTICES AND COMMUNICATIONS.

18.4.1 To the extent determined by the Retirement Committee or as required by applicable law, all applications, notices, designations, elections, and other communications from Participants shall be in writing, on forms prescribed by the Retirement Committee and shall be mailed or delivered to the office designated by the Retirement Committee, and shall be deemed to have been given when received by that office.

18.4.2 To the extent determined by the Retirement Committee or as required by applicable law, each notice, report, remittance, statement and other communication directed to a Participant or Beneficiary shall be in writing and may be delivered in person or by mail. An item shall be deemed to have been delivered and received by the Participant when it is deposited in the United

States Mail with postage prepaid, addressed to the Participant or Beneficiary at his last address of record with the Retirement Committee.

18.4.3 Notwithstanding the foregoing, to the extent permitted by applicable law, and not inconsistent with the terms of the Plan, the Retirement Committee may make a telephonic communication or other electronic filing method available to Participants for certain elections, designations, investment designations or applications for benefits under this Plan, and for certain notices, statements or other communications to Participants.

18.5 REPORTING AND DISCLOSURE. The Plan Administrator shall be responsible for the reporting and disclosure of information required to be reported or disclosed by the Plan Administrator pursuant to ERISA or any other applicable law.

18.6 INTERPRETATION.

18.6.1 Article and Section headings are for convenient reference only and shall not be deemed to be part of the substance of this instrument or in any way to enlarge or limit the contents of any Article or Section. Unless the context clearly indicates otherwise, masculine gender shall include the feminine, and the singular shall include the plural and the plural the singular.

18.6.2 The provisions of this Plan shall in all cases be interpreted in a manner that is consistent with this Plan satisfying the requirements (of Code Sections 401(a) and 401(k) and related statutes) for qualification as a qualified cash or deferred arrangement.

18.7 WITHHOLDING FOR TAXES. Any payments out of the Trust Fund may be subject to withholding for taxes as may be required by any applicable federal or state law.

18.8 LIMITATION ON COMPANY AND EMPLOYER; RETIREMENT COMMITTEE AND TRUSTEE LIABILITY. Any benefits payable under this Plan shall be paid or provided for solely from the Trust Fund and neither the Company, the Employer, the Retirement Committee nor the Trustee assume any responsibility for the sufficiency of the assets of the Trust to provide the benefits payable hereunder.

18.9 SUCCESSORS AND ASSIGNS. This Plan and the Trust established hereunder shall inure to the benefit of, and be binding upon, the parties hereto and their successors and assigns.

18.10 COUNTERPARTS. This Plan document may be executed in any number of identical counterparts, each of which shall be deemed a complete original in itself and may be introduced in evidence or used for any other purpose without the production of any other counterparts.

ARTICLE 19

TOP-HEAVY PLAN RULES

19.1 APPLICABILITY.

19.1.1 Notwithstanding any provision in this Plan to the contrary, the provisions of this Article 19 shall apply in the case of any Plan Year in which the Plan is determined to be a Top-Heavy Plan under the rules of Section 19.3.

19.1.2 Except as is expressly provided to the contrary, the rules of this Article 19 shall be applied after the application of the Affiliated Company rules of Code Section 414.

19.2 DEFINITIONS.

19.2.1 For purposes of this Article 19, the term "Key Employee" shall mean any Employee or former Employee who, at any time during the Plan Year or any of the four (4) preceding Plan Years, is or was --

19.2.1.1 An officer of the Employer having an annual compensation greater than fifty percent (50%) of the amount in effect under Code Section 415(b)(1)(A) for this Plan Year. However, no more than fifty (50) Employees (or, if lesser, the greater of three (3) or ten percent (10%) of the Employees) shall be treated as officers;

19.2.1.2 One of the ten (10) employees having annual compensation from the Employer of more than the limitation in effect under Code Section 415(c)(1)(A) and owning (or considered as owning within the meaning of Code Section 318) the largest interests in the Employer. For this purpose, if two (2) Employees have the same interest in the Employer, the employee having greater annual compensation from the Employer shall be treated as having a larger interest;

19.2.1.3 A Five Percent Owner of the Employer; or

19.2.1.4 A One Percent Owner of the Employer having an annual compensation from the Employer of more than one hundred fifty thousand dollars ($150,000).

