

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934
[FEE REQUIRED]

For the fiscal year ended June 30, 1994

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
[NO FEE REQUIRED]

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)

8105 IRVINE CENTER DRIVE

IRVINE, CALIFORNIA

(Address of principal executive offices)

95-2647125

(I.R.S. Employer Identification No.)

92718

(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (714) 932-5000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS:

NAME OF EACH EXCHANGE ON WHICH REGISTERED:

Common Stock, \$.10 Par Value

New York Stock Exchange

9% Convertible Subordinated Debentures due 2014

New York Stock Exchange

Rights to Purchase Series A Junior Participating

New York Stock Exchange

Preferred Stock

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES /X/ NO / /

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

As of September 1, 1994, the aggregate market value of the voting stock of the Registrant held by non-affiliates of the Registrant was \$658.6 million.

As of September 1, 1994, the number of outstanding shares of Common Stock, par value \$.10 per share, of the Registrant was 45,253,954.

Information required by Part III is incorporated by reference to portions of the Registrant's Proxy Statement for the 1994 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission within 120 days after the close of the 1994 fiscal year.

PART I

ITEM 1. BUSINESS

GENERAL

Western Digital Corporation (the "Company" or "Western Digital") designs, manufactures and sells small form factor Winchester disk drives for the mid-to high-end personal computer ("PC") market. The Company is one of the five largest independent manufacturers of these drives. The Company's principal drive products are 3.5-inch form factor disk drives with storage capacities from 210 megabytes ("MBs") to 1 gigabyte ("GB") including the Caviar AC31000, a 1 GB drive, which began initial volume shipments in June 1994.

The disk drive market is highly cyclical and is characterized by significant price erosion over the life of a product, periodic rapid price declines due to industry over-capacity or other competitive factors, technological changes, changing market requirements and requirements for significant expenditures for product development. The Company's disk drive strategy in response to these conditions is to achieve time-to-market leadership with new product introductions while minimizing its fixed cost structure and maximizing the utilization of its assets. The Company implements this strategy, in part, by capitalizing on its expertise in control and communication electronics to deliver greater storage capacity per disk from components widely available in the commercial market, such as disks and heads, and to provide a high degree of commonality of component parts among its disk drive products.

The Company also designs, manufactures and sells an array of microcomputer products ("MCP") consisting of integrated circuits ("ICs") and board products which perform or enhance graphics and input/output ("I/O") functions in PCs and other computer systems. The Company's MCP strategy is to bring to market superior graphical user interface and I/O control products through its applications knowledge and integrated circuit design capability.

The Company sells its products through its worldwide direct sales force primarily to PC manufacturers, and, to a lesser extent, resellers and distributors. The Company's direct sales organization is structured so that each customer is served by a single sales team which markets the Company's entire product line. The Company's OEM (original equipment manufacturer) customers include AST Research, AT&T, Dell Computer, Gateway 2000, IBM, NEC, Siemens-Nixdorf, Toshiba and Zenith Data Systems.

In December 1993, the Company sold its Irvine, California silicon wafer fabrication facility and certain other tangible assets to the Semiconductor Products Sector of Motorola, Inc. ("Motorola") for approximately \$111.0 million plus certain other considerations, including the assumption by Motorola of equipment leases and certain other liabilities associated with the facility. Approximately \$95.0 million of the proceeds from the sale were used to reduce bank indebtedness. Concurrent with the sale, the Company entered into a supply contract with Motorola under which Motorola will supply silicon wafers to Western Digital for at least two years. The Company has entered into various other silicon wafer supply agreements since the sale of the facility and anticipates that it will enter into additional supply arrangements with other companies in the future. During the fourth quarter of fiscal 1994, the Company initiated plans to convert its wholly-owned facility in Malaysia from an IC assembly and test facility to a disk drive manufacturing facility. The conversion of the facility is expected to be complete and operational by the second quarter of fiscal 1995. The Company has obtained independent contractors to supply finished ICs that were previously supplied by the Company's Malaysia facility. However, a disruption in the supply of wafers or finished ICs for any reason could have a material adverse impact on the Company -- see "Manufacturing".

The Company's principal executive offices are located at 8105 Irvine Center Drive, Irvine, California 92718, and its telephone number is (714) 932-5000. Unless otherwise indicated, references herein to specific years correspond to the Company's fiscal years ending June 30.

MARKETS

The Company sells its disk drive products primarily to manufacturers of mid-to high-performance desktop and notebook PCs and to selected resellers and distributors. The market for the Company's products is characterized by short product life cycles and a continuing demand for increasingly cost-effective, high-performance products. In addition, the disk drive market has in recent years experienced periods of extraordinary competitive price discounting which produced significant operating losses for a number of competitors in this market, including Western Digital.

The rapid increase in PC performance and storage requirements and the need for PC manufacturers to differentiate their products have increased the demand for higher capacity products. At the same time, intense price competition among PC manufacturers requires that disk drive suppliers also meet aggressive cost targets in order to become high-volume suppliers. The market for PC disk drives is segmented by type of computer (sub-notebook, notebook, desktop), form factor (1.8-inch, 2.5-inch, 3.5-inch) and storage capacity (currently 80 MBs to 1 GB). The segment of the PC market currently generating the largest requirements for disk drives is the mid-to high-performance desktop segment which uses 3.5-inch drives ranging in capacity from 170 MBs to 1 GB. In addition, the Company anticipates that the market for notebook and sub-notebook PCs will accelerate as technological advancements increase their functionality and as user acceptance expands.

The Company sells its MCP products to manufacturers of high-performance PCs and high-performance disk drives. This market is characterized by rapid new product introduction and an increasing demand for higher performance, lower cost ICs. The Company also sells its graphics and sound add-in boards in the retail market to PC end-users under its Paradise brand name.

PRODUCTS

The following table sets forth the Company's consolidated revenues by major product area for each of the periods indicated (in millions):

	Year ended June 30,					
	1994	% of Revenues	1993	% of Revenues	1992	% of Revenues
Storage products:						
Disk drives	\$1,380	90%	\$1,047	85%	\$ 668	71%
Storage controller boards					9	1
Microcomputer products	160	10	178	15	213	23
Revenues from current products	1,540	100	1,225	100	890	95
LAN products(1)					48	5
Revenues, net	\$1,540	100%	\$1,225	100%	\$ 938	100%

(1) In October 1991, the Company sold its Local Area Network ("LAN") business. See Note 1 to the consolidated financial statements.

In general, the unit price for a given product in all of the Company's markets decreases over time as increases in industry supply and cost reductions occur. Cost reductions are primarily achieved as volume efficiencies are realized, component cost reductions are achieved, experience is gained in manufacturing the product and design enhancements are made. Competitive pressures and customer expectations result in these cost improvements being passed along as reductions in selling prices. At times, the rate of general price decline is accelerated when some competitors lower prices to absorb excess capacity, liquidate excess inventories and/or to gain market share. The disk drive industry has experienced all of these effects on pricing in the periods covered in the above table.

DISK DRIVE PRODUCTS

TECHNOLOGY. Winchester disk drives are used to record, store and retrieve digital data. They are faster than floppy disk, tape and optical disk drives and cost less than semiconductor memory. To date, substantially all of the Company's disk drives use the Enhanced IDE (integrated drive electronics) interface.

Commonly quoted measures of disk drive performance are storage capacity, average seek time (the average time to move the heads from one track to another), data transfer rate (the rate at which data are transferred between the drive and the host computer) and spindle rotational speed.

PRODUCT OFFERINGS. The Company's current line of disk drive products consists of the Caviar family of low profile drives which includes 1-inch high, 3.5-inch form factor models for desktop applications and 2.5-inch form factor models for portable computer applications. Each of these drives features CacheFlow, the Company's proprietary adaptive disk caching system which significantly enhances the drive's read/write performance as measured by the rate at which it can deliver data to or receive it from the computer. An additional common feature is the Company's proprietary drive control and communication electronic circuitry called Architecture II, which spans the Company's entire 3.5-inch Caviar product line. Architecture II features Enhanced IDE technology, which provides the desktop marketplace the key attributes of the SCSI (small computer systems interface) interface while retaining the focus on ease-of-use, compatibility and overall lower cost of connection advantages, all of which are the traditional strengths of IDE. The Company believes that the commonality of control and communication electronics featured in all of the Caviar disk drives facilitates customer qualification of successive product models, reduces risk of inventory obsolescence and allows the Company to place larger orders for components resulting in reduced component cost.

The following table summarizes certain design and performance characteristics and specifications of the Company's current disk drive products:

Product	Date First Shipped	Formatted Capacity (Megabytes)	Average Access Time (Milliseconds)	Number of Disks	Number of Heads	Interface

3.5-inch Form Factor:						
Caviar AC2340	September 1992	341	<13	2	4	AT IDE*
Caviar AC2250	November 1992	256	<13	2	3	AT IDE*
Caviar AC2420	March 1993	425	<13	2	4	AT IDE*
Caviar AC1210	June 1993	213	<13	1	2	AT IDE*
Caviar AC1270	September 1993	270	<11	1	2	AT IDE*
Caviar AC2540	September 1993	540	<11	2	4	AT IDE*
Caviar AC2700	June 1994	730	<10	2	4	AT IDE*
Caviar AC31000	June 1994	1080	<10	3	6	AT IDE*
2.5-inch Form Factor:						
Caviar Lite AL2170	April 1993	171	<16	2	4	AT IDE
Caviar Lite AL2200	January 1994	200	<16	2	4	AT IDE

* Features Enhanced IDE (EIDE) technology, improving the performance of the standard IDE interface.

DISK DRIVE PRODUCTS FOR DESKTOP PCS

The Caviar AC2340 was the industry's first 3.5-inch, two-platter 340 MB drive and is targeted at high-performance 486-based machines. Customers for the Caviar AC2340 include AST Research, AT&T, Dell Computer, Gateway 2000, IBM, NEC and Zenith Data Systems.

The Caviar AC2250 has the same storage density per platter as the AC2340 but utilizes only three drive heads instead of four. This drive is targeted at high-performance 486-based machines. Customers for the AC2250 include AST Research, AT&T, Dell Computer, Gateway 2000 and IBM.

The Caviar AC2420 was the industry's first 3.5-inch, two-platter 420 MB drive and is targeted at high-performance 486-based machines. Customers for the Caviar AC2420 include AT&T, Fountain Technologies and Zenith Data Systems.

The Caviar AC1210 was the industry's first 3.5-inch, single-platter 210 MB drive. This drive is targeted at high-performance 486-based machines. Customers for the AC1210 include AST Research, AT&T, Gateway 2000, IBM and Zenith Data Systems.

The Caviar AC1270 was the industry's first single-platter 270 MB drive and is targeted at high-performance 486-based machines. Customers for the AC1270 include AST Research, AT&T, Dell Computer, Gateway 2000 and NEC.

The Caviar AC2540 was the industry's first 3.5-inch, two-platter 540 MB drive and is targeted at high-end Pentium and Power PC-based machines and high-performance 486-based machines. Customers for the AC2540 include AST Research, AT&T, Dell Computer, Gateway 2000 and NEC.

The Caviar AC2700 was the industry's first 3.5-inch, two-platter 700 MB drive and is targeted at high-end Pentium and Power PC-based machines and high-performance 486-based machines. Customers of the AC2700 include AST Research and Packard Bell.

The Caviar AC31000 was the industry's first 3.5-inch, three-platter Enhanced IDE drive in a 1 GB capacity. This drive is targeted at high-end Pentium and Power PC-based machines and high-performance 486-based machines. Customers for the AC31000 include Dell Computer, Gateway 2000, NEC-Japan and Siemens-Nixdorf.
DISK DRIVE PRODUCTS FOR PORTABLE PCS

The Caviar Lite AL2170, a 2.5-inch, 15mm high drive, was designed to address the requirements of the growing notebook market which demands an increased capacity, low power, low profile storage solution. IBM is a customer for the Caviar Lite AL2170.

The Caviar Lite AL2200, a 2.5-inch, 15mm high drive, was also designed to address the requirements of the growing notebook market. Customers for the AL2200 include AST Research, AT&T and IBM.
MICROCOMPUTER PRODUCTS

GRAPHICS PRODUCTS. The Company supplies a family of RocketCHIP brand name graphics ICs and Paradise brand name add-in cards to the desktop and portable PC markets. Graphics ICs and Paradise add-in cards provide enhanced video graphics array ("Super VGA") functionality. These products allow major enhancements in display resolution and color depth quality and incorporate a Windows acceleration feature, which provides faster display of icons and other graphics features in the Windows operating system without the need for new PC hardware.

