



**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

- (Mark One)
- Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended December 27, 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)

20511 Lake Forest Drive  
Lake Forest, California  
(Address of principal executive offices)

33-0956711  
(I.R.S. Employer  
Identification No.)

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  No

As of the close of business on January 24, 2003, 195,197,794 shares of common stock, par value \$.01 per share, were outstanding.

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Western Digital Corporation (the “Company” or “Western Digital”) 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. Unless otherwise indicated, references herein to specific years and quarters are to the Company’s fiscal years and fiscal quarters, and references to financial information are on a consolidated basis.

The information in the Company’s website referenced herein is not incorporated by reference in this Quarterly Report on Form 10-Q.

## PART I. FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

**WESTERN DIGITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(in thousands, except per share amounts; unaudited)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	DEC. 27, 2002	DEC. 28, 2001	DEC. 27, 2002	DEC. 28, 2001
Revenue, net	\$ 749,490	\$ 574,670	\$ 1,332,399	\$ 1,015,613
Cost of revenue	605,409	504,112	1,104,675	889,048
Gross margin	144,081	70,558	227,724	126,565
Operating expenses:				
Research and development	34,410	29,212	66,324	58,057
Selling, general and administrative	33,628	28,494	60,072	55,862
Total operating expenses	68,038	57,706	126,396	113,919
Operating income	76,043	12,852	101,328	12,646
Net interest and other (expense) income	(780)	2,593	(2,049)	2,242
Income from continuing operations before income taxes	75,263	15,445	99,279	14,888
Income tax provision	(2,223)	—	(4,024)	—
Income from continuing operations	73,040	15,445	95,255	14,888
Discontinued operations	1,320	(2,851)	1,320	18,224
Net income	\$ 74,360	\$ 12,594	\$ 96,575	\$ 33,112
Basic income (loss) per common share:				
Income from continuing operations	\$ .38	\$ .08	\$ .49	\$ .08
Discontinued operations	.00	(.01)	.01	.10
	\$ .38	\$ .07	\$ .50	\$ .18
Diluted income (loss) per common share:				
Income from continuing operations	\$ .36	\$ .08	\$ .47	\$ .08
Discontinued operations	.00	(.01)	.01	.09
	\$ .36	\$ .07	\$ .48	\$ .17
Weighted average shares outstanding:				
Basic	193,725	187,691	193,095	187,163
Diluted	204,123	191,624	200,473	189,381

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

**WESTERN DIGITAL CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(in thousands, except par values; unaudited)**

	DEC. 27, 2002	JUN. 28, 2002
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 326,944	\$ 223,728
Accounts receivable, net	246,304	218,832
Inventories	105,792	73,395
Other	14,139	11,554
Total current assets	693,179	527,509
Property and equipment, net	113,369	107,520
Other, net	863	1,651
Total assets	\$ 807,411	\$ 636,680
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 352,249	\$ 302,998
Accrued expenses	142,048	103,474
Convertible debentures	73,556	86,204
Total current liabilities	567,853	492,676
Other	29,588	41,142
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.01 par value; shares authorized: 5,000; shares outstanding: none	—	—
Common stock, \$.01 par value; shares authorized: 450,000; shares outstanding: 195,505 and 195,438, respectively	1,955	1,954
Additional paid-in capital	640,130	710,945
Accumulated deficit	(419,717)	(516,292)
Accumulated other comprehensive income	1,850	2,559
Treasury stock, at cost: 522 and 3,295 shares, respectively	(14,248)	(96,304)
Total shareholders' equity	209,970	102,862
Total liabilities and shareholders' equity	\$ 807,411	\$ 636,680

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)

	SIX MONTHS ENDED	
	DEC. 27, 2002	DEC. 28, 2001
<b>Cash flows from operating activities:</b>		
Net income	\$ 96,575	\$ 33,112
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Discontinued operations	(1,320)	(18,224)
Depreciation and amortization	23,436	22,609
Non-cash interest expense	2,246	3,173
Other non-cash items, net	—	(1,479)
Changes in:		
Accounts receivable	(27,472)	(95,091)
Inventories	(32,397)	(17,536)
Other assets	(3,725)	5,664
Accounts payable	49,251	97,786
Accrued expenses	29,624	(7,976)
Other	1,254	(1,505)
Net cash provided by continuing operations	<u>137,472</u>	<u>20,533</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures, net	(27,787)	(26,038)
Proceeds from recovery of Komag note receivable	—	9,000
Net cash used for investing activities of continuing operations	<u>(27,787)</u>	<u>(17,038)</u>
<b>Cash flows from financing activities:</b>		
Issuance of common stock under employee plans	10,035	2,636
Debenture extinguishments	(14,345)	(6,263)
Proceeds from minority investment in subsidiary	—	450
Net cash used for financing activities of continuing operations	<u>(4,310)</u>	<u>(3,177)</u>
Net cash (used for) provided by discontinued operations	<u>(2,159)</u>	<u>25,417</u>
Net increase in cash and cash equivalents	103,216	25,735
Cash and cash equivalents, beginning of period	223,728	167,582
Cash and cash equivalents, end of period	<u>\$326,944</u>	<u>\$193,317</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for income taxes	\$ 1,688	\$ 1,015
<b>Supplemental disclosures of non-cash investing and financing activities:</b>		
Common stock issued for extinguishment of convertible debentures	\$ 234	\$ 6,592

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 the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K as of and for the year ended June 28, 2002. In the opinion of management, all adjustments necessary to fairly state the unaudited 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 unaudited 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 28, 2002. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

Certain prior period amounts have been reclassified to conform to the current period presentation as a result of the adoption of Statement of Financial Accounting Standards ("SFAS") No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145") and the termination of certain of the Company's new business ventures.

## 2. Supplemental Financial Statement Data (in thousands)

	DEC. 27, 2002	JUN. 28, 2002
Inventories:		
Finished goods	\$ 73,441	\$54,483
Work in process	18,517	9,523
Production materials	13,834	9,389
	<u>\$105,792</u>	<u>\$73,395</u>

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	DEC. 27, 2002	DEC. 28, 2001	DEC. 27, 2002	DEC. 28, 2001
Net Interest and Other (Expense) Income:				
Interest income	\$ 922	\$ 959	\$ 1,717	\$ 2,288
Interest and other expense	(1,702)	(2,222)	(3,766)	(4,252)
Gains on investments, net	—	3,479	—	3,479
Minority interest in losses of consolidated subsidiary	—	377	—	727
	<u>\$ (780)</u>	<u>\$ 2,593</u>	<u>\$(2,049)</u>	<u>\$ 2,242</u>

The Company records a provision for estimated warranty costs as products are sold to cover the cost of repair or replacement of the hard drive during the warranty period. This provision is based on estimated future returns within the warranty period and costs to repair, using historical field return rates by product type and current average repair costs. Changes in the warranty provision for the six months ended December 27, 2002 were as follows (in thousands):

Balance at June 28, 2002	\$ 47,412
Costs incurred	(26,850)
Current period accruals	30,742
Balance at December 27, 2002	<u>\$ 51,304</u>



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## 3. Income per Share

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	DEC. 27, 2002	DEC. 28, 2001	DEC. 27, 2002	DEC. 28, 2001
Income from continuing operations	\$ 73,040	\$ 15,445	\$ 95,255	\$ 14,888
Weighted average shares outstanding:				
Basic	193,725	187,691	193,095	187,163
Employee stock options and other	10,398	3,933	7,378	2,218
Diluted	204,123	191,624	200,473	189,381
Income per share from continuing operations:				
Basic	\$ .38	\$ .08	\$ .49	\$ .08
Diluted	\$ .36	\$ .08	\$ .47	\$ .08

For purposes of computing diluted income per share, antidilutive common share equivalents have been excluded from the calculation. These include employee stock options with an exercise price which exceeded the average fair market value of the common stock for the period and common shares issuable upon conversion of the 5.25% zero coupon convertible subordinated debentures due February 18, 2018 (the "Debentures"). These antidilutive common share equivalents totaled 24.2 million and 28.9 million shares for the three months ended December 27, 2002 and December 28, 2001, respectively, and 27.1 million and 30.7 million shares for the six months ended December 27, 2002 and December 28, 2001, respectively.

## 4. Common Stock Transactions

During the six months ended December 27, 2002, the Company issued approximately 841,000 shares of its common stock in connection with Employee Stock Purchase Plan ("ESPP") purchases and approximately 1,940,000 shares of its common stock in connection with common stock option exercises, for aggregate cash proceeds of \$10.0 million. During the six months ended December 28, 2001, the Company issued approximately 514,000 shares of its common stock in connection with ESPP purchases and approximately 348,000 shares of its common stock in connection with common stock option exercises, for aggregate cash proceeds of \$2.6 million.

During the six months ended December 27, 2002, the Company issued approximately 50,000 shares of common stock and paid \$14.3 million in cash to extinguish a portion of the Debentures with a book value of \$14.7 million, and an aggregate principal amount at maturity of \$32.6 million. These redemptions were private, individually negotiated transactions with certain institutional investors. As of December 27, 2002, the book value of the remaining outstanding Debentures was \$73.6 million and the aggregate principal amount at maturity was \$160.9 million.

## 5. Comprehensive Income

Comprehensive income includes net income as well as the components of other comprehensive income (loss) which include all revenue, expense, gain and loss items that are recorded as an element of shareholders' equity but are excluded from net income. The Company's other comprehensive income (loss) is comprised of unrealized gains and losses on marketable securities categorized as "available for sale" under SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities". The components of comprehensive income for the three and six months ended December 27, 2002 and December 28, 2001 were as follows (in thousands):

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	DEC. 27, 2002	DEC. 28, 2001	DEC. 27, 2002	DEC. 28, 2001
Net income	\$74,360	\$12,594	\$96,575	\$33,112
Other comprehensive income (loss):				
Unrealized gain (loss) on available for sale investments, net	610	598	(709)	(934)
Comprehensive income	\$74,970	\$13,192	\$95,866	\$32,178

6. Business Segment and Discontinued Operations

The Company operates in one segment, the hard drive business.

During 2002, the Company terminated the operations of all new business ventures, including Connex, Inc. (“Connex”), SANavigator, Inc. (“SANavigator”), Keen Personal Media, Inc. (“Keen”) and other smaller businesses. In conjunction with these business terminations, substantially all of the operating assets of Connex were sold to Quantum Corporation in August 2001 for cash proceeds of \$11.0 million, and substantially all of the operating assets of SANavigator were sold to McData Corporation in September 2001 for cash proceeds of \$29.8 million. These transactions generated a one-time 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. Accordingly, the operating results of Connex, SANavigator and Keen, and the net gain recognized on the sale of substantially all of the assets of Connex and SANavigator for the periods reported, have been segregated from continuing operations and reported separately on the unaudited condensed consolidated statements of income as discontinued operations.

7. Legal Proceedings

In June 1994, Papst Licensing (“Papst”) brought suit against the Company in the United States District Court for the Central District of California, alleging infringement by the Company of five disk drive motor patents owned by Papst. In December 1994, Papst dismissed its case without prejudice. In July 2002, Papst filed a new complaint against the Company and several other defendants. The suit alleges infringement by the Company of seventeen of Papst’s patents related to disk drive motors that the Company purchased from motor vendors. Papst is seeking an injunction and damages. The Company filed an answer on September 4, 2002, denying Papst’s complaint. On December 11, 2002, the lawsuit was transferred to the United States District Court for the Eastern District of Louisiana and included in the consolidated pre-trial proceedings occurring there. The lawsuit was stayed pending the outcome of certain other related litigation. The Company intends to vigorously defend the suit.

On July 5, 2001, the Company’s Western Digital Technologies, Inc. subsidiary (“WDT”) and its Malaysian subsidiary (“WDM”) filed suit (the “complaint”) against Cirrus Logic, Inc. (“Cirrus”) for breach of contract and other claims resulting from Cirrus’ role as a strategic supplier of read channel chips for the Company’s hard disk drives. WDM also stopped making payments to Cirrus for past deliveries of chips and terminated all outstanding purchase orders from Cirrus for such chips. The 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 denying the allegations contained in the complaint and asserting counterclaims against the plaintiffs for, among other things, the amount of the outstanding invoices and the plaintiffs’ 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, WDT and WDM filed their 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 WDT and WDM 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 WDT and WDM. On December 20, 2001, the Court granted Cirrus’ Applications but required Cirrus to post undertakings in the amount of \$514,000 on each Writ before issuance. Pursuant to agreement with Cirrus, the Company has posted a letter of credit in the amount of \$25.2 million in satisfaction of the Writs of Attachment. Discovery in the case has been underway for several months and will continue until April 18, 2003. The Court has set the case for trial on May 19, 2003 and, in addition, has scheduled a mandatory settlement conference on April 25, 2003.

On November 26, 2002, WDT and WDM filed a motion for summary adjudication as to Cirrus’ second and third causes of action. The parties fully briefed the motion which was scheduled to be heard on December 24, 2002. On December 24, 2002, the Court continued the summary judgment motion until February 4, 2003, and then, on February 4, 2003, further continued the motion until April 1, 2003, to allow Cirrus to conduct additional discovery. On December 3, 2002, Cirrus filed a motion for summary adjudication as to WDT and WDM’s first, second, third, fourth, fifth and seventh causes of action. The parties fully briefed the motion which was scheduled to be heard on December 31, 2002. On December 31, 2002, after hearing arguments from both sides, the Court granted Cirrus’ motion as to the first, second, fourth, fifth and seventh causes of action, and denied Cirrus’ motion as to the third cause of action. On January 30, 2003, Cirrus filed another motion for summary adjudication as to the third cause of action. The parties expect to complete briefing on the motion in the next several weeks, and the motion is currently scheduled to be heard on April 15, 2003. The Company intends to prosecute this matter and defend the cross-complaint vigorously.

In the normal course of business, the Company is subject to other legal proceedings, lawsuits and other claims. Although the ultimate aggregate amount of monetary liability or financial impact with respect to these matters is subject to many uncertainties and is therefore not predictable with assurance, management believes that any monetary liability or financial impact to the Company from these matters, individually and in the aggregate, beyond that provided at December 27, 2002, would not be material to the Company's financial condition. However, there can be no assurance with respect to such result and results could differ materially from those projected.

8. New Accounting Pronouncements

During April 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"). SFAS 145 rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt", which required all gains and losses from the extinguishment of debt to be classified as an extraordinary item. The Company adopted SFAS 145 on June 29, 2002 at which time it began classifying gains and losses resulting from the extinguishment of debt as other income and expense, instead of extraordinary items. The adoption had no impact on the Company's results of operations.

On September 11, 2002, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 02-15, "Determining Whether Certain Conversions of Convertible Debt to Equity Securities are within the Scope of FASB Statement No. 84, Induced Conversions of Convertible Debt" ("SFAS 84"). The EITF deliberated this issue because of diversity in practice in the accounting for conversions of convertible debt to equity initiated by the bondholder. In practice, some registrants accounted for these transactions following SFAS 84 while others followed Accounting Principles Board Opinion No. 26, "Early Extinguishment of Debt" ("APB 26"). The EITF concluded that SFAS 84 applies to conversions of convertible debt when the offer for consideration in excess of the original conversion terms was made by the bondholder. The EITF concluded that this guidance should be followed for transactions entered into on or after September 12, 2002. Previous extinguishments of portions of the Debentures involving the issuance of common stock have been accounted for under APB 26 whereby a gain on early extinguishment was recorded equal to the excess of the net book value of the Debentures over the fair value of the consideration paid. Following the guidance in EITF Issue No. 02-15, similar early extinguishment of the Debentures or a portion of the Debentures involving common stock initiated by the bondholder will give rise to a conversion inducement expense equal to the fair value of the shares issued in excess of those required to be issued upon the exercise of the Debenture conversion feature. Due to improved cash and working capital balances, the Company does not expect to extinguish additional balances of the Debentures using its common stock. Accordingly, the Company does not expect EITF Issue No. 02-15 to have a significant impact on its future results of operations.

In November 2002, FASB issued FASB Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. FIN 45 also clarifies that a guarantor is required to recognize a liability for the fair value, or market value, of the obligation undertaken in issuing a guarantee at the inception of the guarantee. The provisions of FIN 45 relating to liability recognition does not apply to certain obligations such as product warranties and guarantees accounted for as derivatives. The initial recognition and measurement provisions apply on a prospective basis to guarantees issued or modified subsequent to December 31, 2002. The disclosure requirements of FIN 45 are effective for interim or annual financial statement periods ending after December 15, 2002. The Company adopted the provisions of FIN 45 relating to footnote disclosure of warranty obligations during this period. This information is included in Note 2 "Supplemental Financial Statement Data" of the Notes to Condensed Consolidated Financial Statements. The Company does not expect the adoption of the recognition and measurement provisions of FIN 45 will have a significant impact on its consolidated financial position or results of operations.

In December 2002, FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation, Transition and Disclosure" ("SFAS 148"). SFAS 148 amends the disclosure requirements of SFAS No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123") to require prominent disclosures in both interim and annual financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 148 also amends SFAS 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The Company will commence quarterly footnote disclosure of the fair value based method of accounting for stock-based employee compensation beginning in the third quarter ending March 28, 2003. As the Company has decided not to voluntarily adopt the SFAS 123 fair value method of accounting for stock-based employee compensation, the new transition alternatives of SFAS 148 will not have a material impact on its consolidated financial position or results of operations.

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

This information should be read in conjunction with the unaudited condensed interim consolidated financial statements and the notes thereto included in this Quarterly Report on Form 10-Q, and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Western Digital Corporation's (the "Company's" or "Western Digital's") Annual Report on Form 10-K as of and for the year ended June 28, 2002.

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

**Forward-Looking Statements**

This report contains forward-looking statements within the meaning of the 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 in this report under the caption "Risk Factors That May Affect Future Results" as well as the Company's other reports filed with the Securities and Exchange Commission (the "SEC"). 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.

**Critical Accounting Policies**

The Company has prepared the accompanying unaudited condensed interim consolidated financial statements in conformity with accounting principles generally accepted in the United States for interim financial information. The preparation of the financial statements requires the use of judgment and estimates 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. The Company believes the following are its most critical accounting policies that affect significant areas and involve management's judgment and estimates. If these estimates differ significantly 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 limited 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 reduction to revenue 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 during the reseller holding period, estimated amounts to be reimbursed to qualifying customers as well as historical pricing information. If end-market demand for hard drives declines significantly, the Company may have to increase sell-

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through incentive payments to resellers, resulting in an increase in price protection allowances, which could adversely impact operating results.

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. If the financial condition of a significant customer deteriorates resulting in their inability to pay their accounts when due, an increase in our allowance for doubtful accounts would be required, which could negatively affect operating results.

The Company records provisions against revenue and cost of revenue for estimated sales returns in the same period that the related revenues are recognized. The Company bases these provisions on existing product return notifications as well as historical returns by product type (see “Warranty”). If actual sales returns exceed our expectations, an increase in our sales return provisions would be required, which could negatively affect operating results.

### *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 over the warranty period, which ranges from one to three 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. If actual product return rates or costs to repair returned products increase above our expectations, we would be required to increase our warranty provision, which could negatively affect operating results.

### *Inventory*

Inventories are valued at the lower of cost (first-in, first-out basis) or net realizable value. Inventory write-downs are recorded for the valuation of inventory at the lower of cost or net realizable value by analyzing market conditions and estimates of future sales prices as compared to 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 writes down inventory balances for excess and obsolete inventory based on the analysis. Unanticipated changes in technology or customer demand could result in a decrease in demand for one or more of our products, which may require an increase in inventory write-downs, which could negatively affect operating results.

### *Litigation and Other Contingencies*

The Company applies Statement of Financial Accounting Standards (“SFAS”) No. 5, “Accounting for Contingencies” to determine when and how much to accrue for and disclose related to legal and other contingencies. Accordingly, the Company accrues loss contingencies when management, in consultation with its legal advisors, concludes that a loss is probable and is able to be reasonably estimated (refer to Part I, Item 1, Notes to Condensed Consolidated Financial Statements, Note 7 “Legal Proceedings” included in this Quarterly Report on Form 10-Q).

### *Deferred Tax Assets*

The Company’s deferred tax assets, which consist primarily of net operating loss and tax credit carryforwards, are fully reserved due to management’s determination that it is “more likely than not” that these assets will not be realized. This determination is based on the weight of available evidence, the most significant of which is the Company’s loss history in the related tax jurisdictions. Should this determination change in the future, some amount of deferred tax assets could be recognized, resulting in a tax benefit or a reduction of future tax expense.

**Results of Operations***Summary Comparison*

The following table sets forth, for the periods indicated, summary information from the Company's statements of income. This table excludes the results of discontinued operations (dollars in thousands):

	THREE MONTHS ENDED				SIX MONTHS ENDED			
	DEC. 27, 2002		DEC. 28, 2001		DEC. 27, 2002		DEC. 28, 2001	
	\$	%	\$	%	\$	%	\$	%
Revenue, net	749,490	100.0	574,670	100.0	1,332,399	100.0	1,015,613	100.0
Gross margin	144,081	19.2	70,558	12.3	227,724	17.1	126,565	12.5
Total operating expenses	68,038	9.1	57,706	10.0	126,396	9.5	113,919	11.2
Operating income	76,043	10.1	12,852	2.2	101,328	7.6	12,646	1.2
Income from continuing operations	73,040	9.7	15,445	2.7	95,255	7.1	14,888	1.5

*Net Revenue*

Net revenue was \$749.5 million for the three months ended December 27, 2002, an increase of 30%, or \$174.8 million, from the three months ended December 28, 2001 and an increase of 29%, or \$166.6 million, from the immediately preceding quarter. The increase in net revenue resulted from a normal seasonal increase in demand and selected product constraints within the industry leading to a very favorable pricing environment. Compared to the corresponding period of the prior year, the increase in net revenue was represented by a 34% increase in unit shipments, partially offset by a 3% decrease in average selling prices ("ASP's"). The increase in net revenue as compared to the immediately preceding quarter was due to a 20% increase in unit shipments and a 7% increase in ASP's. For the six months ended December 27, 2002, net revenue was \$1,332.4 million, an increase of 31%, or \$316.8 million, from the six months ended December 27, 2001. The increase in net revenue resulted from a 45% increase in unit shipments, partially offset by a 10% decrease in ASP's.

*Gross Margin*

The increase in gross margin over the corresponding three and six month periods of the prior year was primarily the result of higher unit shipments, manufacturing efficiencies and continuing cost reduction efforts. The increase in gross margin over the immediately preceding quarter was the result of higher unit shipments, higher ASP's from an improved product mix and a favorable supply/demand environment.

*Operating Expenses*

Research and development ("R&D") expense was \$34.4 million for the three months ended December 27, 2002, an increase of 17.8%, or \$5.2 million, from the three months ended December 28, 2001. R&D expense for the six months ended December 27, 2002 was \$66.3 million, an increase of 14.2%, or \$8.3 million, from the corresponding period of the prior year. The increase in R&D expense from the corresponding periods of the prior year was primarily due to higher employee incentive payments resulting from improved operating results.

Selling, general and administrative ("SG&A") expense was \$33.6 million for the three months ended December 27, 2002, an increase of 18.0%, or \$5.1 million, from the three months ended December 28, 2001. SG&A expense for the six months ended December 27, 2002 was \$60.1 million, an increase of 7.5%, or \$4.2 million, from the corresponding period of the prior year. The increase in SG&A expense from the corresponding periods of the prior year was due to higher employee incentive payments resulting from improved operating results and higher retention plan expenses.

*Income Tax Provision*

Income tax provision was \$2.2 million and \$4.0 million for the three and six months ended December 27, 2002, respectively. The increase in the income tax provision for the three and six months ended December 27, 2002 is primarily related to an increase in earnings within certain tax jurisdictions. Differences between the effective tax rate estimated for 2003 of 4%, as compared to the U.S. federal statutory rate, are primarily due to earnings of certain subsidiaries which are taxed at substantially lower tax rates as compared with U.S. statutory rates.

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### *Discontinued Operations*

During the six months ended December 28, 2001, the Company decided to terminate the operations of Connex, Inc. (“Connex”) and SANavigator, Inc. (“SANavigator”) and sold substantially all of the assets of these two businesses for a net gain of \$24.5 million. In addition, during the three months ended June 28, 2002, the Company terminated its Keen Personal Media, Inc. (“Keen”) operations. Accordingly, the operating results of Connex, SANavigator and Keen for the periods reported, and the net gain recognized on the sale of substantially all of the assets of Connex and SANavigator during the six months ended December 28, 2001, have been segregated from continuing operations and reported separately on the unaudited condensed consolidated statements of income as discontinued operations. The gain from discontinued operations for the three and six months ended December 27, 2002 primarily represents a favorable settlement of a note payable from one of the discontinued operations.

### **Liquidity and Capital Resources**

The Company had cash and cash equivalents of \$326.9 million at December 27, 2002 and \$223.7 million at June 28, 2002. Net cash provided by continuing operations was \$137.5 million during the six months ended December 27, 2002 as compared to net cash provided by continuing operations of \$20.5 million during the six months ended December 28, 2001. This \$117.0 million improvement in cash provided by continuing operations consists of an \$81.8 million improvement in the Company’s net income, net of non-cash items, and a \$35.2 million decrease in cash used to fund working capital requirements. These improvements are due to significantly better operating performance by the Company, including increased revenue and gross margin, improved cost management and efficient asset management.

The Company’s working capital requirements depend upon the effective management of its cash conversion cycle. The 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 negative eight days for the six months ended December 27, 2002, down from a negative nine days for the corresponding period of the prior year. The cash conversion cycle for the six months ended December 27, 2002 consists of 33 DSO, 16 DIO less 57 DPO.

Uses of cash during the six months ended December 27, 2002 included net capital expenditures of \$27.8 million, primarily to upgrade the Company’s desktop hard drive production capabilities and for the normal replacement of existing assets, \$14.3 million for the extinguishment of a portion of the 5.25% zero coupon convertible subordinated debentures due February 18, 2018 (the “Debentures”) and \$2.2 million for discontinued operations. Other sources of cash during the period included \$10.0 million received in connection with stock option exercises and employee stock purchase plan purchases.

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 redeemed 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 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. 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. As of December 27, 2002, the remaining book value of the Debentures was \$73.6 million, the aggregate principal amount at maturity was \$160.9 million and the market value was \$74.0 million. As outlined in a Tender Offer Statement on Schedule TO (the “Tender Offer Statement”) filed by the Company with the SEC on January 17, 2003 related to the offer by the Company to purchase the Debentures on February 18, 2003, the consideration to be paid by the Company for any Debentures surrendered for purchase and not withdrawn by that date will be solely cash. Accordingly, the Debentures have been classified as a current liability.

The Company has a three-year senior credit facility that 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 the Company’s accounts receivable, inventory, 65% of its stock in its foreign subsidiaries and other assets (the “Senior Credit Facility”). At the option of the Company, 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 the Company 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 December 27, 2002, there were no borrowings under the facility. However, the availability under the Senior Credit Facility has been reduced by \$25.2 million for an outstanding letter of credit (refer to Part I, Item 1, Notes to Condensed Consolidated Financial Statements, Note 7 “Legal Proceedings” included in this Quarterly Report on Form 10-Q).

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The Company believes its current cash and cash equivalents and the Senior 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 heading "Risk Factors That May Affect Future Results".

### **Commitments**

Except as otherwise disclosed, the Company does not have any commercial commitments with terms greater than one year that would significantly impact liquidity. The following is a summary of the Company's significant contractual cash obligations and commercial commitments at December 27, 2002:

#### *Convertible Debentures*

The Company has Debentures due February 18, 2003. On January 17, 2003 the Company filed the Tender Offer Statement with the SEC related to the offer by the Company to purchase the Debentures validly surrendered and not withdrawn as of February 18, 2003. The Tender Offer Statement indicated the consideration to be paid by the Company for the Debentures validly surrendered and not withdrawn by February 18, 2003 will be solely cash of \$459.64 per \$1,000 principal amount at maturity. For a description of the Debentures, see the discussion under "Liquidity and Capital Resources".

#### *Operating Leases*

The Company leases certain facilities and equipment under long-term, non-cancelable operating leases which expire at various dates through 2012. The following table summarizes the future payments of these leases (in thousands):

	<b>Operating Leases</b>
Remaining 2003	\$ 5,298
2004	8,669
2005	7,179
2006	7,070
2007	5,541
Thereafter	19,716
<b>Total future minimum lease obligations</b>	<b>\$53,473</b>

#### *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 December 27, 2002, the Company had \$9.0 million outstanding of purchased foreign currency forward exchange contracts. The contract maturity dates do not exceed three months. At December 27, 2002, the carrying value of the contracts approximated fair value.

### **New Accounting Pronouncements**

Refer to Part I, Item 1, Notes to Condensed Consolidated Financial Statements, Note 8 "New Accounting Pronouncements" included in this Quarterly Report on Form 10-Q.