19.2.2 For purposes of this Section 19.2, the term "Five Percent Owner" means any person who owns (or is considered as owning within the meaning of Code Section 318) more than five percent (5%) of the outstanding stock of the Employer or stock possessing more than five percent (5%) of the total combined voting power of all stock of the Employer. The rules of Subsections (b), (c), and (m) of Code Section 414 shall not apply for purposes of applying these ownership rules. Thus, this ownership test shall be applied separately with respect to every Affiliated Company.

19.2.3 For purposes of this Section 19.2, the term "One Percent Owner" means any person who would be described in Subsection 19.2.2 if "one percent (1%)" were substituted for "five percent (5%)" each place where it appears therein.

19.2.4 For purposes of this Section 19.2, the rules of Code Section 318(a)(2)(C) shall be applied by substituting "five percent (5%)" for "fifty percent (50%)."

19.2.5 For purposes of this Article 19, the term "Non-Key Employee" shall mean any Employee who is not a Key Employee.

19.2.6 For purposes of this Article 19, the terms "Key Employee" and "Non-Key Employee" include their Beneficiaries.

19.3 TOP-HEAVY STATUS.

19.3.1 The term "Top-Heavy Plan" means, with respect to any Plan Year --

19.3.1.1 Any defined benefit plan if, as of the Determination Date, the present value of the cumulative accrued benefits under the Plan for Key Employees exceeds sixty percent (60%) of the present value of the cumulative accrued benefits under the plan for all Employees, and

19.3.1.2 Any defined contribution plan if, as of the Determination Date, the aggregate of the account balances of Key Employees under the Plan exceeds sixty percent (60%) of the present value of the aggregate of the account balances of all Employees under the plan.

For purposes of this Subsection 19.3.1, the term "Determination Date" means, with respect to any Plan Year, the last day of the preceding Plan Year. In the case of the first Plan Year of any plan, the term "Determination Date" shall mean the last day of that Plan Year.

The present value of account balances under a defined contribution plan shall be determined as of the most recent valuation date. The present value of accrued benefits under a defined benefit plan shall be determined as of the same valuation date as used for computing plan costs for minimum funding. The present value of the cumulative accrued benefits of a Non-Key Employee shall be determined under either:

19.3.1.3 the method, if any, that uniformly applies for accrual purposes under all plans maintained by affiliated companies, within the meaning of Code Sections 414(b), (c), (m) or (o); or

19.3.1.4 if there is no such method, as if such benefit accrued not more rapidly than the lowest accrual rate permitted under the fractional accrual rate of Section 411(b)(1)(C) of the Code.

19.3.2 Each plan maintained by the Employer required to be included in an Aggregation Group shall be treated as a Top-Heavy Plan if the Aggregation Group is a Top-Heavy Group. If the Aggregation Group is not a Top-Heavy Group no plan in such group shall be a Top-Heavy Plan.

19.3.2.1 The term "Aggregation Group" means --

19.3.2.1.1 Each Plan of the Employer in which a Key Employee is a Participant, and

19.3.2.1.2 Each other plan of the Employer which enables any plan described in Subparagraph 19.3.2.1.1 to meet the requirements of Code Sections 401(a)(4) or 410.

Also, any plan not required to be included in an Aggregation Group under the preceding rules may be treated as being part of such group if the group would continue to meet the requirements of Code Sections 401(a)(4) and 410 with the plan being taken into account.

19.3.2.2 The term "Top-Heavy Group" means any Aggregation Group if the sum (as of the Determination Date) of --

19.3.2.2.1 The present value of the cumulative accrued benefits for Key Employees under all defined benefit plans included in the group, and

19.3.2.2.2 The aggregate of the account balances of Key Employees under all defined contribution plans included in the group exceeds sixty percent (60%) of a similar sum determined for all Employees.