In November 1993, the Company introduced RocketCHIP WD24A, the industry's first single-chip Super VGA LCD video graphics controller to offer hardware Windows acceleration features and true 32-bit VESA VL-Bus interface to portable PC environments. This device provides a fully integrated solution including RAMDAC and programmable dual-frequency clock generator. As with all of its VGA IC's, the Company's portable graphics display products emphasize hardware capability with all VGA software and hardware standards and with all previous graphics standards.

In February 1994, the Company began volume shipments of the Paradise 16-DSP (digital signal processor) sound card, which is the Company's first multimedia-related product from Paradise. The Paradise 16-DSP

sound card provides high-performance, programmable digital signal processing and also supports future revolutionary functions such as DSP-based voice recognition and DSP-based sound effects.

I/O PRODUCTS. The Company supplies control electronics to certain manufacturers of high-performance, high-capacity disk drives and other storage peripherals utilizing the SCSI bus interface. These manufacturers of SCSI disk, tape and optical drives utilize the Company's storage control chipsets for their logic and control electronics.

SALES AND DISTRIBUTION

The Company sells its products primarily to PC manufacturers, and, to a lesser extent, resellers and distributors through its worldwide direct sales force. The Company's direct sales organization is structured so that each customer is served by a single sales team. Each sales team is responsible for marketing the Company's entire product line and providing timely feedback to engineering regarding customers' new product requirements. This promotes early identification of and response to the customer's full range of product needs. Later, in the production stage, the team focus enables the Company to provide timely product delivery and effective service. Many of the Company's OEM customers purchase both disk drives and MCP products from the Company. These customers include AST Research, AT&T, Dell Computer, Gateway 2000, IBM, NEC, Siemens-Nixdorf, Toshiba and Zenith Data Systems. While Western Digital believes its relationships with key customers are very good, the concentration of sales to a relatively small number of major customers presents a business risk that loss of one or more accounts could adversely affect the Company's operating results. During 1994, sales to Gateway 2000 and IBM each accounted for approximately 12% of revenues. During 1993, sales to Gateway 2000 and IBM accounted for approximately 13% and 11% of revenues, respectively. During 1992, sales to Gateway 2000 accounted for approximately 10% of revenues.

The Company also sells its products through its direct sales force to selected resellers, which include major distributors, mass merchandisers and value-added resellers. In accordance with standard industry practice, the Company's reseller agreements provide for price protection for unsold inventories which the resellers may have at the time of changes in published price lists and, under certain circumstances, stock rotation for slow moving items. These agreements may be terminated by either party upon written notice and, in the event of termination, the Company may be obligated to repurchase such inventories.

Western Digital maintains sales offices and technical support in the United States, Europe and Asia. The Company's international sales, which include sales to foreign subsidiaries of U.S. companies, represented 44%, 43% and 40% of revenues for 1994, 1993 and 1992, respectively. Sales to international customers may be subject to certain risks not normally encountered in domestic operations including exposure to tariffs and various trade regulations.

RESEARCH AND DEVELOPMENT

The Company devotes substantial resources to research and development in order to develop new products and improve existing products. The Company also focuses its engineering efforts to coordinate its product design and manufacturing processes in order to bring its products to market in a cost-effective and timely manner. The Company's research and development expenses totaled \$112.8 million in 1994, \$101.6 million in 1993 and \$89.6 million in 1992.

The market for the Company's products is subject to rapid technological change and short product life cycles. To remain competitive, the Company must anticipate the needs of the market and successfully develop and introduce new products in a timely fashion. Before volume shipments of the Caviar AC2200 in March 1992, the Company was less successful than its competitors in developing new products and bringing them to market in a timely manner. If not carefully planned and executed, the introduction of new products may adversely affect sales of existing products and increase risk of inventory obsolescence. In addition, new products typically have lower initial manufacturing yields and higher initial component costs than more mature products. No assurance can be given that the Company will be able to successfully complete the

design and introduction of new products, manufacture the products at acceptable yields and costs, effectively manage product transitions or obtain significant orders for these products.

MANUFACTURING

The Company's disk drives are assembled in its plant in Singapore. The Singapore plant has complete responsibility for all disk drives in volume production including manufacturing engineering, purchasing, inventory management, assembly, test, quality assurance and shipping of finished units. The Company purchases most of the standard mechanical components and micro controllers for its disk drives from external suppliers, although the Company does manufacture a substantial portion of the media for its disk drives in its Santa Clara, California facility.

During the fourth quarter of 1994, the Company initiated plans to convert its wholly-owned facility in Malaysia from an IC assembly and test facility to a disk drive manufacturing facility. It is intended that the Malaysia facility will manufacture the Company's more mature disk drive products. The conversion of the facility is expected to be complete and operational by the second quarter of 1995. The cost of converting the Malaysia facility to a drives manufacturing plant is not expected to be material to the financial position of the Company.

The Company experiences fluctuations in manufacturing yields which can materially affect the Company's operations, particularly in the start-up phase of new products or new manufacturing processes. With the continued pressures to shorten the time required to introduce new products, the Company must accelerate production learning curves to shorten the time to achieve acceptable manufacturing yields and costs. No assurance can be given that the Company's operations will not be adversely affected by these fluctuations or that it can shorten its new product development cycles or manufacturing learning curves sufficiently to achieve these objectives in the future.

As a result of the sale of its wafer fabrication facility in December 1993 and conversion of its Malaysia IC assembly and test facility to a disk drive manufacturing plant, the Company has entered into various agreements with multiple vendors to purchase fabricated wafers and has also obtained independent contractors to supply finished ICs that were previously supplied by the Company's Malaysia facility. However, a disruption in the supply of wafers or finished ICs for any reason could have a material adverse impact on the Company.

The Company has manufacturing facilities located in Singapore, Malaysia and Korea and is therefore subject to certain foreign manufacturing risks such as changes in government policies, high employee turn-over, political risk, transportation delays, tariffs, fluctuations in foreign exchange rates and import, export, exchange and tax controls. To date, exposure to such risks has not had a material effect on the Company's business, consolidated financial position or results of operations.

MATERIALS AND SUPPLIES

The principal components used in the manufacture of the Company's disk drives are read/write heads (both thin film and MIG) and related headstack assemblies, media, micro controllers, spindle motors and mechanical parts used in the head-disk assembly. The principal materials used in the manufacture of the Company's semiconductor circuits are silicon wafers, chemicals and gases used in the wafer fabrication process and plastic packages used in the assembly process. The Company also uses standard semiconductor components such as logic, memory and microprocessor devices obtained from other manufacturers, as well as proprietary semiconductor circuits manufactured for the Company, and a wide variety of other parts including connectors, cables and switches.

A number of the components used by the Company are available from a single or limited number of outside suppliers. Some of these materials may periodically be in short supply and the Company has, on occasion, experienced temporary delays or increased costs in obtaining these materials. An extended shortage of required materials and supplies could have an adverse effect upon the revenue and earnings of the Company. In addition, the Company must allow for significant lead times when procuring certain materials and

supplies. The Company has more than one available source of supply for most of its required materials. Where there is only one source of supply, the Company believes that a second source could be obtained within a reasonable period of time. However, no assurance can be given that the Company's results of operations will not be adversely affected until a new source can be located.

The Company purchases substantially all of its thin film head requirements for disk drives from Read-Rite Corporation. The Company also uses MIG heads for certain products which are supplied by several vendors. Any significant disruption in the supply of these components would have an adverse effect on the Company's results of operations.

In December 1993, the Company sold its Irvine, California silicon wafer fabrication facility -- see "General." From 1990 until the sale, the Company manufactured silicon wafers in the Irvine facility. The Company also buys wafers fabricated by other companies. Since the sale of the wafer fabrication facility, the Company has obtained various outside sources to manufacture its semiconductor wafer requirements. The Company has also obtained independent contractors to supply finished ICs that were previously supplied by the Company's Malaysia facility. However, a disruption in the supply of wafers or finished ICs for any reason could have a material adverse impact on the Company.

COMPETITION

The PC industry is intensely competitive and is characterized by significant price erosion over the life of a product, periodic rapid price declines due to industry over-capacity or other competitive factors, technological changes, changing market requirements, occasional shortages of materials, dependence upon a limited number of vendors for certain components, dependence upon highly skilled engineering and other personnel and significant expenditures for product development. The disk drive market in particular has been subject to recurring periods of severe price competition. Certain of the Company's competitors have greater financial and other resources and broader product lines than the Company with which to compete in this environment.

The Company believes that proprietary disk drive, semiconductor, and board-level design technology, close technical relationships with key OEM customers and vendors, diverse product lines, competitive pricing, adequate capital resources and worldwide low cost/high volume manufacturing capabilities are key factors for successfully competing in its market areas. The Company's principal competitors in the disk drive industry are Conner Peripherals, Maxtor, Quantum and Seagate Technology, and large computer manufacturers such as IBM that manufacture drives for use in their own products and for sale to others. In other market areas the Company competes with a variety of companies including Adaptec, Chips and Technologies, Cirrus Logic, Intel, LSI Logic, S3 Incorporated, Tseng Labs and VLSI Technology.

The Company also competes with companies offering products based on alternative data storage and retrieval technologies. Technological advances in magnetic, optical, flash or other technologies, could result in the introduction of competitive products with performance superior to and prices lower than the Company's products, which could adversely affect the Company's results of operations.

BACKLOG

At June 30, 1994, the Company's backlog, consisting of orders scheduled for delivery within the next twelve months, aggregated approximately \$223.1 million, compared with a backlog at June 30, 1993 which aggregated approximately \$40.0 million. Historically, a substantial portion of the Company's orders have been for shipments within 30 to 60 days of the placement of the order. The Company's sales are made under contracts and purchase orders which, under industry practice, may be canceled at any time, subject to payment of certain costs, or modified by customers to provide for delivery at a later date. Therefore, backlog information as of the end of a particular period is not necessarily indicative of future levels of the Company's revenue and profit.

PATENTS AND LICENSES

Although the Company owns numerous patents and has many patent applications in process, the Company believes that the successful manufacture and marketing of its products generally depends more upon the experience, technical know-how and creative ability of its personnel rather than upon ownership of patents.

The Company pays royalties under several patent licensing agreements which require periodic payments. From time to time, the Company receives claims of alleged patent infringement from patent holders which typically contain an offer to grant the Company a license. It is the Company's policy to evaluate each claim and, if appropriate, to enter into licensing arrangements. Although patent holders commonly offer such licenses, no assurance can be given that licenses will be offered, or that the terms of any offered license will be acceptable to the Company. No assurance can be given that failure to obtain a license would not adversely affect the Company's business, consolidated financial position or results of operations -- see "Legal Proceedings".

EMPLOYEES

As of June 30, 1994, the Company employed a total of 6,593 full-time employees, of whom 529 were engaged in engineering, 431 in sales and administration and 594 in manufacturing in the United States. The Company employed 728 employees at its manufacturing facility in Malaysia, 4,007 at its disk drive manufacturing facility in Singapore, 163 at its board-level subsystems facility in Korea and 141 at its international sales offices.

Many of the Company's employees are highly skilled, and the Company's continued success depends in part upon the ability to attract and retain such employees. In an effort to attract and retain such employees, the Company continues to offer employee benefit programs which it believes are at least equivalent to those offered by its competitors. Despite these programs, the Company has, along with most of its competitors, experienced difficulty at times in hiring and retaining certain skilled personnel. In critical areas, the Company has utilized consultants and contract personnel to fill these needs until full-time employees could be recruited. The Company has never experienced a work stoppage, none of its domestic employees are represented by a labor organization and the Company considers its employee relations to be good.

ITEM 2. PROPERTIES

The Company's headquarters are located in a 358,000 square foot building in Irvine, California. This building houses management, research and development, administrative and sales personnel and is leased to the Company pursuant to an agreement expiring in June 2000. The Company's disk drive manufacturing facilities are located in Singapore in several buildings totaling approximately 278,000 square feet. These buildings are leased to the Company pursuant to several agreements expiring from August 1995 through October 1996. The Company also owns a 83,500 square foot facility in Kuala Lumpur, Malaysia which is in the process of being converted into a disk drive manufacturing facility (see "Manufacturing"), and owns a facility in Seoul, Korea designed for board-level assembly of disk drive components which consists of approximately 33,800 square feet. In addition, the Company leases office space in Mountain View and San Jose, California for research and development activities, and in Santa Clara, California for media processing activities.