## Risk Factors That May Affect Future Results

### 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 at a low cost.*

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:

- develop new products with features required by our customers,
- 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, or
- consistently meet stated quality requirements on delivered products,

our operating results could be adversely affected.

*Product life cycles require continuous technical innovation associated with higher areal densities.*

New products require higher areal densities (the gigabyte of storage per disk) than previous product generations, posing formidable technical challenges. Higher areal densities require fewer heads and disks to achieve a given drive capacity, which means that existing head technology must be improved or new technology developed to accommodate more data on a single disk. Our failure to bring these new products to market on time and at acceptable costs could put us at a competitive disadvantage to companies that achieve these results.

*Increases in areal density may outpace customers' demand for storage capacity.*

The rate of increase in areal density may be greater than the increase in our customers' demand for aggregate storage capacity. This could lead to our customers' storage capacity needs being satisfied with fewer hard disk drives, thereby decreasing our sales. As a result, even with increasing aggregate demand for storage capacity, our unit volumes could decline, which could adversely affect our results of operations.

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

Product life cycles have extended during the past twelve months due to a decrease in the rate of hard drive areal density growth. However, there can be no assurance that this trend will continue. Historically, more rapid increases in areal density resulted in shorter product life cycles, with each generation of hard drives being more cost effective than the previous one. Shorter product life cycles make it more difficult to recover the cost of product development before the product becomes obsolete. Although we believe that the current rate of growth in areal density is lower than in the past several years and will continue to decrease in the near term, we expect that areal density will continue to increase. Our failure to recover the cost of product development in the future could adversely affect our operating results.

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

Short product life cycles and continuously changing products require us to 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 personal computer ("PC") market. If product life cycles continue to be extended due to a decrease in the rate of areal density growth, we may have a significantly longer period to wait before we have an opportunity to qualify a new product with a customer, which could harm our competitive position. These risks are increased because we expect cost improvements and competitive pressures to result in declining sales and gross margins on our current generation products.

*Increasing product life cycles may require us to reduce our costs to remain competitive.*

Longer product life cycles have resulted from a decrease in the rate of areal density growth in the past twelve months. If longer product life cycles continue, we may need to develop new technologies or programs to reduce our costs on any particular product in order to maintain competitive pricing for such product. This may result in an increase in our overall expenses and a decrease in our gross margins, both of which could adversely affect our operating results.

*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 that permits greater storage of data on a disk, it could put us at a competitive disadvantage and 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.

*The decline of ASP's in the hard disk drive industry could adversely affect our operating results.*

The hard disk drive industry has experienced declining ASP's in recent years. Although the rate of decline has decreased in recent quarters, there can be no assurance that this trend will continue. Increases in areal density mean that the average drive we sell has fewer heads and disks, and therefore lower component 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 ASP's decline even further when competitors lower prices as a result of decreased costs or to absorb excess capacity, liquidate excess inventories, restructure or attempt to gain market share. A continued decline in ASP's could cause our operating results to suffer.

*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 attempting to 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 the first quarter of 2000, the Company lost market share as a result of a product recall. Similar losses in market share could adversely affect our operating results.

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

Demand for our hard drives depends on the demand for systems manufactured by our customers and on storage upgrades to existing systems. The demand for 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 and the first half of calendar year 2002, the industry experienced weak PC demand in the U.S. and other markets due in part to general economic conditions worldwide. If intense price competition occurs as a

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result of weak demand, we may be forced to lower prices sooner and more than expected, which could result in lower revenues and gross margins.

*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. According to data released by International Data Corporation Tracker in December 2002, systems priced below \$599 currently comprise the fastest growing segment of the consumer market for desktop computers. 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, consumer electronics and communication devices will converge, and hard drives will be found in many consumer products other than computers. For the quarter ended December 27, 2002, approximately 7% 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.

*The market acceptance for hard disk drives in game consoles continues to be uncertain.*

The use of hard disk drives in the game console market is a fairly recent trend. Due to the price competitive nature of the hard disk drive industry, with selling prices of PC's being substantially higher than game consoles, game manufacturers may not have the ability to either incorporate or continue to incorporate hard disk drives into their overall architecture. In addition, current price reduction demands from either current or future game console customers may not make hard disk drive integration an attractive market for us or other hard drive manufacturers.

*If we do not successfully expand into new hard drive market segments, our business may suffer.*

To remain a significant supplier of hard disk drives, we will need to offer a broad range of disk drive products to our customers. We currently offer a variety of 3.5-inch form factor hard disk drives for the desktop computer market. However, demand for desktop hard drives may shift to products in smaller form factors, which we do not currently offer, but which some of our competitors offer. While we continually develop new products, the success of our new product introductions is dependent on a number of factors, including difficulties faced in manufacturing ramp, market acceptance, effective management of inventory levels in line with anticipated product demand, and the risk that our new products will have quality problems or other defects in the early stages of introduction that were not anticipated in the design of those products. If we fail to successfully develop and manufacture new products, customers may decrease the amounts of our products that they purchase, and we may lose business to our competitors who offer these products or who use their dominance in the enterprise or mobile market to encourage sales of desktop hard drives.

*We depend on our key personnel and skilled employees.*

Our success depends upon the continued contributions of our key personnel and skilled employees, many of whom would be extremely difficult to replace. Worldwide competition for skilled employees in the hard drive industry is intense. Volatility or lack of positive performance in our stock price may adversely affect our ability to retain key personnel or skilled employees who have been granted stock options. If we are unable to retain our existing key personnel or skilled employees or hire and integrate new key personnel or skilled 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 2002, sales to our top 10 customers accounted for approximately 58% of revenue. 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

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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, lost revenue or increased costs.*

Because we do not manufacture any of the basic 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, and could significantly harm our operating results. 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. In addition, if a component becomes unavailable, we could suffer significant loss of revenue. For example, we lost revenue 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 Komag volume purchase agreement to extend the initial term to six years. Similarly, in February 2001, we entered into a two-year volume purchase agreement with IBM under which we buy a substantial portion of our read channel chips from IBM. Effective June 2002, we amended the IBM volume purchase agreement to extend the initial term through December 31, 2003. These strategic relationships have increased our dependence on each of Komag and IBM 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 each of Komag's and IBM's ability to supply us with these components or chips, as the case may be, in sufficient volume to meet our production requirements. A significant disruption in Komag's ability to manufacture and supply us with media components or IBM's ability to manufacture and supply us with read channel chips could harm our operating results.

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

Under our business model, we do not manufacture any of the component 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, each of which employs variations on technology which can impact, for example, feasible combinations of heads and media components. We are currently engaged in litigation with Cirrus, a supplier who previously 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's read channel chips could be designed into our products. Similar disputes with other strategic component suppliers could adversely affect our operating results.

*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.*

The majority of our manufacturing volume comes from one facility in Malaysia. During 2002, we acquired a second, smaller manufacturing facility in Thailand. A fire, flood, earthquake or other disaster, condition or event that adversely affects either our Malaysia or Thailand facility or ability to manufacture could result in a loss of sales and revenue and harm our operating results.

*Terrorist attacks may adversely affect our business and operating results.*

The terrorist attacks on the United States on September 11, 2001, the United States-led military response to counter terrorism and the continued threat of terrorist activity and other acts of war or hostility have created uncertainty in the financial and insurance markets and have significantly increased the political, economic and social instability in some of the geographic areas in which the

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Company operates. Further acts of terrorism, either domestically or abroad, could create further uncertainties and instability. To the extent this results in disruption or delays of our manufacturing capabilities or shipments of our products, our business, operating results and financial condition could be adversely affected.

*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;
- increasing labor and overhead costs; and
- 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, which 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.

*The nature of our business and 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. Litigation can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of litigation are inherently uncertain and may result in adverse rulings or decisions. We may enter into settlements or be subject to judgments that may, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

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 claims or actions are asserted against us, we may be required to obtain a license or cross-license, modify our existing technology or design a new non-infringing technology. Such licenses or design modifications can be extremely costly. In addition, no assurance can be given that in a particular case a license will be offered or that the offered terms will be acceptable to us. 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 contractual provisions 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.

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*We are subject to risks related to product defects, which could subject us to warranty claims in excess of our warranty provisions or which are greater than anticipated due to the unenforceability of liability limitations.*

We generally warrant our products for one to three years. The standard warranties used by us contain limits on damages and exclusions of liability for consequential damages and for negligent or improper use of the products. We generally record an accrual for estimated warranty costs at the time revenue is recognized. We may incur additional operating expenses if our warranty provision does not reflect the actual cost of resolving issues related to defects in our products. If these additional expenses are significant, it could adversely affect our business, financial condition and results of operations.

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

We typically book and ship a high percentage (at times in excess of 50%) of our total quarterly sales in the third month of the quarter, which makes it difficult for us to forecast our financial results prior to the end of the quarter. 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 and IBM;
- competition and consolidation in the data storage industry; and
- seasonal and other fluctuations in demand for PC's often due to technological advances.

If we do not forecast total quarterly demand accurately, it can have a material adverse effect on our quarterly results.

*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 costs related to product defects;
- price protection adjustments and other sales promotions and allowances on products sold to retailers, resellers and distributors;
- inventory adjustments for write-down of inventories to lower of cost or market value (net realizable value);
- reserves for doubtful accounts;
- accruals for product returns;
- accruals for litigation and other contingencies; and
- reserves for deferred tax assets.

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*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; and
- changes in financial estimates by securities analysts relating specifically to us or the hard drive industry in general.

In addition, general economic conditions may cause the stock market to experience extreme price and volume fluctuations from time to time that particularly affect the stock prices of many high technology companies. These fluctuations often appear to be 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, expansion or acquisition activity, working capital and research and development. We have a credit facility, 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 acceptable terms. An equity financing could also be dilutive to our existing stockholders.

### **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 foreign currency operating expenses are offset by gains and losses on the hedges. The contract maturity dates do not exceed three months. The Company does not purchase short-term forward exchange contracts for trading purposes. Currently, the Company focuses on hedging its foreign currency risk related to the British Pound Sterling and the Thai Baht.

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As of December 27, 2002, the Company had outstanding the following purchased foreign currency forward exchange contracts (in millions, except weighted average contract rate):

	U.S. DOLLAR EQUIVALENT AMOUNT	WEIGHTED AVERAGE CONTRACT RATE
FOREIGN CURRENCY FORWARD CONTRACTS:		
British Pound Sterling	\$3.6	1.59
Thai Baht	\$5.4	43.03

During the three and six months ended December 27, 2002 and December 28, 2001, respectively, total realized transaction and forward exchange contract currency gains and losses were not material to the condensed consolidated financial statements. Based on historical experience, the Company does not expect that a significant change in foreign exchange rates would materially affect the Company's condensed consolidated financial statements.

### **Disclosure About Other Market Risks**

#### *Fixed Interest Rate Risk*

At December 27, 2002, the market value of the Debentures was approximately \$74.0 million, compared to the related book value of \$73.6 million. At the option of the holder, the Debentures 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 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 the Company, 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 Company borrowing facility which does not have a fixed rate of interest. At December 27, 2002, there were no borrowings outstanding under the Senior Credit Facility.

#### *Fair Value Risk*

The Company owns approximately 1.0 million shares of Vixel Corporation common stock (the "Vixel Stock"). As of December 27, 2002, the market value of the Vixel Stock was approximately \$1.8 million. Changes in the market value of the Vixel Stock are recorded as unrealized gains or losses in other comprehensive income (shareholders' equity). As of December 27, 2002, a \$1.8 million total accumulated unrealized gain has been recorded in accumulated other comprehensive income related to the Vixel Stock. If the Company sells any portion of the Vixel Stock, the related unrealized gain on the date of sale will become realized and reflected as a gain in the Company's statement of income. As a result of market conditions, the market value of the Vixel Stock had increased from approximately \$1.8 million as of December 27, 2002 to approximately \$2.4 million as of January 24, 2003. Due to market fluctuations, a decline in the Vixel Stock's fair market value could occur in future periods.

### **Item 4. CONTROLS AND PROCEDURES**

- (a) Within the 90-day period prior to the filing of this report, an evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.
- (b) There have been no significant changes in our internal controls or in other factors that could significantly affect the internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.



**PART II. OTHER INFORMATION****Item 1. LEGAL PROCEEDINGS**

Refer to Part I, Item 1, Notes to Condensed Consolidated Financial Statements, Note 7 “Legal Proceedings” included in this Quarterly Report on Form 10-Q which is hereby incorporated by reference. Reference is also made to Part II, Item 1, “Legal Proceedings”, in our Quarterly Report on Form 10-Q for the quarter ended September 27, 2002, for previous descriptions of these matters.

**Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

The annual meeting of shareholders was held on November 14, 2002. The shareholders elected the following eight directors to hold office until the next annual meeting and until their successors are duly elected and qualified:

	Number of Votes	
	For	Withheld
Peter D. Behrendt	161,892,022	11,078,993
I. M. Booth	161,844,643	11,126,372
Kathleen A. Cote	168,869,552	4,101,463
Henry T. DeNero	168,899,449	4,071,566
Michael D. Lambert	161,895,784	11,075,231
Matthew E. Massengill	170,134,497	2,836,518
Roger H. Moore	160,149,815	12,821,200
Thomas E. Pardun	168,830,765	4,140,250

In addition, the shareholders approved the following proposals:

		Number of Votes		
		For	Against	Abstentions
1.	To approve an amendment to the Company’s 1993 Employee Stock Purchase Plan to increase by 4,000,000 the number of shares of the Company’s common stock available for issuance under the plan	164,219,888	7,789,859	961,265
2.	To approve an amendment to the Company’s Non-Employee Directors Stock-for-Fees Plan to extend the term of the plan to December 31, 2012.	141,852,695	30,623,075	495,243
3.	To ratify the selection of KPMG LLP as independent accountants for the Company for the fiscal year ending June 27, 2003.	170,114,565	2,509,017	347,432

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

(a) **Exhibits:**

10.2.1*	First Amendment to Western Digital Corporation 401(k) Plan, effective as of July 1, 2002.
10.3*	Western Digital Corporation 1993 Employee Stock Purchase Plan (amended and restated as of November 14, 2002).
10.10*	Amended and Restated Deferred Compensation Plan, effective July 1, 2002.
10.12.2*	Western Digital Corporation Amended and Restated Change of Control Severance Plan, effective March 29, 2001.
10.17*	Amended and Restated Long-Term Retention Agreement, between Western Digital Corporation and Matthew E. Massengill, effective as of December 20, 2002.
10.18*	Amended and Restated Long-Term Retention Agreement, between Western Digital Corporation and Arif Shakeel, effective as of December 20, 2002.
10.21*	Amended and Restated Western Digital Corporation Non-Employee Directors Stock-For-Fees Plan, effective as of November 14, 2002.
10.43.2§	Amendment No. 2 to Volume Purchase Agreement, effective as of October 17, 2002 among Western Digital Corporation, Komag, Inc. and Komag USA (Malaysia) Sdn.
10.56*	Letter agreement, dated October 30, 2002, by and between Western Digital Corporation and Charles William Frank.
99.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

On December 5, 2002, the Company filed a current report on Form 8-K to provide Regulation FD disclosure in connection with investor presentations delivered by officials of the Company that included an update on conditions in the hard drive industry.

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\* Compensation plan, contract or arrangement required to be filed as an exhibit pursuant to applicable rules of the Securities and Exchange Commission.

§ Certain portions on this exhibit have been omitted pursuant to a confidential treatment request filed separately with the Securities and Exchange Commission.

**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*

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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: February 7, 2003

CERTIFICATIONS

**Certification of Chief Executive Officer**

I, Matthew E. Massengill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Western Digital Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: February 7, 2003

/s/ MATTHEW E. MASSENGILL

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Matthew E. Massengill  
*Chief Executive Officer*

**Certification of Chief Financial Officer**

I, D. Scott Mercer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Western Digital Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: February 7, 2003

/s/ SCOTT MERCER

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D. Scott Mercer  
*Chief Financial Officer*

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\* Compensation plan, contract or arrangement required to be filed as an exhibit pursuant to applicable rules of the Securities and Exchange Commission.

§ Certain portions on this exhibit have been omitted pursuant to a confidential treatment request filed separately with the Securities and Exchange Commission.

WESTERN DIGITAL CORPORATION 401(k) PLAN

FIRST AMENDMENT

EFFECTIVE AS OF JULY 1, 2002

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FIRST AMENDMENT

PREAMBLE

1. ADOPTION AND EFFECTIVE DATE OF AMENDMENT. This Amendment to the Western Digital Corporation 401(k) Plan (the "Plan") is adopted to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") and various other changes to the Plan. This Amendment is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided, this Amendment shall be effective as of July 1, 2002.

2. SUPERSESION OF INCONSISTENT PROVISIONS. This Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment.

3. DEFINED TERMS. Wherever used in this Amendment, terms identified by initial capitalization shall have the meanings indicated in the Plan unless a different meaning is plainly required by the context. The singular shall include the plural, unless the context indicates otherwise. Headings are used for convenience of reference only, and in case of conflict, the text of the Amendment, rather than such headings, shall control.

ARTICLE I

LIMITATIONS ON CONTRIBUTIONS

1.1 EFFECTIVE DATE. This Article shall be effective for Limitation Years beginning after December 31, 2001.

1.2 MAXIMUM ANNUAL ADDITION. Section 15.1 of the Plan is amended in its entirety as follows:

"15.1 GENERAL RULE. Except to the extent permitted under Article 19 and Code Section 414(v), the total Annual Additions under this Plan to a Participant's Plan Accounts for any Plan Year shall not exceed the lesser:

(a) Forty Thousand Dollars (\$40,000), as adjusted pursuant to Code Section 415(c) or

(b) One hundred percent (100%) percent of the Participant's total Compensation from the Employer and any Affiliated Companies for the year."

ARTICLE II

INCREASE IN COMPENSATION LIMIT

Section 2.8.6.1 of the Plan is revised in its entirety as follows:

"2.8.6.1 For any Plan Year that begins on or after July 1, 2002 such limit shall be \$200,000, as that amount is adjusted in accordance with Section 401(a)(17)(B) of the Code."

ARTICLE III

MODIFICATION OF TOP-HEAVY RULES

3.1 EFFECTIVE DATE. This Article shall apply for purposes of determining whether the Plan is a top-heavy plan under Code Section 416(g) for Plan Years beginning after December 31, 2001, and whether the Plan satisfies the minimum benefits requirements of Code Section 416(c) for such years. This Article amends Article 19 of the Plan.

3.2 DETERMINATION OF TOP-HEAVY STATUS.

Section 19.2.1 of the Plan is revised in its entirety as follows:

"19.2.1 Key Employee. Key Employee means any Employee or former Employee (including any deceased Employee) who, at any time during the Plan Year that includes the Determination Date, was an officer of the Employer having annual Compensation greater than One Hundred Thirty Thousand Dollars (\$130,000) (as adjusted under Code Section 416(i)(1) for Plan Years beginning after December 31, 2002), a five percent (5%) owner of the Employer, or a one percent (1%) owner of the Employer having annual Compensation of more than One Hundred Fifty Thousand Dollars (\$150,000). The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable Income Tax Regulations and other guidance of general applicability issued thereunder."

Section 19.3.1 of the Plan is revised by adding the following new subsection 19.3.1.5 at the end thereof:

"19.3.1.5 Determination Of Present Values And Amounts. Effective for Plan Years beginning after December 31, 2001, this Section 19.3.1.5 shall apply for purposes of determining the present values of accrued benefits and the amounts of account balances of Employees as of the Determination Date.

(i) Distributions During Year Ending On The Determination Date. The Account balances of an Employee as of the

Determination Date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under Code Section 416(g)(2) during the one (1)-year period ending on the Determination Date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Code Section 416(g)(2)(A)(i). In the case of a distribution made for a reason other than separation from service, death, or Disability, this provision shall be applied by substituting "five (5)-year period" for "one (1)-year period."

(ii) Employees Not Performing Services During Year Ending On The Determination Date. The Accounts of any individual who has not performed services for the Employer during the one (1)-year period ending on the Determination Date shall not be taken into account."

3.3 MINIMUM BENEFITS. Section 19.4 of the Plan is revised by adding the following new subsection 19.4.6 at the end thereof:

"19.4.6 Matching Contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Code Section 416(c)(2) and the Plan. The preceding sentence shall apply with respect to Matching Contributions under the Plan, or, if the Plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Matching Contributions that are used to satisfy the minimum contribution requirements shall be treated as Matching Contributions for purposes of the ACP Test and other requirements of Code Section 401(m)."

#### ARTICLE IV

##### DIRECT ROLLOVERS OF PLAN DISTRIBUTIONS

4.1 EFFECTIVE DATE. This Article shall apply to distributions made after December 31, 2001.

4.2 MODIFICATION OF DEFINITION OF ELIGIBLE RETIREMENT PLAN. Section 9.13.3 of the Plan is revised by adding the following at the end thereof:

"For purposes of the direct rollover provisions in Section 9.13 of the Plan, an eligible retirement plan shall also mean an annuity contract described in Code Section 403(b) and an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving Spouse, or to a Spouse or former Spouse who is the Alternate Payee under a qualified domestic relations order, as defined in Code Section 414(p)."

4.3 MODIFICATION OF DEFINITION OF ELIGIBLE ROLLOVER DISTRIBUTION TO EXCLUDE HARDSHIP DISTRIBUTIONS. Section 9.13.3 of the Plan is revised by adding the following at the end thereof:

"For purposes of the direct rollover provisions in Section 9.13 of the Plan, any amount that is distributed on account of hardship shall not be an eligible rollover distribution and the distributee may not elect to have any portion of such a distribution paid directly to an eligible retirement plan."

4.4 MODIFICATION OF DEFINITION OF ELIGIBLE ROLLOVER DISTRIBUTION TO INCLUDE AFTER-TAX EMPLOYEE CONTRIBUTIONS. Section 9.13.3 of the Plan is revised by adding the following at the end thereof:

"For purposes of the direct rollover provisions in Section 9.13 of the Plan, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of After-Tax Contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b), or to a qualified defined contribution plan described in Code Section 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible."

#### ARTICLE V

##### ROLLOVERS FROM OTHER PLANS

Section 4.8. of the Plan is amended effective as of January 1, 2002 by adding the following at the end thereof:

"The Plan will accept Participant rollover contributions and/or direct rollovers of distributions made after December 31, 2001 solely from a qualified plan described in Code Section 401(a), excluding after-tax employee contributions."

#### ARTICLE VI

##### REPEAL OF MULTIPLE USE TEST

Section 4.4.1.2 and Section 5.9.1.2 of the Plan are each amended by adding the following at the end thereof:

"Notwithstanding any other provision of the Plan to the contrary, the multiple use test described in Treasury Regulation Section 1.401(m)-2 and Sections 4.4.1.2 and 5.9.1.2 of the Plan shall not apply for Plan Years beginning after December 31, 2001."

ARTICLE VII

CATCH-UP CONTRIBUTIONS

SECTION 7.1 DEFINITION. A new definition is added to the Plan as follows:

"CATCH-UP CONTRIBUTIONS. "Catch-up Contributions shall mean the Pre-Tax Contributions that are made pursuant to Section 4.10 of the Plan. Such Catch-up Contributions are not eligible to be matched by any Matching Contributions."

SECTION 7.2 CATCH-UP CONTRIBUTIONS. A new Section 4.10 is added to the Plan as follows:

"4.10 CATCH-UP CONTRIBUTIONS. Effective as of September 1, 2002, all Employees who are eligible to make Pre-Tax Contributions under this Plan and who have attained age fifty (50) before the close of the Plan Year shall be eligible to make Catch-up Contributions in accordance with, and subject to the limitations of, Code Section 414(v). The Committee shall establish procedures relating to Catch-up Contributions, including any Compensation deferral limits. Catch-up Contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Code Sections 402(g) and 415. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Code Section 401(a)(4), 401(k)(3), 401(k)(11), 401(k)(12), 410(b) or 416, as applicable, by reason of the making of such Catch-up Contributions. Catch-up Contributions shall not be eligible for any Matching Contributions under the Plan. Pre-Tax Contributions that exceed the Code Section 402(g) limit and are eligible to be treated as Catch-up Contributions shall be re-characterized as Catch-up Contributions pursuant to Code Section 414(v). Any such recharacterization shall be deemed to occur first from Pre-Tax Contributions that are not associated with any Matching Contributions."

ARTICLE VIII

SUSPENSION PERIOD FOLLOWING HARDSHIP DISTRIBUTION

Section 9.7 of the Plan is amended by adding a new subsection 9.7.9 as follows:

"A Participant who receives a distribution on account of hardship after December 31, 2002, shall be prohibited from making Pre-Tax Contributions or After-Tax Contributions under this Plan and all other plans of the Employer for six (6) months after receipt of the hardship distribution."

ARTICLE IX

DISTRIBUTION UPON SEVERANCE FROM EMPLOYMENT

9.1 EFFECTIVE DATE. This Article shall apply for distributions and severances from employment occurring after December 31, 2001 regardless of when the severance from employment occurred.

9.2 NEW DISTRIBUTABLE EVENT. Section 2.35 of the Plan is amended by adding the following at the end thereof:

"A Participant's Pre-Tax Contribution, qualified nonelective contributions, qualified matching contributions, and earnings attributable to these contributions shall be distributed on account of the Participant's severance from employment. However, such a distribution shall be subject to the other provisions of the Plan regarding distributions, other than provisions that require a separation from service before such amounts may be distributed."

ARTICLE X

PARTICIPANT CONTRIBUTION AMOUNTS

Effective September 1, 2002, Section 4.2.1 of the Plan is amended in its entirety to read as follows:

"4.2.1 Pre-Tax Contributions. The amount of an Active Participant's Pre-Tax Contributions shall be in whole percentage amounts from one percent (1%) to thirty percent (30%) 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."

ARTICLE XI

BASIC MATCHING CONTRIBUTION

Effective January 1, 2003, Section 5.3.1 of the Plan shall be amended in its entirety to read as follows:

"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, not to exceed a maximum aggregate Basic Matching Contribution of \$2,000 for any calendar year."

## ARTICLE XII

### MINIMUM DISTRIBUTION REQUIREMENTS

Article 9 of the Plan is revised by adding a new Section 9.14 to the Plan as follows:

#### "9.14 MINIMUM DISTRIBUTION REQUIREMENTS

##### 9.14.1 GENERAL RULES.

(a) Effective Date. The provisions of this article will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.

(b) Precedence. The requirements of this article will take precedence over any inconsistent provisions of the Plan.

(c) Requirements of Treasury Regulations Incorporated. All distributions required under this article will be determined and made in accordance with the Treasury regulations under section 401(a)(9) of the Internal Revenue Code.

(d) TEFRA Section 242(b)(2) Elections. Notwithstanding the other provisions of this article, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the Plan that relate to section 242(b)(2) of TEFRA.

##### 9.14.2 TIME AND MANNER OF DISTRIBUTION

(a) Required Beginning Date. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's "required beginning date."

(b) Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(i) If the Participant's surviving Spouse is the Participant's sole designated beneficiary, then distributions to the surviving Spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70 1/2, if later.

(ii) If the Participant's surviving Spouse is not the Participant's sole designated beneficiary, then, distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(iii) If there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iv) If the Participant's surviving Spouse is the Participant's sole designated beneficiary and the surviving Spouse dies after the Participant but before distributions to the surviving Spouse begin, this section 9.14.2(b), other than section 9.14.2(b)(i), will apply as if the surviving Spouse were the Participant.

For purposes of this section 9.14.2(b) and Section 9.14.4, unless section 9.14.2(b)(iv) applies, distributions are considered to begin on the Participant's required beginning date. If section 9.14.2(b)(iv) applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under section 9.14.2(b)(i). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant's surviving Spouse before the date distributions are required to begin to the surviving Spouse under section 9.14.2(b)(i), the date distributions are considered to begin is the date distributions actually commence.

(c) Forms of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with sections 9.14.3 and 9.14.4 of this article. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the



requirements of section 401(a)(9) of the Code and the Treasury regulations.

9.14.3 REQUIRED MINIMUM DISTRIBUTIONS DURING PARTICIPANT'S LIFETIME.

(a) Amount of Required Minimum Distribution For Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(i) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or

(ii) if the Participant's sole designated beneficiary for the distribution calendar year is the Participant's Spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the distribution calendar year.

(b) Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this section 9.14.3 beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

9.14.4 REQUIRED MINIMUM DISTRIBUTIONS AFTER PARTICIPANT'S DEATH

(a) Death On or After Date Distributions Begin.

(i) Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated beneficiary, determined as follows:

(1) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) If the Participant's surviving spouse is the Participant's sole designated beneficiary, the remaining life expectancy of the surviving Spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that year. For distribution calendar years after the year of the surviving Spouse's death, the remaining life expectancy of the surviving Spouse is calculated using the age of the surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year.

(3) If the Participant's surviving Spouse is not the Participant's sole designated beneficiary, the designated beneficiary's remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(ii) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no designated beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(b) Death Before Date Distributions Begin.