19.3.2.3 For purposes of determining --

19.3.2.3.1 The present value of the cumulative accrued benefit of any Employee, or

19.3.2.3.2 The amount of the account balance of any Employee,

such present value or amount shall be increased by the aggregate distributions made with respect to the Employee under the plan during the five (5) year period ending on the Determination Date. The preceding rule shall also apply to distributions under a terminated plan which, if it had not been terminated, would have been required to be included in an Aggregation Group. Also, any rollover

contribution or similar transfer initiated by the Employee and made after December 31, 1983 to a plan shall not be taken into account with respect to the transferee plan for purposes of determining whether such plan is a Top-Heavy Plan (or whether any Aggregation Group which includes such plan is a Top-Heavy Group).

19.3.3 If any individual is a Non-Key Employee with respect to any plan for any Plan Year, but the individual was a Key Employee with respect to the plan for any prior Plan Year, any accrued benefit for the individual (and the account balance of the individual) shall not be taken into account for purposes of this Section 19.3.

19.3.4 If any individual has not performed any services for the Employer at any time during the five (5) year period ending on the Determination Date, any accrued benefit for such individual (and the account balance of the individual) shall not be taken into account for purposes of this Section 19.3.

19.4 MINIMUM CONTRIBUTIONS. For each Plan Year in which the Plan is Top-Heavy, the minimum contributions for that year shall be determined in accordance with the rules of this Section 19.4.

19.4.1 Except as provided below, the minimum contribution (excluding amounts deferred under a cash or deferred arrangement under Section 401(k) of the Code and any Profit Sharing Contributions taken into account under Section 401(k)(3) or 401(m)(3) of the Code) for each Non-Key Employee who has not separated from service as of the last day of the Plan Year shall be not less than three percent (3%) of his Compensation, regardless of whether the Non-Key Employee has less than 1,000 Hours of Service during such Plan Year or elected to make Pre-Tax Contributions to the Plan for such year.

19.4.2 This determination shall be made by dividing the contributions for each Key Employee by so much of his total compensation for the year as does not exceed one hundred and fifty thousand dollars ($150,000), as adjusted in accordance with Code Section 401(a)(17).

19.4.3 The requirements of this Section 19.4 must be satisfied without taking into account contributions under chapter 2 or 21 of the Code, title II of the Social Security Act, or any other Federal or State law.

19.4.4 In the event a Participant is covered by both a defined contribution and a defined benefit plan maintained by the Employer, both of which are determined to be Top Heavy Plans, the defined benefit minimum, offset by the benefits provided under the defined contribution plan, shall be provided under the defined benefit plan.

19.4.5 In no instance may the Plan take into account an Employee's compensation in excess of the first two hundred thousand dollars ($200,000) (or

such greater amount as may be permitted pursuant to Section 401(a)(17) of the Code). For purposes of this Section 19.4, an Employee's Compensation shall be as defined in Section 2.8 for purposes of Article 14.

19.5 MAXIMUM ANNUAL ADDITION.

19.5.1 Except as set forth below, in the case of any Top-Heavy Plan the rules of Code Section 415(e)(2)(B) and (3)(B) shall be applied by substituting "1.0" for "1.25."

19.5.2 The rule set forth in Subsection 19.5.1 above shall not apply if the requirements of both Paragraphs 19.5.2.1 and 19.5.2.2, below, are satisfied.

19.5.2.1 The requirements of this Paragraph 19.5.2.1 are satisfied if the rules of Subsection 19.5.1 above would be satisfied after substituting "four percent (4%)" for "three percent (3%)" where it appears therein with respect to participants covered only under a defined contribution plan.

19.5.2.2 The requirements of this Paragraph 19.5.2.2 are satisfied if the Plan would not be a Top-Heavy Plan if "ninety percent (90%)" were substituted for "sixty percent (60%)" each place it appears in Section 19.3.1.