The Company also leases office space in various other locations throughout the world primarily for sales and technical support. The Company's present facilities are adequate for its current needs, although the process of upgrading its facilities to meet technological and market requirements is expected to continue.

ITEM 3. LEGAL PROCEEDINGS

The Company was sued in September 1991, in the United States District Court for the Central District of California by Amstrad plc, a British computer maker. The suit alleged that disk drives furnished to Amstrad in 1988 and 1989 were defective. Amstrad claimed damages of approximately \$3.0 million for asserted losses

in out-of-pocket expenses, \$38.0 million in lost profits and \$100.0 million for injury to Amstrad's reputation and loss of goodwill. The Company filed a counterclaim against Amstrad. This federal action was dismissed without prejudice and Amstrad has filed a similar complaint in Orange County, California Superior Court, but raised the claim for damages to \$186.0 million. The Company again filed a counterclaim for \$3.0 million in actual damages plus exemplary damages in an unspecified amount and intends to vigorously defend itself against the Amstrad claims.

The Company was sued in March 1993 in the United States District Court for the Northern District of California by Conner Peripherals, Inc. ("Conner"). The suit alleges that the Company infringes five Conner patents and seeks damages (including treble damages) in an unspecified amount and injunctive relief. Conner moved for a preliminary injunction to enjoin the Company from using three of the patents in certain of the Company's disk drive products. The court denied that motion. If Conner were to prevail in its claims, the Company could be enjoined from using any of the Conner patents found to be valid and infringed that are the subject of this action as well as held liable for past infringement damages. The amount of such damages, if any, could be material. The Company believes that it has meritorious defenses to all of Conner's claims and intends to vigorously defend itself against the Conner lawsuit. The Company has also filed a suit alleging that Conner infringes two of the Company's patents.

The Company has received a claim of alleged patent infringement from Rodime PLC ("Rodime") under one of Rodime's U.S. patents which relates to 3.5-inch disk drives. Rodime has offered to grant the Company a royalty bearing license under that and other Rodime patents. Based on the opinion of patent counsel, the Company believes that the broad claims of the Rodime patent, if scrutinized in court, will not withstand an attack on validity, and believes that the Company has not infringed any valid claim of the Rodime patent. If Rodime were to commence litigation against the Company on this patent, and if Rodime were to prevail on its claim, the Company could be held liable for damages for past infringement. The amount of such damages, if any, is uncertain but could be material.

The Company currently has a cross-license with IBM Corporation ("IBM") which became effective January 1, 1990. Pursuant to this agreement, the Company has licensed IBM under certain Western Digital patents for the life of such patents, and has obtained from IBM a patent license which expires December 31, 1994 covering certain Western Digital products. Although the license granted to Western Digital extends to certain components within Western Digital disk drives, disk drives as such are not expressly covered. In calendar 1993, IBM initiated further discussion with the Company for the purpose of determining whether the Company's disk drives are covered by specified IBM patents. The Company is currently reviewing these patents. Based on its prior dealings with IBM, the Company expects to work toward a supplemental agreement with IBM which will address the disk drive issues and extend the term of the license, with the goal of reaching agreement prior to the expiration of the term of the current license agreement. This supplemental agreement, if finalized, may involve payment of higher royalties to IBM than are presently paid. No assurance can be given that such an agreement can be reached upon terms acceptable to the Company. Failure to reach an acceptable agreement could have a material adverse impact on the Company's business.

The Company is also subject to certain other legal proceedings and claims arising in connection with its business. There can be no assurance that litigation will not be commenced on one or more of these or possible other future such claims, or that, if commenced, all such litigation would be resolved without any material adverse effect on the Company's business, consolidated financial position or results of operations.

It is management's opinion, however, that none of these claims will have a material adverse effect on the Company's business, consolidated financial position or results of operations. The costs of defending such litigation can be substantial, regardless of outcome.

The Company was sued in July 1991 in the United States District Court for the Central District of California in a purported class action securities lawsuit. In June 1994, the court approved a settlement of this case whereby eligible class members will share, on a claims made basis, up to \$6.75 million, comprised of \$3.5 million in cash and the balance in shares of the Company's common stock. The Company's insurance

carrier has agreed to contribute up to \$2.6 million in cash toward the settlement. At June 30, 1994, the Company has provided for its estimate of claims to be made under the settlement.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Inapplicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages and positions of all the executive officers of the Company as of September 1994 are listed below, followed by a brief account of their business experience during the past five years. Officers are normally appointed annually by the Board of Directors at a meeting of the directors immediately following the Annual Meeting of Shareholders. There are no family relationships among these officers nor any arrangements or understandings between any officer and any other person pursuant to which an officer was selected. None of these officers has been involved in any court or administrative proceeding within the past five years adversely reflecting on his or her ability or integrity.

Name	Age	Position
Charles A. Haggerty	53	Chairman of the Board, President and Chief Executive Officer
Kathryn A. Braun	43	Executive Vice President, Storage Products
Kenneth E. Hendrickson	53	Executive Vice President, Microcomputer Products
D. Scott Mercer	43	Executive Vice President, Chief Financial and Administrative Officer
Marc H. Nussbaum	38	Senior Vice President, Engineering
Robert L. Erickson	64	Vice President, Law and Secretary
Scott T. Hughes	31	Vice President, Human Resources
David W. Schafer	42	Vice President, Worldwide Sales
Duston M. Williams	36	Vice President and Treasurer

Messrs. Erickson, Nussbaum, Schafer and Williams and Ms. Braun have been employed by the Company for more than five years and have served in various executive capacities with the Company before being appointed to their present positions.

Mr. Haggerty joined the Company as President in June 1992 and has been a director since January 1993. He assumed the additional positions of Chairman and Chief Executive Officer on June 30, 1993. Prior to joining the Company, he spent his 28-year business career in various positions at IBM. In 1987, he became IBM's Vice President of worldwide operations for the AS/400. He then served as Vice President/General Manager, low-end mass-storage products responsible for operations in the United States, Japan and the United Kingdom. Immediately prior to joining the Company, he held the position of Vice President of IBM's worldwide OEM storage marketing.

Mr. Hendrickson joined the Company in March 1994. Prior to joining the Company, he served as Vice President, Operations and Quality and member of the Board of Directors of Overland Data Corporation, Inc. from 1993 to 1994. From 1990 to 1993, he served as President of Archive Corporation's Archive Technology Division. During 1989, he served as President of Genicom Corporation's Printer Products Division.

Mr. Mercer joined the Company in October 1991 and served in various executive capacities with the Company before being appointed to his present position in August 1993. Prior to joining the Company, he served as Senior Vice President and Chief Financial Officer of Businessland, Inc. from 1990 to 1991. From 1983 to 1990, he served in various executive capacities with LSI Logic Corporation.

Mr. Hughes joined the Company in July 1993 as Vice President, Human Resources before becoming an elected officer of the Company in July 1994. Prior to joining the Company, he served as Director of Human Resources of Quantum Corporation from 1992 to 1993. From 1990 to 1992, he served in various capacities with Western Digital, including acting Vice President, Human Resources. From 1986 to 1990, Mr. Hughes served as a compensation benefits consultant with Hewitt Associates.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITIES AND RELATED SHAREHOLDER MATTERS

Western Digital's common stock is listed on the New York Stock Exchange ("NYSE"). The approximate number of holders of record of common stock of the Company as of September 1, 1994 was 4,360.

The Company has not paid any cash dividends on its common stock and does not intend to pay any cash dividends in the foreseeable future.

The high and low closing prices of the Company's common stock, as reported by the NYSE, for each quarter of 1994 and 1993 are as follows:

	First	Second	Third	Fourth

1994				
High	\$6 1/8	\$10 1/4	\$20 1/8	\$19 1/2
Low	3 3/4	4 7/8	8 3/4	11 7/8
1993				
High	\$5 3/8	\$ 8 5/8	\$ 9 1/2	\$ 6
Low	4 1/4	5	5 1/4	3 3/4

ITEM 6. SELECTED FINANCIAL DATA

WESTERN DIGITAL CORPORATION

FINANCIAL HIGHLIGHTS

(in thousands, except per share and employee data)

	Year ended June 30,				
	1994	1993	1992	1991	1990

Revenues, net	\$1,539,680	\$1,225,231	\$ 938,332	\$ 986,201	\$1,073,907
Gross profit	317,931	182,047	110,625	173,234	262,160
Research and development	112,827	101,593	89,566	93,107	82,111
Selling, general and administrative	113,224	90,470	88,012	116,361	140,058
Operating income (loss)	91,880	(10,016)	(66,953)	(117,774)	39,991
Net income (loss)	73,136	(25,108)	(72,860)	(134,171)	24,165
Primary earnings (loss) per share (1)	\$ 1.77	\$ (.79)	\$ (2.49)	\$ (4.59)	\$.82
Working capital	\$ 261,744	\$ 111,548	\$ 138,919	\$ 167,319	\$ 231,082
Additions to property and equipment, net	16,282	35,565	21,311	76,913	91,959
Total assets	640,513	531,171	532,543	620,440	637,560
Total long-term obligations	58,646	182,561	242,951	234,933	145,050
Shareholders' equity	\$ 288,239	\$ 130,950	\$ 112,257	\$ 185,102	\$ 322,042
Number of employees	6,593	7,322	6,906	6,740	7,607

(1) For the year ended June 30, 1994, fully diluted earnings per share were \$1.70. For all other periods presented fully diluted earnings (loss) per share approximated primary earnings (loss) per share.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Western Digital operates in an extremely competitive industry subject to short product life cycles, dependence upon a limited number of suppliers for certain component parts, dependence upon highly skilled engineering and other personnel and significant expenditures for product development. The disk drive market in particular has been subject to recurring periods of severe price competition. During the fourth quarter of 1993, revenues and gross profits declined significantly due to severe competitive pricing pressures across all 3.5-inch drive capacity price points, resulting in the Company reporting a loss in the fourth quarter of 1993 and well as for the year, and for the first quarter of 1994.

The Company's engineering strategy has been focused toward the production of higher capacity-per-platter, cost-competitive disk drives, and as a result, during 1994, the Company continued to introduce higher-capacity disk drives, increase factory utilization and improve manufacturing efficiencies, which reduced per unit manufacturing costs and also obtained lower component costs from suppliers. These factors, along with stabilizing industry conditions, contributed to the Company reporting net income of \$73.1 million in 1994, as compared with net losses of \$25.1 million and \$72.9 million for 1993 and 1992, respectively.

During 1994, the Company significantly strengthened its balance sheet through cash flows from operations, proceeds from the sale of the Company's wafer fabrication facility and common stock offering and retirement of all bank debt (\$143.3 million) outstanding at June 30, 1993. Cash and cash equivalents totaled \$243.5 million at the end of 1994 versus \$33.8 million at the end of 1993. In addition, during 1994, the Company entered into an \$85.0 million accounts receivable facility with certain financial institutions, consisting of a \$50.0 million three-year arrangement and a \$35.0 million one-year committed arrangement. This facility is intended to serve as a source of working capital as may be needed from time to time and replaces credit facilities secured by substantially all of the Company's assets.

Unless otherwise indicated, references herein to specific years and quarters are to the Company's fiscal years ending June 30 and to fiscal quarters.

RESULTS OF OPERATIONS

COMPARISON OF 1994, 1993 AND 1992

The Company reported net income for 1994 of \$73.1 million compared with net losses of \$25.1 and \$72.9 million for 1993 and 1992, respectively. The improved operating results since 1992 are directly related to increased revenues and improved gross profit margins. The Company's revenues increased 26% and 31% in 1994 and 1993, respectively, while gross profit margins improved from 11.8% in 1992 to 14.9% in 1993 and 20.6% in 1994.

Revenue for drive products totaled \$1.4 billion in 1994, an increase of \$333.0 million, or 32% as compared with the prior year. A 56% increase in the volume of drive units shipped year-to-year and a shift in product mix to higher-capacity drives contributed to this increase in revenue. The average MB per drive shipped in 1994 increased significantly to 298 MBs per drive from 186 MBs per drive in 1993. The positive impact of these factors on revenue was partially offset by a seven percent decline in disk drive average selling prices ("ASPs") from 1993 to 1994. If the disk drive industry is subjected to another period of severe pricing competition such as occurred in the latter half of 1993 and first part of 1994, revenue and gross profit may be adversely impacted in future quarters.