(i) Participant Survived by Designated Beneficiary. Except as provided in the adoption agreement, if the Participant dies before the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated beneficiary, determined as provided in section 9.14.4(a).

(ii) No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no designated

beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iii) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving Spouse is the Participant's sole designated beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving Spouse under section 9.14.2(b)(i), this section 9.14.4(b) will apply as if the surviving Spouse were the Participant.

#### 9.14.5 DEFINITIONS.

(a) Designated beneficiary. The individual who is designated as the beneficiary under section 9.9 of the Plan and is the designated beneficiary under section 401(a)(9) of the Internal Revenue Code and section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

(b) Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under section 9.14.2(b). The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's required beginning date occurs, will be made on or before December 31 of that distribution calendar year.

(c) Life expectancy. Life expectancy as computed by use of the Single Life Table in section 1.401(a)(9)-9 of the Treasury regulations.

(d) Participant's account balance. The account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the

valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

(e) Required beginning date. The date specified in section 9.1.3 of the Plan."

#### ARTICLE XIII

##### COMPENSATION

13.1 COMPENSATION. Section 2.8.3.3 is amended in its entirety as follows:

"any amounts paid that are non-regularly scheduled items of compensation (for example, starting bonus, finder's fee, or other special bonuses),"

13.2 DEEMED 415 COMPENSATION. Effective for Plan years and limitation years beginning on and after January 1, 1998, Section 2.8.5 is amended by adding the following at the end thereof:

"For purposes of the definition of Compensation under this Section 2.8.5, amounts included hereunder pursuant to Code Section 125 include any amounts not available to a Participant in cash in lieu of group health coverage because the Participant is unable to certify that he or she has other health coverage. An amount will be treated as an amount under Code Section 125 only if the Employer does not request or collect information regarding the Participant's other health coverage as part of the enrollment process for the health plan."

#### ARTICLE XIV

##### NO OTHER MODIFICATIONS

Except as otherwise provided in this Amendment, the provisions of the Plan shall remain unchanged.

IN WITNESS WHEREOF, in order to record the adoption of this Amendment, WESTERN DIGITAL CORPORATION has caused this instrument to be executed by its duly authorized officer this 9th day of October, 2002.

WESTERN DIGITAL CORPORATION

By: /s/ Raymond M Bukaty  
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Name: Raymond M. Bukaty

Title: Vice President, General Counsel and  
Secretary

WESTERN DIGITAL CORPORATION  
1993 EMPLOYEE STOCK PURCHASE PLAN  
(AMENDED AND RESTATED AS OF NOVEMBER 14, 2002)

WESTERN DIGITAL CORPORATION  
1993 EMPLOYEE STOCK PURCHASE PLAN

(AMENDED AND RESTATED AS OF NOVEMBER 14, 2002)

The Western Digital Corporation 1993 Employee Stock Purchase Plan (the "Plan") shall be established and operated in accordance with the following terms and provisions.

1. Definitions.

As used in the Plan the following terms shall have the meanings set forth below:

(a) "Board" means the Board of Directors of the Company.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Committee" means the committee appointed by the Board to administer the Plan as described in Section 4 below.

(d) "Common Stock" means the common stock, \$0.01 par value, of the Company.

(e) "Company" means Western Digital Corporation, a Delaware corporation.

(f) "Continuous Employment" means the absence of any interruption or termination of service as an Employee with the Company and/or its Participating Subsidiaries. Continuous Employment shall not be considered interrupted in the case of a leave of absence agreed to in writing by the Company, provided that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

(g) "Eligible Compensation" means, with respect to each Participant for each pay period, the full salary and wages paid to such Participant by the Company or a Participating Subsidiary, including commissions, bonuses (to the extent not excluded below), overtime pay and shift differentials. Except as otherwise determined by the Committee, "Eligible Compensation" does not include

(i) any amounts contributed by the Company or a Participating Subsidiary to any pension plan or plan of deferred compensation,

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

(iii) any amounts paid as a starting bonus or finder's fee,

(iv) any amounts realized from the exercise of qualified or non-qualified stock options, or

(v) any amounts paid by the Company or a Participating Subsidiary 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.

(h) "Eligible Employee" means an Employee who is

(i) customarily employed for at least twenty (20) hours per week and more than five months in a calendar year, and

(ii) eligible to participate in the Plan as described in Section 5 below.

If such person is (a) an Employee due to any classification or reclassification of the person as an employee or common-law employee of the Company or one of its Participating Subsidiaries by reason of action taken by any tax or other governmental authority, or (b) an Employee who has a written employment agreement providing that the Employee shall not participate in the Plan until at least two (2) years of Continuous Employment, then such Employee must be employed for at least two (2) years by the Company or one of its Participating Subsidiaries as well as meet the criteria set forth above in subsections (i) and (ii) in order to be an Eligible Employee.

(i) "Employee" means each person currently employed by the Company or one of its Participating Subsidiaries. It shall not include any person who is recorded on the books and records of the Company or one of its Participating Subsidiaries as an independent contractor or consultant or a worker provided by a temporary staffing agency.

(j) "Enrollment Date" means the first day of each Offering Period.

(k) "Exercise Date" means each July 31 and January 31 during each Offering Period.

(l) "Exercise Period" means a period commencing on February 1 and terminating on the following July 31 or commencing on August 1 and terminating on the following January 31.

(m) "Exercise Price" means the price per share of shares offered in a given Offering Period determined as provided in Section 10 below.

(n) "Fair Market Value" means, with respect to a share of Common Stock as of any Enrollment Date or Exercise Date (or New Exercise Date, as the case may be), the closing price of such Common Stock on the New York Stock Exchange on such date, as reported in The Wall Street Journal. In the event that such a closing price is not available for an Enrollment Date or an Exercise Date, or New Exercise Date, the Fair Market Value of a share of Common Stock on such date shall be the closing price of a share of the Common Stock on the New York Stock Exchange on the last business day prior to such date or such other amount as may be determined by the Committee by any fair and reasonable means.

(o) "New Exercise Date" means the new exercise date set by the board in the case of a sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation or other entity in certain circumstances as described in Section 15(b).



(p) "Offering Period" means a period of twenty-four (24) months during which an option granted pursuant to the Plan may be exercised. A new Offering Period shall begin on each February 1 and August 1.

(q) "Participant" means an Eligible Employee who has elected to participate in the Plan by filing an enrollment agreement with the Company as provided in Section 7 below.

(r) "Participating Subsidiary" means any Subsidiary other than a Subsidiary excluded from participation in the Plan by the Committee, in its sole discretion.

(s) "Plan" means this Western Digital Corporation 1993 Employee Stock Purchase Plan, as amended.

(t) "Subsidiary" means any corporation, domestic or foreign, of which the Company owns, directly or indirectly, not less than 50% of the total combined voting power of all classes of stock or other equity interests and that otherwise qualifies as a "subsidiary corporation" within the meaning of Section 424(f) of the Code or any successor thereto.

## 2. Purpose of the Plan.

The purpose of the Plan is to provide an incentive for present and future Employees of the Company and its Participating Subsidiaries to acquire a proprietary interest (or increase an existing proprietary interest) in the Company through the purchase of Common Stock. It is the intention of the Company that the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code. Accordingly, the provisions of the Plan shall be administered, interpreted and construed in a manner consistent with the requirements of that section of the Code.

## 3. Shares Reserved for the Plan.

There shall be reserved for issuance and purchase by Participants under the Plan an aggregate of 15,000,000 shares of Common Stock, subject to adjustment as provided in Section 15 below. Shares of Common Stock subject to the Plan may be newly issued shares or shares reacquired in private transactions or open market purchases. If and to the extent that any right to purchase reserved shares shall not be exercised by any Participant for any reason or if such right to purchase shall terminate as provided herein, shares that have not been so purchased hereunder shall again become available for the purposes of the Plan unless the Plan shall have been terminated, but all shares sold under the Plan, regardless of source, shall be counted against the limitation set forth above.

## 4. Administration of the Plan.

(a) The Plan shall be administered by a Committee appointed by, and which shall serve at the pleasure of, the Board. The Committee shall consist of two or more directors, each of whom is a "Non-Employee Director" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, as such rule may be amended from time to time. The Committee shall have authority to interpret the Plan, to prescribe, amend and rescind rules

and regulations relating to the Plan, and to make all other determinations necessary or advisable for the administration of the Plan, all of which actions and determinations shall be final, conclusive and binding on all persons.

(b) The Committee may request advice or assistance or employ such other persons as it in its absolute discretion deems necessary or appropriate for the proper administration of the Plan, including, but not limited to employing a brokerage firm, bank or other financial institution to assist in the purchase of shares, delivery of reports or other administrative aspects of the Plan.

5. Eligibility to Participate in the Plan.

Subject to limitations imposed by Section 423(b) of the Code, any Eligible Employee who is employed by the Company or a Participating Subsidiary on an Enrollment Date shall be eligible to participate in the Plan for the Offering Period beginning on that Enrollment Date.

6. Offering Periods.

The Plan shall be implemented by consecutive Offering Periods with a new Offering Period commencing on each February 1 and August 1 during the term of the Plan. The first such Offering Period shall commence on February 1, 1994, or as otherwise determined by the Committee. The Committee shall have the power to change the duration of Offering Periods with respect to future offerings without shareholder approval if such change is announced at least fifteen (15) days prior to the scheduled beginning of the first Offering Period to be affected.

7. Election to Participate in the Plan.

(a) Each Eligible Employee may elect to participate in the Plan by completing an enrollment agreement in the form provided by the Company and filing such enrollment agreement with the Company prior to the applicable Enrollment Date, unless another time for filing the enrollment form is set by the Committee for all Eligible Employees with respect to a given Offering Period. An Eligible Employee may participate in an Offering Period only if, as of the Enrollment Date of such Offering Period, such Eligible Employee is not participating in any prior Offering Period which is continuing at the time of such proposed enrollment.

(b) Payroll deductions for a Participant shall commence on the first payroll date following the Enrollment Date and shall end on the last payroll date in the Offering Period to which such authorization is applicable, unless sooner terminated by the Participant as provided in Section 12.

(c) Unless a Participant elects otherwise prior to the Enrollment Date of the immediately succeeding Offering Period, an Eligible Employee who is participating in an Offering Period as of the last Exercise Date of such Offering Period (the "Prior Offering Period") shall be deemed (i) to have elected to participate in the immediately succeeding Offering Period and (ii) to have authorized the same payroll deduction for such immediately succeeding Offering Period as was in effect for such Participant immediately prior to the expiration or termination of the Prior Offering Period.

(d) The Committee, in its discretion, may terminate the participation of all

Participants in any Offering Period as of the last day of any Exercise Period (a "Termination Date") and enroll such Participants in the new Offering Period commencing immediately following such Termination Date if the Exercise Price determined as of the Enrollment Date for such new Offering Period is lower than the Exercise Price determined as of the Enrollment Date of the Offering Period for which the Participants' participation is being terminated. In such event, each of such Participants shall be deemed for purposes of this Plan (i) to have elected to participate in such new Offering Period, and (ii) to have authorized the same payroll deduction for such new Offering Period as was in effect for such Participant immediately prior to the Termination Date.

8. Payroll Deductions.

(a) All Participant contributions to the Plan shall be made only by payroll deductions. At the time a Participant files the enrollment agreement with respect to an Offering Period, the Participant shall authorize payroll deductions to be made on each payroll date during the Offering Period in an amount from 1% to 10% of the Eligible Compensation which the Participant receives on each payroll date during such Offering Period. The amount of such payroll deductions shall be a whole percentage (i.e., 1%, 2%, 3%, etc.) of the Participant's Eligible Compensation.

(b) All payroll deductions made for a Participant shall be deposited in the Company's general corporate account and shall be credited to the Participant's account under the Plan. No interest shall accrue or be credited with respect to the payroll deductions of a Participant under the Plan. A Participant may not make any additional payments into such account. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

(c) A Participant may discontinue participation in the Plan as provided in Section 12. A Participant may at any time during an Offering Period (but no more than four times in any calendar year) reduce or increase (subject to the limitations of Section 8(a) above) the rate of his or her payroll deductions by completing and filing with the Company a change notice in the form provided by the Company. Any such reduction in the rate of a Participant's payroll deductions shall be effective as of the pay period specified by the Participant in the Participant's change notice, but in no event sooner than the first pay period ending more than fifteen (15) days after the Participant files the change notice with the Company. Any such increase in the rate of a Participant's payroll deductions shall be effective as of the first date of the next Exercise Period within such Offering Period.

9. Grant of Options.

(a) On the Enrollment Date of each Offering Period, subject to the limitations set forth in Sections 3, 9(b) and 17 hereof, each Participant shall be granted an option to purchase on each Exercise Date during such Offering Period (at the Exercise Price determined as provided in Section 10 below) up to a number of shares of the Common Stock determined by dividing such Participant's payroll deductions accumulated during the Exercise Period ending on such Exercise

Date by 85% of the fair market value of a share of the Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower, provided that the number of shares subject to the option shall not exceed five (5) times the number of shares determined by dividing 10% of the Participant's Eligible Compensation over the Offering Period (determined based upon the Eligible Employee's rate of Eligible Compensation in effect as of the Enrollment Date) by 85% of the Fair Market Value of a share of the Common Stock on the Enrollment Date.

(b) Notwithstanding any provision of the Plan to the contrary, no Participant shall be granted an option under the Plan (i) if, immediately after the grant, such Participant (or any other person whose stock would be attributed to such Participant pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding options to purchase stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary of the Company, or (ii) which permits such Participant's rights to purchase stock under all employee stock purchase plans of the Company and its Subsidiaries to accrue at a rate which exceeds \$25,000 of fair market value of such stock (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time.

10. Exercise Price.

The Exercise Price of each of the shares offered in a given Offering Period shall be the lower of: (i) 85% of the Fair Market Value of a share of the Common Stock on the Enrollment Date; or (ii) 85% of the Fair Market Value of a share of the Common Stock on the applicable Exercise Date.

11. Exercise of Options.

Unless a Participant withdraws from the Plan as provided in Section 12, the Participant's option for the purchase of shares will be exercised automatically on each Exercise Date of the Offering Period, and the maximum number of full shares subject to option will be purchased for the Participant at the applicable Exercise Price with the accumulated payroll deductions in the Participant's account. Any amount remaining in the Participant's account after an Exercise Date shall be held in the account until the next Exercise Date in such Offering Period, unless the Offering Period has been over-subscribed or has terminated with such Exercise Date, in which event such amount shall be refunded to the Participant.

12. Withdrawal; Termination of Employment.

(a) A Participant may withdraw all but not less than all of the payroll deductions credited to the Participant's account under the Plan at any time by giving written notice to the Company. All of the Participant's payroll deductions credited to the Participant's account will be paid to him or her promptly after receipt of the Participant's notice of withdrawal, the Participant's participation in the Plan will be automatically terminated, and no further payroll deductions for the purchase of shares will be made. Payroll deductions will not resume on behalf of a Participant who has withdrawn from the Plan unless written notice is delivered to the Company within the open enrollment period preceding the commencement of an Exercise Period directing the Company to resume payroll deductions.

(b) Upon termination of the Participant's Continuous Employment prior to the

Exercise Date of an Offering Period for any reason, including retirement or death, the payroll deductions credited to the Participant's account will be returned to the Participant or, in the case of death, to the Participant's estate, and the Participant's options to purchase shares under the Plan will be automatically terminated.

(c) In the event a Participant fails to maintain Continuous Employment for at least twenty (20) hours per week during an Offering Period, the Participant will be deemed to have elected to withdraw from the Plan, the payroll deductions credited to the Participant's account will be returned to the Participant, and the Participant's options to purchase shares under the Plan will be terminated.

(d) A Participant's withdrawal from an Offering Period will not have any effect upon the Participant's eligibility to participate in a succeeding Offering Period or in any similar plan which may hereafter be adopted by the Company.

13. Transferability.

Options to purchase Common Stock granted under the Plan are not transferable by a Participant other than by will or the laws of descent and distribution and are exercisable during a Participant's lifetime only by the Participant.

14. Reports.

Individual accounts will be maintained for each Participant in the Plan. Statements of account will be given to Participants semi-annually promptly following each Exercise Date, which statements will set forth the amounts of payroll deductions, the per share purchase price, the number of shares purchased and the remaining cash balance, if any.

15. Adjustments Upon Changes in Capitalization.

(a) If the outstanding shares of Common Stock are increased or decreased, or are changed into or are exchanged for a different number or kind of shares, as a result of one or more reorganizations, restructurings, recapitalizations, reclassifications, stock splits, reverse stock splits, stock dividends or the like, appropriate adjustment shall be made in the number and/or kind of shares, and the per-share option price thereof, which may be issued in the aggregate and to any Participant upon exercise of options granted under the Plan.

(b) In the event of the proposed dissolution or liquidation of the Company, each Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Committee. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation or entity, each option under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or entity or a parent or subsidiary of such successor corporation or entity, unless the Committee determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the Participants shall have the right to exercise the option as to all of the optioned stock. If the Committee makes an option fully exercisable under these circumstances in lieu of assumption or substitution, each Offering Period then in progress shall be shortened and a new Exercise Date shall be set (the "New Exercise Date"), as of which

date any Offering Period then in progress will terminate. The New Exercise Date shall be on or before the date of consummation of the transaction and the Committee shall notify each participant in writing, at least ten (10) days prior to the New Exercise Date, that the Exercise Date for his or her option has been changed to the New Exercise Date and that his or her option will be exercised automatically on the New Exercise Date, unless prior to such date he or she has withdrawn from the Offering Period as provided in Section 12. The Exercise Price on the New Exercise Date shall be the lower of: (i) 85% of the Fair Market Value of a share of the Common Stock on the Enrollment Date; or (ii) 85% of the Fair Market Value of a share of the Common Stock on the applicable New Exercise Date.

(c) In all cases, the Committee shall have full discretion to exercise any of the powers and authority provided under this Section 15, and the Committee's actions hereunder shall be final and binding on all Participants. No fractional shares of stock shall be issued under the Plan pursuant to any adjustment authorized under the provisions of this Section 15.

16. Amendment of the Plan.

The Board may at any time, or from time to time, amend the Plan in any respect; provided, however, that the Plan may not be amended in any way that will cause rights issued under the Plan to fail to meet the requirements for employee stock purchase plans as defined in Section 423 of the Code or any successor thereto, including, without limitation, shareholder approval if required.

17. Termination of the Plan.

The Plan and all rights of Employees hereunder shall terminate:

(a) on the Exercise Date that Participants would become entitled to purchase a number of shares greater than the number of reserved shares remaining available for purchase under the Plan if the final sentence in this Section 17 were not applied; or

(b) at any time, at the discretion of the Board.

In the event that the Plan terminates under circumstances described in Section 17(a) above, reserved shares remaining as of the termination date shall be sold to Participants on a pro rata basis.

18. Notices.

All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

19. Shareholder Approval.

Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve months before or after the date the Plan is adopted. If such shareholder approval is obtained at a duly held shareholders' meeting, it may be obtained by the affirmative vote of the

holders of a majority of the outstanding shares of the Company present or represented and entitled to vote thereon.

20. Conditions Upon Issuance of Shares.

(a) The Plan, the grant and exercise of options to purchase shares of Common Stock under the Plan, and the Company's obligation to sell and deliver shares upon the exercise of options to purchase shares shall be subject to all applicable federal, state and foreign laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may, in the opinion of counsel for the Company, be required.

(b) The Company may make such provisions as it deems appropriate for withholding by the Company pursuant to federal or state income tax laws of such amounts as the Company determines it is required to withhold in connection with the purchase or sale by a Participant of any Common Stock acquired pursuant to the Plan. The Company may require a Participant to satisfy any relevant tax requirements before authorizing any issuance of Common Stock to such Participant.

WESTERN DIGITAL CORPORATION  
Deferred Compensation Plan  
Master Plan Document

AMENDED AND RESTATED

EFFECTIVE JULY 1, 2002

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WESTERN DIGITAL CORPORATION

DEFERRED COMPENSATION PLAN

Amended and Restated

Effective July 1, 2002

PURPOSE

The purpose of this Plan is to provide specified benefits to a select group of management and highly compensated Employees and Directors who contribute materially to the continued growth, development and future business success of Western Digital Corporation a Delaware corporation, and its subsidiaries, if any, that sponsor this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA. The Plan was originally adopted effective May 16, 1994, previously amended and restated effective each of January 9, 1997, January 1, 1998, and August 1, 2001, and is hereby amended and restated again effective July 1, 2002.

ARTICLE 1  
DEFINITIONS

For purposes of this Plan, unless otherwise clearly apparent from the context, the following phrases or terms shall have the following indicated meanings:

- 1.1 "Account Balance" shall mean, with respect to a Participant, a credit on the records of the Employer equal to the sum of (i) the Deferral Account balance and (ii) the Company Contribution Account balance. The Account Balance, and each other specified account balance, shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.
- 1.2 "Annual Bonus" shall mean any compensation, in addition to Base Annual Salary relating to services performed during any calendar year, whether or not paid in such calendar year or included on the Federal Income Tax Form W-2 for such calendar year, payable to a Participant as an Employee under any incentive or bonus plan including without limitation the Management Incentive Compensation Plan, Profit Sharing Plan (Cash Element), Long-Term Incentive Plan, Variable Incentive Plan, Incentive Compensation Plan or the Western Digital Corporation Executive Retention Plan. Notwithstanding the foregoing, Annual Bonus shall also include amounts otherwise payable during a calendar year under a Long-Term Retention Agreement.

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- 1.3 "Annual Company Contribution Amount" shall mean, for any one Plan Year, the amount determined in accordance with Section 3.5.
- 1.4 "Annual Deferral Amount" shall mean that portion of a Participant's Base Annual Salary, Annual Bonus and Directors Fees that a Participant elects to have, and is deferred, in accordance with Article 3, for any one Plan Year. In the event of a Participant's Retirement, Disability (if deferrals cease in accordance with Section 8.1), death or a Termination of Employment prior to the end of a Plan Year, such year's Annual Deferral Amount shall be the actual amount withheld prior to such event.
- 1.5 "Annual Installment Method" shall be an annual installment payment over the number of years selected by the Participant in accordance with this Plan, calculated as follows: The vested Account Balance of the Participant shall be calculated as of the close of business on the last business day of the year. The annual installment shall be calculated by multiplying this balance by a fraction, the numerator of which is one, and the denominator of which is the remaining number of annual payments due the Participant. By way of example, if the Participant elects a 10 year Annual Installment Method, the first payment shall be 1/10 of the vested Account Balance, calculated as described in this definition. The following year, the payment shall be 1/9 of the vested Account Balance, calculated as described in this definition. Each annual installment shall be paid on or as soon as practicable after the last business day of the applicable year.
- 1.6 "Base Annual Salary" shall mean the annual cash compensation relating to services performed during any calendar year, whether or not paid in such calendar year or included on the Federal Income Tax Form W-2 for such calendar year, excluding bonuses, commissions, overtime, fringe benefits, stock options, relocation expenses, incentive payments, non-monetary awards, directors fees and other fees, automobile and other allowances paid to a Participant for employment services rendered (whether or not such allowances are included in the Employee's gross income). Base Annual Salary shall be calculated before reduction for compensation voluntarily deferred or contributed by the Participant pursuant to all qualified or non-qualified plans of any Employer and shall be calculated to include amounts not otherwise included in the Participant's gross income under Code Sections 125, 402(e)(3), 402(h), or 403(b) pursuant to plans established by any Employer; provided, however, that all such amounts will be included in compensation only to the extent that, had there been no such plan, the amount would have been payable in cash to the Employee.
- 1.7 "Beneficiary" shall mean one or more persons, trusts, estates or other entities, designated in accordance with Article 9, that are entitled to receive benefits under this Plan upon the death of a Participant.

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- 1.8 "Beneficiary Designation Form" shall mean the form established from time to time by the Committee that a Participant completes, signs and returns to the Committee to designate one or more Beneficiaries.
- 1.9 "Board" shall mean the board of directors of the Company.
- 1.10 "Change in Control" shall mean the first to occur of any of the following events:
- (a) Any person (other than an Exempt Person), alone or together with its Affiliates and Associates, including any group of Persons which is deemed a "person" under Section 13(d)(3) of the Exchange Act, becomes the Beneficial Owner, directly or indirectly, of thirty-three and one-third percent or more of (i) the then-outstanding shares of the Company's common stock or (ii) securities representing thirty-three and one-third percent or more of the combined voting power of the Company's then outstanding voting securities;
  - (b) A change, during any period of two consecutive years, of a majority of the Board of the Company as constituted as of the beginning of such period, unless the election, or nomination for election by the Company's stockholders, of each director who was not a director at the beginning of such period was approved by vote of at least two-thirds of the Incumbent Directors then in office (for purposes hereof, "Incumbent Directors" shall consist of the directors holding office as of the effective date of this Plan and any person becoming a director subsequent to such date whose election, or nomination for election by the Company's stockholders, is approved by a vote of at least a majority of the incumbent Directors then in office);
  - (c) Consummation of any merger, consolidation, reorganization or other extraordinary transactions (or series of related transactions) involving the Company which results in the stockholders of the Company having power to vote in the ordinary election of directors immediately prior to such transaction (or series of related transactions) failing to beneficially own at least a majority of the securities of the Company having the power to vote in the ordinary election of directors which are outstanding after giving effect to such transaction (or series of related transactions); or
  - (d) The stockholders of the Company approve a plan of complete liquidation of the Company or the sale of substantially all of the assets of the Company; or
  - (e) Substantially all of the assets of the Company are sold or otherwise transferred to parties that are not within a "controlled group of corporations" (as defined in Code Section 1563) in which the Company is a member.
- 1.11 "Claimant" shall have the meaning set forth in Section 14.1.

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- 1.12 "Code" shall mean the Internal Revenue Code of 1986, as it may be amended from time to time.
- 1.13 "Committee" shall mean the committee described in Article 12.
- 1.14 "Company" shall mean Western Digital Corporation a Delaware corporation, and any successor to all or substantially all of the Company's assets or business.
- 1.15 "Company Common Stock" shall mean authorized and unissued shares or treasury shares of the Company's common stock.
- 1.16 "Company Contribution Account" shall mean (i) the sum of the Participant's Annual Company Contribution Amounts, plus (ii) amounts credited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Company Contribution Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's Company Contribution Account.
- 1.17 "Deduction Limitation" shall mean the following described limitation on a benefit that may otherwise be distributable pursuant to the provisions of this Plan. Except as otherwise provided, this limitation shall be applied to all distributions that are "subject to the Deduction Limitation" under this Plan. If an Employer determines in good faith prior to a Change in Control that there is a reasonable likelihood that any compensation paid to a Participant for a taxable year of the Employer would not be deductible by the Employer solely by reason of the limitation under Code Section 162(m), then to the extent deemed necessary by the Employer to ensure that the entire amount of any distribution to the Participant pursuant to this Plan prior to the Change in Control is deductible, the Employer may defer all or any portion of a distribution under this Plan. Any amounts deferred pursuant to this limitation shall continue to be credited/debited with additional amounts in accordance with Section 3.8 below, even if such amount is being paid out in installments. The amounts so deferred and amounts credited thereon shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant's death) at the earliest possible date, as determined by the Employer in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Employer during which the distribution is made will not be limited by Section 162(m), or if earlier, the effective date of a Change in Control. Notwithstanding anything to the contrary in this Plan, the Deduction Limitation shall not apply to any distributions made after a Change in Control.
- 1.18 "Deferral Account" shall mean (i) the sum of all of a Participant's Annual Deferral Amounts, plus (ii) amounts credited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Deferral Account, less (iii) all

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distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to his or her Deferral Account.

- 1.19 "Director" shall mean any member of the board of directors of any Employer.
- 1.20 "Directors Fees" shall mean the annual fees paid by any Employer, including retainer fees and meetings fees, as compensation for serving on the board of directors and, after January 8, 1997, shall include Directors Fees (Stock Element).
- 1.21 "Directors Fees (Stock Element)" shall mean that portion of Directors Fees paid in the form of shares of Company Common Stock and granted to Non-Employee Directors on a mandatory or elective basis under the terms of the Stock Plan after January 8, 1997.
- 1.22 "Disability" shall mean a period of disability during which a Participant qualifies for permanent disability benefits under the Participant's Employer's long-term disability plan, or, if a Participant does not participate in such a plan, a period of disability during which the Participant would have qualified for permanent disability benefits under such a plan had the Participant been a participant in such a plan, as determined in the sole discretion of the Committee. If the Participant's Employer does not sponsor such a plan, or discontinues to sponsor such a plan, Disability shall be determined by the Committee in its sole discretion.
- 1.23 "Disability Benefit" shall mean the benefit set forth in Article 8.
- 1.24 "Election Form" shall mean the form established from time to time by the Committee that a Participant completes, signs and returns to the Committee to make an election under the Plan.
- 1.25 "Employee" shall mean a person who is an employee of any Employer.
- 1.26 "Employer(s)" shall mean the Company and/or any of its subsidiaries (now in existence or hereafter formed or acquired) that have been selected by the Board to participate in the Plan and have adopted the Plan as a sponsor.
- 1.27 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.
- 1.28 "First Plan Year" shall mean the period beginning May 16, 1994 and ending December 31, 1994.
- 1.29 "Long-Term Incentive Plan" shall mean the Western Digital Corporation Long-Term Incentive Plan.