19.5.3 The rules of Subsection 19.5.1 shall not apply with respect to any Employee as long as there are no --

19.5.3.1 Profit Sharing Contributions, forfeitures, or voluntary nondeductible contributions allocated to the Employee under a defined contribution plan maintained by the Employer, or

19.5.3.2 Accruals by the Employee under a defined benefit plan maintained by the Employer.

19.6 VESTING RULES. In the event that the Plan is determined to be Top-Heavy in accordance with the rules of this Article 19, then the vesting schedule of the Plan shall be changed to that set forth below (unless the Plan's vesting schedule provides for vesting at a rate at least as rapid as that set forth below):

Years of Service	Vested Interest
2	20%
3	40%
4	60%
5	80%
6 or more	100%

If the Plan ceases to be a Top-Heavy Plan for any Plan Year, the election in Section 8.3 shall apply.

19.7 NON-ELIGIBLE EMPLOYEES. The rules of this Article 19 shall not apply to any Employee included in a unit of employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and one or more employers if there is evidence that retirement benefits were the subject of good faith bargaining between such employee representatives and the employer or employers.

IN WITNESS WHEREOF, in order to record the adoption of this amendment and restatement of the Plan, WESTERN DIGITAL CORPORATION has caused this instrument to be executed by its duly authorized officer this day of , 2001.

WESTERN DIGITAL CORPORATION

By: ----------

Name: ----------

Title: ----------

WESTERN DIGITAL CORPORATION
SAVINGS AND PROFIT SHARING PLAN

EXHIBIT A

Summary of Service and Compensation Rules
For Adopting Employer and Acquired Companies

PARTICIPATING EMPLOYERS:

Adaptive Data Systems, Inc.

With respect to employees of Adaptive Data Systems, Inc.:

(a) Hours of Service for calculating Years of Eligibility Service include all hours of employment with Adaptive Data Systems, Inc. even if such hours precede August 20, 1986.

(b) Hours of Service for calculating Years of Vesting Service include all hours of employment with Adaptive Data Systems, Inc. even if such hours precede August 20, 1986.

(c) Each Eligible Employee of Adaptive Data Systems, Inc. will become a Participant on the later of the date he is hired at Adaptive Data Systems, Inc. or August 20, 1986.

(d) Each employee of Adaptive Data Systems, Inc. who becomes a Participant on August 20, 1986 will first be eligible to make Pretax Deferrals on the later of:

(i) the first day of the month that coincides with or immediately follows the date he completes one Year of Eligibility Service; or

(ii) August 20, 1986.

(e) Compensation will be limited to Compensation paid to an individual while he is a Participant.

Faraday Electronics, Inc.

With respect to employees of Faraday Electronics, Inc.:

(a) Hours of Service for calculating Years of Eligibility Service include all hours of employment with Faraday Electronics, Inc. even if such hours precede July 1, 1987.

(b) Hours of Service for calculating Years of Vesting Service include all hours of employment with Faraday Electronics, Inc. even if such hours precede July 1, 1987.

(c) Each Eligible Employee of Faraday Electronics, Inc. will become a Participant on the later of the date he is hired at Faraday Electronics, Inc. or July 1, 1987.

(d) Each employee of Faraday Electronics, Inc. who becomes a Participant on July 1, 1987 will first be eligible to make Pretax Deferrals on the later of:

(i) the first day of the month that coincides with or immediately follows the date he completes one Year of Eligibility Service; or

(ii) July 1, 1987.

(e) Compensation will be limited to Compensation paid to an individual while he is a Participant.

Paradise Systems, Inc.

With respect to employees of Paradise Systems, Inc.:

(a) Hours of Service for calculating Years of Eligibility Service include all hours of employment with Paradise Systems, Inc. even if such hours precede December 1, 1986.

(b) Hours of Service for calculating Years of Vesting Service include all hours of employment with Paradise Systems, Inc. even if such hours precede December 1, 1986.

(c) Each Eligible Employee of Paradise Systems, Inc. will become a Participant on the later of the date he is hired at Paradise Systems, Inc. or December 1, 1986.