Revenue for MCP totaled \$160.0 million in 1994, a decrease of \$18.0 million, or 10% from 1993, primarily due to a decrease in graphics product revenue as a result of decreased sales in desktop graphics. During the fourth quarter of 1994, MCP reported its first profitable quarter in more than three years. This performance was driven by strength in the input/output product line and the Company's strong position in portable

graphics accelerator chips, as well as continued fixed cost reductions associated with the Company's transition to a fabless business model.

Revenue for drive products totaled \$1.0 billion in 1993, an increase of \$379.0 million, or 57% as compared with 1992. Unit shipments increased 63% year-to-year with the majority of the increase occurring in the first nine months of 1993, as the mix of units shipped continued to shift to newer, higher-performance, higher-capacity drives. In 1993 the average MB per drive shipped nearly doubled to 186 MBs per drive from 98 MBs per drive in 1992. The increase in drive shipments and shift in product mix was partially offset by a 14% year-to-year decline in ASPs across all 3.5-inch drive capacity price points as a result of severe competitive pricing pressures in the disk drive industry beginning in March 1993.

MCP revenue decreased \$35.0 million, or 16% from 1992 to 1993, with the majority of the decrease occurring in the systems solutions product line. Unit shipments of systems solutions products decreased approximately 26% from 1992 to 1993, while the ASPs decreased 53% year over year primarily as a result of the transition away from board level products to ICs with lower ASPs.

Disk drive gross margin for 1994 and 1993 increased approximately four and seven percentage points, respectively to 19.1% in 1994 from 15.3% in 1993 and from 8.2% in 1992. Beginning in the latter half of 1992, disk drive sales began to contribute to gross profits as increased demand for the Company's newer, higher-capacity products resulted in higher sales volume and ASPs and increased factory utilization, which reduced per unit manufacturing costs and improved gross margins. Gross margins from disk drives continued to increase from the second half of 1992 to the first half of 1993 as unit shipments of the Company's higher-capacity drives increased while ASPs remained steady. Beginning in March 1993, however, gross margins declined significantly as ASPs for all 3.5-inch drive capacity price points decreased sequentially during the last two quarters of 1993 as a result of severe competitive pricing pressures in the disk drive industry.

During 1994 the Company's gross margins increased sequentially through the third quarter as a result of increases in unit shipments which reduced per unit production costs, lower component costs and a favorable product mix which more than offset the decline in ASPs. Gross margin in the fourth quarter was essentially flat with the immediately preceding quarter. There can be no assurance that the Company will be able to sustain the current gross margin levels due to the cyclical nature of the disk drive industry and the Company's dependence on new product introductions.

MCP gross margin increased approximately 21 percentage points to 33.7% in 1994 from 12.5% in 1993 as the Company began to realize the cost benefits of selling its wafer fabrication facility (see Note 3 to the consolidated financial statements) and thereby reducing manufacturing costs. Gross margin from MCP, excluding the LAN business, decreased approximately eight percentage points to 12.5% in 1993 from 20.2% in 1992 as a result of the planned transition away from board-level systems solutions products, which contributed to higher gross margins in 1992 than the Company's product offerings in 1993. The decrease in gross margins in 1993 was partially offset by the sequential increase in gross margins experienced in the latter half of 1993 as a result of manufacturing efficiencies which reduced per unit manufacturing costs.

Research and development expense ("R&D") in 1994 increased approximately \$11.2 million, or 11% as compared with the prior year and increased approximately \$12.0 million, or 13% from 1992 to 1993. These increases were primarily attributable to planned expenditures to support new product introductions. During 1994 and 1993, R&D expenditures were primarily focused on the development of new disk drive products whereas in 1992, the Company's R&D resources were approximately equally allocated between the development of new disk drives and MCPs, including semiconductor processes and licensing support.

Selling, general and administrative expenses ("SG&A") in 1994 increased \$22.8 million, or 25% from the prior year as a result of increases in selling, marketing, and other related expenses in support of higher revenue levels and provisions made for the Company's pay-for-performance plans. SG&A expense increased approximately \$2.5 million, or 3% from 1992 to 1993 primarily as a result of increased selling and marketing expenses and certain reserves for executive severance.

Net interest expense decreased \$9.3 million in 1994 due to significant reductions in debt outstanding. Net interest expense decreased \$5.1 million in 1993 as a result of lower market interest rates and lower levels of debt outstanding.

In 1992, the Company recorded a gain of \$15.8 million from the sale of its LAN business for a cash payment of \$33.0 million. The buyer acquired specific tangible and intangible assets, assumed certain liabilities, and received certain licenses from Western Digital for specific LAN applications of more broadly based Western Digital technology. Western Digital agreed not to manufacture or distribute similar products for a period of up to six years.

The provision for income taxes in 1994 and 1992 consist primarily of taxes associated with certain of the Company's foreign subsidiaries which had taxable income. The Company's effective tax rate of 15% recorded in 1994 results primarily from the earnings of certain subsidiaries which are taxed at substantially lower tax rates as compared with United States statutory rates (see Note 6 to the consolidated financial statements).

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 1994, the Company had \$243.5 million in cash and cash equivalents as compared with \$33.8 million at June 30, 1993. During 1994, the Company generated \$178.8 million in cash flows from operations and \$73.3 million in net proceeds from the sale of 7,618,711 shares of common stock in February 1994. Cash flows from operations, along with approximately \$95.0 million of the proceeds from the sale of the Company's wafer fabrication facility were used to reduce long-term debt by \$146.3 million and to fund capital expenditures of \$16.3 million. Capital expenditures were incurred primarily for increased disk drive manufacturing and wafer testing capacity. The Company anticipates that capital expenditures in 1995 will be approximately \$60.0 million and will relate to increased disk drive manufacturing capacity. The Company believes that its current cash position and its anticipated future cash flow from operations are sufficient to meet all currently planned capital expenditures and sustain operations during the next fiscal year.

During 1994, the Company entered into an \$85.0 million accounts receivable facility with certain financial institutions. The facility consists of a \$50.0 million three-year arrangement at Eurodollar or reference rates of the participating banks and a \$35.0 million one-year committed arrangement at a rate approximating commercial paper rates. This new facility is intended to serve as a source of working capital as may be needed from time to time and replaces credit facilities secured by substantially all of the Company's assets.

Notwithstanding the significant improvements in financial position realized over the past year, the ability of the Company to sustain its improved working capital management and to continue operating profitably is dependent upon a number of factors including competitive conditions in the marketplace, general economic conditions, the efficiency of the Company's manufacturing operations, procurement of fabricated wafers and finished ICs from outside suppliers and the timely development and introduction of new products which address market needs.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this Item is listed on page F-1 and is incorporated herein by reference.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

Inapplicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

There is incorporated herein by reference the information required by this Item included in the Company's Proxy Statement for the 1994 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the fiscal year ended June 30, 1994 and the information from the section entitled "Executive Officers of the Registrant" following Part I, Item 4 of this Report.

ITEM 11. EXECUTIVE COMPENSATION

There is incorporated herein by reference the information required by this Item included in the Company's Proxy Statement for the 1994 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the fiscal year ended June 30, 1994. Western Digital maintains certain employee benefit plans and programs in which its executive officers and directors are participants. Copies of these plans and programs are set forth or incorporated by reference as Exhibits 10.1, 10.2, 10.3, 10.10, 10.11, 10.12, 10.14, 10.21, 10.28 and 10.29 to this Report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

There is incorporated herein by reference the information required by this Item included in the Company's Proxy Statement for the 1994 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the fiscal year ended June 30, 1994.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There is incorporated herein by reference the information required by this Item included in the Company's Proxy Statement for the 1994 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the fiscal year ended June 30, 1994.

 PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A) Documents filed as a part of this Report:

(1) Financial Statements

The financial statements listed in the accompanying Index to Consolidated Financial Statements and Schedules on page F-1 are filed as part of this Report and incorporated herein by reference.

(2) Financial Statement Schedules

The financial statement schedules listed in the accompanying Index to Consolidated Financial Statements and Schedules on page F-1 are filed as part of this Report and incorporated herein by reference.

(3) Exhibits

Exhibit Number	Description	Sequentially Numbered Page
3.1	Certificate of Incorporation of the Registrant (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed January 15, 1987 (File No. 1-8703) and incorporated herein by this reference)	
3.2.1	By-laws of Registrant (incorporated by reference to Exhibit 3.2.1 to the Registrant's Current Report on Form 8-K (File No. 1-8703) as filed with the Securities and Exchange Commission on July 18, 1994)	
3.3	Certificate of Agreement of Merger(7)	
3.4	Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-3 (File No. 33-28374) as filed with the Securities and Exchange Commission on April 26, 1989)	
4.1	Indenture, dated as of May 1, 1989, between the Registrant and U.S. Trust Company of California, N.A., covering the Registrant's 9% Convertible Subordinated Debentures due 2014 (incorporated by reference to Exhibit 4 to Amendment No. 2 to the Registrant's Registration Statement on Form S-3 (File No. 33-28374) as filed with the Securities and Exchange Commission on May 10, 1989)	
4.2	Rights Agreement between the Registrant and First Interstate Bank, Ltd., as Rights Agent, dated as of December 1, 1988 (incorporated by reference to Exhibit 1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on December 12, 1988)	
4.3	Amendment No. 1 to Rights Agreement by and between the Registrant and First Interstate Bank, Ltd. dated as of August 10, 1990 (incorporated by reference to Exhibit 1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 14, 1990)	
4.4	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of the Registrant (incorporated by reference to Exhibit A of Exhibit 1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on December 12, 1988)	
10.1	The Registrant's Employee Stock Option Plan (1) **	
10.2	The Registrant's Stock Option Plan for Non-Employee Directors (1) **	
10.3	The Registrant's 1993 Employee Stock Purchase Plan(8) **	

Exhibit Number	Description	Sequentially Numbered Page
10.4	Receivables Contribution and Sale Agreement, dated as of January 7, 1994 by and between the Company, as seller, and Western Digital Capital Corporation, as buyer(2)	
10.5	Receivables Purchase Agreement, dated as of January 7, 1994, by and among Western Digital Capital Corporation, as seller, the Company, as servicer, the Financial Institutions listed therein, as bank purchasers and J.P. Morgan Delaware, as administrative agent(2)	
10.6	First Amendment to Receivables Purchase Agreement, dated March 23, 1994, by and between Western Digital Corporation, as seller and the Financial Institutions listed therein as bank purchasers and administrative agents(2)	
10.7	Assignment Agreement, dated as of March 23, 1994, by and between J.P. Morgan Delaware as Bank Purchaser and Assignor and the Bank of California, N.A. and the Long-term Credit Bank of Japan, LTD., Los Angeles Agency as Assignees(2)	
10.8	Asset Purchase Agreement dated December 16, 1993 by and between Motorola, Inc. and Western Digital regarding the sale and purchase of Western Digital's wafer fabrication facilities and certain related assets(4)	
10.9	Supply Agreement dated December 16, 1993 by and between Motorola, Inc. and Western Digital regarding the supply of wafers to Western Digital(4)	
10.10	The Western Digital Corporation Deferred Compensation Plan* **	
10.11	The Western Digital Corporation Executive Bonus Plan* **	
10.12	The Extended Severance Plan of the Registrant * **	
10.13	Manufacturing Building lease between Wan Tien Realty Pte Ltd and Western Digital (Singapore) Pte Ltd dated as of November 9, 1993 (incorporated by reference to Exhibit 10.17.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-8703) as filed with the Securities and Exchange Commission on January 25, 1994)	
10.14	The Management Incentive Compensation Plan of Registrant for fiscal year 1995* **	
10.15	Wafer and Die Purchase Contract by and between American Microsystems, Inc. and the Company effective as of July 18, 1994(9)*	
10.16	Foundry Capacity, Product Purchase, and Technology Agreement by and between American Telephone and Telegraph Co. and the Company effective as of August 25, 1992 (incorporated by reference to Exhibit 10.10.3 to the Registrant's Annual Report on Form 10-K (File No. 1-8703) as filed with the Securities and Exchange Commission on September 28, 1992)(5)	
10.17	Subleases between Wan Tien Realty Pte Ltd and Western Digital (Singapore) Pte Ltd dated as of September 1, 1991(1)	
10.18	Sublease between Wan Tien Realty Pte Ltd and Western Digital (Singapore) Pte Ltd dated as of October 12, 1992(1)	
10.19	Agreement for Purchase and Sale of Assets by and between Registrant and Standard Microsystems Corporation effective as of September 16, 1991 and as amended by the Amendment No. 1 to Agreement for Purchase and Sale of Assets by and between the Registrant and Standard Microsystems Corporation effective as of September 27, 1991 (incorporated by reference to Exhibit 2 to Form 8 filed as Amendment Number 1 to Registrant's Form 8-K dated October 16, 1991)	
10.21	The Registrant's Non-Employee Director Stock-for-Fees Plan(1) **	