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- 1.30 "Long-Term Retention Agreement " shall mean the one or more long-term retention agreements entered into between an Employee and the Company in or about December, 2002.
- 1.31 "Management Incentive Plan" shall mean the Western Digital Corporation Management Incentive Plan.
- 1.32 "Participant" shall mean any Employee or Director (i) who is selected to participate in the Plan, (ii) who elects to participate in the Plan, (iii) who signs a Plan Agreement, an Election Form and a Beneficiary Designation Form, (iv) whose signed Plan Agreement, Election Form and Beneficiary Designation Form are accepted by the Committee, (v) who commences participation in the Plan, and (vi) whose Plan Agreement has not terminated. A spouse or former spouse of a Participant shall not be treated as a Participant in the Plan or have an account balance under the Plan, even if he or she has an interest in the Participant's benefits under the Plan as a result of applicable law or property settlements resulting from legal separation or divorce.
- 1.33 "Plan" shall mean the Western Digital Corporation Deferred Compensation Plan, originally adopted effective May 16, 1994, amended and restated in its entirety January 9, 1997, and further amended and restated in its entirety effective January 1, 1998, which shall be evidenced by this instrument and by each Plan Agreement, as they may be amended from time to time.
- 1.34 "Plan Agreement" shall mean a written agreement, as may be amended from time to time, which is entered into by and between an Employer and a Participant. Each Plan Agreement executed by a Participant and the Participant's Employer shall provide for the entire benefit to which such Participant is entitled under the Plan; should there be more than one Plan Agreement, the Plan Agreement bearing the latest date of acceptance by the Employer shall supersede all previous Plan Agreements in their entirety and shall govern such entitlement. The terms of any Plan Agreement may be different for any Participant, and any Plan Agreement may provide additional benefits not set forth in the Plan or limit the benefits otherwise provided under the Plan; provided, however, that any such additional benefits or benefit limitations must be agreed to by both the Employer and the Participant.
- 1.35 "Plan Year" shall, except for the First Plan Year, mean a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year.
- 1.36 "Pre-Retirement Survivor Benefit" shall mean the benefit set forth in Article 6.
- 1.37 "Profit Sharing Plan (Cash Element)" shall mean the portion of the Western Digital Corporation Profit Sharing Plan which, in accordance with its terms, pays benefits in cash.

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- 1.38 "Retirement", "Retire(s)" or "Retired" shall mean, with respect to an Employee, severance from employment from all Employers for any reason other than a leave of absence, death or Disability on or after the attainment of age fifty-five (55); and shall mean with respect to a Director who is not an Employee, severance of his or her directorships with all Employers on or after the later of (a) the attainment of age seventy (70), or (b) in the sole discretion of the Committee, an age later than age seventy (70). If a Participant is both an Employee and a Director, Retirement shall not occur until he or she Retires as both an Employee and a Director, which Retirement shall be deemed to be a Retirement as a Director; provided, however, that such a Participant may elect, at least three years prior to Retirement and in accordance with the policies and procedures established by the Committee, to Retire for purposes of this Plan at the time he or she Retires as an Employee, which Retirement shall be deemed to be a Retirement as an Employee. In this regard, a Participant shall be deemed to cease being employed by an Employer if and when the Employer employing such Participant ceases to be a majority owned subsidiary of the Company and the Board provides that such event shall be treated as a cessation of employment by all Employers.
- 1.39 "Retirement Benefit" shall mean the benefit set forth in Article 5.
- 1.40 "Short-Term Payout" shall mean the payout set forth in Section 4.1.
- 1.41 "Stock Plan" shall mean the Western Digital Corporation Non-Employee Directors Stock-For-Fees Plan, as amended and restated effective January 9, 1997.
- 1.42 "Termination Benefit" shall mean the benefit set forth in Article 7.
- 1.43 "Termination of Employment" shall mean the severing of employment with all Employers, or service as a Director of all Employers, voluntarily or involuntarily, for any reason other than Retirement, Disability, death or an authorized leave of absence. If a Participant is both an Employee and a Director, a Termination of Employment shall occur only upon the termination of the last position held; provided, however, that such a Participant may elect, at least three years before Termination of Employment and in accordance with the policies and procedures established by the Committee, to be treated for purposes of this Plan as having experienced a Termination of Employment at the time he or she ceases employment with an Employer as an Employee. In this regard, a Participant shall be deemed to cease being employed by an Employer if and when the Employer employing such Participant ceases to be a majority owned subsidiary of the Company and the Board provides that such event shall be treated as a cessation of employment by all Employers.
- 1.44 "Trust" shall mean one or more trusts established pursuant to that certain Master Trust Agreement, dated as of May 16, 1994 between the Company and the trustee named therein, as amended from time to time.

- 1.45 "Unforeseeable Financial Emergency" shall mean an unanticipated emergency that is caused by an event beyond the control of the Participant that would result in severe financial hardship to the Participant resulting from (i) a sudden and unexpected illness or accident of the Participant or a dependent of the Participant, (ii) a loss of the Participant's property due to casualty, or (iii) such other extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined in the sole discretion of the Committee.

ARTICLE 2  
SELECTION, ENROLLMENT, ELIGIBILITY

- 2.1 SELECTION BY COMMITTEE. Participation in the Plan shall be limited to a select group of management and highly compensated Employees and Directors of the Employers, as determined by the Committee in its sole discretion. From that group, the Committee shall select, in its sole discretion, Employees and Directors to participate in the Plan.
- 2.2 ENROLLMENT REQUIREMENTS. As a condition to participation, for the First Plan Year, each selected Employee or Director shall complete, execute and return to the Committee any time prior to May 16, 1994, a Plan Agreement, an Election Form and a Beneficiary Designation Form. Individuals initially selected to participate after May 16, 1994 may commence participation by completing, executing and returning to the Committee a Plan Agreement, an Election Form and a Beneficiary Designation Form, all within 30 days of selection. In addition, the Committee shall establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary.
- 2.3 ELIGIBILITY; COMMENCEMENT OF PARTICIPATION. Provided an Employee or Director selected to participate in the Plan has met all enrollment requirements set forth in this Plan and required by the Committee, including returning all required documents to the Committee within the specified time period, that Employee or Director shall commence participation in the Plan on May 16, 1994, or, in the case of those selected for participation after that date, the May 1, or January 1 immediately following the date in which the Employee or Director completes all enrollment requirements, provided that a Director who is elected or appointed other than at an annual stockholders meeting may commence participation on the date he or she joins the Board, subject to new elections for each succeeding Plan Year pursuant to Section 3.3. If an Employee or a Director fails to meet all such requirements within the period required, in accordance with Section 2.2, that Employee or Director shall not be eligible to participate in the Plan until the first day of the Plan Year following the delivery to and acceptance by the Committee of the required documents.
- 2.4 TERMINATION OF PARTICIPATION AND/OR DEFERRALS. If the Committee determines in good faith that a Participant no longer qualifies as a member of a select group of management or highly compensated employees, as membership in such group is determined in accordance

with Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, the Committee shall have the right, in its sole discretion, to (i) terminate any deferral election the Participant has made for the remainder of the Plan Year in which the Participant's membership status changes, (ii) prevent the Participant from making future deferral elections and/or (iii) immediately distribute the Participant's then vested Account Balance as a Termination Benefit and terminate the Participant's participation in the Plan.

ARTICLE 3  
DEFERRAL COMMITMENTS/COMPANY CONTRIBUTION/CREDITING/TAXES

3.1 MINIMUM DEFERRALS.

- (a) BASE ANNUAL SALARY, ANNUAL BONUS AND DIRECTOR'S FEES. For each Plan Year, a Participant may elect to defer, as his or her Annual Deferral Amount, Base Annual Salary, Annual Bonus and/or Director's Fees in the following minimum amounts for each deferral elected:

DEFERRAL -----	MINIMUM AMOUNT -----
Base Annual Salary	\$2,000
Annual Bonus	\$2,000
Directors Fees	\$ 0

If an election is made for less than stated minimum amounts, or if no election is made, the amount deferred shall be zero. The Committee may, in the case of an Annual Bonus, prescribe that the portion, if any, attributable to amounts otherwise payable under a Long-Term Retention Agreement be subject to a separate deferral election.

- (b) SHORT PLAN YEAR. Notwithstanding the foregoing, if a Participant first becomes a Participant after the first day of a Plan Year, or in the case of the First Plan Year of the Plan, the minimum Base Annual Salary deferral shall be an amount equal to the minimum set forth above, multiplied by a fraction, the numerator of which is the number of complete months remaining in the Plan Year and the denominator of which is 12.

3.2 MAXIMUM DEFERRAL.

- (a) BASE ANNUAL SALARY, ANNUAL BONUS AND DIRECTORS FEES. For each Plan Year, a Participant may elect to defer, as his or her Annual Deferral Amount, Base Annual Salary, Annual Bonus and/or Directors Fees up to the following maximum percentages for each deferral elected:

DEFERRAL -----	MAXIMUM AMOUNT -----
Base Annual Salary	100%
Annual Bonus	100%
Directors Fees	100%

- (b) Notwithstanding the foregoing, if a Participant first becomes a Participant after the first day of a Plan Year, or in the case of the First Plan Year, the maximum Annual Deferral Amount, with respect to Base Annual Salary, Annual Bonus and Directors Fees shall be limited to the amount of compensation not yet earned by the Participant as of the date the Participant submits a Plan Agreement and Election Form to the Committee for acceptance.

3.3 ELECTION TO DEFER; EFFECT OF ELECTION FORM.

- (a) FIRST PLAN YEAR. In connection with a Participant's commencement of participation in the Plan, the Participant shall make an irrevocable deferral election for the Plan Year in which the Participant commences participation in the Plan, along with such other elections as the Committee deems necessary or desirable under the Plan. For these elections to be valid, the Election Form must be completed and signed by the Participant, timely delivered to the Committee (in accordance with Section 2.2 above) and accepted by the Committee.
- (b) SUBSEQUENT PLAN YEARS. For each succeeding Plan Year, an irrevocable deferral election for that Plan Year, and such other elections as the Committee deems necessary or desirable under the Plan, shall be made by timely delivering to the Committee, in accordance with its rules and procedures, before the end of the Plan Year preceding the Plan Year for which the election is made, a new Election Form; provided that any deferral election in respect of Directors Fees for the 1997 Plan Year may be made on or before January 31, 1997. If no such Election Form is timely delivered for a Plan Year, the Annual Deferral Amount shall be zero for that Plan Year.

3.4 WITHHOLDING OF ANNUAL DEFERRAL AMOUNTS. For each Plan Year, the Base Annual Salary portion of the Annual Deferral Amount shall be withheld from each regularly scheduled Base Annual Salary payroll in equal amounts, as adjusted from time to time for increases and decreases in Base Annual Salary. The Annual Bonus and/or Directors Fees portion of the Annual Deferral Amount shall be withheld at the time the Annual Bonus or Directors Fees are or otherwise would be paid to the Participant, whether or not this occurs during the Plan Year itself.

3.5 ANNUAL COMPANY CONTRIBUTION AMOUNT. For each Plan Year, the Board, in its sole discretion, may, but is not required to, credit any amount it desires to any Participant's

Company Contribution Account under this Plan, which amount shall be for that Participant the Annual Company Contribution Amount for that Plan Year. The amount so credited to a Participant may be smaller or larger than the amount credited to any other Participant, and the amount credited to any Participant for a Plan Year may be zero, even though one or more other Participants receive an Annual Company Contribution Amount for that Plan Year. The Annual Company Contribution Amount, if any, shall be credited as of the last day of the Plan Year. If a Participant is not employed by an Employer as of the last day of a Plan Year other than by reason of his or her Retirement or death while employed, the Annual Company Contribution Amount for that Plan Year shall be zero. Notwithstanding the foregoing, the Company shall credit to the Account Balances of Participants who are non-employee Directors an Annual Company Contribution Amount each Plan Year representing the 15 percent premium awarded under Section 7(b) of the Stock Plan (the "Premium Award"), which amount shall be credited at such times as the Company shall determine.

3.6 INVESTMENT OF TRUST ASSETS. The Trustee of the Trust shall be authorized, upon written instructions received from the Committee or investment manager appointed by the Committee, to invest and reinvest the assets of the Trust in accordance with the applicable Trust Agreement, including the disposition of stock and reinvestment of the proceeds in one or more investment vehicles designated by the Committee.

3.7 VESTING.

- (a) A Participant shall at all times be 100% vested in his or her Deferral Account, except that, subject to Section 3.7(d), below, amounts attributable to any Long-Term Retention Agreement shall be subject to forfeiture in accordance with the terms of such agreement.
- (b) Except as otherwise provided in this Section 3.7, a Participant shall be vested in his or her Company Contribution Account in accordance with the provisions governing employer contributions under the Company's qualified 401(k) plan.
- (c) A Participant shall at all times be 100% vested in the portion of his or her Deferral Account attributable to the Premium Award(s).
- (d) Notwithstanding anything to the contrary contained in this Section 3.7, in the event of his or her Retirement, Disability or a Change in Control, a Participant's Deferral Account and Company Contribution Account shall immediately become 100% vested (if it is not already vested in accordance with this Section 3.7).

3.8 CREDITING/DEBITING OF ACCOUNT BALANCES. In accordance with, and subject to, the rules and procedures that are established from time to time by the Committee, in its sole

discretion, amounts shall be credited or debited to a Participant's Account Balance in accordance with the following rules:

- (a) ELECTION OF MEASUREMENT FUNDS. Except as otherwise provided in Section 3.8 (d) or Section 3.8(e) below, a Participant, in connection with his or her initial deferral election in accordance with Section 3.3(a) above, shall elect, on the Election Form, one or more Measurement Fund(s) (as described in Section 3.8(c) below) to be used to determine the additional amounts to be credited to his or her Account Balance for the first day thereof in which the Participant commences participation in the Plan and continuing thereafter for each subsequent day in which the Participant participates in the Plan, unless changed in accordance with the next sentence. Except as otherwise provided in Section 3.8(d) or Section 3.8(e) below, commencing with the first day that follows the Participant's commencement of participation in the Plan and continuing thereafter for each subsequent day in which the Participant participates in the Plan, no later than the prior business day, the Participant may (but is not required to) elect, by submitting an Election Form to the Committee that is accepted by the Committee, to add or delete one or more Measurement Fund(s) to be used to determine the additional amounts to be credited to his or her Account Balance, or to change the portion of his or her Account Balance allocated to each previously or newly elected Measurement Fund; provided, however, that a Participant may make no more than two (2) such elections each Plan Year. If an election is made in accordance with the previous sentence, it shall apply to the next day and continue thereafter for each subsequent day in which the Participant participates in the Plan, unless changed in accordance with the previous sentence.
- (b) PROPORTIONATE ALLOCATION. In making any election described in Section 3.8(a) above, the Participant shall specify on the Election Form, in increments of five percentage points (5%), the percentage of his or her Account Balance to be allocated to a Measurement Fund (as if the Participant was making an investment in that Measurement Fund with that portion of his or her Account Balance and Annual Deferral Amount).
- (c) MEASUREMENT FUNDS. Except as otherwise provided in Section 3.8(d) or Section 3.8(e) below, the Participant may elect one or more of the following measurement funds, based on certain mutual funds (the "Measurement Funds"), for the purpose of crediting additional amounts to his or her Account Balance:
- (1) Fidelity VIP Money Market Portfolio (described as a mutual fund seeking a high level of current income as is consistent with preserving capital and providing liquidity);

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- (2) Fidelity VIP II Index 500 Portfolio (described as a mutual fund which seeks to achieve investment results corresponding to the total return of common stocks publicly traded in the United States);
- (3) Neuberger & Berman Management Inc. AMT Partners Portfolio (described as a mutual fund which seeks long-term growth of capital primarily through investments in common stocks);
- (4) Fred Alger Management Inc. Small Capitalization Portfolio (described as a mutual fund which seeks long-term growth of capital primarily through investments in small capitalization common stocks); and
- (5) Declared Rate Fund (described as a fund which is credited with interest at a fixed rate declared as an annual rate for each Plan Year by the Company prior to the beginning of the Plan Year).

As necessary, the Committee may, in its sole discretion, discontinue, substitute or add a Measurement Fund. Each such action will take effect as of the first day of the calendar quarter that follows by thirty (30) days the day on which the Committee gives Participants advance written notice of such change.



- (d) **MINIMUM PERCENTAGE FOR DECLARED RATE MEASUREMENT FUND.** Notwithstanding any provision of this Plan, other than Section 3.8(e) below, that may be construed to the contrary, effective January 1, 1998, a Participant's Account Balance as of such date shall be allocated to the Declared Rate Measurement Fund. Except as otherwise provided in Section 3.8(e) below, effective January 2, 1998, at all times during a Plan Year, a Participant must allocate a minimum percentage of his or her existing Account Balance and Annual Deferral Amount to the Declared Rate Measurement Fund (the "Minimum Percentage"). The Minimum Percentage for a Plan Year (i) must be fifty percent (50%) for the 1998 Plan Year, (ii) must be determined by the Committee, in its sole discretion, and announced prior to the beginning of any other Plan Year, (iii) may be higher or lower than the Minimum Percentage for any other Plan Year and (iv) may be zero for any other Plan Year.
- (e) **COMPANY STOCK MEASUREMENT FUND FOR DIRECTORS' FEES (STOCK ELEMENT).** Notwithstanding any provision of this Plan that may be construed to the contrary, the portion of a Participant's Deferral Account balance attributable to his or her deferral of Directors' Fees (Stock Element) and the portion of a Participant's Company Contribution Account balance attributable to the Premium Award(s), as that term is defined in Section 3.5 above, must be (i) deemed invested at all times prior to distribution in the Company Stock Measurement Fund and (ii) distributed, in the form of Company Common Stock, as a lump sum at the time distribution to the Participant or his or her Beneficiary(ies) is to commence. For purposes of this Section 3.8(e), the Company Stock Measurement Fund is described as a fund which shall be credited or debited with investment results corresponding to the total return of Company Common Stock.
- (f) **CREDITING OR DEBITING METHOD.** The performance of each elected Measurement Fund (either positive or negative) will be determined by the Committee, in its reasonable discretion, based on the performance of the Measurement Funds themselves. A Participant's Account Balance shall be credited or debited on a daily basis based on the performance of each Measurement Fund selected by the Participant, as determined by the Committee in its sole discretion, as though (i) a Participant's Account Balance were invested in the Measurement Fund(s) selected by the Participant, in the percentages applicable to such calendar date, at the closing price on such date; (ii) the portion of the Annual Deferral Amount that was actually deferred during any calendar date were invested in the Measurement Fund(s) selected by the Participant, in the percentages applicable to such calendar date, no later than the close of business on the third business day after the day on which such amounts are actually deferred from the Participant's Base Annual Salary through reductions in his or her payroll, at the closing price on such date; and (iii) any distribution made to a Participant that decreases such Participant's Account

Balance ceased being invested in the Measurement Fund(s), in the percentages applicable to such calendar date, no earlier than three business days prior to the distribution, at the closing price on such date.

- (g) NO ACTUAL INVESTMENT. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Measurement Funds are to be used for measurement purposes only, and a Participant's election of any such Measurement Fund, the allocation to his or her Account Balance thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account Balance shall not be considered or construed in any manner as an actual investment of his or her Account Balance in any such Measurement Fund. In the event that the Company or the Trustee (as that term is defined in the Trust), in its own discretion, decides to invest funds in any or all of the Measurement Funds, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account Balance shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company or the Trust; the Participant shall at all times remain an unsecured creditor of the Company.

3.9 FICA AND OTHER TAXES.

- (a) ANNUAL DEFERRAL AMOUNTS. For each Plan Year in which an Annual Deferral Amount is being withheld from a Participant, the Participant's Employer(s) shall withhold from that portion of the Participant's Base Annual Salary and Bonus that is not being deferred, in a manner determined by the Employer(s), the Participant's share of FICA and other employment taxes on such Annual Deferral Amount. If necessary, the Committee may reduce the Annual Deferral Amount in order to comply with this Section 3.9.
- (b) ANNUAL COMPANY CONTRIBUTION AMOUNTS. When a participant becomes vested in a portion of his or her Company Contribution Account, the Participant's Employer(s) shall withhold from the Participant's Base Annual Salary and/or Bonus that is not deferred, in a manner determined by the Employer(s), the Participant's share of FICA and other employment taxes. If necessary, the Committee may reduce the vested portion of the Participant's Company Contribution Account in order to comply with this Section 3.9.

3.10 DISTRIBUTIONS. The Participant's Employer(s), or the trustee of the Trust, shall withhold from any payments made to a Participant under this Plan all federal, state and local income, employment and other taxes required to be withheld by the Employer(s), or the trustee of the Trust, in connection with such payments, in amounts and in a manner to be determined in the sole discretion of the Employer(s) and the trustee of the Trust.

ARTICLE 4

SHORT-TERM PAYOUT; UNFORESEEABLE FINANCIAL EMERGENCIES; WITHDRAWAL ELECTION

- 4.1 SHORT-TERM PAYOUT. In connection with each election to defer an Annual Deferral Amount, a Participant may irrevocably elect to receive a future "Short-Term Payout" from the Plan with respect to such Annual Deferral Amount. Subject to the Deduction Limitation, the Short-Term Payout shall be a lump sum payment in an amount that is equal to the Annual Deferral Amount plus amounts credited or debited in the manner provided in Section 3.9 above on that amount, determined at the time that the Short-Term Payout becomes payable (rather than the date of a Termination of Employment). Subject to the Deduction Limitation and the other terms and conditions of this Plan, each Short-Term Payout elected shall be paid within a 60 days after the first day of any Plan Year designated by the Participant that is at least three Plan Years after the Plan Year in which the Annual Deferral Amount is actually deferred. Notwithstanding the foregoing, the Participant may irrevocably elect to defer the distribution of a Short-Term Payout to the first 60 days of another Plan Year designated by the Participant that is at least two Plan Years after the Plan Year in which such Short-Term Payout would otherwise be paid, provided such election is made no later than the first day of the Plan Year immediately preceding the Plan Year in which the Short-Term Payout would otherwise be paid.
- 4.2 OTHER BENEFITS TAKE PRECEDENCE OVER SHORT-TERM. Should an event occur that triggers a benefit under Article 5, 6, 7 or 8, any Annual Deferral Amount, plus amounts credited or debited thereon, that is subject to a Short-Term Payout election under Section 4.1 shall not be paid in accordance with Section 4.1 but shall be paid in accordance with the other applicable Article.
- 4.3 WITHDRAWAL PAYOUT/SUSPENSIONS FOR UNFORESEEABLE FINANCIAL EMERGENCIES. If the Participant experiences an Unforeseeable Financial Emergency, the Participant may petition the Committee to (i) suspend any deferrals required to be made by a Participant and/or (ii) receive a partial or full payout from the Plan. The payout shall not exceed the lesser of the Participant's vested Account Balance, calculated as if such Participant were receiving a Termination Benefit, or the amount reasonably needed to satisfy the Unforeseeable Financial Emergency. If, subject to the sole discretion of the Committee, the petition for a suspension and/or payout is approved, suspension shall take effect upon the date of approval and any payout shall be made within 60 days of the date of approval. The payment of any amount under this Section 4.3 shall not be subject to the Deduction Limitation.
- 4.4 WITHDRAWAL ELECTION. A Participant (or, after a Participant's death, his or her Beneficiary) may elect, at any time, to withdraw all of his or her vested Account Balance, calculated as if there had occurred a Termination of Employment as of the day of the election, less a withdrawal penalty equal to 10% of such amount (the net amount shall be referred to as the

"Withdrawal Amount"). This election can be made at any time, before or after Retirement, Disability, death or Termination of Employment, and whether or not the Participant (or Beneficiary) is in the process of being paid pursuant to an installment payment schedule. If made before Retirement, Disability or death, a Participant's Withdrawal Amount shall be his or her Account Balance calculated as if there had occurred a Termination of Employment as of the day of the election. No partial withdrawals of the Withdrawal Amount shall be allowed. The Participant (or his or her Beneficiary) shall make this election by giving the Committee advance written notice of the election in a form determined from time to time by the Committee. The Participant (or his or her Beneficiary) shall be paid the Withdrawal Amount within 60 days of his or her election. Once the Withdrawal Amount is paid, the Participant's participation in the Plan shall terminate and the Participant shall not be eligible to participate in the Plan in the future. The payment of this Withdrawal Amount shall not be subject to the Deduction Limitation.

ARTICLE 5  
RETIREMENT BENEFIT

- 5.1 RETIREMENT BENEFIT. Subject to the Deduction Limitation, a Participant who Retires shall receive, as a Retirement Benefit, his or her vested Account Balance.
- 5.2 PAYMENT OF RETIREMENT BENEFIT. A Participant, in connection with his or her commencement of participation in the Plan, shall elect on an Election Form to receive the Retirement Benefit in a lump sum or pursuant to an Annual Installment Method of 5, 10, 15 or 20 years. The Participant may annually change his or her election to an allowable alternative payout period by submitting a new Election Form to the Committee, provided that any such Election Form is submitted at least 3 years prior to the Participant's Retirement and is accepted by the Committee in its sole discretion. The Election Form most recently accepted by the Committee shall govern the payout of the Retirement Benefit. If a Participant does not make any election with respect to the payment of the Retirement Benefit, then such benefit shall be payable in a lump sum. The lump sum payment shall be made, or installment payments shall commence, no later than 60 days after the last day of the Plan Year in which the Participant Retires. Any payment made shall be subject to the Deduction Limitation.
- 5.3 DEATH PRIOR TO COMPLETION OF RETIREMENT BENEFIT. If a Participant dies after Retirement but before the Retirement Benefit is paid in full, the Participant's unpaid Retirement Benefit payments shall continue and shall be paid to the Participant's Beneficiary (a) over the remaining number of years and in the same amounts as that benefit would have been paid to the Participant had the Participant survived, or (b) in a lump sum, if requested by the Beneficiary and allowed in the sole discretion of the Committee, that is equal to the Participant's unpaid remaining vested Account Balance.

ARTICLE 6  
PRE-RETIREMENT SURVIVOR BENEFIT

- 6.1 PRE-RETIREMENT SURVIVOR BENEFIT. Subject to the Deduction Limitation, the Participant's Beneficiary shall receive a Pre-Retirement Survivor Benefit equal to the Participant's vested Account Balance if the Participant dies before he or she Retires, experiences a Termination of Employment or suffers a Disability.
- 6.2 PAYMENT OF PRE-RETIREMENT SURVIVOR BENEFIT. A Participant, in connection with his or her commencement of participation in the Plan, shall elect on an Election Form whether the Pre-Retirement Survivor Benefit shall be received by his or her Beneficiary in a lump sum or pursuant to an Annual Installment Method of 5, 10, 15 or 20 years. The Participant may annually change this election to an allowable alternative payout period by submitting a new Election Form to the Committee, which form must be accepted by the Committee in its sole discretion. The Election Form most recently accepted by the Committee prior to the Participant's death shall govern the payout of the Participant's Pre-Retirement Survivor Benefit. If a Participant does not make any election with respect to the payment of the Pre-Retirement Survivor Benefit, then such benefit shall be paid in a lump sum. Despite the foregoing, if the Participant's vested Account Balance at the time of his or her death is less than \$25,000, payment of the Pre-Retirement Survivor Benefit may be made, in the sole discretion of the Committee, in a lump sum or pursuant to an Annual Installment Method of not more than 5 years. The lump sum payment shall be made, or installment payments shall commence, no later than 60 days after the last day of the Plan Year in which the Committee is provided with proof that is satisfactory to the Committee of the Participant's death. Any payment made shall be subject to the Deduction Limitation.

ARTICLE 7  
TERMINATION BENEFIT

- 7.1 TERMINATION BENEFIT. Subject to the Deduction Limitation, the Participant shall receive a Termination Benefit, which shall be equal to the Participant's vested Account Balance if a Participant experiences a Termination of Employment prior to his or her Retirement, death or Disability.
- 7.2 PAYMENT OF TERMINATION BENEFIT. The Termination of Employment shall be paid in a lump sum within 60 days of the Termination of Employment.