(d) Each employee of Paradise Systems, Inc. who becomes a Participant on December 1, 1986 will first be eligible to make Pretax Deferrals on the later of:

(i) the first day of the month that coincides with or immediately follows the date he completes one Year of Eligibility Service; or

(ii) December 1, 1986.

(e) Compensation will be limited to Compensation paid to an individual while he is a Participant.

Verticom, Inc.

With respect to employees of Verticom, Inc.:

(a) Hours of Service for calculating Years of Eligibility Service and months of employment include all hours of employment with Verticom, Inc. even if such hours precede September 1, 1988.

(b) Hours of Service for calculating Years of Vesting Service include all hours of employment with Verticom, Inc. even if such hours precede September 1, 1988.

(c) Each Eligible Employee of Verticom, Inc., will become a Participant on the later of the date he is hired at Verticom, Inc. or September 1, 1988.

(d) Each employee of Verticom, Inc. who becomes a Participant on September 1, 1988 will first be eligible to make Pretax Deferrals on the later of:

(i) the date he meets the requirements of Section 2.01(c) of the Predecessor Plan; or

(ii) September 1, 1988.

(e) Notwithstanding (c) above, an Eligible Employee who was a participant in the salary deferral plan sponsored by Verticom, Inc. on August 31, 1988 and who was making salary deferrals under the terms of such plan on August 31, 1988 will be eligible to make Pretax Deferrals under this Plan pursuant to Section 3.01 of the Predecessor Plan, effective September 1, 1988. Such Eligible Employee shall also be entitled to Employer Matching Contributions as provided in Section 4.03 of the Predecessor Plan.

If such an Eligible Employee suspends Pretax Deferrals under this Plan before the date he is eligible to make Pretax Deferrals pursuant to (d) above, he may not resume Pretax Deferrals until the date he meets the requirements of (d).

(f) Compensation will be limited to Compensation paid to an individual while he is a Participant.

ACQUIRED COMPANIES:

Atasi

With respect to employees who were employees of Atasi on May 26, 1988 and who became employees of an Employer on May 27, 1988:

(a) Hours of Service for calculating Years of Eligibility Service and months of employment include all hours of employment with Atasi even if such hours were completed before May 27, 1988.

(b) Hours of Service for calculating Years of Vesting Service include all hours of employment with Atasi even if such hours precede May 27, 1988.

(c) Each such employee will become a Participant on May 27, 1988.

(d) Each such employee will first be eligible to make Pretax Deferrals on the later of:

(i) the date he meets the requirements of Section 2.01(c) of the Predecessor Plan; or

(ii) May 27, 1988.

(e) Compensation will be limited to Compensation paid to an individual while he is a Participant.

Tandon Corporation

With respect to employees who were employees of Tandon Corporation on February 29, 1988 and who became employed by Western Digital Media division and Western Digital Drive Engineering division on March 1, 1988:

(a) Hours of Service for calculating Years of Eligibility Service and months of employment include all hours of employment with Tandon Corporation even if such hours were completed before March 1, 1988.

(b) Hours of Service for calculating Years of Vesting Service include all hours of employment with Tandon Corporation even if such hours precede March 1, 1988.

(c) Each such employee will become a Participant on the later of the date he is hired at Tandon Corporation or March 1, 1988.

(d) Each such employee will first be eligible to make Pretax Deferrals on the later of:

(i) the date he meets the requirements of Section 2.01(c) of the Predecessor Plan; or

(ii) March 1, 1988.

(e) Compensation will be limited to Compensation paid to an individual while he is a Participant.

ViaNetix, Inc.

With respect to employees who were employed with ViaNetix, Inc.:

(a) Hours of Service for calculating Years of Eligibility Service include all hours of employment with ViaNetix, Inc. even if such hours were completed before December 9, 1986.

(b) Hours of Service for calculating Years of Vesting Service include all hours of employment with ViaNetix, Inc. even if such hours precede December 9, 1986.

(c) Each such employee will become a Participant on December 9, 1986.

(d) Each such employee will first be eligible to make Pretax Deferrals on the later of:

(i) the first day of the month that coincides with or immediately follows the date he completes one Year of Eligibility Service; or

(ii) December 9, 1986.