Exhibit Number	Description	Sequentially Numbered Page
10.22	Office Building Lease between The Irvine Company and the Registrant dated as of January 13, 1988 (incorporated by reference to Exhibit 10.11 to Amendment No. 2 to the Registrant's Annual Report to Form 10-K (File No. 1-8703) as filed on Form 8 with the Securities and Exchange Commission on November 18, 1988)(6)	
10.26	Patent License Agreement between Western Electric Company, Incorporated and the Registrant effective as of July 1, 1980(3)	
10.27	Agreement between International Business Machines Corporation and the Registrant dated as of January 1, 1990(3)	
10.28	Letter to Mr. I.M. Booth from Mr. Roger W. Johnson dated December 3, 1992 regarding chief executive officer severance arrangement(3) **	
10.29	Form of Letter to Mr. George L. Bragg from Mr. Roger W. Johnson dated October 22, 1992 regarding vice chairman severance arrangement(7) **	
11	Computation of Per Share Earnings (see page 20 hereof)	
21	Subsidiaries of the Company (see page 21 hereof)	
23	Consent of Independent Auditors (see page 22 hereof)	
27	Financial Data Schedule*	

* New exhibit filed with this Report.

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

- (1) Incorporated by reference to the Registrant's Annual Report on Form 10-K (File No. 1-8703) as filed with the Securities and Exchange Commission on September 28, 1992.
 - (2) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q (File No. 1-8703) as filed with the Securities and Exchange Commission on May 9, 1994.
 - (3) Incorporated by reference to Registrant's Amendment No. 1 to Form S-1 (No. 33-54968) as filed with the Securities and Exchange Commission on January 5, 1993.
 - (4) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 1-8703) as filed with the Securities and Exchange Commission on January 5, 1994.
 - (5) Subject to confidentiality order dated November 24, 1992.
 - (6) Subject to confidentiality order dated November 21, 1988.
 - (7) Incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-1 (No. 33-54968) as filed with the Securities and Exchange Commission on January 26, 1993.
 - (8) Incorporated by reference to Registrant's Registration Statement on Form S-8 (No. 33-51725) as filed with the Securities and Exchange Commission on December 28, 1993.
 - (9) Confidential treatment requested.
 - (B) Reports on Form 8-K
- None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: SCOTT MERCER

 D. Scott Mercer
 Executive Vice President,
 Chief Financial
 and Administrative Officer

Dated: September 21, 1994

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on September 21, 1994.

SIGNATURE	TITLE

CHARLES A. HAGGERTY	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
----- Charles A. Haggerty	
SCOTT MERCER	Executive Vice President, Chief Financial and Administrative Officer (Principal Financial and Accounting Officer)
----- D. Scott Mercer	
JAMES A. ABRAHAMSON	Director
----- James A. Abrahamson	
PETER D. BEHRENDT	Director
----- Peter D. Behrendt	
I.M. BOOTH	Director
----- I.M. Booth	
G. L. BRAGG	Director
----- George L. Bragg	
I. FEDERMAN	Director
----- Irwin Federman	
ANDRE R. HORN	Director
----- Andre R. Horn	
ANNE O. KRUEGER	Director
----- Anne O. Krueger	
THOMAS E. PARDUN	Director
----- Thomas E. Pardun	
S. B. SCHWARTZ	Director
----- Stephen B. Schwartz	

EXHIBIT 11

WESTERN DIGITAL CORPORATION
 COMPUTATION OF PER SHARE EARNINGS
 (in thousands, except per share amounts)

	Year ended June 30,		
	1994	1993	1992
PRIMARY			
Net income (loss)	\$73,136	\$(25,108)	\$(72,860)
Weighted average number of common shares outstanding during the period	39,341	31,813	29,209
Incremental common shares attributable to exercise of outstanding options and warrants	2,022		
Total shares	41,363	31,813	29,209
Net income (loss) per share	\$ 1.77	\$ (.79)	\$ (2.49)
FULLY DILUTED			
Net income (loss)	\$73,136	\$(25,108)	\$(72,860)
Add back: interest expense, net of income tax effect applicable to convertible subordinated debentures	4,664		
	\$77,800	\$(25,108)	\$(72,860)
Weighted average number of common shares outstanding during the period	39,341	31,813	29,209
Incremental common shares attributable to exercise of outstanding options and warrants	2,280		
Incremental common shares attributable to conversion of convertible subordinated debentures	4,059		
Total shares	45,680	31,813	29,209
Net income (loss) per share	\$ 1.70	\$ (.79)	\$ (2.49)

WESTERN DIGITAL CORPORATION
SUBSIDIARIES OF THE COMPANY

Name	Jurisdiction
Western Digital Ireland, Ltd.	Cayman Islands
Western Digital (Malaysia) SDN BHD	Malaysia
Arrington Limited	Republic of Ireland
Western Digital Deutschland GmbH	Federal Republic of Germany
Western Digital (France) S.a.r.l.	France
Western Digital Japan Ltd.	Japan
Western Digital (U.K.) Limited	United Kingdom
Western Digital Canada Corporation	Canada
Western Digital Korea, Ltd.	Republic of Korea
Western Digital (Singapore) Pte Ltd	Singapore
Western Digital Taiwan Co., Ltd.	Taiwan, Republic of China
Western Digital Hong Kong Limited	Hong Kong
Western Digital Netherlands B.V.	The Netherlands
Western Digital (S.E. Asia) Pte Ltd	Singapore
Western Digital Capital Corporation	Delaware
Western Digital (I.S.) Limited	Ireland
Selenar Corporation*	California
Selenar GmbH*	Federal Republic of Germany
Western Digital Europe*	California
Western Digital Pacific Corporation*	California

* represents inactive subsidiaries of the Company

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
Western Digital Corporation:

We consent to the incorporation by reference in the Registration Statements (Nos. 2-76179, 2-97365, 2-72672, 33-9853, 33-11777, 33-15771, 33-60166, 33-60168 and 33-51725) on Form S-8 of Western Digital Corporation of our report dated July 19, 1994, relating to the consolidated balance sheets of Western Digital Corporation as of June 30, 1994 and 1993, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended June 30, 1994, and all related schedules, which report appears in the June 30, 1994 Annual Report on Form 10-K of Western Digital Corporation.

KPMG PEAT MARWICK LLP

Orange County, California
September 21, 1994

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WESTERN DIGITAL CORPORATION
 SEC FORM 10-K, ITEMS 8, 14(A) AND 14(D)
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X Supplementary Consolidated Income Statement Information	F-20

All other schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

Separate financial statements of the Registrant have been omitted as the Registrant is primarily an operating company and its subsidiaries are wholly-owned and do not have minority equity interests and/or indebtedness to any person other than the Registrant in amounts which together exceed 5% of the total consolidated assets as shown by the most recent year-end consolidated balance sheet.

WESTERN DIGITAL CORPORATION
INDEPENDENT AUDITORS' REPORT

The Board of Directors
Western Digital Corporation:

We have audited the consolidated financial statements of Western Digital Corporation as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedules as listed in the accompanying index. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Western Digital Corporation as of June 30, 1994 and 1993, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 1994, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG PEAT MARWICK LLP

Orange County, California
July 19, 1994

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WESTERN DIGITAL CORPORATION
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (in thousands, except per share amounts)

	Year ended June 30,		
	1994	1993	1992
Revenues, net	\$1,539,680	\$1,225,231	\$ 938,332
Costs and expenses:			
Cost of revenues	1,221,749	1,043,184	827,707
Research and development	112,827	101,593	89,566
Selling, general and administrative	113,224	90,470	88,012
Total costs and expenses	1,447,800	1,235,247	1,005,285
Operating income (loss)	91,880	(10,016)	(66,953)
Net interest expense (Note 2)	5,838	15,092	20,203
Gain on sale of LAN business (Note 1)			15,784
Income (loss) before income taxes	86,042	(25,108)	(71,372)
Provision for income taxes (Note 6)	12,906		1,488
Net income (loss)	\$ 73,136	\$ (25,108)	\$ (72,860)
Earnings (loss) per common and common equivalent share:			
Primary	\$ 1.77	\$ (.79)	\$ (2.49)
Fully diluted	\$ 1.70	\$ (.79)	\$ (2.49)
Common and common equivalent shares used in computing per share amounts:			
Primary	41,363	31,813	29,209
Fully diluted	45,680	31,813	29,209

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

WESTERN DIGITAL CORPORATION
 CONSOLIDATED BALANCE SHEETS
 (in thousands, except per share amounts)

	June 30,	
	1994	1993
ASSETS		
Current assets:		
Cash and cash equivalents	\$243,484	\$ 33,837
Accounts receivable, less allowance for doubtful accounts of \$10,825 in 1994 and \$9,340 in 1993 (Note 4)	201,512	159,478
Inventories (Notes 2 and 3)	79,575	112,516
Prepaid expenses	12,917	12,626
Total current assets	537,488	318,457
Property and equipment at cost, less accumulated depreciation and amortization (Notes 2 and 3)	73,417	181,030
Intangible and other assets, net (Note 2)	29,608	31,684
Total assets	\$640,513	\$ 531,171
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$172,730	\$ 128,538
Accrued expenses	103,014	54,911
Current portion of long-term debt (Notes 3 and 4)	-----	23,460
Total current liabilities	275,744	206,909
Other long-term debt, less current portion (Notes 3 and 4)	-----	123,561
Convertible subordinated debentures (Note 4)	58,646	59,000
Deferred income taxes (Note 6)	17,884	10,751
Commitments and contingent liabilities (Note 5)	-----	-----
Shareholders' equity (Notes 4 and 7):	-----	-----
Preferred stock, \$.10 par value; Authorized-5,000 shares; Outstanding-None	-----	-----
Common stock, \$.10 par value; Authorized-95,000 shares; Outstanding-44,895 shares in 1994 and 35,338 shares in 1993	4,490	3,534
Additional paid-in capital	283,475	200,278
Retained earnings (accumulated deficit)	274	(72,862)
Total shareholders' equity	288,239	130,950
Total liabilities and shareholders' equity	\$640,513	\$ 531,171

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

WESTERN DIGITAL CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

Three years ended June 30, 1994	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total Shareholders' Equity
	Shares	Amount			
Balance at June 30, 1991	29,208	\$2,921	\$157,075	\$ 25,106	\$185,102
Exercise of stock options	4		15		15
Net loss				(72,860)	(72,860)
Balance at June 30, 1992	29,212	2,921	157,090	(47,754)	112,257
Exercise of stock options	376	38	1,373		1,411
Common stock offering, net (Note 7)	5,750	575	41,815		42,390
Net loss				(25,108)	(25,108)
Balance at June 30, 1993	35,338	3,534	200,278	(72,862)	130,950
Exercise of stock options	1,838	184	7,324		7,508
Common stock offering, net (Note 7)	7,619	762	72,531		73,293
Common stock issued upon conversion of debentures (Note 4)	24	2	352		354
Common stock issued in settlement of shareholder lawsuit (Note 5)	76	8	1,031		1,039
Income tax benefit from stock options exercised (Note 6)			1,959		1,959
Net income				73,136	73,136
Balance at June 30, 1994	44,895	\$4,490	\$283,475	\$ 274	\$288,239

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

WESTERN DIGITAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year ended June 30,		
	1994	1993	1992

CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 73,136	\$(25,108)	\$(72,860)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	46,175	53,741	50,836
Gain on sale of LAN business (Note 1)			(15,784)
Changes in current assets and liabilities net of effects from the sale of facility (Note 3):			
Accounts receivable	(42,034)	(6,887)	27,890
Inventories	23,793	(5,682)	67,635
Prepaid expenses	(2,130)	(3,573)	(6,384)
Accounts payable and accrued expenses	74,149	47,236	(49,524)
Deferred income taxes	7,133	(3,210)	(83)
Other assets	(1,384)	(640)	1,586
	-----	-----	-----
Net cash provided by operating activities	178,838	55,877	3,312
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures, net	(16,282)	(35,565)	(21,311)
Proceeds from sale of facility (Note 3)	110,677		
Proceeds from sale of LAN business (Note 1)			33,000
	-----	-----	-----
Net cash provided by (used for) investing activities	94,395	(35,565)	11,689
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of long-term debt	(146,346)	(64,091)	(17,262)
Proceeds from stock offering, net (Note 7)	73,293	42,390	
Exercise of stock options and warrants, including tax benefit	9,467	1,411	15
	-----	-----	-----
Net cash used for financing activities	(63,586)	(20,290)	(17,247)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	209,647	22	(2,246)
Cash and cash equivalents at beginning of year	33,837	33,815	36,061
	-----	-----	-----
Cash and cash equivalents at end of year	\$243,484	\$ 33,837	\$ 33,815
	-----	-----	-----

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

WESTERN DIGITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- SIGNIFICANT ACCOUNTING POLICIES

Western Digital Corporation ("Western Digital" or the "Company") has prepared its financial statements in accordance with generally accepted accounting principles and has adopted accounting policies and practices which are generally accepted in the industry in which it operates. Following are the Company's significant accounting policies:

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The accounts of foreign subsidiaries have been translated using the U.S. dollar as the functional currency. As such, all material foreign exchange gains or losses resulting from remeasurement of these accounts are reflected in the results of operations. Approximately \$.8 million and \$1.6 million of foreign exchange losses were included in the results of operations for 1994 and 1993, respectively. Foreign exchange losses were not material for 1992. Monetary and non-monetary asset and liability accounts have been translated at the exchange rate in effect at each year end and historical rates, respectively. Operating statement accounts have been translated at average monthly exchange rates.

CASH EQUIVALENTS

All highly liquid investments purchased with an original maturity of three months or less are considered cash equivalents. Cash equivalents are stated at cost which approximates market.

CONCENTRATION OF CREDIT RISK

The Company designs, manufactures and sells small form factor Winchester disk drives and microcomputer products to personal computer manufacturers and resellers throughout the world. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral. The Company maintains reserves for potential credit losses and such losses have historically been within management's expectations. The Company also has cash equivalent investment policies that limit the amount of credit exposure to any one financial institution and restrict placement of these investments in financial institutions evaluated as highly credit-worthy.

INVENTORY VALUATION

Inventories are valued at the lower of cost or net realizable value. Cost is on a first-in, first-out basis for raw materials and is computed on a currently adjusted standard basis (which approximates first-in, first-out) for work in process and finished goods.

DEPRECIATION AND AMORTIZATION

The cost of property and equipment is depreciated over the estimated useful lives of the respective assets. Depreciation is computed on a straight-line basis for financial reporting purposes and on an accelerated basis for income tax purposes. Leasehold improvements are amortized over the lesser of the estimated useful lives of the assets or the related lease terms. Goodwill and purchased technology are capitalized at cost and amortized on a straight-line basis over their estimated lives which are fifteen and five to fifteen years, respectively.

REVENUE RECOGNITION

The Company has agreements with its resellers to provide price protection for inventories held by the resellers at the time of published list price reductions and, under certain circumstances, stock rotation for slow-moving items. These agreements may be terminated upon written notice by either party. In the event of termination, the Company may be obligated to repurchase a certain portion of the resellers' inventory. The

Company recognizes revenue at time of shipment and records a reserve for price adjustments and estimated sales returns.

INCOME TAXES

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes." SFAS 109 generally provides that deferred tax assets and liabilities be recognized for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities and expected benefits of utilizing net operating loss ("NOL") carryforwards. The impact on deferred taxes of changes in tax rates and laws, if any, are applied to the years during which temporary differences are expected to be settled and reflected in the financial statements in the period of enactment.

PER SHARE INFORMATION

Primary earnings per share amounts are based upon the weighted average number of shares and dilutive common stock equivalents for each period presented. Fully diluted earnings per share additionally reflect dilutive shares assumed to be issued upon conversion of the Company's convertible subordinated debentures.

Loss per share amounts are based upon the weighted average number of shares of common stock outstanding during the period. Common stock equivalents are not included in the computation because their effect would be antidilutive.

SALE OF LAN BUSINESS

In October 1991, the Company sold its Local Area Network ("LAN") business under an asset purchase agreement for a cash payment of approximately \$33.0 million. Through this transaction the buyer acquired specific tangible and intangible assets, assumed certain liabilities and received appropriate licenses from Western Digital for specific LAN applications of more broadly based Western Digital technology. Further, Western Digital agreed not to manufacture or distribute similar products for a period of up to six years. In 1992 LAN business revenue totaled \$30.4 million and costs and expenses totaled \$24.3 million. In addition, the Company sold its remaining inventory in 1992 to the purchaser of the LAN business for approximately \$18.0 million.

RECLASSIFICATIONS

Certain prior years' amounts have been reclassified to conform to the current year presentation.

NOTE 2 -- SUPPLEMENTAL FINANCIAL STATEMENT DATA

	1994	1993	1992

INTEREST INCOME AND EXPENSE			
Interest expense	\$ 8,780	\$ 15,960	\$ 21,886
Interest income	(2,942)	(868)	(1,683)
	-----	-----	-----
Net interest expense	\$ 5,838	\$ 15,092	\$ 20,203
	-----	-----	-----
Cash paid for interest	\$ 9,035	\$ 15,391	\$ 21,387
	-----	-----	-----
INVENTORIES			
Finished goods	\$27,847	\$ 43,634	
Work in process	32,178	44,087	
Raw materials and component parts	19,550	24,795	
	-----	-----	
	\$79,575	\$112,516	
	-----	-----	
	-----	-----	

	1994	1993

PROPERTY AND EQUIPMENT		
Land and buildings	\$ 6,643	\$ 69,362
Machinery and equipment	151,014	247,186
Furniture and fixtures	11,702	13,367
Leasehold improvements	22,980	21,668
	-----	-----
	192,339	351,583
Accumulated depreciation and amortization	(118,922)	(170,553)
	-----	-----
Net property and equipment	\$ 73,417	\$ 181,030
	-----	-----
INTANGIBLE AND OTHER ASSETS		
Purchased technology	\$ 24,800	\$ 24,800
Goodwill	14,036	14,036
	-----	-----
	38,836	38,836
Accumulated amortization	(16,341)	(13,746)
	-----	-----
Net intangible assets	22,495	25,090
Other assets	7,113	6,594
	-----	-----
	\$ 29,608	\$ 31,684
	-----	-----

NOTE 3 -- SALE OF WAFER FABRICATION FACILITY

In December 1993, the Company sold its Irvine, California silicon wafer fabrication facility and certain tangible assets to the Semiconductor Products Sector of Motorola, Inc. ("Motorola") for approximately \$111.0 million plus certain other considerations, including the assumption by Motorola of equipment leases and certain other liabilities associated with the facility. The gain on the sale of the facility is not material to the financial position or results of operations of the Company. Approximately \$95.0 million of the proceeds from the sale were used to reduce bank indebtedness (see Note 4). Concurrent with the sale, the Company entered into a supply contract with Motorola under which Motorola will supply silicon wafers to Western Digital until at least December 1995.

NOTE 4 -- DEBT

SENIOR DEBT

During 1993, the Company and its lenders entered into amendments to two existing secured credit facilities which enabled Western Digital to borrow up to \$143.3 million as of June 30, 1993. In 1994, the Company repaid all outstanding indebtedness under these facilities with cash flows from operations and proceeds of approximately \$95.0 million from the sale of the Company's wafer fabrication facility (see Note 3). Upon repayment of the indebtedness, these two credit facilities were terminated. While these facilities were utilized by the Company, the lenders periodically waived compliance with certain financial covenants.

During 1994, the Company entered into an \$85.0 million accounts receivable facility with certain financial institutions. The facility consists of a \$50.0 million three-year arrangement at Eurodollar or reference rates of the participating banks and a \$35.0 million one-year committed arrangement at a rate approximating commercial paper rates. This new facility is intended to serve as a source of working capital as may be needed from time to time and replaces credit facilities secured by substantially all of the Company's assets. The accounts receivable facility requires the Company to maintain certain financial ratios. As of June 30, 1994, there were no borrowings under this facility.

SUBORDINATED DEBT

The 9% debentures, due 2014, are subordinated to all senior debt, are convertible into the Company's common stock at a conversion price of \$14.45 per share and, subject to certain conditions, are redeemable by the Company. Annual sinking fund requirements of \$3.5 million commence June 1, 1999. During 1994, approximately \$.4 million of convertible debentures were converted into 24,496 shares of the Company's

common stock. The fair market value of outstanding debentures, based on the quoted market price at June 30, 1994, was approximately \$61.9 million.

NOTE 5 -- COMMITMENTS AND CONTINGENT LIABILITIES

PATENTS AND LICENSES

Although the Company owns numerous patents and has many patent applications in process, the Company believes that the successful manufacture and marketing of its products generally depends more upon the experience, technical know-how and creative ability of its personnel rather than upon ownership of patents.

The Company pays royalties under several patent licensing agreements which require periodic payments. From time to time, the Company receives claims of alleged patent infringement from patent holders which typically contain an offer to grant the Company a license.

FOREIGN EXCHANGE CONTRACTS

The Company enters into short-term, forward exchange contracts to hedge the impact of foreign currency fluctuations on certain assets and liabilities denominated in foreign currencies. At June 30, 1994 and 1993, the Company had outstanding \$30.5 and \$14.1 million, respectively of forward exchange contracts with commercial banks. These contracts generally have maturity dates that do not exceed three months. The total amount of these contracts is offset by the underlying assets and liabilities denominated in foreign currencies. The realized and unrealized gains and losses on these contracts are included in the results of operations in the year in which the exchange rates change, and are not material for all periods presented. At June 30, 1994 and 1993, the carrying value of the foreign currency contracts approximated their fair value.

OPERATING LEASES

The Company leases certain facilities and equipment under long-term, non-cancelable operating leases which expire at various dates through 2000. Rental expense under these leases, including month-to-month rentals, was \$26.5, \$29.5 and \$27.7 million in 1994, 1993, and 1992, respectively.

Future minimum rental payments under non-cancelable operating leases as of June 30, 1994 are:

1995	\$22,178
1996	15,556
1997	10,314
1998	9,059
1999	8,236
Thereafter	7,355

Total future minimum rental payments	\$72,698

LEGAL CLAIMS

The Company was sued in September 1991, in the United States District Court for the Central District of California by Amstrad plc, a British computer maker. The suit alleged that disk drives furnished to Amstrad in 1988 and 1989 were defective. Amstrad claimed damages of approximately \$3.0 million for asserted losses in out-of-pocket expenses, \$38.0 million in lost profits and \$100.0 million for injury to Amstrad's reputation and loss of goodwill. The Company filed a counterclaim against Amstrad. This federal action was dismissed without prejudice and Amstrad has filed a similar complaint in Orange County, California Superior Court, but raised the claim for damages to \$186.0 million. The Company again filed a counterclaim for \$3.0 million in actual damages plus exemplary damages in an unspecified amount and intends to vigorously defend itself against the Amstrad claims.

The Company was sued in March 1993 in the United States District Court for the Northern District of California by Conner Peripherals, Inc. ("Conner"). The suit alleges that the Company infringes five Conner patents and seeks damages (including treble damages) in an unspecified amount and injunctive relief. Conner moved for a preliminary injunction to enjoin the Company from using three of the patents in certain

of the Company's disk drive products. The court denied that motion. If Conner were to prevail in its claims, the Company could be enjoined from using any of the Conner patents found to be valid and infringed that are the subject of this action as well as held liable for past infringement damages. The amount of such damages, if any, could be material. The Company believes that it has meritorious defenses to all of Conner's claims and intends to vigorously defend itself against the Conner lawsuit. The Company has also filed a suit alleging that Conner infringes two of the Company's patents.