ARTICLE 8  
DISABILITY WAIVER AND BENEFIT

8.1 DISABILITY WAIVER.

- (a) WAIVER OF DEFERRAL. A Participant who is determined by the Committee to be suffering from a Disability shall be excused from fulfilling that portion of the Annual Deferral Amount commitment that would otherwise have been withheld from a Participant's Base Annual Salary, Annual Bonus and/or Directors Fees for the Plan Year during which the Participant first suffers a Disability. During the period of Disability, the Participant shall not be allowed to make any additional deferral elections, but will continue to be considered a Participant for all other purposes of this Plan.
- (b) RETURN TO WORK. If a Participant returns to employment, or service as a Director, with an Employer, after a Disability ceases, the Participant may elect to defer an Annual Deferral Amount for the Plan Year following his or her return to employment or service and for every Plan Year thereafter while a Participant in the Plan; provided such deferral elections are otherwise allowed and an Election Form is delivered to and accepted by the Committee for each such election in accordance with Section 3.3 above.

8.2 CONTINUED ELIGIBILITY; DISABILITY BENEFIT. A Participant suffering a Disability shall, for benefit purposes under this Plan, continue to be considered to be employed, or in the service of an Employer as a Director, and shall be eligible for the benefits provided for in Articles 4, 5, 6 or 7 in accordance with the provisions of those Articles. Notwithstanding the above, the Committee shall have the right to, in its sole and absolute discretion and for purposes of this Plan only, and must in the case of a Participant who is otherwise eligible to Retire, deem the Participant to have experienced a Termination of Employment, or in the case of a Participant who is eligible to Retire, to have Retired, at any time (or in the case of a Participant who is eligible to Retire, as soon as practicable) after such Participant is determined to be suffering a Disability, in which case the Participant shall receive a Disability Benefit equal to his or her vested Account Balance at the time of the Committee's determination; provided, however, that should the Participant otherwise have been eligible to Retire, he or she shall be paid in accordance with Article 5. The Disability Benefit shall be paid in a lump sum within 60 days of the Committee's exercise of such right. Any payment made shall be subject to the Deduction Limitation.

ARTICLE 9  
BENEFICIARY DESIGNATION

- 9.1 BENEFICIARY. Each Participant shall have the right, at any time, to designate his or her Beneficiary(ies) (both primary as well as contingent) to receive any benefits payable under the Plan to a beneficiary upon the death of a Participant. The Beneficiary designated under this Plan may be the same as or different from the Beneficiary designation under any other plan of an Employer in which the Participant participates.
- 9.2 BENEFICIARY DESIGNATION; CHANGE; SPOUSAL CONSENT. A Participant shall designate his or her Beneficiary by completing and signing the Beneficiary Designation Form, and returning it to the Committee or its designated agent. A Participant shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Committee's rules and procedures, as in effect from time to time. If the Participant names someone other than his or her spouse as a Beneficiary, a spousal consent, in the form designated by the Committee, must be signed by that Participant's spouse and returned to the Committee. Upon the acceptance by the Committee of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be canceled. The Committee shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Committee prior to his or her death.
- 9.3 ACKNOWLEDGMENT. No designation or change in designation of a Beneficiary shall be effective until received and acknowledged in writing by the Committee or its designated agent.
- 9.4 NO BENEFICIARY DESIGNATION. If a Participant fails to designate a Beneficiary as provided in Sections 9.1, 9.2 and 9.3 above or, if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's designated Beneficiary shall be deemed to be his or her surviving spouse. If the Participant has no surviving spouse, the benefits remaining under the Plan to be paid to a Beneficiary shall be payable to the executor or personal representative of the Participant's estate.
- 9.5 DOUBT AS TO BENEFICIARY. If the Committee has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Committee shall have the right, exercisable in its discretion, to cause the Participant's Employer to withhold such payments until this matter is resolved to the Committee's satisfaction.

- 9.6 DISCHARGE OF OBLIGATIONS. The payment of benefits under the Plan to a Beneficiary shall fully and completely discharge all Employers and the Committee from all further obligations under this Plan with respect to the Participant, and that Participant's Plan Agreement shall terminate upon such full payment of benefits.

ARTICLE 10  
LEAVE OF ABSENCE

- 10.1 PAID LEAVE OF ABSENCE. If a Participant is authorized by the Participant's Employer for any reason to take a paid leave of absence from the employment of the Employer, the Participant shall continue to be considered employed by the Employer and the Annual Deferral Amount shall continue to be withheld during such paid leave of absence in accordance with Section 3.3.
- 10.2 UNPAID LEAVE OF ABSENCE. If a Participant is authorized by the Participant's Employer for any reason to take an unpaid leave of absence from the employment of the Employer, the Participant shall continue to be considered employed by the Employer and the Participant shall be excused from making deferrals until the earlier of the date the leave of absence expires or the Participant returns to a paid employment status. Upon such expiration or return, deferrals shall resume for the remaining portion of the Plan Year in which the expiration or return occurs, based on the deferral election, if any, made for that Plan Year. If no election was made for that Plan Year, no deferral shall be withheld.

ARTICLE 11  
TERMINATION, AMENDMENT OR MODIFICATION

- 11.1 TERMINATION. Although each Employer anticipates that it will continue the Plan for an indefinite period of time, there is no guarantee that any Employer will continue the Plan or will not terminate the Plan at any time in the future. Accordingly, each Employer reserves the right to discontinue its sponsorship of the Plan and/or to terminate the Plan at any time with respect to any or all of its participating Employees and Directors, by action of its board of directors. Upon the termination of the Plan with respect to any Employer, the Plan Agreements of the affected Participants who are employed by that Employer, or in the service of that Employer as Directors, shall terminate and their vested Account Balances, determined as if they had experienced a Termination of Employment on the date of Plan termination or, if Plan termination occurs after the date upon which a Participant was eligible to Retire, then with respect to that Participant as if he or she had Retired on the date of Plan termination, shall be paid to the Participants as follows: Prior to a Change in Control, if the Plan is terminated with respect to all of its Participants, an Employer shall have the right, in its sole discretion, and notwithstanding any elections made by the



Participant, to pay such benefits in a lump sum or pursuant to an Annual Installment Method of up to 15 years, with amounts credited and debited during the installment period as provided herein. If the Plan is terminated with respect to less than all of its Participants, an Employer shall be required to pay such benefits in a lump sum. After a Change in Control, the Employer shall be required to pay such benefits in a lump sum. The termination of the Plan shall not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination; provided however, that the Employer shall have the right to accelerate installment payments without a premium or prepayment penalty by paying the vested Account Balance in a lump sum or pursuant to an Annual Installment Method using fewer years (provided that the present value of all payments that will have been received by a Participant at any given point of time under the different payment schedule shall equal or exceed the present value of all payments that would have been received at that point in time under the original payment schedule).

- 11.2 AMENDMENT. Any Employer may, at any time, amend or modify the Plan in whole or in part with respect to that Employer by the action of its board of directors; provided, however, that: (i) no amendment or modification shall be effective to decrease or restrict the value of a Participant's vested Account Balance in existence at the time the amendment or modification is made, calculated as if the Participant had experienced a Termination of Employment as of the effective date of the amendment or modification or, if the amendment or modification occurs after the date upon which the Participant was eligible to Retire, the Participant had Retired as of the effective date of the amendment or modification, and (ii) no amendment or modification of this Section 11.2 of the Plan shall be effective. The amendment or modification of the Plan shall not affect any Participant or Beneficiary who has become entitled to the payment of benefits under the Plan as of the date of the amendment or modification; provided, however, that the Employer shall have the right to accelerate installment payments by paying the vested Account Balance in a lump sum or pursuant to an Annual Installment Method using fewer years (provided that the present value of all payments that will have been received by a Participant at any given point of time under the different payment schedule shall equal or exceed the present value of all payments that would have been received at that point in time under the original payment schedule).
- 11.3 PLAN AGREEMENT. Despite the provisions of Sections 11.1 and 11.2 above, if a Participant's Plan Agreement contains benefits or limitations that are not in this Plan document, the Employer may only amend or terminate such provisions with the consent of the Participant.

- 11.4 EFFECT OF PAYMENT. The full payment of the applicable benefit under Articles 4, 5, 6, 7 or 8 of the Plan shall completely discharge all obligations to a Participant and his or her designated Beneficiaries under this Plan and the Participant's Plan Agreement shall terminate.

ARTICLE 12  
ADMINISTRATION

- 12.1 COMMITTEE DUTIES. This Plan shall be administered by a Committee which shall consist of the Board, or such committee as the Board shall appoint. Members of the Committee may be Participants under this Plan. The Committee shall also have the discretion and authority to (i) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and (ii) decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. When making a determination or calculation, the Committee shall be entitled to rely on information furnished by a Participant or the Company.
- 12.2 AGENTS. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit (including acting through a duly appointed representative) and may from time to time consult with counsel who may be counsel to any Employer.
- 12.3 BINDING EFFECT OF DECISIONS. The decision or action of the Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 12.4 INDEMNITY OF COMMITTEE. All Employers shall indemnify and hold harmless the members of the Committee, any Employee to whom the duties of the Committee may be delegated, and the Administrator against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct by the Committee, any of its members, any such Employee or the Administrator.
- 12.5 EMPLOYER INFORMATION. To enable the Committee and/or Administrator to perform its functions, the Company and each Employer shall supply full and timely information to the Committee and/or Administrator, as the case may be, on all matters relating to the compensation of its Participants, the date and circumstances of the Retirement, Disability, death or Termination of Employment of its Participants, and such other pertinent information as the Committee or Administrator may reasonably require.

ARTICLE 13  
OTHER BENEFITS AND AGREEMENTS

- 13.1 COORDINATION WITH OTHER BENEFITS. The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for employees of the Participant's Employer. The Plan shall supplement and shall not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.

ARTICLE 14  
CLAIMS PROCEDURES

- 14.1 PRESENTATION OF CLAIM. Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee a written claim for a determination with respect to the amounts distributable to such Claimant from the Plan. If such a claim relates to the contents of a notice received by the Claimant, the claim must be made within 60 days after such notice was received by the Claimant. All other claims must be made within 180 days of the date on which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the Claimant.
- 14.2 NOTIFICATION OF DECISION. The Committee shall consider a Claimant's claim within a reasonable time, and shall notify the Claimant in writing:
- (a) that the Claimant's requested determination has been made, and that the claim has been allowed in full; or
  - (b) that the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant:
    - (i) the specific reason(s) for the denial of the claim, or any part of it;
    - (ii) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;
    - (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and
    - (iv) an explanation of the claim review procedure set forth in Section 14.3 below.

- 14.3 REVIEW OF A DENIED CLAIM. Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Committee a written request for a review of the denial of the claim. Thereafter, but not later than 30 days after the review procedure began, the Claimant (or the Claimant's duly authorized representative):
- (a) may review pertinent documents;
  - (b) may submit written comments or other documents; and/or
  - (c) may request a hearing, which the Committee, in its sole discretion, may grant.
- 14.4 DECISION ON REVIEW. The Committee shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of the denial, unless a hearing is held or other special circumstances require additional time, in which case the Committee's decision must be rendered within 120 days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain:
- (a) specific reasons for the decision;
  - (b) specific reference(s) to the pertinent Plan provisions upon which the decision was based; and
  - (c) such other matters as the Committee deems relevant.
- 14.5 LEGAL ACTION. A Claimant's compliance with the foregoing provisions of this Article 14 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under this Plan.

ARTICLE 15  
TRUST

- 15.1 ESTABLISHMENT OF THE TRUST. The Company shall establish the Trust, and each Employer shall at least annually transfer over to the Trust such assets as the Employer determines, in its sole discretion, are necessary to provide, on a present value basis, for its respective future liabilities created with respect to the Annual Deferral Amounts and Annual Company Contribution Amounts for such Employer's Participants for all periods prior to the transfer, as well as any debits and credits to the Participants' Account Balances for all periods prior to the transfer, taking into consideration the value of the assets in the trust at the time of the transfer.

- 15.2 INTERRELATIONSHIP OF THE PLAN AND THE TRUST. The provisions of the Plan and the Plan Agreement shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust shall govern the rights of the Employers, Participants and the creditors of the Employers to the assets transferred to the Trust. Each Employer shall at all times remain liable to carry out its obligations under the Plan.
- 15.3 DISTRIBUTIONS FROM THE TRUST. Each Employer's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Employer's obligations under this Plan.

ARTICLE 16  
MISCELLANEOUS

- 16.1 STATUS OF PLAN. The Plan is intended to be a plan that is not qualified within the meaning of Code Section 401(a) and that "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employee" within the meaning of ERISA Sections 201(2), 301(a)(3) and 401(a)(1). The Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent.
- 16.2 UNSECURED GENERAL CREDITOR. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of an Employer. For purposes of the payment of benefits under this Plan, any and all of an Employer's assets shall be, and remain, the general, unpledged unrestricted assets of the Employer. An Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.
- 16.3 EMPLOYER'S LIABILITY. An Employer's liability for the payment of benefits shall be defined only by the Plan and the Plan Agreement, as entered into between the Employer and a Participant. An Employer shall have no obligation to a Participant under the Plan except as expressly provided in the Plan and his or her Plan Agreement.
- 16.4 NONASSIGNABILITY. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a

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Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.

- 16.5 NOT A CONTRACT OF EMPLOYMENT. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between any Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of any Employer, either as an Employee or a Director, or to interfere with the right of any Employer to discipline or discharge the Participant at any time.
- 16.6 FURNISHING INFORMATION. A Participant or his or her Beneficiary will cooperate with the Committee by furnishing any and all information requested by the Committee and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Committee may deem necessary.
- 16.7 TERMS. Whenever any words are used herein in the masculine, they shall be construed as though they were in the feminine in all cases where they would so apply; and whenever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.
- 16.8 CAPTIONS. The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 16.9 GOVERNING LAW. Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of California without regard to its conflicts of laws principles.
- 16.10 NOTICE. Any notice or filing required or permitted to be given to the Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Deferred Compensation Plan Committee  
Western Digital Corporation  
8105 Irvine Center Drive  
Irvine, CA 92718

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

- 16.11 SUCCESSORS. The provisions of this Plan shall bind and inure to the benefit of the Participant's Employer and its successors and assigns and the Participant and the Participant's designated Beneficiaries.
- 16.12 SPOUSE'S INTEREST. The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.
- 16.13 VALIDITY. In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.
- 16.14 INCOMPETENT. If the Committee determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Committee may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.
- 16.15 COURT ORDER. The Committee is authorized to make any payments directed by court order in any action in which the Plan or the Committee has been named as a party. In addition, if a court determines that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan in connection with a property settlement or otherwise, the Committee, in its sole discretion, shall have the right, notwithstanding any election made by a Participant, to immediately distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to that spouse or former spouse.

16.16 DISTRIBUTION IN THE EVENT OF TAXATION.

- (a) IN GENERAL. If, for any reason, all or any portion of a Participant's benefits under this Plan becomes taxable to the Participant prior to receipt, a Participant may petition the Committee before a Change in Control, or the trustee of the Trust after a Change in Control, for a distribution of that portion of his or her benefit that has become taxable. Upon the grant of such a petition, which grant shall not be unreasonably withheld (and, after a Change in Control, shall be granted), a Participant's Employer shall distribute to the Participant immediately available funds in an amount equal to the taxable portion of his or her benefit (which amount shall not exceed a Participant's unpaid vested Account Balance under the Plan). If the petition is granted, the tax liability distribution shall be made within 90 days of the date when the Participant's petition is granted. Such a distribution shall affect and reduce the benefits to be paid under this Plan.
- (b) TRUST. If the Trust terminates in accordance with Section 3.6(e) of the Trust and benefits are distributed from the Trust to a Participant in accordance with that Section, the Participant's benefits under this Plan shall be reduced to the extent of such distributions.

16.17 INSURANCE. The Employers, on their own behalf or on behalf of the trustee of the Trust, and, in their sole discretion, may apply for and procure insurance on the life of the Participant, in such amounts and in such forms as the Trust may choose. The Employers or the trustee of the Trust, as the case may be, shall be the sole owner and beneficiary of any such insurance. The Participant shall have no interest whatsoever in any such policy or policies, and at the request of the Employers shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Employers have applied for insurance.

16.18 LEGAL FEES TO ENFORCE RIGHTS AFTER CHANGE IN CONTROL. The Company and each Employer is aware that upon the occurrence of a Change in Control, the Board or the board of directors of a Participant's Employer (which might then be composed of new members) or a shareholder of the Company or the Participant's Employer, or of any successor corporation might then cause or attempt to cause the Company, the Participant's Employer or such successor to refuse to comply with its obligations under the Plan and might cause or attempt to cause the Company or the Participant's Employer to institute, or may institute, litigation seeking to deny Participants the benefits intended under the Plan. In these circumstances, the purpose of the Plan could be frustrated. Accordingly, if, following a Change in Control, it should appear to any Participant that the Company, the Participant's Employer or any successor corporation has failed to comply with any of its obligations under the Plan or any agreement thereunder or, if the Company, such Employer or any



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other person takes any action to declare the Plan void or unenforceable or institutes any litigation or other legal action designed to deny, diminish or to recover from any Participant the benefits intended to be provided, then the Company and the Participant's Employer irrevocably authorize such Participant to retain counsel of his or her choice at the expense of the Company and the Participant's Employer (who shall be jointly and severally liable) to represent such Participant in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company, the Participant's Employer or any director, officer, shareholder or other person affiliated with the Company, the Participant's Employer or any successor thereto in any jurisdiction.

IN WITNESS WHEREOF, the Company has signed this Plan document as of July 1, 2002.

"Company"

Western Digital Corporation a Delaware corporation

By: /s/ Raymond M. Bukaty  
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Title: Vice President, General Counsel  
and Secretary

WESTERN DIGITAL CORPORATION

AMENDED AND RESTATED

CHANGE OF CONTROL SEVERANCE PLAN

1. Purpose of Plan. The Executives have made and are expected to make major contributions to the profitability, growth and financial strength of the Company and its affiliates. In addition, the Company considers the continued availability of the Executives' services, managerial skills and business experience to be in the best interest of the Company and its stockholders and desires to assure the continued services of the Executives on behalf of the Company and/or its affiliates without the distraction of the Executives occasioned by the possibility of an abrupt change in control of the Company.

2. Definitions. Whenever the following terms are used in this Plan, they shall have the meaning specified below unless the context clearly indicates to the contrary:

2.01 "Board" shall mean the Board of Directors of the Company.

2.02 "Cause" shall mean the occurrence or existence of any of the following with respect to the Executive, as determined by a majority of the disinterested directors of the Board or the Committee:

(a) the Executives' conviction by, or entry of a plea of guilty or nolo contendere in, a court of competent and final jurisdiction for any crime involving moral turpitude or any felony punishable by imprisonment in the jurisdiction involved;

(b) whether prior or subsequent to the date hereof, the Executives' willful engaging in dishonest or fraudulent actions or omissions which results directly or indirectly in any demonstrable material financial or economic harm to the Company or any of its subsidiaries or affiliates;

(c) the Executives' failure or refusal to perform his or her duties as reasonably required by the Employer, provided that Executive shall have first received written notice from the Employer stating with specificity the nature of such failure or refusal and affording the Executive at least five (5) days to correct the act or omission complained of;

(d) gross negligence, insubordination, material violation by the Executive of any duty of loyalty to the Company or any subsidiary or affiliate of the Company, or any other material misconduct on the part of the Executive, provided that the Executive shall have first received written notice from the Company stating with specificity the nature of such action or violation and affording the Executive at least five (5) days to correct such action or violation;

(e) the repeated non-prescription use of any controlled substance, or the repeated use of alcohol or any other non-controlled substance which in the Board's reasonable determination renders the Executive unfit to serve in his or her capacity as an officer or employee of the Company or any of its subsidiaries or affiliates;

(f) sexual harassment by the Executive that has been reasonably substantiated and investigated;

(g) involvement in activities representing conflicts of interest with the Company or any of its subsidiaries or affiliates;

(h) improper disclosure of confidential information;

(i) conduct endangering, or likely to endanger, the health or safety of another employee;

(j) falsifying or misrepresenting information on the records of the Company or any of its subsidiaries or affiliates; or

(k) the Executive's physical destruction or theft of substantial property or assets of the Company or any of its subsidiaries or affiliates.

2.03 "Change in Control" shall mean an occurrence of any of the following events, unless the Board shall provide otherwise:

(a) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), alone or together with its affiliates and associates, including any group of persons which is deemed a "person" under Section 13(d)(3) of the Exchange Act (other than the Company or any subsidiary thereof or any employee benefit plan of the Company or any subsidiary thereof, or any underwriter in connection with a firm commitment public offering of the Company's capital stock), becomes the "beneficial owner" (as such term is defined in Rule 13d-3 of the Exchange Act, except that a person shall also be deemed the beneficial owner of all securities which such person may have a right to acquire, whether or not such right is presently exercisable) of thirty-three and one third percent or more of (i) the then outstanding shares of the Company's common stock or (ii) securities representing thirty-three and one-third percent or more of the combined voting power of the Company's then outstanding voting securities;

(b) a change, during any period of two consecutive years, of a majority of the Board as constituted as of the beginning of such period, unless the election, or nomination for election by the Company's stockholders, of each director who was not a director at the beginning of such period was approved by vote of at least two-thirds of the Incumbent Directors then in office (for purposes hereof, "Incumbent Directors" shall consist of the directors holding office as of the effective date of this Plan and any person becoming a director subsequent to such date whose election, or nomination for election by the Company's stockholders, is approved by a vote of at least a majority of the Incumbent Directors then in office);

(c) consummation of any merger, consolidation, reorganization or other extraordinary transaction (or series of related transactions) involving the Company which results

in the stockholders of the Company having power to vote in the ordinary election of directors immediately prior to such transaction (or series of related transactions) failing to beneficially own at least a majority of the securities of the Company (or any successor or other person which issues securities in such transaction or transactions) having the power to vote in the ordinary election of directors which are outstanding after giving effect to such transaction (or series of related transactions); or

(d) the stockholders of the Company approve a plan of complete liquidation of the Company or the sale of all or substantially all of the assets of the Company.

2.04 "Code" shall mean the Internal Revenue Code of 1986, as amended.

2.05 "Committee" shall mean the Compensation Committee of the Board.

2.06 "Company" shall mean Western Digital Corporation, a Delaware corporation, and, as permitted by Section 12.03(b), its successors and assigns.

2.07 "Date of Termination" following a Change in Control shall mean the dates, as the case may be, for the following events: (a) if the Executive's employment is terminated by death, the date of death, (b) if the Executive's employment is terminated due to a Permanent Disability, thirty (30) days after the Notice of Termination is given (provided that the Executive shall not have returned to the performance of his or her duties on a full-time basis during such period), (c) if the Executive's employment is terminated pursuant to a termination for Cause, the date specified in the Notice of Termination, and (d) if the Executive's employment is terminated for any other reason, fifteen (15) days after delivery of the Notice of Termination unless otherwise agreed by the Executive and the Company.

2.08 "Disability" shall mean that the Executive is unable, by reason of injury, illness or other physical or mental impairment, to perform each and every task of the position for which the Executive is employed, which inability is certified by a licensed physician reasonably selected by the Employer.

2.09 "Effective Date" shall mean March 29, 2001.

2.10 "Employer" shall mean the Company or its subsidiary employing Executive, provided however, that nothing contained herein shall prohibit the Company or another of its subsidiaries fulfilling any obligation of the employing entity to the Executive and for such purposes will be deemed the act of the Employer.

2.11 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

2.12 "Executive" shall mean any Tier 1 Executive or Tier 2 Executive.

2.13 "Good Reason" shall mean any of the following without the Executive's express written consent:

(a) (i) the assignment to the Executive of any duties materially and adversely inconsistent with the Executive's positions, duties, responsibilities and status with the Employer immediately prior to a Change in Control or with significantly less authority than immediately prior to the Change in Control;

(ii) a significant adverse alteration in the nature of the Executive's reporting responsibilities, titles, or offices with the Employer from those in effect immediately prior to a Change in Control, or

(iii) any removal of the Executive from, or any failure to reelect the Executive to, any such positions, except in connection with a termination of the employment of the Executive for Cause, Permanent Disability, or as a result of the Executive's death or by the Executive other than for Good Reason;

(b) a reduction by the Employer in the Executive's base salary in effect immediately prior to a Change in Control;

(c) failure by the Employer to continue in effect any compensation plan, bonus or incentive plan, stock purchase plan, stock option plan, life insurance plan, health plan, disability plan or other benefit plan or arrangement in which the Executive is participating at the time of a Change in Control unless the Employer substitutes a plan or arrangement which, when viewed in the totality of the benefits provided, does not adversely impact the Executive in a material respect, or the taking of any action by the Employer which would adversely affect, in a material respect, Executive's participation in or materially reduce Executive's benefits under any of such plans;

(d) any material breach by the Company or the Employer of any provision of this Plan;

(e) following a Change in Control, the Executive is excluded (without substitution of a substantially equivalent plan) from participation in any incentive, compensation, stock option, health, dental, insurance, pension or other benefit plan generally made available to persons at Executive's level of responsibility in the Company or the Employer;

(f) the requirement by the Employer that the Executive's principal place of employment be relocated more than fifty (50) miles from his or her place of employment prior to a Change in Control, or that the Executive must travel on the Employer's business to an extent materially greater than the Executive's customary business travel obligations prior to a Change in Control; or

(g) the Company's failure to obtain a satisfactory agreement from any successor to assume and agree to perform the Company's obligations under this Plan, as contemplated in Section 12.03(b) hereof.

2.14 "Notice of Termination" shall mean a written notice which shall indicate the specific termination provision in this Plan relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

2.15 "Permanent Disability" shall mean if, as a result of the Executive's Disability, the Executive shall have been absent from his or her duties with the Employer on a full-time basis for six (6) months of any consecutive eight (8) month period.

2.16 "Termination of Employment" shall mean the time when the employee-employer relationship between the Executive and the Employer is terminated for any reason, voluntarily or involuntarily, with or without Cause, including, without limitation, a termination by reason of resignation, discharge (with or without Cause), Permanent Disability, death or retirement, but excluding terminations where there is a simultaneous re-employment of the Executive by the Company or a subsidiary of the Company.

2.17 "Tier 1 Executive" shall mean an officer of the Company who is elected or appointed by the Board of Directors and is subject to Section 16 of the Exchange Act.

2.18 "Tier 2 Executive" shall mean an employee who is appointed as an officer of the Company by the President of the Company pursuant to the Company's Bylaws and such other employee of the Company or any of its subsidiaries who is designated as a Tier 2 Executive by the Board or the Committee.

3. Term. This Plan shall be effective until the fifth anniversary of the Effective Date and may be extended by the Board until no later than the tenth anniversary of the Effective Date.

4. Compensation Upon A Change In Control.

4.01 Salary. Commencing on the date a Change in Control shall occur, the Employer shall pay a salary to the Executive at an annual rate at least equal to the annual salary payable to the Executive immediately prior to such date. The salary, as it may be changed from time to time by mutual agreement between the Executive and the Employer, shall be paid in equal installments on each regular payroll payment date after the date of this Plan and shall be subject to regular withholding for federal, state and local taxes in accordance with law.

4.02 Other Benefits.

(a) Commencing on the date a Change in Control shall occur, the Executive shall be entitled to participate in and to receive benefits under those employee benefit plans or arrangements (including, without limitation, any pension or welfare plan, life, health, hospitalization and other forms of insurance and all other "fringe" benefits or perquisites) made available to executives of the Company or the Employer, or any successor thereto. The Executive's level of participation in, or entitlements under, any such employee benefit plan or arrangement of any successor to the Company shall be calculated as if the Executive had been an employee of such successor to the Company from the date of the Executive's employment by the Employer.

(b) Commencing on the date a Change in Control shall occur, the Executive shall be entitled to reimbursement, in accordance with the usual practices of the Employer, for all reasonable travel and other business expenses incurred by the Executive in the performance of his or her duties on behalf of the Employer.

5. Termination of Employment of Executive.

5.01 Payment of Severance Benefits Upon Change of

Control. In the event of a Change in Control of the Company, Executive shall be entitled to the severance benefits set forth in Section 6, but only if during the term of this Plan:

(a) the Executive's employment by the Employer is terminated by the Employer without Cause within one (1) year after the date of the Change in Control;

(b) the Executive terminates his or her employment with the Employer for Good Reason within one (1) year after the date of the Change in Control and complies with the procedures set forth in Section 5.02;

(c) the Executive's employment by the Employer is terminated by the Employer prior to the Change in Control and such termination arose in connection with or in anticipation of the Change in Control (for purposes of this Plan, meaning that at the time of such termination the Company had entered into an agreement, the consummation of which would result in a Change in Control, or any person had publicly announced its intent to take or consider actions that would constitute a Change in Control, and in each case such Change in Control is consummated, or the Board adopts a resolution to the effect that a potential Change in Control for purposes of this Plan has occurred); or

(d) the Executive terminates his or her employment with the Employer for Good Reason prior to the Change in Control, the event constituting Good Reason arose in connection with or in anticipation of the Change in Control and the Executive complies with the procedures set forth in Section 5.02.