(e) Compensation will be limited to Compensation paid to an individual while he is a Participant.

WESTERN DIGITAL CORPORATION
SAVINGS AND PROFIT SHARING PLAN

EXHIBIT B

Summary of Vesting and Distribution Rules
For Sale of Assets or Sale of Subsidiary

Sale of Assets to Standard Microsystems Corporation

With respect to Participants who become employees of Standard Microsystems Corporation by reason of the sale of all or substantially all of Western Digital Corporation assets used in the portion of the Western Digital Corporation business relating to local area network products, effective on or about October 1, 1991 (the "Closing Date"), and who continue employment with Standard Microsystems Corporation after the Closing Date:

(a) Each such Participant shall have a one hundred percent (100%) Vested Interest in his Accounts as of the Closing Date; and

(b) Each such Participant shall be treated for purposes of the distribution provisions of the Plan as if he incurred a Severance as of the Closing Date; provided, however, distribution of such a Participant's Accounts shall not be earlier than December 31, 1991.

SIXTH AMENDMENT TO CREDIT AGREEMENT

THIS SIXTH AMENDMENT TO CREDIT AGREEMENT ("Amendment") is entered into as of January 11, 2002, by and among WESTERN DIGITAL TECHNOLOGIES, INC., a Delaware corporation formerly known as Western Digital Corporation ("Borrower"), the other credit parties party hereto (each individually a "Credit Party" and collectively, the "Credit Parties"), the lenders signatory hereto (each individually a "Lender" and collectively the "Lenders"), GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as administrative agent for Lenders (in such capacity, "Agent"), and BANK OF AMERICA, N.A., as documentation agent for Lenders ("Documentation Agent"; Agent and Documentation Agent are collectively referred to as "Co-Agents" and each, a "Co-Agent").

RECITALS

A. Borrower, the other Credit Parties party thereto, Lenders, and Co-Agents have entered into the Credit Agreement dated as of September 20, 2000, as amended by the First Amendment to Credit Agreement dated as of March 8, 2001, the Second Amendment to Credit Agreement dated as of March 23, 2001, the Third Amendment to Credit Agreement dated as of April 7, 2001, the Fourth Amendment to Credit Agreement dated as of September 26, 2001, and the Fifth Amendment to the Credit Agreement dated as of December 21, 2001 (collectively, "Credit Agreement"), pursuant to which Co-Agents and Lenders are providing financial accommodations to or for the benefit of Borrower upon the terms and conditions contained therein. Unless otherwise defined herein, capitalized terms or matters of construction defined or established in Annex A to the Credit Agreement shall be applied herein as defined or established therein.

B. Borrower has requested in the letter attached hereto as Appendix A that Co-Agents and Requisite Lenders amend the Credit Agreement, and Co-Agents and Lenders are willing to do so subject to the terms and conditions of this Amendment.

AGREEMENT

NOW, THEREFORE, in consideration of the continued performance by Borrower and each other Credit Party of their respective promises and obligations under the Credit Agreement and the other Loan Documents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower, the other Credit Parties signatory hereto, Lenders, and Co-Agents hereby agree as follows:

1. Ratification and Incorporation of Credit Agreement. Except as expressly modified under this Amendment, (a) each Credit Party hereby acknowledges, confirms, and ratifies all of the terms and conditions set forth in, and all of its obligations under, the Credit Agreement, and (b) all of the terms and conditions set forth in the Credit Agreement are incorporated herein by this reference as if set forth in full herein.

2. Amendment to Credit Agreement.

(a) The following definition is hereby added to Annex A to the Credit Agreement in appropriate alphabetical order:

> "Sixth Amendment" means the Sixth Amendment to Credit Agreement dated as of January 11, 2002.

(b) The definition of "L/C Sublimit" in Annex B to the Credit Agreement is hereby amended by deleting the reference to "Twenty-Five Million Dollars ($25,000,000)" in such definition and replacing it with the words "Thirty-Five Million Dollars ($35,000,000)".