The Company has received a claim of alleged patent infringement from Rodime PLC ("Rodime") under one of Rodime's U.S. patents which relates to 3.5-inch disk drives. Rodime has offered to grant the Company a royalty bearing license under that and other Rodime patents. Based on the opinion of patent counsel, the Company believes that the broad claims of the Rodime patent, if scrutinized in court, will not withstand an attack on validity, and believes that the Company has not infringed any valid claim of the Rodime patent. If Rodime were to commence litigation against the Company on this patent, and if Rodime were to prevail on its claim, the Company could be held liable for damages for past infringement. The amount of such damages, if any, is uncertain but could be material.

The Company currently has a cross-license with IBM Corporation ("IBM") which became effective January 1, 1990. Pursuant to this agreement, the Company has licensed IBM under certain Western Digital patents for the life of such patents, and has obtained from IBM a patent license which expires December 31, 1994 covering certain Western Digital products. Although the license granted to Western Digital extends to certain components within Western Digital disk drives, disk drives as such are not expressly covered. In calendar 1993, IBM initiated further discussion with the Company for the purpose of determining whether the Company's disk drives are covered by specified IBM patents. The Company is currently reviewing these patents. Based on its prior dealings with IBM, the Company expects to work toward a supplemental agreement with IBM which will address the disk drive issues and extend the term of the license, with the goal of reaching agreement prior to the expiration of the term of the current license agreement. This supplemental agreement, if finalized, may involve payment of higher royalties to IBM than are presently paid. No assurance can be given that such an agreement can be reached upon terms acceptable to the Company. Failure to reach an acceptable agreement could have a material adverse impact on the Company's business.

The Company is also subject to certain other legal proceedings and claims arising in connection with its business. There can be no assurance that litigation will not be commenced on one or more of these or possible other future such claims, or that, if commenced, all such litigation would be resolved without any material adverse effect on the Company's business, consolidated financial position or results of operations.

It is management's opinion, however, that none of these claims will have a material adverse effect on the Company's business, consolidated financial position or results of operations. The costs of defending such litigation can be substantial, regardless of outcome.

The Company was sued in July 1991 in the United States District Court for the Central District of California in a purported class action securities lawsuit. In June 1994, the court approved a settlement of this case whereby eligible class members will share, on a claims made basis, up to \$6.75 million, comprised of \$3.5 million in cash and the balance in shares of the Company's common stock. The Company's insurance carrier has agreed to contribute up to \$2.6 million in cash toward the settlement. At June 30, 1994, the Company has provided for its estimate of claims to be made under the settlement.

NOTE 6 -- INCOME TAXES

The domestic and international components of income (loss) before income taxes are as follows:

	1994	1993	1992

United States	\$(25,140)	\$(63,753)	\$ (20,244)
International	111,182	38,645	(51,128)
	-----	-----	-----
Income (loss) before income taxes	\$ 86,042	\$(25,108)	\$ (71,372)
	-----	-----	-----

The components of the provision for income taxes are as follows:

	1994	1993	1992

Current			
United States	\$ 337	\$	\$
International	4,313	1,671	1,333
State	620	183	128
	-----	-----	-----
	5,270	1,854	1,461
	-----	-----	-----
Deferred, net			
United States	4,857	(1,854)	
International	820		27
	-----	-----	-----
	5,677	(1,854)	27
	-----	-----	-----
Additional paid-in capital from benefit of stock options exercised	1,959		
	-----	-----	-----
Provision for income taxes	\$ 12,906	\$	\$ 1,488
	-----	-----	-----
Cash paid for income taxes	\$ 1,067	\$ 1,451	\$ 1,450
	-----	-----	-----

Temporary differences and carryforwards which give rise to a significant portion of deferred tax assets and liabilities at June 30, 1994 and 1993 are as follows:

	1994	1993

Deferred tax assets:		
NOL carryforward	\$ 53,646	\$ 61,955
Business credit carryforward	16,204	13,558
Reserves not currently deductible	13,952	11,307
Provision for restructuring		2,712
All other	12,839	8,466
	-----	-----
	96,641	97,998
Valuation allowance	(95,024)	(80,256)
	-----	-----
Total deferred tax assets	\$ 1,617	\$ 17,742
	-----	-----
Deferred tax liabilities:		
Start-up costs	\$	\$ 3,860
Depreciation	995	11,528
Leases	3,458	3,130
All other	12,732	7,675
	-----	-----
Total deferred tax liabilities	\$ 17,185	\$ 26,193
	-----	-----

The valuation allowance for deferred tax assets as of July 1, 1992 was \$61.8 million. The net change in the total valuation allowance for the years ended June 30, 1994 and 1993 was an increase of \$14.8 and \$18.4 million, respectively.

Reconciliation of the United States Federal statutory rate to the Company's effective tax rate is as follows:

	1994	1993	1992
U.S. Federal statutory rate	35.0%	(34.0)%	(34.0)%
State income taxes, net	.7	.7	.2
Tax rate differential on international income	(34.7)	(53.5)	.5
NOL with no tax benefit realized	10.2	78.9	39.4
Other	3.8	7.9	(4.0)
Effective tax rate	15.0%	--%	2.1%

Certain income of selected subsidiaries is taxed at substantially lower income tax rates as compared with local statutory rates. The lower rates reduced income taxes and increased net earnings by approximately \$27.4 million (\$.60 per share, fully diluted) and \$8.6 million (\$.27 per share, fully diluted) in 1994 and 1993, respectively. The lower rates did not affect income taxes paid or net loss in 1992. These lower rates expire periodically through 2000.

At June 30, 1994, the Company had Federal NOL carryforwards of \$162.3 million and tax credit carryforwards of \$16.2 million which expire in 1995 through 2009.

Net undistributed earnings from international subsidiaries at June 30, 1994 were approximately \$87.3 million. The net undistributed earnings are intended to finance local operating requirements. Accordingly, an additional United States tax provision has not been made.

NOTE 7 -- SHAREHOLDERS' EQUITY

The following table summarizes all shares of common stock reserved for issuance as of June 30, 1994 (in thousands):

	Number of Shares
Issuable upon:	
Conversion of subordinated long-term debt	4,059
Exercise of stock options, including options available for grant	5,917
Employee stock purchase plan	1,750
	11,726

COMMON STOCK OFFERINGS

In February 1993, the Company issued 5,750,000 shares of its common stock in a public common stock offering. Proceeds from the offering, net of commissions and other related expenses totaling \$3.6 million, were \$42.4 million. The proceeds were used to reduce the Company's outstanding indebtedness.

In February 1994, the Company issued 7,618,711 shares of its common stock in a public common stock offering. Proceeds from the offering, net of commissions and other related expenses totaling \$4.2 million, were \$73.3 million. The proceeds were used for working capital and other general corporate purposes.

STOCK OPTION PLANS

Western Digital's Employee Stock Option Plan ("Employee Plan") is administered by the Board of Directors who determine the vesting provisions, the form of payment for the shares and all other terms of the options. Terms of the Employee Plan require that the exercise price of options be not less than the fair market value at the date of

grant. Options granted vest 25% one year from the date of grant and in twelve quarterly increments thereafter. As of June 30, 1994, 1,137,144 options were exercisable and 862,541 options were available for grant. Participants in the Employee Plan are permitted to finance the exercise of options with stock purchased previously. The following table summarizes activity under the Employee Plan (in thousands, except per share amounts):

	Options Outstanding		
	Number of Shares	Price Per Share	Amount
Options outstanding at June 30, 1991	2,536	\$ 4.12-\$14.62	\$ 11,332
Granted	1,863	2.88- 5.38	7,076
Exercised	(4)	4.13	(15)
Cancelled or expired	(475)	2.88- 14.62	(2,301)
Options outstanding at June 30, 1992	3,920	2.88- 13.63	16,092
Granted	1,879	4.38- 9.00	10,981
Exercised, net of value of redeemed shares	(376)	2.88- 6.88	(1,411)
Cancelled or expired	(329)	2.88- 9.88	(1,693)
Options outstanding at June 30, 1993	5,094	2.88- 13.63	23,969
Granted	1,731	3.88- 19.13	21,320
Exercised, net of value of redeemed shares	(1,785)	2.88- 9.00	(7,120)
Cancelled or expired	(664)	2.88- 19.13	(4,710)
Options outstanding at June 30, 1994	4,376	\$ 2.88-\$19.13	\$ 33,459

In 1985, the Company's directors approved the Stock Option Plan for Non-Employee Directors ("Director Plan") and reserved 800,000 shares for issuance thereafter. The Director Plan provides for initial option grants to new directors of 20,000 shares per director and additional grants of up to 30,000 options per director following the exercise of the initial options. As of June 30, 1994, 120,000 options were exercisable and 488,188 options were available for grant. The following table summarizes activity under the Director Plan (in thousands, except per share amounts):

	Options Outstanding		
	Number of Shares	Price Per Share	Amount
Options outstanding at June 30, 1991	201	\$ 5.25-\$14.88	\$ 1,955
Granted	20	5.38	108
Cancelled or expired	(37)	6.88- 14.88	(452)
Options outstanding at June 30, 1992	184	5.25- 14.63	1,611
Cancelled or expired	(1)	6.88	(9)
Options outstanding at June 30, 1993	183	5.25- 14.63	1,602
Granted	90	4.25- 17.13	941
Exercised	(53)	4.25- 11.50	(388)
Cancelled or expired	(30)	12.88	(386)
Options outstanding at June 30, 1994	190	\$ 4.25-\$17.13	\$ 1,769

STOCK PURCHASE WARRANTS

In November 1991 and July 1993, in connection with amending its then existing two secured credit facilities, the Company issued warrants to the participating banks that ultimately entitled the holders to purchase an aggregate of 1,125,000 shares of common stock at an average price of \$1.08 per share. In February 1994, the banks exercised all warrants outstanding and the related shares of common stock were subsequently sold by the banks in conjunction with the Company's public common stock offering. The Company received exercise price payments from the warrant holders aggregating approximately \$1.2 million. The

shares issued and proceeds received from the exercise of the warrants have been included in the shares issued and proceeds received from the February 1994 common stock offering.

STOCK PURCHASE RIGHTS

In 1989, the Company implemented a plan to protect stockholders' rights in the event of a proposed takeover of the Company. Under the plan, each share of the Company's outstanding common stock carries one Right to Purchase Series "A" Junior Participating Preferred Stock ("the Right"). The Right enables the holder, under certain circumstances, to purchase common stock of Western Digital or of the acquiring company at a substantially discounted price ten days after a person or group publicly announces it has acquired or has tendered an offer for 15% or more of the Company's outstanding common stock. The Rights are redeemable by the Company at \$.01 per Right and expire in 1999.

EMPLOYEE STOCK PURCHASE PLAN

During 1994, the Board of Directors adopted, and stockholders subsequently approved, an employee stock purchase plan in accordance with Section 423 of the Internal Revenue Code whereby eligible employees may authorize payroll deductions of up to 10% of their salary to purchase shares of the Company's common stock at the lower of 85% of the fair market value of common stock on the first or last day of the offering period. Approximately 1.8 million shares of common stock have been reserved for issuance under this plan. As of June 30, 1994, no shares have been issued under this plan.

PROFIT SHARING PLAN

Effective July 1, 1991, the Company adopted an annual Profit Sharing Plan covering eligible domestic employees. During 1994, 1993 and 1992, the Company authorized 8% of pre-tax profits to be allocated to the participants. Payments to participants of the Profit Sharing Plan were \$7.4 and \$1.2 million in 1994 and 1993, respectively. No such payments were made under the Profit Sharing Plan in 1992.

NOTE 8 -- BUSINESS SEGMENT AND INTERNATIONAL OPERATIONS

Western Digital operates in one industry segment--the design, manufacture and marketing of disk drives, integrated circuits and graphics enhancement boards to the personal computer industry. During 1994 and 1993, two customers accounted for approximately 24% of the Company's revenues. During 1992, one customer accounted for 10% of revenues.

The Company's operations outside the United States include manufacturing facilities in Singapore, Malaysia and Korea as well as sales offices throughout the world.

The following table summarizes operations by entities located within the indicated geographic areas for the past three years (in millions). United States revenues to unaffiliated customers include export sales, principally to Asia, of \$300.0, \$237.7 and \$228.4 million in 1994, 1993, and 1992, respectively.

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Transfers between geographic areas are accounted for at prices comparable to normal sales through outside distributors. General and corporate expenses of \$43.6, \$32.7 and \$31.1 million in 1994, 1993 and 1992, respectively, have been excluded in determining operating income (loss) by geographic region.