5.02 Good Reason.

(a) Notwithstanding anything contained in any employment agreement between the Executive and the Employer to the contrary, during the term of this Plan the Executive may terminate his or her employment with the Employer for Good Reason as set forth in Section 5.01(b) or (d) and be entitled to the benefits set forth in Section 6, provided that the Executive gives written notice to the Company and the Employer of his or her election to terminate his or her employment for such reason within 180 days after the time he or she becomes aware of the existence of facts or circumstances constituting Good Reason or, if later, within ten (10) days of the time the claim is resolved pursuant to Section 5.02(b).

(b) If the Executive believes that he or she is entitled to terminate his or her employment with the Employer for Good Reason, he or she may apply in writing to the Company for confirmation of such entitlement prior to the Executive's actual separation from employment, by following the claims procedure set forth in Section 9. The submission of such a request by the Executive shall not constitute "Cause" for the Company to terminate the Executive's employment and the Executive shall continue to receive all compensation and benefits he or she was receiving at the time of such submission throughout the resolution of the matter pursuant to the procedures set forth in Section 9. If the Executive's request for a termination of employment for Good Reason is denied under both the request and appeal procedures set forth in Sections 9.02 and 9.03, then the parties shall use their best efforts to

resolve the claim within ninety (90) days after the claim is submitted to binding arbitration pursuant to Section 9.04.

5.03 Permanent Disability. In the event of a Permanent Disability of the Executive, the Executive shall be entitled to no further benefits under this Plan, provided that the Employer shall have provided the Executive a Notice of Termination and the Executive shall not have returned to the full-time performance of the Executive's duties within thirty (30) days of such Notice of Termination.

5.04 Cause. The Employer may terminate the employment of the Executive for Cause. The Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Executive a Notice of Termination and a certified copy of a resolution of the Board adopted by the affirmative vote of not less than a majority of the entire membership of the Board (other than the Executive if he or she is a member of the Board at such time) at a meeting called and held for that purpose and at which the Executive was given an opportunity to be heard, finding that the Executive was guilty of conduct constituting Cause based on reasonable evidence, specifying the particulars thereof in detail. For purposes of this Section 5.04, no act or failure to act on the Executive's part shall be considered "willful" unless done or omitted to be done by him or her not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company and the Employer.

5.05 Notice of Termination. Any termination of the Executive's employment by the Employer or by the Executive (other than termination based on the Executive's death) following a Change in Control shall be communicated by the terminating party in a Notice of Termination to the other party hereto.

## 6. Compensation and Benefits Upon Termination of Employment.

6.01 Severance Benefits. If the Executive shall be terminated from employment with the Employer or shall terminate his or her employment with the Employer as described in Section 5.01, then the Executive shall be entitled to receive the following:

(a) In lieu of any further payments to the Executive except as expressly contemplated hereunder, the Employer shall pay as severance pay to the Executive an amount equal to two times (in the case of a Tier 1 Executive) or one times (in the case of a Tier 2 Executive) the Executive's annual base compensation plus target bonus as in effect immediately prior to the Change in Control or as in effect on the date of the Notice of Termination, whichever is higher. Such cash payment shall be payable in a single sum, within ten (10) business days following the Executive's Date of Termination.

(b) Any non-vested stock options granted to the Executive by the Company shall become 100% vested and may be exercised by the Executive for the longer of (i) ninety (90) days after the Date of Termination or (ii) the period specified in the plan or agreement governing such options.

(c) For a period of twenty-four months (in the case of a Tier 1 Executive) or twelve months (in the case of a Tier 2 Executive) following the Executive's Date of Termination (the "payment period"), the Executive shall be entitled to the continuation of the same or



equivalent life, health, hospitalization, dental and disability insurance coverage and other employee insurance or welfare benefits (including equivalent coverage for his or her spouse and dependent children) and car allowances as he or she was receiving immediately prior to the Change in Control. In the event that Executive is ineligible under the terms of such insurance to continue to be so covered, the Employer shall provide Executive with a lump sum payment equal to the cost of obtaining such coverage for the payment period. If the Executive, prior to a Change in Control, was receiving any cash-in-lieu payments designed to enable the Executive to obtain insurance coverage of his or her choosing, the Employer shall, in addition to any other benefits to be provided under this Section 6.01(d), provide Executive with a lump-sum payment equal to the amount of such in-lieu payments that the Executive would have been entitled to receive over the payment period. The benefits to be provided under this Section 6.01(d) shall be reduced to the extent of the receipt of substantially equivalent coverage by the Executive from any successor employer.

(d) All awards under the Company's Executive Retention Plan adopted in July, 1998 or any similar plan shall accelerate and be payable fifteen (15) days after the Date of Termination.

(e) If any payments received by a Tier 1 Executive pursuant to this Plan will be subject to the excise tax imposed by Section 4999 of the Code, or any successor or similar provision of the Code or any comparable provision of state law (the "Excise Tax"), the Employer shall pay to the Tier 1 Executive additional compensation such that the net amount received by the Tier 1 Executive after deduction of any Excise Tax (and taking into account any federal, state and local income taxes payable by the Tier 1 Executive as a result of the receipt of such gross-up compensation), shall be equal to the total payments he or she would have received had no such Excise Tax (or any interest or penalties thereon arising primarily from the acts or omissions of the Employer) been paid or incurred. The Employer shall pay such additional compensation at the time when the Employer withholds such Excise Tax from any payments to the Tier 1 Executive. The calculation of the tax gross-up payment shall be approved by the Company's independent certified public accounting firm and the Tier 1 Executive's designated financial advisor.

(f) In the event that the amount of payments or other benefits payable to a Tier 2 Executive under this Plan, together with any payments or benefits payable under any other plan, program, arrangement or agreement maintained by the Employer or one of its affiliates, would constitute an 'excess parachute payment' (within the meaning of Section 280G of the Code), the payments under this Plan shall be reduced (by the minimum possible amounts) until no amount payable to the Tier 2 Executive under this Plan constitutes an 'excess parachute payment' (within the meaning of Section 280G of the Code); provided, however, that no such reduction shall be made if the net after-tax payment (after taking into account Federal, state, local or other income and excise taxes) to which the Tier 2 Executive would otherwise be entitled without such reduction would be greater than the net after-tax payment (after taking into account Federal, state, local or other income and excise taxes) to the Tier 2 Executive resulting from the receipt of such payments with such reduction. If, as a result of subsequent events or conditions (including a subsequent payment or absence of a subsequent payment under this Plan or other plans, programs, arrangements or agreements maintained by the Employer or one of its affiliates), it is determined that payments hereunder have been reduced by more than the

minimum amount required under this Section 6.01(f), then an additional payment shall be promptly made to the Tier 2 Executive in an amount equal to the excess reduction. All determinations required to be made under this Section 6.01(f), including whether a payment would result in an 'excess parachute payment' and the assumptions to be utilized in arriving at such determination, shall be made and approved by the Company's independent certified public accounting firm and the Tier 2 Executive's designated financial advisor.

6.02 Accrued Benefits. Upon termination of the employment of Executive for any reason, any accumulated but unused vacation shall be paid through the Date of Termination. Upon termination of the employment of Executive as set forth in Section 5.01, any accrued but unpaid bonus shall be paid through the Date of Termination. Unless otherwise specifically provided in this Plan, any payments or benefits payable to the Executive hereunder, including without limitation any bonus, in respect of any calendar year during which the Executive is employed by the Employer for less than the entire such year shall be prorated in accordance with the number of days in such calendar year during which he or she is so employed.

7. No Mitigation. The Executive shall not be required to mitigate the amount of any payments provided for by this Plan by seeking employment or otherwise, nor shall the amount of any cash payments or benefits provided under this Plan be reduced by any compensation or benefits earned by the Executive after his or her Date of Termination (except as provided in the last sentence of Section 6.01(d) above). Notwithstanding the foregoing, if the Executive is entitled, by operation of any applicable law, to unemployment compensation benefits or benefits under the Worker Adjustment and Retraining Act of 1988 (known as the "WARN" Act) in connection with the termination of his or her employment in addition to amounts required to be paid to him or her under this Plan, then to the extent permitted by applicable statutory law governing severance payments or notice of termination of employment, the Company shall be entitled to offset the amounts payable hereunder by the amounts of any such statutorily mandated payments.

8. Limitation on Rights.

8.01 No Employment Contract. This Plan shall not be deemed to create a contract of employment between the Employer and the Executive and shall create no right in the Executive to continue in the Employer's employment for any specific period of time, or to create any other rights in the Executive or obligations on the part of the Company or its subsidiaries, except as set forth herein. Except as set forth herein, this Plan shall not restrict the right of the Employer to terminate the employment of Executive, or restrict the right of the Executive to terminate his or her employment.

8.02 No Other Exclusions. This Plan shall not be construed to exclude the Executive from participation in any other compensation or benefit programs in which he or she is specifically eligible to participate either prior to or following the Effective Date of this Plan, or any such programs that generally are available to other executive personnel of the Company, nor shall it affect the kind and amount of other compensation to which the Executive is entitled.

9. Administrator and Claims Procedure.

9.01 Administrator. Except as set forth herein, the administrator (the "Administrator") for purposes of this Plan shall be the Company. The Company shall have the right to designate one or more of the Company's or the Employer's employees as the Administrator at any time. The Company shall give the Executive written notice of any change in the Administrator, or in the address or telephone number of the same.

9.02 Claims Procedure. The Executive, or other person claiming through the Executive, must file a written claim for benefits with the Administrator as a prerequisite to the payment of benefits under this Plan. The Administrator shall make all determinations as to the right of any person to receive benefits under Sections 9.02 and 9.03. The decision by the Administrator of a claim for benefits by the Executive, his or her heirs or personal representative (the "claimant") shall be stated in writing by the Administrator and delivered or mailed to the claimant within thirty (30) days after receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial thirty-day period. In no event shall such extension exceed a period of thirty (30) days from the end of the initial period. Any notice of denial shall set forth the specific reasons for the denial, specific reference to pertinent provisions of this Plan upon which the denial is based, a description of any additional material or information necessary for the claimant to perfect his or her claim, with an explanation of why such material or information is necessary, and a description of claim review procedures, written to the best of the Administrator's ability in a manner that may be understood without legal or actuarial counsel.

9.03 Appeals. A claimant whose claim for benefits has been wholly or partially denied by the Administrator may request, within sixty (60) days following the date of such denial, in a writing addressed to the Administrator, a review of such denial. The claimant shall be entitled to submit written comments, documents, records and other information he or she shall consider relevant to a determination of his or her claim, and he or she may include a request for a hearing in person before the Administrator. Prior to submitting his or her request, the claimant shall be entitled to review such documents, records, and other information as the Administrator shall reasonably agree are pertinent to his or her claim. The claimant may, at all stages of the review, be represented by counsel, legal or otherwise, of his or her choice, provided that the fees and expenses of such counsel shall be borne by the claimant, unless the claimant is successful, in which case, such costs shall be borne by the Company. The review of the claim shall take into account all information submitted by claimant relating to the claim, without regard to whether such information was submitted in the initial benefit determination. All requests for review shall be promptly resolved. The Administrator's decision with respect to any such review shall be set forth in writing and shall be mailed to the claimant not later than sixty (60) days following receipt by the Administrator of the claimant's request unless special circumstances, such as the need to hold a hearing, require an extension of time for processing, in which case the Administrator's decision shall be so mailed not later than one hundred and twenty (120) days after receipt of the claimant's request. The time and place of any hearing shall be as mutually agreed by the parties. If the claimant is dissatisfied with the Administrator's decision on review, the claimant may then either, at his or her option, invoke the arbitration procedures described in Section 9.04 or pursue a remedy in a judicial forum. No legal action may be commenced prior to the completion of the claims and appeals procedures described in the foregoing provisions of Section 9.02 and 9.03. Notwithstanding the foregoing, no legal action may be commenced after

ninety (90) days after the date upon which the Administrator's written decision on appeal was sent to claimant.

9.04 Arbitration. A claimant who has followed the procedures in Sections 9.02 and 9.03, but who has not obtained full relief on his or her claim for benefits, may, within sixty (60) days following his or her receipt of the Administrator's written decision on review pursuant to Section 9.03, apply in writing to the Administrator for expedited and binding arbitration of his or her claim before an arbitrator in Orange County, California in accordance with the commercial arbitration rules of the American Arbitration Association, as then in effect, or pursuant to such other form of alternative dispute resolution as the parties may agree (collectively, the "arbitration"). Subject to Section 10, the Company or the Employer shall pay filing fees and other costs required to initiate the arbitration. The arbitrator's sole authority shall be to interpret and apply the provisions of this Plan; and except as set forth herein he or she shall not change, add to, or subtract from, any of its provisions. The arbitrator shall have the power to compel attendance of witnesses at the hearing. Any court having jurisdiction may enter a judgment based upon such arbitration. The arbitrator shall be appointed by mutual agreement of the Company and the claimant; provided that if the Company and the claimant cannot agree, the arbitrator shall be appointed pursuant to the applicable commercial arbitration rules. The arbitrator shall be a professional person with a reputation in the community for expertise in employee benefit matters and who is unrelated to the claimant, the Company or its subsidiaries or any employees of the Company or its subsidiaries. All decisions of the arbitrator shall be final and binding on the claimant and the Company.

10. Legal Fees and Expenses. If any dispute arises between the parties with respect to the interpretation or performance of this Plan, the prevailing party in any arbitration or proceeding shall be entitled to recover from the other party its attorneys fees, arbitration or court costs and other expenses incurred in connection with any such proceeding. Amounts, if any, paid to the Executive under this Section 10 shall be in addition to all other amounts due to the Executive pursuant to this Plan.

11. ERISA. This Plan is an unfunded compensation arrangement for a member of a select group of the Company's management or that of its subsidiaries and any exemptions under the Employee Retirement Income Security Act of 1974, as amended, as applicable to such an arrangement shall be applicable to this Plan.

12. Miscellaneous.

12.01 Administration. This Plan may be administered by the Board or the Committee. When this Plan refers to any action by the Board, the Committee may take such action with the same effect as if it had been taken by the Board.

12.02 Amendments. This Plan may be changed, amended or modified by resolution of the Board or the Committee.

12.03 Assignment and Binding Effect.

(a) Neither this Plan nor the rights or obligations hereunder shall be assignable by the Executive or the Company except that this Plan shall be assignable to, binding

upon and inure to the benefit of any successor of the Company, and any successor shall be deemed substituted for the Company upon the terms and subject to the conditions hereof'.

(b) The Company will require any successor (whether by purchase of assets, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform all of the obligations of the Company under this Plan (including the obligation to cause any subsequent successor to also assume the obligations of this Plan) unless such assumption occurs by operation of law. Nothing in this Section 12.03 is intended, however, to require that a person or group referred to in Section 2.03(a) as being the beneficial owner of shares of stock of the Company must assume the obligations under this Plan as a result of such stock ownership.

12.04 No Waiver. No waiver of any term, provision or condition of this Plan, whether by conduct or otherwise, in any one or more instances shall be deemed or be construed as a further or continuing waiver of any such term, provision or condition or as a waiver of any other term, provision or condition of this Plan.

12.05 Rules of Construction.

(a) This Plan has been executed in, and shall be governed by and construed in accordance with the laws of, the State of California. Captions contained in this Plan are for convenience of reference only and shall not be considered or referred to in resolving questions of interpretation with respect to this Plan.

(b) If any provision of this Plan is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Plan will not be materially and adversely affected thereby, (i) such provision will be fully severable, (ii) this Plan will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Plan will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (iv) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Plan a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

12.06 Notices. Any notice required or permitted by this Plan shall be in writing, delivered by hand, or sent by registered or certified mail, return receipt requested, or by recognized courier service (regularly providing proof of delivery), addressed to the Board and the Company and where applicable, the Administrator, at the Company's then principal office, or to the Executive at the address set forth in the records of the Employer, as the case may be, or to such other address or addresses the Company or the Executive may from time to time specify in writing. Notices shall be deemed given when received.

## AMENDED AND RESTATED LONG-TERM RETENTION AGREEMENT

This Amended and Restated Long-Term Retention Agreement (the "Agreement") is made and entered into effective as of December 20, 2002 (the "Grant Date"), and amends that certain Long-Term Retention Agreement by and between Western Digital Corporation, a Delaware corporation, and Matthew E. Massengill (the "Executive") dated as of the Grant Date.

## W I T N E S S E T H:

WHEREAS, the Executive is employed by the Company in a key position and the Company desires the Executive to remain in its service;

WHEREAS, to give the Executive added incentive to advance the interests of the Company, the Company granted to the Executive an award of Share Units (the "Award") under the terms and conditions established by the Committee and set forth in the Long-Term Retention Agreement dated as of the Grant Date;

WHEREAS, the Committee has determined that it is in the best interests of the Company to amend the Long-Term Retention Agreement so it provides that in the event of the death of the Executive, vesting is accelerated on the next installment of Share Units due to vest under the Agreement, if any, and to restate the Long-Term Retention Agreement accordingly.

NOW, THEREFORE, in consideration of these premises, the parties agree that the following shall constitute the agreement between the Company and the Executive:

## 1. DEFINITIONS.

As used herein, the following terms shall have the meanings ascribed thereto below:

(a) "ACCOUNT" means a bookkeeping account maintained by the Company for this Award to track vesting and value pursuant to Sections 4 and 5.

(b) "ADMINISTRATOR" means the Board as long as no Committee has been appointed and is in effect and also means the Committee to the extent that the Board has delegated authority thereto.

(c) "AWARD" means the commitment of the Company to make payments under this Agreement to the Executive in amounts determined in accordance with Sections 4 and 5.

(d) "BOARD" means the Board of Directors of the Company.

(e) "CAUSE" has the meaning set forth in the Change of Control Severance Plan.

(f) "CHANGE IN CONTROL" has the meaning set forth in the Deferred Compensation Plan.

(g) "CHANGE OF CONTROL SEVERANCE PLAN" means the Company's Amended and Restated Change of Control Severance Plan, as amended from time to time.

(h) "COMMITTEE" means the Compensation Committee of the Board consisting solely of two (2) or more Non-employee Directors.

(i) "COMMON STOCK" means the common stock of the Company.

(j) "COMPANY" means Western Digital Corporation, a Delaware corporation, and its subsidiaries and affiliates, unless the context otherwise requires.

(k) "DEFERRED COMPENSATION PLAN" means the Company's Amended and Restated Deferred Compensation Plan, as amended from time to time.

(l) "DISABILITY" means a period of disability during which the Executive qualifies for permanent disability benefits under the Company's long-term disability plan, or, if the Executive does not participate in such a plan, a period of disability during which the Executive would have qualified for permanent disability benefits under such a plan had the Executive been a participant in such a plan, as determined in the sole discretion of the Administrator. If the Company does not sponsor such a plan, or discontinues to sponsor such a plan, Disability shall be determined by the Administrator in its sole discretion.

(m) "FAIR MARKET VALUE" per share of Common Stock, as of any date, means the closing price for a share of Common Stock reported for that date by the New York Stock Exchange (or such other stock exchange or quotation system on which shares of Common Stock are then listed or quoted) or, if no shares of Common Stock are traded on the New York Stock Exchange (or such other stock exchange or quotation system) on the date in question, then the closing price for the next preceding date for which shares of Common Stock are traded on the New York Stock Exchange (or such other stock exchange or quotation system).

(n) "NON-EMPLOYEE DIRECTOR" means a director who is both a "non-employee director" as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

(o) "PAYMENT AMOUNT" has the meaning set forth in Section 4.4.

(p) "PER SHARE CAP" has the meaning set forth in Section 4.4.

(q) "SHARE UNITS" means amounts credited to the Executive's Account pursuant to Section 3.1 to reflect this Award, and other amounts credited to such Account pursuant to Section 3.2.

(r) "SUB-ACCOUNT" means a First Sub-Account, Second Sub-Account, or Third Sub-Account making up a portion of an Account as described in Section 3.1.

## 2. AWARDS.

2.1 Award Terms. The Company hereby grants to the Executive an Award of 1,400,000 Share Units, subject to vesting, forfeiture and repayment as set forth in Sections 4 and 5.

2.2 Continued Employment. The grant of an Award pursuant to this Agreement does not give the Executive any right to be retained in the employ of the Company; and the right and power of the Company to dismiss or discharge the Executive, with or without Cause, for any reason or no reason, is specifically reserved.

2.3 No Property Rights. The grant of the Award to the Executive pursuant to this Agreement shall not be deemed the grant of a property interest in any assets of the Company. The Award evidences only a general obligation of the Company to comply with the terms and conditions of the Agreement and make payments in accordance with the Agreement from the assets of the Company that are available for the satisfaction of obligations to creditors. The Company shall not segregate any assets in respect of the Award or the Executive's Account. The rights of the Executive to benefits under this Agreement shall be solely those of a general, unsecured creditor of the Company.

2.4 No Rights as a Stockholder. The Executive shall have no dividend, voting, or any other rights as a stockholder with respect to any Account or Share Units.

2.5 Reorganization. This Award shall not affect the right of the Company to reclassify, recapitalize or otherwise change its capital or debt structure or to merge, consolidate, convey any or all of its assets, dissolve, liquidate, windup or otherwise reorganize.

### 3. CREDITS TO ACCOUNTS.

3.1 Credits - General. The Company shall establish an Account for the Executive with respect to the Award. The Share Units originally credited to the Account under Section 2.1 shall be allocated into three sub-accounts, the first consisting of 25% of the total number of such Share Units (the "First Sub-Account"), the second consisting of 30% of the total number of such Share Units (the "Second Sub-Account"), and the third consisting of 45% of the total number of such Share Units (the "Third Sub-Account"). Each Sub-Account may be credited with additional Share Units pursuant to Section 3.2.

#### 3.2 Additional Credits.

(a) Whenever the Company shall pay any dividends (other than in Common Stock) upon issued and outstanding Common Stock, or make any distribution (other than in Common Stock) with respect thereto, there shall be credited to each Sub-Account of the Executive a number of Share Units determined by multiplying the "fair value" of any dividend (or other distribution) made by the Company with respect to one share of its Common Stock by the number of Share Units in that Sub-Account and then dividing that product by the Fair Market Value of a share of Common Stock on the date of such dividend or distribution. In the case of a cash dividend or distribution, the "fair value" thereof shall be the amount of such cash, and, in the case of any other dividend or distribution, the "fair value" thereof shall be such amount as shall be determined in good faith by the Administrator.

(b) If the Company pays any dividend or distribution upon its issued and outstanding Common Stock payable in additional shares of such Common Stock there shall be credited to each Sub-Account of the Executive a number of Share Units equal to the product obtained by multiplying (i) the number of Share Units in that Sub-Account at the time of



payment by (ii) the number of shares of Common Stock issued as a stock dividend or distribution by the Company with respect to one share of its Common Stock, and the Per Share Cap shall be appropriately and proportionately adjusted.

(c) In the event of a stock split, reverse stock split, recapitalization, reorganization, merger, consolidation or like change in the capital structure of the Company affecting the Common Stock of the Company not addressed by Section 3.2(a) or (b), if the Administrator shall determine that such change equitably requires an adjustment in the number or kind of Share Units then allocated to the Executive's Sub-Accounts, or other computations or amounts under the Agreement based upon Common Stock or its value including but not limited to the Per Share Cap, such adjustment shall be made by the Administrator in its sole discretion and shall be conclusive and binding for all purposes of the Agreement. In the event of a liquidation of the Company, or a merger, reorganization, or consolidation of the Company with any other corporation in which the Company is not the surviving corporation or the Company becomes a wholly-owned subsidiary of another corporation, if the surviving corporation in any such merger, reorganization, or consolidation does not assume the Award or agree to issue a substitute award in place thereof, then any unvested portion of the Award shall vest in full and become payable in accordance with Section 4.4 of this Agreement immediately prior to such liquidation, merger, reorganization, or consolidation.

3.3 Cessation of Credits. There shall be no further credits to a Sub-Account after it vests, or to any Account or Accounts of the Executive after termination of his employment with the Company.

#### 4. VESTING AND PAYMENT.

4.1 Vesting. The Executive shall have no vested interest in the Award prior to vesting thereof or in excess of the amount thereof vested. The Award shall vest in three installments:

- the First Sub-Account shall vest on July 1, 2003;
- the Second Sub-Account shall vest on July 1, 2004; and
- the Third Sub-Account shall vest on July 1, 2005.

However, except as provided in Section 4.2 and Section 4.3, vesting shall immediately cease upon termination of the Executive's employment with the Company for any reason, and no vesting credit shall be given for partial years, regardless of the reason for termination of the Executive's employment with the Company. If the Executive's employment with the Company terminates for any reason, except as provided in Section 4.2 or Section 4.3, he shall immediately forfeit all unvested Account balances.

4.2 Termination in Connection With a Change in Control. Notwithstanding Section 4.1, if the Executive's employment with the Company terminates as described in Section 5.01 of the Change of Control Severance Plan, then any unvested portion of the Award shall vest in full and become payable in accordance with Section 4.4 of this Agreement.

4.3 Termination due to Death. Notwithstanding Section 4.1, if the Executive's employment with the Company terminates due to death, then the next Sub-Account due to vest, if any, shall immediately vest in full and become payable in accordance with Section 4.4 of this Agreement, and any other unvested Account balances shall immediately be forfeited.

4.4 Payment Amount and Maximum Payment Amount. Within fifteen (15) business days of vesting of a Sub-Account, the Company shall pay to the Executive, in cash, an amount (the "Payment Amount") equal to the product of the number of Share Units in that Sub-Account on the date of vesting and the average of the Fair Market Value of a share of Common Stock for the preceding forty-five (45) trading days, provided, however, that in no event shall the Payment Amount for any Sub-Account exceed the product of the number of Share Units in that Sub-Account on the date of vesting and \$9.22 (the "Per Share Cap"), as such cap may be adjusted pursuant to Section 3.2.

4.5 Payments only to the Executive. Payments pursuant to this Agreement shall be made only to the Executive or his heirs.

4.6 Deferral. The Executive may elect at any time prior to December 31 of the year prior to the year of vesting and payment of any Sub-Account, to defer receipt of any or all payments due under this Agreement with respect to such Sub-Account. Such election shall be made, and any such deferral shall be effected and administered, in accordance with the Deferred Compensation Plan.

## 5. REPAYMENT UPON CERTAIN TERMINATION EVENTS.

5.1 First Sub-Account. If, within the six-month period following the vesting of the First Sub-Account, the Executive terminates his employment with the Company for any reason other than Disability or death, or in the event that the Company terminates the Executive's employment with the Company with Cause, the Executive shall, within thirty (30) days after demand by the Company, refund to the Company the Payment Amount paid to the Executive with respect to the First Sub-Account.

5.2 Second Sub-Account. If, within the six-month period following the vesting of the Second Sub-Account, the Executive terminates his employment with the Company for any reason other than Disability or death, or in the event that the Company terminates the Executive's employment with the Company with Cause, the Executive shall, within thirty (30) days after demand by the Company, refund to the Company the Payment Amount paid to the Executive with respect to the Second Sub-Account.

5.3 Change in Control. Sections 5.1 and 5.2 shall automatically terminate upon a Change in Control.

## 6. ADMINISTRATION OF THE AGREEMENT.

6.1 Administrator. This Agreement shall be administered by the Board, which shall have complete discretion and authority to interpret and construe the Agreement, decide all questions of benefits (including underlying factual determinations), and adjudicate all claims and disputes. The Board may delegate any of its responsibilities with respect to the Agreement to the

Committee. The determinations of the Administrator on the matters referred to in this Agreement shall be final and binding on all interested parties.

6.2 Administrative Rules. The Administrator may (a) adopt, amend, and rescind rules and regulations relating to the administration of this Agreement; (b) construe the provisions of the Agreement; (c) correct any defect or supply any omission or reconcile any inconsistency in the Agreement in the manner and to the extent it, in its sole discretion, shall deem expedient to carry the Agreement into effect; and (d) make all determinations necessary or advisable for administering the Agreement.

6.3 Amendment, Modification, Suspension and Termination of Award. The Administrator may from time to time in its discretion amend, modify, suspend, or terminate, in whole or in part, any or all provisions of the Agreement, including but not limited to modifying the vesting periods for the Share Units to provide for shorter or longer vesting period. Notwithstanding the foregoing, the Award shall not be amended, modified, suspended or terminated in such a manner as to impair any rights of the Executive under the Award without the consent of the Executive.

## 7. TAXES.

7.1 Withholding. The amounts payable to the Executive under this Agreement shall be reduced by any amount that the Company is required to withhold with respect to such payments under the then applicable provisions of the Internal Revenue Code of 1986, as amended, and state and local income tax law.

7.2 Executive Taxes. The Company is not responsible for, and makes no representation or warranty whatsoever in connection with, the tax treatment hereunder, and the Executive should consult his own tax advisor.