3. Conditions to Effectiveness. The effectiveness of this Amendment is subject to satisfaction of each of the following conditions:

(a) receipt by Co-Agents of (i) this Amendment and (ii) the letter agreement of even date herewith, each of which shall have been duly executed by Borrower, each of the other Credit Parties, Co-Agents and Requisite Lenders;

(b) payment of a $25,000 amendment fee by Borrower to Agent, for the ratable benefit of Lenders; and

(c) the absence of any Defaults or Events of Default as of the date hereof.

4. Entire Agreement. This Amendment, together with the Credit Agreement, the other Loan Documents and the letter agreement of even date herewith among Borrower, each of the other Credit Parties, Co-Agents and Requisite Lenders, is the entire agreement between the parties hereto with respect to the subject matter hereof. This Amendment supersedes all prior and contemporaneous oral and written agreements and discussions with respect to the subject matter hereof.

5. Representations and Warranties. Borrower and each other Credit Party hereby represents and warrants that the representations and warranties contained in the Credit Agreement were true and correct in all material respects when made and, except to the extent that (a) a particular representation or warranty by its terms expressly applies only to an earlier date or (b) Borrower or any other Credit Party, as applicable, has previously advised Co-Agents in writing as contemplated under the Credit Agreement, are true and correct in all material respects as of the date hereof.

6. Reaffirmation by Guarantors. Each Credit Party that is also a Guarantor, by its execution of this Amendment, consents to the terms hereof and ratifies and reaffirms all of the provisions of the Guaranties.

7. Miscellaneous.

(a) Counterparts. This Amendment may be executed in identical counterpart copies, each of which shall be an original, but all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart thereof.

(b) Headings. Section headings used herein are for convenience of reference only, are not part of this Amendment, and are not to be taken into consideration in interpreting this Amendment.

(c) Recitals. The recitals set forth at the beginning of this Amendment are true and correct, and such recitals are incorporated into and are a part of this Amendment.

(d) Effect. Upon the effectiveness of this Amendment, from and after the date hereof, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," or words of like import shall mean and be a reference to the Credit Agreement as amended hereby and each reference in the other Loan Documents to the Credit Agreement, "thereunder," "thereof," or words of like import shall mean and be a reference to the Credit Agreement as amended hereby.

(e) No Novation. Except as expressly provided in Section 2 of this Amendment, the execution, delivery, and effectiveness of this Amendment shall not (i) limit, impair, constitute a waiver of, or otherwise affect any right, power, or remedy of any Co-Agent or any Lender under the Credit Agreement or any other Loan Document, (ii) constitute a waiver of any provision in the Credit Agreement or in any of the other Loan Documents, or (iii) alter, modify, amend, or in any way affect any of the terms, conditions, obligations, covenants, or agreements contained in the Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect.

(f) Conflict of Terms. In the event of any inconsistency between the provisions of this Amendment and any provision of the Credit Agreement, the terms and provisions of this Amendment shall govern and control.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Sixth Amendment to Credit Agreement has been duly executed as of the date first written above.

GENERAL ELECTRIC CAPITAL CORPORATION,
as Administrative Agent, a Co-Agent and a Lender

By: ----------
Robert S. Yasuda
Duly Authorized Signatory

BANK OF AMERICA, N.A.,
as Documentation Agent, a Co-Agent and a Lender

By: ----------
Name: ----------
Title: ----------

THE CIT GROUP/BUSINESS CREDIT, INC.,
as a Lender

By: ----------
Name: ----------
Title: ----------

WESTERN DIGITAL TECHNOLOGIES, INC.,
a Delaware corporation formerly known as Western Digital Corporation

By: ----------
Name: ----------
Title: ----------

WESTERN DIGITAL (U.K.), LTD.,
a corporation organized under the laws of the United Kingdom

By: ----------
Name: ----------
Title: ----------

WESTERN DIGITAL (I.S.) LIMITED,
a corporation organized under the laws of Ireland

By: ----------
Name: ----------
Title: ----------

APPENDIX A

(REQUEST LETTER FROM BORROWER)

SEE ATTACHED.