## 8. ASSIGNMENT.

No right or interest to or in this Agreement, or any payment or benefit to the Executive under this Agreement shall be assignable by the Executive except by will or the laws of descent and distribution. No right, benefit or interest of the Executive hereunder shall be subject to anticipation, alienation, sale, assignment, encumbrance, charge, pledge, hypothecation or set off in respect of any claim, debt or obligation, or to execution, attachment, levy or similar process or assignment by operation of law. Any attempt, voluntarily or involuntarily, to effect any action specified in the immediately preceding sentences shall, to the full extent permitted by law, be null, void and of no effect; provided, however, that this provision shall not preclude the Executive from designating one or more beneficiaries to receive any amount that may be payable to the Executive under this Agreement after his death and shall not preclude the legal representatives of the Executive's estate from assigning any right hereunder to the person or persons entitled thereto under his will, or, in the case of intestacy, to the person or persons entitled thereto under the laws of intestacy applicable to his estate.

9. GENERAL.

9.1 Laws Governing. The substantive laws of the State of Delaware shall govern the validity, construction, enforcement and interpretation of this Agreement, unless otherwise specified herein.

9.2 Good Faith Determinations. No member of the Committee or the Board shall be liable, with respect to this Agreement, for any act, whether of commission or omission, taken by any other member or by any officer, agent, or employee of the Company, nor, excepting circumstances involving his or her own bad faith, for anything done or omitted to be done by himself or herself. The Company shall indemnify and hold harmless each member of the Committee and Board from and against any liability or expense hereunder, except in the case of such member's own bad faith.

9.3 Effect of Headings. Section headings contained in the Agreement are for convenience only and shall not affect the construction or interpretation of the Agreement.

9.4 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of the Agreement, such provision shall be fully severable; the Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never been a part of the Agreement; and the remaining provisions of the Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or severance from the Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as part of the Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as is possible and still be legal, valid and enforceable.

9.5 Set-Off. The Company shall be entitled, at its option and not in lieu of any other remedies to which it may be entitled, to set off any amounts due the Company or any affiliate of the Company against any amount due and payable by the Company or any affiliate of the Company to the Executive pursuant to this Agreement or otherwise.

9.6 Venue. Each of the parties hereto consents to the jurisdiction of any state or federal court located within the County of Orange, State of California, and irrevocably agrees that all actions or proceedings relating to this Notice shall be litigated in such courts, and each of the parties waives any objection which it may have based on personal jurisdiction, improper venue or forum non conveniens to the conduct of any such action or proceeding in any such court.

9.7 Waivers. No waiver of any term or condition hereof shall be binding unless it is in writing and signed by the Company and the Executive. The waiver by any party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by any party.

9.8 Inurement. The rights and obligations under this Agreement shall inure to the benefit of, and shall be binding upon the Company, its successors and assigns, and the Executive and his beneficiaries and legal representatives.

9.9 Entire Agreement. This Agreement constitutes the entire agreement between the Company and the Executive concerning the subject matter hereof, and supersedes all other agreements, whether written or oral, with respect to such subject matter.

IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement effective as of December 20, 2002.

WESTERN DIGITAL CORPORATION,  
a Delaware corporation

EXECUTIVE

By: /s/ David C. Fetah

/s/ Matthew E. Massengill

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David C. Fetah  
Vice President  
Human Resources & Administration

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Matthew E. Massengill  
Chairman of the Board &  
Chief Executive Officer

## AMENDED AND RESTATED LONG-TERM RETENTION AGREEMENT

This Amended and Restated Long-Term Retention Agreement (the "Agreement") is made and entered into effective as of December 20, 2002 (the "Grant Date"), and amends that certain Long-Term Retention Agreement by and between Western Digital Corporation, a Delaware corporation, and Arif Shakeel (the "Executive") dated as of the Grant Date.

## W I T N E S S E T H:

WHEREAS, the Executive is employed by the Company in a key position and the Company desires the Executive to remain in its service;

WHEREAS, to give the Executive added incentive to advance the interests of the Company, the Company granted to the Executive an award of Share Units (the "Award") under the terms and conditions established by the Committee and set forth in the Long-Term Retention Agreement dated as of the Grant Date;

WHEREAS, the Committee has determined that it is in the best interests of the Company to amend the Long-Term Retention Agreement so it provides that in the event of the death of the Executive, vesting is accelerated on the next installment of Share Units due to vest under the Agreement, if any, and to restate the Long-Term Retention Agreement accordingly.

NOW, THEREFORE, in consideration of these premises, the parties agree that the following shall constitute the agreement between the Company and the Executive:

## 1. DEFINITIONS.

As used herein, the following terms shall have the meanings ascribed thereto below:

(a) "ACCOUNT" means a bookkeeping account maintained by the Company for this Award to track vesting and value pursuant to Sections 4 and 5.

(b) "ADMINISTRATOR" means the Board as long as no Committee has been appointed and is in effect and also means the Committee to the extent that the Board has delegated authority thereto.

(c) "AWARD" means the commitment of the Company to make payments under this Agreement to the Executive in amounts determined in accordance with Sections 4 and 5.

(d) "BOARD" means the Board of Directors of the Company.

(e) "CAUSE" has the meaning set forth in the Change of Control Severance Plan.

(f) "CHANGE IN CONTROL" has the meaning set forth in the Deferred Compensation Plan.

(g) "CHANGE OF CONTROL SEVERANCE PLAN" means the Company's Amended and Restated Change of Control Severance Plan, as amended from time to time.

(h) "COMMITTEE" means the Compensation Committee of the Board consisting solely of two (2) or more Non-employee Directors.

(i) "COMMON STOCK" means the common stock of the Company.

(j) "COMPANY" means Western Digital Corporation, a Delaware corporation, and its subsidiaries and affiliates, unless the context otherwise requires.

(k) "DEFERRED COMPENSATION PLAN" means the Company's Amended and Restated Deferred Compensation Plan, as amended from time to time.

(l) "DISABILITY" means a period of disability during which the Executive qualifies for permanent disability benefits under the Company's long-term disability plan, or, if the Executive does not participate in such a plan, a period of disability during which the Executive would have qualified for permanent disability benefits under such a plan had the Executive been a participant in such a plan, as determined in the sole discretion of the Administrator. If the Company does not sponsor such a plan, or discontinues to sponsor such a plan, Disability shall be determined by the Administrator in its sole discretion.

(m) "FAIR MARKET VALUE" per share of Common Stock, as of any date, means the closing price for a share of Common Stock reported for that date by the New York Stock Exchange (or such other stock exchange or quotation system on which shares of Common Stock are then listed or quoted) or, if no shares of Common Stock are traded on the New York Stock Exchange (or such other stock exchange or quotation system) on the date in question, then the closing price for the next preceding date for which shares of Common Stock are traded on the New York Stock Exchange (or such other stock exchange or quotation system).

(n) "NON-EMPLOYEE DIRECTOR" means a director who is both a "non-employee director" as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

(o) "PAYMENT AMOUNT" has the meaning set forth in Section 4.4.

(p) "PER SHARE CAP" has the meaning set forth in Section 4.4.

(q) "SHARE UNITS" means amounts credited to the Executive's Account pursuant to Section 3.1 to reflect this Award, and other amounts credited to such Account pursuant to Section 3.2.

(r) "SUB-ACCOUNT" means a First Sub-Account, Second Sub-Account, or Third Sub-Account making up a portion of an Account as described in Section 3.1.

## 2. AWARDS.

2.1 Award Terms. The Company hereby grants to the Executive an Award of 1,000,000 Share Units, subject to vesting, forfeiture and repayment as set forth in Sections 4 and 5.

2.2 Continued Employment. The grant of an Award pursuant to this Agreement does not give the Executive any right to be retained in the employ of the Company; and the right and power of the Company to dismiss or discharge the Executive, with or without Cause, for any reason or no reason, is specifically reserved.

2.3 No Property Rights. The grant of the Award to the Executive pursuant to this Agreement shall not be deemed the grant of a property interest in any assets of the Company. The Award evidences only a general obligation of the Company to comply with the terms and conditions of the Agreement and make payments in accordance with the Agreement from the assets of the Company that are available for the satisfaction of obligations to creditors. The Company shall not segregate any assets in respect of the Award or the Executive's Account. The rights of the Executive to benefits under this Agreement shall be solely those of a general, unsecured creditor of the Company.

2.4 No Rights as a Stockholder. The Executive shall have no dividend, voting, or any other rights as a stockholder with respect to any Account or Share Units.

2.5 Reorganization. This Award shall not affect the right of the Company to reclassify, recapitalize or otherwise change its capital or debt structure or to merge, consolidate, convey any or all of its assets, dissolve, liquidate, windup or otherwise reorganize.

### 3. CREDITS TO ACCOUNTS.

3.1 Credits - General. The Company shall establish an Account for the Executive with respect to the Award. The Share Units originally credited to the Account under Section 2.1 shall be allocated into three sub-accounts, the first consisting of 25% of the total number of such Share Units (the "First Sub-Account"), the second consisting of 30% of the total number of such Share Units (the "Second Sub-Account"), and the third consisting of 45% of the total number of such Share Units (the "Third Sub-Account"). Each Sub-Account may be credited with additional Share Units pursuant to Section 3.2.

#### 3.2 Additional Credits.

(a) Whenever the Company shall pay any dividends (other than in Common Stock) upon issued and outstanding Common Stock, or make any distribution (other than in Common Stock) with respect thereto, there shall be credited to each Sub-Account of the Executive a number of Share Units determined by multiplying the "fair value" of any dividend (or other distribution) made by the Company with respect to one share of its Common Stock by the number of Share Units in that Sub-Account and then dividing that product by the Fair Market Value of a share of Common Stock on the date of such dividend or distribution. In the case of a cash dividend or distribution, the "fair value" thereof shall be the amount of such cash, and, in the case of any other dividend or distribution, the "fair value" thereof shall be such amount as shall be determined in good faith by the Administrator.

(b) If the Company pays any dividend or distribution upon its issued and outstanding Common Stock payable in additional shares of such Common Stock there shall be credited to each Sub-Account of the Executive a number of Share Units equal to the product obtained by multiplying (i) the number of Share Units in that Sub-Account at the time of



payment by (ii) the number of shares of Common Stock issued as a stock dividend or distribution by the Company with respect to one share of its Common Stock, and the Per Share Cap shall be appropriately and proportionately adjusted.

(c) In the event of a stock split, reverse stock split, recapitalization, reorganization, merger, consolidation or like change in the capital structure of the Company affecting the Common Stock of the Company not addressed by Section 3.2(a) or (b), if the Administrator shall determine that such change equitably requires an adjustment in the number or kind of Share Units then allocated to the Executive's Sub-Accounts, or other computations or amounts under the Agreement based upon Common Stock or its value including but not limited to the Per Share Cap, such adjustment shall be made by the Administrator in its sole discretion and shall be conclusive and binding for all purposes of the Agreement. In the event of a liquidation of the Company, or a merger, reorganization, or consolidation of the Company with any other corporation in which the Company is not the surviving corporation or the Company becomes a wholly-owned subsidiary of another corporation, if the surviving corporation in any such merger, reorganization, or consolidation does not assume the Award or agree to issue a substitute award in place thereof, then any unvested portion of the Award shall vest in full and become payable in accordance with Section 4.4 of this Agreement immediately prior to such liquidation, merger, reorganization, or consolidation.

3.3 Cessation of Credits. There shall be no further credits to a Sub-Account after it vests, or to any Account or Accounts of the Executive after termination of his employment with the Company.

#### 4. VESTING AND PAYMENT.

4.1 Vesting. The Executive shall have no vested interest in the Award prior to vesting thereof or in excess of the amount thereof vested. The Award shall vest in three installments:

- the First Sub-Account shall vest on July 1, 2003;
- the Second Sub-Account shall vest on July 1, 2004; and
- the Third Sub-Account shall vest on July 1, 2005.

However, except as provided in Section 4.2 and Section 4.3, vesting shall immediately cease upon termination of the Executive's employment with the Company for any reason, and no vesting credit shall be given for partial years, regardless of the reason for termination of the Executive's employment with the Company. If the Executive's employment with the Company terminates for any reason, except as provided in Section 4.2 or Section 4.3, he shall immediately forfeit all unvested Account balances.

4.2 Termination in Connection With a Change in Control. Notwithstanding Section 4.1, if the Executive's employment with the Company terminates as described in Section 5.01 of the Change of Control Severance Plan, then any unvested portion of the Award shall vest in full and become payable in accordance with Section 4.4 of this Agreement.

4.3 Termination due to Death. Notwithstanding Section 4.1, if the Executive's employment with the Company terminates due to death, then the next Sub-Account due to vest, if any, shall immediately vest in full and become payable in accordance with Section 4.4 of this Agreement, and any other unvested Account balances shall immediately be forfeited.

4.4 Payment Amount and Maximum Payment Amount. Within fifteen (15) business days of vesting of a Sub-Account, the Company shall pay to the Executive, in cash, an amount (the "Payment Amount") equal to the product of the number of Share Units in that Sub-Account on the date of vesting and the average of the Fair Market Value of a share of Common Stock for the preceding forty-five (45) trading days, provided, however, that in no event shall the Payment Amount for any Sub-Account exceed the product of the number of Share Units in that Sub-Account on the date of vesting and \$9.22 (the "Per Share Cap"), as such cap may be adjusted pursuant to Section 3.2.

4.5 Payments only to the Executive. Payments pursuant to this Agreement shall be made only to the Executive or his heirs.

4.6 Deferral. The Executive may elect at any time prior to December 31 of the year prior to the year of vesting and payment of any Sub-Account, to defer receipt of any or all payments due under this Agreement with respect to such Sub-Account. Such election shall be made, and any such deferral shall be effected and administered, in accordance with the Deferred Compensation Plan.

## 5. REPAYMENT UPON CERTAIN TERMINATION EVENTS.

5.1 First Sub-Account. If, within the six-month period following the vesting of the First Sub-Account, the Executive terminates his employment with the Company for any reason other than Disability or death, or in the event that the Company terminates the Executive's employment with the Company with Cause, the Executive shall, within thirty (30) days after demand by the Company, refund to the Company the Payment Amount paid to the Executive with respect to the First Sub-Account.

5.2 Second Sub-Account. If, within the six-month period following the vesting of the Second Sub-Account, the Executive terminates his employment with the Company for any reason other than Disability or death, or in the event that the Company terminates the Executive's employment with the Company with Cause, the Executive shall, within thirty (30) days after demand by the Company, refund to the Company the Payment Amount paid to the Executive with respect to the Second Sub-Account.

5.3 Change in Control. Sections 5.1 and 5.2 shall automatically terminate upon a Change in Control.

## 6. ADMINISTRATION OF THE AGREEMENT.

6.1 Administrator. This Agreement shall be administered by the Board, which shall have complete discretion and authority to interpret and construe the Agreement, decide all questions of benefits (including underlying factual determinations), and adjudicate all claims and disputes. The Board may delegate any of its responsibilities with respect to the Agreement to the

Committee. The determinations of the Administrator on the matters referred to in this Agreement shall be final and binding on all interested parties.

6.2 Administrative Rules. The Administrator may (a) adopt, amend, and rescind rules and regulations relating to the administration of this Agreement; (b) construe the provisions of the Agreement; (c) correct any defect or supply any omission or reconcile any inconsistency in the Agreement in the manner and to the extent it, in its sole discretion, shall deem expedient to carry the Agreement into effect; and (d) make all determinations necessary or advisable for administering the Agreement.

6.3 Amendment, Modification, Suspension and Termination of Award. The Administrator may from time to time in its discretion amend, modify, suspend, or terminate, in whole or in part, any or all provisions of the Agreement, including but not limited to modifying the vesting periods for the Share Units to provide for shorter or longer vesting period. Notwithstanding the foregoing, the Award shall not be amended, modified, suspended or terminated in such a manner as to impair any rights of the Executive under the Award without the consent of the Executive.

## 7. TAXES.

7.1 Withholding. The amounts payable to the Executive under this Agreement shall be reduced by any amount that the Company is required to withhold with respect to such payments under the then applicable provisions of the Internal Revenue Code of 1986, as amended, and state and local income tax law.

7.2 Executive Taxes. The Company is not responsible for, and makes no representation or warranty whatsoever in connection with, the tax treatment hereunder, and the Executive should consult his own tax advisor.

## 8. ASSIGNMENT.

No right or interest to or in this Agreement, or any payment or benefit to the Executive under this Agreement shall be assignable by the Executive except by will or the laws of descent and distribution. No right, benefit or interest of the Executive hereunder shall be subject to anticipation, alienation, sale, assignment, encumbrance, charge, pledge, hypothecation or set off in respect of any claim, debt or obligation, or to execution, attachment, levy or similar process or assignment by operation of law. Any attempt, voluntarily or involuntarily, to effect any action specified in the immediately preceding sentences shall, to the full extent permitted by law, be null, void and of no effect; provided, however, that this provision shall not preclude the Executive from designating one or more beneficiaries to receive any amount that may be payable to the Executive under this Agreement after his death and shall not preclude the legal representatives of the Executive's estate from assigning any right hereunder to the person or persons entitled thereto under his will, or, in the case of intestacy, to the person or persons entitled thereto under the laws of intestacy applicable to his estate.

9. GENERAL.

9.1 Laws Governing. The substantive laws of the State of Delaware shall govern the validity, construction, enforcement and interpretation of this Agreement, unless otherwise specified herein.

9.2 Good Faith Determinations. No member of the Committee or the Board shall be liable, with respect to this Agreement, for any act, whether of commission or omission, taken by any other member or by any officer, agent, or employee of the Company, nor, excepting circumstances involving his or her own bad faith, for anything done or omitted to be done by himself or herself. The Company shall indemnify and hold harmless each member of the Committee and Board from and against any liability or expense hereunder, except in the case of such member's own bad faith.

9.3 Effect of Headings. Section headings contained in the Agreement are for convenience only and shall not affect the construction or interpretation of the Agreement.

9.4 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of the Agreement, such provision shall be fully severable; the Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never been a part of the Agreement; and the remaining provisions of the Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or severance from the Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as part of the Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as is possible and still be legal, valid and enforceable.

9.5 Set-Off. The Company shall be entitled, at its option and not in lieu of any other remedies to which it may be entitled, to set off any amounts due the Company or any affiliate of the Company against any amount due and payable by the Company or any affiliate of the Company to the Executive pursuant to this Agreement or otherwise.

9.6 Venue. Each of the parties hereto consents to the jurisdiction of any state or federal court located within the County of Orange, State of California, and irrevocably agrees that all actions or proceedings relating to this Notice shall be litigated in such courts, and each of the parties waives any objection which it may have based on personal jurisdiction, improper venue or forum non conveniens to the conduct of any such action or proceeding in any such court.

9.7 Waivers. No waiver of any term or condition hereof shall be binding unless it is in writing and signed by the Company and the Executive. The waiver by any party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by any party.

9.8 Inurement. The rights and obligations under this Agreement shall inure to the benefit of, and shall be binding upon the Company, its successors and assigns, and the Executive and his beneficiaries and legal representatives.

9.9 Entire Agreement. This Agreement constitutes the entire agreement between the Company and the Executive concerning the subject matter hereof, and supersedes all other agreements, whether written or oral, with respect to such subject matter.

IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement effective as of December 20, 2002.

WESTERN DIGITAL CORPORATION,  
a Delaware corporation

EXECUTIVE

By: /s/ David C. Fetah

/s/ Arif Shakeel

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David C. Fetah  
Vice President  
Human Resources & Administration

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Arif Shakeel  
President & Chief Operating Officer

## AMENDED AND RESTATED WESTERN DIGITAL CORPORATION

## NON-EMPLOYEE DIRECTORS STOCK-FOR-FEES PLAN

This plan (1) was implemented in 1992, (2) was amended and restated effective as of January 9, 1997 to require directors to take half their annual retainer fee in stock, permit deferrals of cash or stock under the plan, and make certain other changes to conform the plan to the new version of Rule 16b-3 and ease administration, (3) was amended and restated effective as of January 27, 2000, to require directors to take \$20,000 of their annual retainer fee in stock, increase the premium to 25% for deferral of annual retainers or meeting fees received in the form of common stock and provide a premium of 15% for deferral of annual retainers or meeting fees received in the form of cash, and (4) was amended and restated effective as of November 14, 2002, to extend the term of the plan to December 31, 2012.

## 1. PURPOSE.

The purposes of this Western Digital Corporation Non-Employee Director Stock-For-Fees Plan (the "PLAN") are to advance the interests of Western Digital Corporation (the "COMPANY") and its stockholders by increasing ownership by the Company's non-employee directors of the Company's Common Stock, thereby aligning their interests more closely with the interests of the Company's other stockholders, and to make available to the Company the cash that would otherwise have been paid to non-employee directors receiving Common Stock in lieu of fees hereunder.

## 2. ADMINISTRATION.

The Plan shall be administered by the Company, which shall have the power to construe the Plan, to resolve all questions arising under the Plan, to adopt and amend such rules and regulations for the administration of the Plan as it may deem desirable, and otherwise to carry out the terms of the Plan, but only to the extent not contrary to the express provisions of the Plan. The determinations, interpretations, and other actions of the Company of or under the Plan or with respect to any Common Stock granted pursuant to the Plan shall be final and binding for all purposes and on all persons. Neither the Company nor any officer or employee thereof shall be liable for any action or determination taken or made under the Plan in good faith. Notwithstanding the foregoing, the Company shall have no authority or discretion as to the persons who will receive Common Stock granted pursuant to the Plan, the number of shares of Common Stock to be issued under the Plan, the time at which such grants are made, the number of shares of Common Stock to be granted at any particular time, or any other matters that are specifically governed by the provisions of the Plan.

## 3. PARTICIPATION IN THE PLAN.

Directors of the Company who are not employees of the Company or any subsidiary of the Company ("ELIGIBLE DIRECTORS") shall be eligible to participate in the Plan. Each Eligible Director shall, if required by the Company, enter into an agreement with the Company in such form as the Company shall determine consistent with the provisions of the Plan for purposes of implementing the Plan or effecting its purposes. In the event of any

inconsistency between the provisions of the Plan and any such agreement, the provisions of the Plan shall govern.

4. STOCK SUBJECT TO THE PLAN.

(a) Number of Shares. The shares that may be issued under the Plan shall be authorized and unissued shares or treasury shares of the Company's Common Stock (the "COMMON STOCK"). The maximum aggregate number of shares that may be issued under the Plan shall be four hundred thousand (400,000), subject to adjustment upon changes in capitalization of the Company as provided in Section 4(b). The maximum aggregate number of shares issuable under the Plan may be increased from time to time by approval of the Company's Board of Directors, and by the stockholders of the Company if stockholder approval is required pursuant to the applicable rules of any stock exchange, or, in the opinion of the Company's counsel, any other law or regulation binding upon the Company.

(b) Adjustments. If the Company shall at any time increase or decrease the number of its issued and outstanding shares of Common Stock (whether by reason of reorganization, merger, consolidation, recapitalization, stock dividend, stock split, combination of shares, exchange of shares, change in corporate structure, or otherwise), then the number of shares of Common Stock still available for issue hereunder shall be increased or decreased appropriately and proportionately.

5. MANDATORY STOCK PAYMENTS AND ELECTIONS.

For all annual retainer fees paid from and after January 27, 2000, \$20,000 of the annual retainer fee payable to each Eligible Director shall be paid in the form of Common Stock rather than cash. Each Eligible Director may make an "ELECTION" to receive Common Stock in lieu of any or all of (i) the remainder of the annual retainer fee otherwise payable to him or her in cash for that calendar year, and/or (ii) the meeting attendance fees otherwise payable to him or her in cash for that calendar year. Such Election for any calendar year must be in writing and must be delivered to the Secretary of the Company not later than the end of the immediately preceding calendar year. In addition, newly elected or appointed Eligible Directors shall make an interim Election as of the date they join the board, which interim Election shall govern until the immediately ensuing calendar year. Separate Elections must be made for each calendar year; if an Eligible Director does not make a written Election for any particular calendar year, then such Eligible Director shall be deemed to have elected to receive all meeting fees and the remainder of his or her retainer fee for that calendar year in cash.

6. ISSUANCE OF COMMON STOCK.

(a) Timing and Amounts of Issuances.

(i) Common Stock issuable to an Eligible Director in lieu of annual retainer or meeting fees shall be issued not later than ten days after the date such annual retainer or meeting fees, as the case may be, would have been paid if paid in cash.

(ii) The number of shares of Common Stock issuable in lieu of cash annual retainer fees (whether or not deferred) shall be determined by dividing the amount of cash

fees being replaced by Common Stock by the Fair Market Value (as defined below) of the Common Stock on the first trading day of the calendar year for which the annual retainer is being paid (or January 27 in the case of 2000) or, in the case of an annual retainer being paid to a newly appointed or elected Eligible Director for a partial year, on the date such Eligible Director joins the board.

(iii) The number of shares of Common Stock issuable in lieu of cash meeting fees (whether or not deferred) shall be determined by dividing the amount of cash fees being replaced by Common Stock by the Fair Market Value of the Common Stock on the date of the meeting for which the fee is paid.

(b) Fractional of Shares. No fractional shares shall be issued under the Plan. The portion of annual retainer or meeting fees that would be paid in Common Stock but for the proscription on fractional shares shall be paid in cash along with any portion of the fee (or the next subsequent fee) that the Eligible Director has elected to receive in cash. For directors electing no cash for a particular calendar year, fractional share equivalent cash balances shall be held by the Company until the end of that calendar year and then distributed in cash to the Eligible Director without interest.

(c) Fair Market Value. For the purposes of the Plan, the "FAIR MARKET VALUE" of the Common Stock as of any issuance or deferral date shall be the closing price of the Common Stock on the New York Stock Exchange (or another national stock exchange or the NASDAQ National Market System, if the Common Stock trades thereon but not on the NYSE) as of such date (or, if no such shares were traded on such date, as of the next preceding day on which there was such a trade, provided that the closing price on such preceding date is not less than 100% of the fair market value of the Common Stock, as determined in good faith by the Company, on the date of issuance). If at any time the Common Stock is no longer traded on a national stock exchange or the NASDAQ National Market System, the Fair Market Value of the Common Stock as of any issuance date shall be as determined by the Company in good faith in the exercise of its reasonable discretion.

(d) Issuance of Certificates. As promptly as practicable following each issuance of Common Stock hereunder, the Company shall issue to the recipient Eligible Director a stock certificate or certificates registered in his or her name representing the number of shares of Common Stock issued.

#### 7. DEFERRAL.

(a) Election to Defer. An Eligible Director may elect to defer the receipt of any cash or stock annual retainer or meeting fees payable during the period to which an Election applies. Any such deferral election by an Eligible Director shall specify whether the fees to be deferred are fees that the Eligible Director is required or has elected to receive in Common Stock, and shall be made and take effect at the times specified in the Company's Deferred Compensation Plan (the "DEFERRED COMPENSATION PLAN"). The deferral shall not change the form (cash versus Common Stock) in which the fee is to be paid at the end of the deferral period, notwithstanding the fact that during the deferral period fees ultimately payable in Common Stock may be general unsecured obligations of the Company to the Eligible Director.



(b) Common Stock Premium. The Company shall pay a 25% premium to each Eligible Director who elects to defer annual retainer or meeting fees to be received in Common Stock. The number of shares of Common Stock deferred and the premium thereon shall be calculated by multiplying the amount of cash fees being replaced by Common Stock and deferred by 1.25, and then dividing that product by the Fair Market Value of the Common Stock on the date set forth in Section 6(a)(ii) or Section 6(a)(iii) for annual retainer or meeting fees, respectively. Any premium Common Stock shall be subject to the same deferral election, and deliverable to the Eligible Director on the same terms, as the Common Stock upon which the premium is paid.

(c) Cash Stock Premium. The Company shall pay a 15% premium to each Eligible Director who elects to defer annual retainer or meeting fees to be received in cash. The cash deferred and the premium thereon shall be calculated by multiplying the amount of cash fees being deferred by 1.15. Any premium cash shall be subject to the same deferral election, and deliverable to the Eligible Director on the same terms, as the cash upon which the premium is paid.

(d) Plan Shares. All shares issued or issuable under the Plan, including deferred shares and shares issuable as premiums on deferrals, shall be deducted from the shares available under the Plan at the time first issued or deferred, provided that shares deferred and not ultimately issued and delivered to the Eligible Director shall be returned to the pool of available shares under the Plan.

(e) Deferred Compensation Plan. Deferral of Eligible Directors' fees, whether payable in cash or Common Stock and including any premiums, shall be administered pursuant to the Deferred Compensation Plan.

## 8. SECURITIES LAWS.

(a) Investment Representations. The Company may require any Eligible Director to whom an issuance of securities is made or a deferred delivery obligation is undertaken as a condition of receiving securities pursuant to such issuance or obligation to give written assurances in substance and form satisfactory to the Company and its counsel to the effect the such person is acquiring the securities for his or her own account for investment and not with any present intention of selling or otherwise distributing the same in violation of applicable securities laws, and to such other effects as the Company deems necessary or appropriate to comply with federal and applicable state securities laws.

(b) Listing, Registration, and Qualification. Anything to the contrary herein notwithstanding, each issuance of securities shall be subject to the requirement that, if at any time the Company or its counsel shall determine that the listing, registration, or qualification of the securities subject to such issuance upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, is necessary or advisable as a condition of, or in connection with, such issuance of securities, such issuance shall not occur in whole or in part unless such listing, registration, qualification, consent, or approval shall have been effected or obtained on conditions acceptable to the Company. Nothing herein

shall be deemed to require the Company to apply for or to obtain such listing, registration, or qualification.

(c) Restrictions on Transfer. The securities issued under the Plan shall be restricted by the Company as to transfer unless the grants are made under a registration statement that is effective under the Securities Act of 1933, as amended, or unless the Company receives an opinion of counsel satisfactory to the Company to the effect that registration under state or federal securities laws is not required with respect to such transfer.

9. WITHHOLDING TAXES.

Whenever shares of Common Stock are to be issued under the Plan, the Company shall have the right prior to the delivery of any certificate or certificates for such shares to require the recipient to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements attributable to the issuance. In the absence of payment by an Eligible Director to the Company of an amount sufficient to satisfy such withholding taxes, or an alternative arrangement with the Eligible Director that is satisfactory to the Company, the Company may make such provisions as it deems appropriate for the withholding of any such taxes which the Company determines it is required to withhold.

10. AMENDMENT OF THE PLAN.

The Board of Directors of the Company may suspend or terminate the Plan or any portion thereof at any time, and may amend the Plan from time-to-time in any respect the Board of Directors may deem to be in the best interests of the Company; provided, however, that no such amendment shall be effective without approval of the stockholders of the Company if stockholder approval of the amendment is then required pursuant to the applicable rules of any securities exchange, or, in the opinion of the Company's counsel, any other law or regulation binding on the Company.

11. EFFECTIVE DATE AND DURATION OF THE PLAN.

The Plan shall, subject to approval by the Company's stockholders at the Company's 1992 Annual Meeting, be effective January 1, 1993. The Plan shall terminate at 11:59 p.m. on December 31, 2012, unless sooner terminated by action of the Board of Directors. Elections may be made under the Plan prior to its effectiveness, but no issuances under the Plan shall be made before its effectiveness or after its termination.

12. GOVERNING LAWS.

The Plan and all rights and obligations under the Plan shall be construed in accordance with and governed by the laws of the State of California, excluding its conflicts of laws principles.

"[\*\*\*]" INDICATES REDACTED INFORMATION FOR  
WHICH CONFIDENTIAL TREATMENT IS REQUESTED

AMENDMENT NO. 2 TO VOLUME PURCHASE AGREEMENT

THIS AMENDMENT NO. 2 ("Amendment No. 2") to the Volume Purchase Agreement (as amended, "VPA") dated as of April 8, 1999 between Western Digital Corporation, a Delaware corporation ("WD"), and Komag, Inc., a Delaware corporation ("Komag"), as amended by Amendment No. 1 effective October 5, 2001, is made by and among WD, Komag, and Komag USA (Malaysia) Sdn., a Malaysia unlimited liability company ("Komag Malaysia"). The Effective Date of Amendment No. 2 shall be October 17, 2002.

RECITALS

- A. WD and Komag entered into the original VPA whereby Komag and/or Komag Malaysia would supply WD's media requirements for a certain period.
- B. By Amendment No. 1, (i) Komag Malaysia, as the assignee of Komag under the VPA, agreed to be bound by all of the terms and conditions of and to perform the obligations of Komag under the VPA, as amended; and (ii) WD acknowledged Komag's assignment of its rights and delegation of its performance under the VPA to Komag Malaysia and accepted Komag Malaysia as the assignee of Komag and all of its rights and obligations under the VPA; provided, however, that Komag agreed to continue to provide its personnel and resources in support of Komag Malaysia's qualification obligations under the VPA.
- C. The parties wish to make certain additional changes to the VPA regarding WD's purchase of an amount of Product in addition to the amount that WD previously identified in the forecast it provided to Komag Malaysia.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

- 1. For the [\*\*\*], Komag Malaysia shall allocate to WD additional capacity sufficient to produce a quantity of Products not to exceed [\*\*\*] units to meet Western Digital requirement of rev 8. (Such additional quantities herein referred to as "Additional Products"). Komag Malaysia shall produce the quantity of Additional Products units set forth in Attachment A and deliver such Additional Products to WD according to the [\*\*\*] schedule set forth in Attachment A.
- 2. WD shall purchase the Additional PML Products from Komag Malaysia at a price of \$[\*\*\*] each, while the price for all other PML Products that WD purchases from Komag Malaysia shall remain \$[\*\*\*] each (with the exception of [\*\*\*], which will be \$[\*\*\*] for [\*\*\*]). Komag Malaysia shall invoice WD for the Additional PML Products at the time of shipment per the attachment, "A" which should reference the following shipments [\*\*\*]. If Komag

"[\*\*\*]" INDICATES REDACTED INFORMATION FOR  
WHICH CONFIDENTIAL TREATMENT IS REQUESTED

Malaysia fails to deliver the Additional Products in the quantities set forth in Attachment A according to the [\*\*\*] deadlines set forth in Attachment A, then [\*\*\*].

3. The provisions of paragraphs 1 and 2 above shall apply only during the [\*\*\*].
4. For the [\*\*\*], WD shall purchase [\*\*\*] from Komag during [\*\*\*]. WD's purchase of such PML Products is expressly conditioned on the following:
  - a) Notwithstanding any other provision of this Amendment, Komag Malaysia will sell to WD [\*\*\*].
  - b) All Products that Komag Malaysia sells to WD must meet quality, reliability and engineering specifications established by WD for such Products.
  - c) [\*\*\*].
  - d) If Komag Malaysia fails to deliver the PML Products in the amounts ordered by WD according to a delivery schedule set forth by WD and a reasonably recovery schedule by Komag Malaysia does not meet WD customer demands, then WD [\*\*\*].
5. The provisions of paragraphs 4 above shall apply only during the [\*\*\*] with the exception of item [\*\*\*].

"[\*\*\*]" INDICATES REDACTED INFORMATION FOR WHICH CONFIDENTIAL TREATMENT IS REQUESTED

6. Komag agrees to continue to provide personnel and resources in support of Komag Malaysia's qualification obligations set forth in this Amendment No. 2.

7. All other terms of the VPA shall remain the same.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to be duly executed by their duly authorized representatives as of the Effective Date.

WESTERN DIGITAL CORPORATION:

KOMAG, INC.:

By: /s/ Bill Johns  
-----

By: /s/ Mike Russak  
-----

Name: William Johns

Name: Mike Russak

Title: Vice President, Program Office

Title: Pres & CTO

Date: October 21, 2002

KOMAG USA (MALAYSIA) SDN.:

By: /s/ illegible  
-----

Name: [illegible]

Title: Managing Director

Attachment "A" to be completed by Komag Malaysia and WDM on 10/21/02

"[\*\*\*]" INDICATES REDACTED INFORMATION FOR WHICH CONFIDENTIAL TREATMENT IS REQUESTED

AttachmentA

		VL40(K)	Mav. 208(K)
[***]		[***]	[***]
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]

Total = [\*\*\*]

Per Amendment No.2 to VPA (Revision 2), KMS shall invoice WDM for the following PML products and Quantity at \$[\*\*\*] to meet WD Rev.8 schedule for [\*\*\*].

[LETTER HEAD OF WESTERN DIGITAL]

October 30, 2002

Mr. Charles William Frank  
62 Wheeler Ave  
Irvine CA 92620-3296

Dear Bill:

This letter, when signed by you, constitutes the agreement (the "Agreement") relative to your resignation from Western Digital Corporation ("WDC") and Western Digital Technologies, Inc. ("WDT" and, collectively with WDC, the "Company"). In consideration for the covenants and releases contained herein, you and the Company agree as follows:

1. PAYMENT PERIOD. You will resign your position as Vice President and Chief Technology Officer of WDC and WTC effective Monday, September 30, 2002. Solely for purposes of the payments and benefits described herein, you will continue to be treated as if you were an employee, subject to the limitations below, until the earlier of September 30, 2003, or your death (the "Payment Period"). During the Payment Period, you shall not be an employee of WDC nor required to perform services for WDC, except pursuant to the consulting arrangement set forth in Section 3 of this Agreement.
2. STOCK OPTIONS AND RESTRICTED SHARES.
  - (a) During the Payment Period, any stock options previously granted to you under the Company's Employee Stock Option Plan and the Company's subsidiary's Stock Incentive Plans (collectively, the "Options") will continue to vest in accordance with their terms. At the end of the Payment Period, all of your Options will become fully vested, and you will have up to three (3) years following September 30, 2003, to exercise any or all such Options or, in the event of your death, such longer period as may be provided in the Options. A stock option summary and detailed schedule setting forth these Options, their grant dates, exercise prices, and vesting schedules is being delivered to you separately and is incorporated herein by reference.
  - (b) At the end of the Payment Period all remaining unvested restricted stock (the "Restricted Shares") awarded you in December 2000 will vest.

- (c) Notwithstanding anything to the contrary in this Agreement, if you breach any of your covenants set forth in paragraphs 10, 11, 12, or 14 hereof, (i) any unexercised Options shall be deemed immediately canceled and shall no longer be exercisable, (ii) the Restricted Shares shall be deemed immediately canceled, and (iii) WDC and/or WDT shall have the right to recover any profits realized by you as a result of the exercise of Options or the sale of Restricted Shares or of shares received pursuant to the exercise of Options during the six month period prior to the date of any such breach, as determined by the Board of Directors.

3. COMPENSATION.

- (a) You will be paid \$275,000.00 in wage continuation based on your current base salary. The delivery vehicle for such wage continuation will be the Company's current bi-weekly payroll process. Notwithstanding that you will not be an employee, you agree to have tax withholding and other payroll deductions made at the present rates, subject to any changes you wish to make in accordance with Company policies.
- (b) In consideration of this Agreement, you agree to provide, if requested by the Company, up to ten (10) hours per month of consulting services related to your present areas of responsibility, which include, without limiting the generality of the foregoing, the matters in development in the Chief Technology Officer department and patent prosecution matters.

You shall be available for the performance of consulting services hereunder at reasonable times convenient to you. The Company acknowledges that you may have other business and personal obligations, and that your duties under this Agreement shall be scheduled in a manner to avoid a conflict with those other obligations.

4. BENEFITS. During the Payment Period you will continue to receive benefits accorded to employees generally, other than vacation accruals, and benefits accorded to you and other executives in comparable pay grades ("special benefits"), provided that such special benefits continue to be furnished to executives generally in comparable pay grades. These include:

- (a) Your flex benefit allowance.
- (b) Employee Stock Purchase Plan (ESPP) will continue and deductions will be made from your wage continuation checks.
- (c) 401(k) participation and Western Digital employer match will continue with deductions coming from your wage continuation checks.
- (d) Financial planning assistance of up to \$7,000 per fiscal year.



- (e) Supplemental executive medical coverage of up to \$5,000 per fiscal year.

If any benefits (including special benefits) are discontinued and adjustments are made to compensation or benefits of employees generally, or of executives in comparable pay grades, in lieu of the discontinued benefits, and if such discontinuances apply to you under this Agreement, then in such instances like adjustments will be made to payments or benefits accorded to you with respect to the Payment Period. The foregoing shall include surrenders, cancellations or changes in options that accomplish a change in an option strike price for the benefit of employees or executives. No actions will be taken with respect to the moneys payable or the benefits accorded to you that are intended to affect adversely only you or other terminating employees, unless such actions are taken as a result of a material breach by you of any of your obligations under this Agreement. Should you take another position prior to the expiration of wage continuation as an employee of a company with health insurance coverages, Western Digital's health coverages stop at the end of the month in which you start to work for the other company. Your Western Digital benefits will cease sixty (60) days after September 30, 2003, month-end. You may be entitled to continued basic health insurance coverage under the Company's COBRA plan. If you so elect, this continuation will be on terms consistent with applicable federal laws and regulations. If you elect and are eligible to continue this coverage, you will be charged a monthly premium to cover the cost of providing this insurance including a small administrative fee. Our benefits administration staff will give you complete details in this regard.

5. CONFIDENTIALITY AND COMMUNICATIONS. You and the Company agree that the terms of this Agreement will be held in confidence except to the extent that disclosures may be required by government regulations or judicial process or to receive tax, legal or financial advice. References that may request information about your employment will be referred to the Vice President of Human Resources.
6. VACATION. By September 30, 2002, you will be paid all accrued and unused vacation. Although you will continue on the Company payroll through September 30, 2003, you will accrue no more vacation subsequent to September 30, 2002.
7. INCENTIVE COMPENSATION PLAN (ICP). Any distribution to which you become entitled as a result of awards under the Incentive Compensation Plan ("ICP") for the six-month period ending December 31, 2002, will be made to you in accordance with the terms of the ICP, except that you will be entitled to an amount equal to 1/2 of any amount for the period. You will not be eligible to participate in the ICP beyond that date. Calculation for the payment will be made at the end of the ICP period and paid at such time as all then-current employees.
8. OUTPLACEMENT SERVICES. The Company will provide executive outplacement assistance through Lee Hecht Harrison, Right Management Consultants, or another firm of your

choosing to assist you in finding another position. These services may begin anytime prior to September 30, 2003. Contact the Vice President of Human Resources for assistance with these arrangements.

9. INDEMNIFICATION AND ASSISTANCE.

- (a) If you are subjected to any claim or demand involving any action or inaction allegedly taken by you during the course of your employment or directorship with the Company, you will be entitled to all rights of indemnification that may then be available to other executive officers or directors of the Company, including, without limitation, insurance protection under any director and/or officer liability insurance coverage maintained by the Company or any subsidiary and any rights to indemnification provided by applicable law or the By-laws of the Company or any subsidiary, and the Company will, and shall cause any subsidiary to, cooperate fully with you in responding to or defending against any such claim or demand.
- (b) During the Payment Period and thereafter, you agree to make yourself available to respond to inquiries by the Company regarding management, regulatory, and legal activities of which you acquired knowledge while employed by the Company. You agree to make yourself available, without the requirement of being subpoenaed, to confer with counsel at reasonable times and locations and upon reasonable notice concerning any knowledge you have or may have with respect to actual and/or potential disputes arising out of the activities of the Company during the period you were employed by the Company. You further agree to submit to deposition and/or testimony in accordance with the laws of the forum involved concerning any knowledge you have or may have with respect to actual and/or potential disputes arising out of the activities of the Company during the period you were employed by the Company.

10. NON-COMPETITION. You acknowledge that you have in your capacity as an officer and director of the Company been given access to, and possess knowledge of, valuable proprietary and confidential information of the Company. You acknowledge that it would be impossible for you to provide work, advice, consulting, or other services to a competitor of the Company, whether as an employee, independent contractor, adviser, volunteer, director or in any other capacity, for any individual, partnership, corporation, or other business entity, without using, disclosing, evaluating or relying upon the Company's proprietary and confidential information. Accordingly, you agree that during the Payment Period and for a period of one (1) year thereafter you will not directly or indirectly, whether for your own account or as an employee, director, consultant or advisor, provide services to any business or engage in any business which at the time of commencement of such services is, or is expected to be, competitive with the Company's or any of its subsidiaries' product lines or business activities, unless you obtain the prior written consent of the Company's Chief Executive Officer. This includes but is not limited to the following businesses or

entities: (i) Maxtor Corporation; (ii) Seagate Technologies; (iii) Fujitsu Hard Drive Division; (iv) Samsung Hard Drive Division; (v) SonicBlue Corporation; (vi) IBM Hard Drive Division, and (vii) Hitachi Hard Drive Division.

Nothing in this Agreement shall prohibit you from having any ownership or financial interest in Zetera Corporation following the closing of the asset sale transaction pursuant to that certain Asset Purchase Agreement by and between Zetera Corporation and Western Digital Technologies, Inc. (the "Asset Purchase Agreement"). The parties acknowledge that pursuant to the Asset Purchase Agreement, if and when it is executed and delivered, Zetera will acquire certain microsan technology of Western Digital Technologies, Inc. In addition, if the Asset Purchase Agreement is executed and delivered by the parties thereto, nothing in this Agreement shall prohibit you from providing work, advice, consulting or other services to any venture that acquires some or all of the microsan technology from Zetera Corporation in a transaction in compliance with the provisions of the Asset Purchase Agreement, either as an employee, independent contractor, adviser, volunteer, director or in any other capacity. Further, if the Asset Purchase Agreement is executed and delivered, the obligations you may have regarding use or disclosure of confidential information you learned about the microsan technology while employed by the Company shall be addressed by that certain Limited Release by and between you and Western Digital Technologies, Inc. to be entered into by you in connection with the Asset Purchase Agreement, and this agreement shall not supercede such Limited Release.

11. NON-SOLICITATION OF EMPLOYEES. You agree that during the Payment Period and for a period of one (1) year thereafter you will not directly or indirectly solicit any individuals to leave the Company's (or any of its subsidiaries') employ for any reason or interfere in any other manner with the employment relationships at the time existing between the Company (or any of its subsidiaries) and its current or prospective employees.

This Agreement shall not prohibit you, on behalf of Zetera Corporation, or Zetera Corporation itself, from employing or hiring the following named employees to work for, advise, or consult with such business venture: Tom Hanan and Tom Ludwig.

12. NON-SOLICITATION OF BUSINESS RELATIONSHIPS. You agree that during the Payment Period and for a period of one (1) year thereafter you will not induce or attempt to induce any customer, supplier, distributor, licensor, licensee or other business relation of the Company (or any of its subsidiaries) to cease doing business with the Company (or any of its subsidiaries) or in any way interfere with the existing business relationship between any such customer, supplier, distributor, licensor, licensee or other business relation and the Company (or any of its subsidiaries).

13. IRREPARABLE HARM. You agree that the Company would be irreparably harmed by any breach or threatened breach of the agreements in Paragraphs 10, 11 and 12 and that, therefore, the Company shall be entitled to an injunction prohibiting you from any breach or threatened breach of such agreements.

14. NON-DISPARAGEMENT. You and the Company agree that each shall not (1) directly or indirectly, make or ratify any statement, public or private, oral or written, to any person that disparages, either professionally or personally, the other party, the other party's subsidiaries and affiliates, past and present, and each of them, as well as its and their trustees, directors, officers, agents, employees, stockholders, representatives, assigns, and successors, past and present, and each of them, or (2) make any statement or engage in any conduct that has the purpose or effect of disrupting the business of the other party, provided, however, that each party shall respond accurately and fully to any question, inquiry or request for information when required by legal process.
15. CONFIDENTIAL INFORMATION. When you joined the Company you signed an agreement setting forth your obligations to the Company during and after your employment. A copy of your agreement is being delivered to you separately and is incorporated herein by reference. You understand and agree that in the course of your employment with the Company, you have acquired confidential information and trade secrets concerning the Company's business and financial operating plans and budgets, its strategic business plans and those of its subsidiaries, and its personnel. You understand and agree it could be extremely damaging to the Company if you disclosed such information to a competitor or made it available to any other person or company. You understand and agree that such information has been divulged to you in confidence, and you understand and agree that you will keep such information secret and confidential unless disclosure is required by court order or otherwise by compulsion of law. In view of the nature of your employment and the information and trade secrets which you have had access to during the course of your employment, you also agree that the Company would be irreparably harmed by any breach, or threatened breach of the agreements in this Paragraph and that, therefore, the Company shall be entitled to an injunction prohibiting you from any breach or threatened breach of such agreements.
16. RELEASE OF CLAIMS. You agree that pursuant to this Agreement, the Company is providing consideration beyond the obligations owed to you by the Company or any subsidiary of the Company prior to entering this Agreement. You, on behalf of yourself and your heirs, agents, representatives, immediate family members, executors, successors, and assigns, hereby fully and forever release the Company and its agents, directors, employees, attorneys, investors, shareholders, administrators, affiliates, divisions, subsidiaries, parents, predecessor and successor corporations, and assigns from, and agree not to sue or otherwise institute or cause to be instituted any legal or administrative proceedings concerning, any claim, duty, obligation or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that you may possess against the Company arising from any omissions, acts or facts that have occurred up until and including the Effective Date including, without limitation,
- (a) Any and all claims relating to or arising from your relationship with the Company or any subsidiary of the Company, including, but not limited to your resignation from

your position as Vice President and Chief Technology Officer of WDC and WDT during the Payment Period;

- (b) Any and all claims relating to, or arising from, your right to purchase, or actual purchase of shares of stock of the Company or any subsidiary of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;
- (c) Any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; breach of contract, both express and implied; breach of a covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; invasion of privacy; false imprisonment; and conversion;
- (d) Any and all claims for violation of any federal, state or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1967, the Americans with Disabilities Act of 1990, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, The Worker Adjustment and Retraining Notification Act, the Older Workers Benefit Protection Act; the California Fair Employment and Housing Act, and the California Labor Code;
- (e) Any and all claims for violation of the federal or any state constitution;
- (f) Any and all claims arising out of any other laws and regulations relating to employment or employment discrimination; and
- (g) Any and all claims for attorneys' fees and costs.

You and the Company agree that the release set forth in this Paragraph shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any obligations arising out of or created by this Agreement.

17. ACKNOWLEDGMENT OF WAIVER OF CLAIMS UNDER ADEA. You acknowledge that you are waiving and releasing any rights you may have under the Age Discrimination in Employment Act of 1967 ("ADEA") and that this waiver and release is knowing and voluntary. You and the Company agree that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. You acknowledge that the consideration given for this waiver and release Agreement is in addition to anything of value to which you were already entitled. You further acknowledge that you have been advised by this writing that (a) you should consult with an attorney prior

to executing this Agreement; (b) you have seven (7) days following the execution of this Agreement by you to revoke the Agreement; and (c) this Agreement shall not be effective until the revocation period has expired. You acknowledge that under ADEA you have at least twenty-one (21) days under which to consider this agreement. After due consideration and consultation with your attorney, you have hereby knowingly and voluntarily waived this requirement. Any revocation should be in writing and delivered in accordance with the notice provisions of Paragraph 23 hereof by close of business on the seventh day from the date that you sign this Agreement.

18. CIVIL CODE SECTION 1542. You represent that you are not aware of any claim other than the claims that are released by this Agreement. You acknowledge that you have been advised by legal counsel and are familiar with the provisions of California Civil Code Section 1542, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

You, being aware of said code section, agree to expressly waive any rights you may have thereunder, as well as under any other federal or state statute or common law principles of similar effect.

19. REMEDIES IN EVENT OF FUTURE DISPUTE.

- (a) Except as provided in subparagraph (b) below, in the event of any future dispute, controversy or claim between you and the Company, whether arising from or relating to this Agreement, its breach, any matter addressed by this Agreement, your employment with the Company before and through the Payment Period, or otherwise, you and the Company will first attempt to resolve the dispute through confidential non-binding mediation to be conducted in Orange County, California by JAMS-Endispute or such other mediator as you and the Company shall mutually agree upon.

If the dispute is not resolved through mediation, you and the Company will submit it to final and binding confidential arbitration to be conducted in Orange County, California by JAMS/Endispute in accordance with the then existing JAMS/Endispute Arbitration Rules and Procedures for Employment Disputes. In the event of such an arbitration proceeding, you and the Company shall select a mutually acceptable neutral arbitrator from among the JAMS/Endispute panel of arbitrators. If you and the Company cannot agree on an arbitrator, the Administrator of JAMS/Endispute shall appoint an arbitrator. None of you, the Company or the arbitrator shall disclose the existence, content, or results of any arbitration hereunder without the prior written

consent of both of you and the Company, except as may be compelled by court order. Except as provided herein, the Federal Arbitration Act shall govern the interpretation and enforcement of such arbitration and all proceedings. The arbitrator shall apply the substantive law (and the law of remedies, if applicable) of the State of California, or Federal law, or both, as applicable, and the arbitrator is without jurisdiction to apply any different substantive law. The arbitrator shall render an award and a written, reasoned opinion in support thereof. Judgment upon the award may be entered in any court having jurisdiction thereof. You and the Company intend this arbitration provision to be valid, enforceable, irrevocable and construed as broadly as possible.

- (b) In the event that a dispute arises concerning compliance with this Agreement, either you or the Company will be entitled to obtain from a court with jurisdiction over you and the Company preliminary and permanent injunctive relief to enjoin or restrict the other party from such breach or to enjoin or restrict a third party from inducing any such breach, and other appropriate relief, including money damages. By seeking any such relief, however, the moving party shall not be relieved of such party's obligation hereunder to have any remaining portion of the controversy resolved by binding confidential arbitration in accordance with subparagraph (a) above.
- (c) The Company shall pay the forum costs for any such arbitration. The prevailing party in any such arbitration or court proceeding shall be entitled to recover from the losing party such of his or its reasonable costs and expenses, including reasonable attorneys' fees, incurred in connection with the arbitration or court proceeding as would be recoverable had such party's claim been brought as a civil action in a court of competent jurisdiction.

20. **ASSIGNMENT.** The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the present and future subsidiaries of the Company, any and all subsidiaries of a subsidiary, all affiliated corporations, and successors and assigns of the Company. No assignment of this Agreement by the Company will relieve the Company of its obligations. You shall not assign any of your rights and/or obligations under this Agreement and any such attempted assignment will be void. This Agreement shall be binding upon and inure to the benefit of your heirs, executors, administrators, or other legal representatives and their legal assigns.

21. **WAIVER.** A waiver by either you or the Company of any of the terms or conditions of this Agreement in any instance shall not be deemed or construed to be a waiver of such term or condition for the future, or of any subsequent breach thereof. All remedies, rights, undertakings, obligations, and agreements contained in this Agreement shall be cumulative, and none of them shall be in limitation of any other remedy, right, undertaking, obligation or agreement of either you or the Company.

22. **TAX CONSEQUENCES.** The Company makes no representations or warranties with respect to the tax consequences of the payment of any sums to you under the terms of this Agreement.

You agree and understand that you are responsible for payment, if any, of local, state and/or federal taxes on the sums paid hereunder by the Company and any penalties or assessments thereon.

23. COSTS. Except as provided in Paragraph 19 hereof, you and the Company shall each bear your own costs, expert fees, attorneys' fees and other fees incurred in connection with this Agreement.

24. NOTICES. All notices required by this Agreement shall be given in writing either by personal delivery or by first class mail, return receipt requested. Notices shall be addressed as follows:

To Western Digital: Western Digital Corporation  
20511 Lake Forest Drive  
Lake Forest, CA 92630-7741  
Attention: Vice President, Human Resources and  
Administration

To Mr. Frank: 62 Wheeler Ave  
Irvine CA 92620-3296

or in each case to such other address as you or the Company shall notify the other. Notice given by personal delivery shall be deemed given upon delivery. Notice given by mail shall be deemed given five (5) days following the date of mailing.

25. ENTIRE AGREEMENT. This Agreement, including its Attachments and the other agreements or plans referred to or incorporated herein, represents the entire agreement and understanding between you and the Company concerning the subject matter herein, and supersedes and replaces any and all prior agreements and understandings.

26. NO ORAL MODIFICATION. This Agreement may only be modified by a writing signed by you and the Chief Executive Officer of the Company or the Chief Legal Officer of the Company.

27. GOVERNING LAW. This Agreement shall be governed by the internal substantive laws, but not the choice of law rules, of the State of California.

28. EFFECTIVE DATE. This Agreement is effective eight days after it has been signed by both you and the Company (the "Effective Date").

29. COUNTERPARTS. This Agreement may be executed in counterparts, and each counterpart shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of you and the Company.

30. VOLUNTARY EXECUTION OF AGREEMENT. This Agreement is executed by you voluntarily and without any duress or undue influence on the part or behalf of the Company, with the full



intent of releasing all claims. You acknowledge that:

- (a) You have read this Agreement;
- (b) You have been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of your own choice or that you have voluntarily declined to seek such counsel;
- (c) You understand the terms and consequences of this Agreement and of the releases it contains; and
- (d) You are fully aware of the legal and binding effect of this Agreement.

Please indicate your agreement to the above by signing below.

Very truly yours,

WESTERN DIGITAL CORPORATION

/s/ David C. Fetah

-----  
David C. Fetah  
Vice President Human Resources and Administration

I have read and agree to all terms and conditions as outlined above.

/s/ Charles W. Frank

10/30/2002

-----  
Charles William Frank

Date

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certifies, in his capacity as Chief Executive Officer of Western Digital Corporation (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- the Quarterly Report of the Company on Form 10-Q for the period ended December 27, 2002 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 7, 2003

/s/ Matthew E. Massengill  
-----  
Matthew E. Massengill  
Chief Executive Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certifies, in his capacity as Chief Financial Officer of Western Digital Corporation (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- the Quarterly Report of the Company on Form 10-Q for the period ended December 27, 2002 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 7, 2003

/s/ Scott Mercer

-----  
D. Scott Mercer  
Chief Financial Officer