	United States	Europe	Asia	Eliminations	Total

Year ended June 30, 1994					
Sales to unaffiliated customers	\$1,171	\$321	\$ 48		\$1,540
Transfers between geographic areas	50	28	874	\$ (952)	
	-----	-----	-----	-----	-----
Revenues, net	\$1,221	\$349	\$922	\$ (952)	\$1,540
	-----	-----	-----	-----	-----
Operating income	\$ 24	\$ 6	\$108	\$ (3)	\$ 135
	-----	-----	-----	-----	-----
Identifiable assets	\$ 430	\$ 61	\$150	\$	\$ 641
	-----	-----	-----	-----	-----
Year ended June 30, 1993					
Sales to unaffiliated customers	\$ 924	\$274	\$ 27		\$1,225
Transfers between geographic areas	41	21	793	\$ (855)	
	-----	-----	-----	-----	-----
Revenues, net	\$ 965	\$295	\$820	\$ (855)	\$1,225
	-----	-----	-----	-----	-----
Operating income (loss)	\$ (16)	\$ 7	\$ 38	\$ (6)	\$ 23
	-----	-----	-----	-----	-----
Identifiable assets	\$ 336	\$ 42	\$154	\$ (1)	\$ 531
	-----	-----	-----	-----	-----
Year ended June 30, 1992					
Sales to unaffiliated customers	\$ 713	\$177	\$ 48		\$ 938
Transfers between geographic areas	53	38	493	\$ (584)	
	-----	-----	-----	-----	-----
Revenues, net	\$ 766	\$215	\$541	\$ (584)	\$ 938
	-----	-----	-----	-----	-----
Operating income (loss)	\$ 16	\$(13)	\$(47)	\$ 8	\$ (36)
	-----	-----	-----	-----	-----
Identifiable assets	\$ 327	\$ 43	\$164	\$ (1)	\$ 533
	-----	-----	-----	-----	-----

WESTERN DIGITAL CORPORATION
 UNAUDITED QUARTERLY INFORMATION
 (in thousands, except per share amounts)

	First	Second	Third	Fourth

1994				
Revenues, net	\$285,498	\$371,072	\$420,878	\$462,232
Gross profit	46,419	72,821	93,762	104,929
Operating income (loss)	(2,045)	16,342	34,149	43,434
Net income (loss)	(5,098)	12,487	28,448	37,299
Primary earnings (loss) per share(1)	\$ (.14)	\$.32	\$.64	\$.79
	-----	-----	-----	-----
1993				
Revenues, net	\$271,141	\$343,475	\$325,407	\$285,208
Gross profit	50,374	58,586	52,300	20,787
Operating income (loss)	8,539	11,789	5,262	(35,606)
Net income (loss)	4,168	6,912	1,633	(37,821)
Primary earnings (loss) per share(1)	\$.14	\$.22	\$.05	\$ (1.07)
	-----	-----	-----	-----

(1) During the third and fourth quarter of 1994, fully diluted earnings per share were \$.61 and \$.75, respectively. During the second quarter of 1993, fully diluted earnings per share were \$.21. For all other periods presented, fully diluted earnings (loss) per share approximated primary earnings (loss) per share.

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WESTERN DIGITAL CORPORATION

SCHEDULE II -- CONSOLIDATED AMOUNTS RECEIVABLE FROM RELATED PARTIES
AND UNDERWRITERS, PROMOTERS AND EMPLOYEES OTHER
THAN RELATED PARTIES

(in thousands)

Three years ended June 30, 1994	Name of Debtor			Total
	Roger W. Johnson(1)	John M. Markovich(2)	Marc H. Nussbaum(3)	
Balance at June 30, 1991	\$ 336	\$178	\$ 45	\$ 559
Additions			70	70
Deletions				
Balance at June 30, 1992	336	178	115	629
Additions	500			500
Deletions	(336)			(336)
Balance at June 30, 1993	500	178	115	793
Additions				
Deletions			(115)	(115)
Balance at June 30, 1994	\$ 500	\$178	\$	\$ 678

(1) In October 1989, the Company made a \$336 non-interest bearing loan to Roger W. Johnson, formerly Chairman and Chief Executive Officer, in connection with his exercise of stock options and payment of related income taxes. Pursuant to the terms of the Chief Executive Officer Severance Agreement, the indebtedness was forgiven upon Mr. Johnson's resignation as Chairman and Chief Executive Officer on June 30, 1993.

In June 1993, the Company made a \$500 non-interest bearing loan to Mr. Johnson. If Mr. Johnson becomes an affiliate of, an employee of, or performs work for a competitor within four years, the loan is to accelerate and accrue interest from the date made and be due and payable immediately upon Mr. Johnson establishing the relationship. In any event, the loan is to be repaid at the end of a four-year term.

(2) The Company has made several loans to John M. Markovich, formerly Vice President and Treasurer, to provide personal financial assistance. Mr. Markovich terminated his employment with the Company in June 1992. Loans aggregating \$30 bear interest at 10%. The remaining loans are interest free.

(3) The Company has made several loans to Marc H. Nussbaum, Senior Vice President, Engineering, to provide personal financial assistance. These notes bore interest at 10% per annum. During 1994, the notes were paid in full by Mr. Nussbaum.

WESTERN DIGITAL CORPORATION

SCHEDULES V AND VI -- CONSOLIDATED PROPERTY AND EQUIPMENT AND RELATED
ACCUMULATED DEPRECIATION

(in thousands)

Cost of property and equipment and the related depreciation and amortization are summarized as follows:

Three years ended June 30, 1994	Land and Buildings	Machinery and Equipment	Furniture and Fixtures	Leasehold Improvements	Total
COST					
Balance at June 30, 1991	\$ 74,533	\$ 262,194	\$15,517	\$24,165	\$ 376,409
Additions at cost	516	26,297	838	1,167	28,818
Retirements or sales	(5,475)	(50,160)	(2,485)	(5,977)	(64,097)
Balance at June 30, 1992	69,574	238,331	13,870	19,355	341,130
Additions at cost		33,896	198	2,780	36,874
Retirements or sales	(212)	(25,041)	(701)	(467)	(26,421)
Balance at June 30, 1993	69,362	247,186	13,367	21,668	351,583
Additions at cost	2,643	22,073	494	3,299	28,509
Retirements or sales	(65,362)	(118,245)	(2,159)	(1,987)	(187,753)
Balance at June 30, 1994	\$ 6,643	\$ 151,014	\$11,702	\$22,980	\$ 192,339
ACCUMULATED DEPRECIATION AND AMORTIZATION					
Balance at June 30, 1991	\$ 2,945	\$ 127,725	\$ 5,750	\$11,891	\$ 148,311
Charges to operations	3,730	39,290	2,134	2,527	47,681
Retirements or sales	(754)	(43,344)	(1,549)	(5,543)	(51,190)
Balance at June 30, 1992	5,921	123,671	6,335	8,875	144,802
Charges to operations	3,689	42,813	2,008	2,353	50,863
Retirements or sales		(24,147)	(661)	(304)	(25,112)
Balance at June 30, 1993	9,610	142,337	7,682	10,924	170,553
Charges to operations	1,624	36,787	2,020	2,932	43,363
Retirements or sales	(10,474)	(80,965)	(1,664)	(1,891)	(94,994)
Balance at June 30, 1994	\$ 760	\$ 98,159	\$ 8,038	\$11,965	\$ 118,922

WESTERN DIGITAL CORPORATION

SCHEDULE VIII -- CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
AND RESERVES

(in thousands)

Three years ended June 30, 1994	Allowance for Doubtful Accounts

Balance at June 30, 1991	\$ 5,474
Charges to operations	3,075
Deductions	(686)
Other	141

Balance at June 30, 1992	8,004
Charges to operations	2,476
Deductions	(1,044)
Other	(96)

Balance at June 30, 1993	9,340
Charges to operations	3,797
Deductions	(2,124)
Other	(188)

Balance at June 30, 1994	\$10,825

WESTERN DIGITAL CORPORATION

SCHEDULE X -- SUPPLEMENTARY CONSOLIDATED INCOME STATEMENT INFORMATION
(in thousands)

Three years ended June 30, 1994	Charged to Costs and Expenses		
	1994	1993	1992

Maintenance and repairs	**	\$15,521	\$12,973
	-----	-----	-----

** Less than one percent of revenues

INDEX TO EXHIBITS

Exhibit Number	Description	Sequentially Numbered Page
3.1	Certificate of Incorporation of the Registrant (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed January 15, 1987 (File No. 1-8703) and incorporated herein by this reference)	
3.2.1	By-laws of Registrant (incorporated by reference to Exhibit 3.2.1 to the Registrant's Current Report on Form 8-K (File No. 1-8703) as filed with the Securities and Exchange Commission on July 18, 1994)	
3.3	Certificate of Agreement of Merger(7)	
3.4	Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-3 (File No. 33-28374) as filed with the Securities and Exchange Commission on April 26, 1989)	
4.1	Indenture, dated as of May 1, 1989, between the Registrant and U.S. Trust Company of California, N.A., covering the Registrant's 9% Convertible Subordinated Debentures due 2014 (incorporated by reference to Exhibit 4 to Amendment No. 2 to the Registrant's Registration Statement on Form S-3 (File No. 33-28374) as filed with the Securities and Exchange Commission on May 10, 1989)	
4.2	Rights Agreement between the Registrant and First Interstate Bank, Ltd., as Rights Agent, dated as of December 1, 1988 (incorporated by reference to Exhibit 1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on December 12, 1988)	
4.3	Amendment No. 1 to Rights Agreement by and between the Registrant and First Interstate Bank, Ltd. dated as of August 10, 1990 (incorporated by reference to Exhibit 1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 14, 1990)	
4.4	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of the Registrant (incorporated by reference to Exhibit A of Exhibit 1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on December 12, 1988)	
10.1	The Registrant's Employee Stock Option Plan (1) **	
10.2	The Registrant's Stock Option Plan for Non-Employee Directors (1) **	
10.3	The Registrant's 1993 Employee Stock Purchase Plan(8) **	
10.4	Receivables Contribution and Sale Agreement, dated as of January 7, 1994 by and between the Company, as seller, and Western Digital Capital Corporation, as buyer(2)	
10.5	Receivables Purchase Agreement, dated as of January 7, 1994, by and among Western Digital Capital Corporation, as seller, the Company, as servicer, the Financial Institutions listed therein, as bank purchasers and J.P. Morgan Delaware, as administrative agent(2)	
10.6	First Amendment to Receivables Purchase Agreement, dated March 23, 1994, by and between Western Digital Corporation, as seller and the Financial Institutions listed therein as bank purchasers and administrative agents(2)	
10.7	Assignment Agreement, dated as of March 23, 1994, by and between J.P. Morgan Delaware as Bank Purchaser and Assignor and the Bank of California, N.A. and the Long-term Credit Bank of Japan, LTD., Los Angeles Agency as Assignees(2)	
10.8	Asset Purchase Agreement dated December 16, 1993 by and between Motorola, Inc. and Western Digital regarding the sale and purchase of Western Digital's wafer fabrication facilities and certain related assets(4)	

Exhibit Number	Description	Sequentially Numbered Page
10.9	Supply Agreement dated December 16, 1993 by and between Motorola, Inc. and Western Digital regarding the supply of wafers to Western Digital(4)	
10.10	The Western Digital Corporation Deferred Compensation Plan* **	
10.11	The Western Digital Corporation Executive Bonus Plan* **	
10.12	The Extended Severance Plan of the Registrant * **	
10.13	Manufacturing Building lease between Wan Tien Realty Pte Ltd and Western Digital (Singapore) Pte Ltd dated as of November 9, 1993 (incorporated by reference to Exhibit 10.17.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-8703) as filed with the Securities and Exchange Commission on January 25, 1994)	
10.14	The Management Incentive Compensation Plan of Registrant for fiscal year 1995* **	
10.15	Wafer and Die Purchase Contract by and between American Microsystems, Inc. and the Company effective as of July 18, 1994(9)*	
10.16	Foundry Capacity, Product Purchase, and Technology Agreement by and between American Telephone and Telegraph Co. and the Company effective as of August 25, 1992 (incorporated by reference to Exhibit 10.10.3 to the Registrant's Annual Report on Form 10-K (File No. 1-8703) as filed with the Securities and Exchange Commission on September 28, 1992)(5)	
10.17	Subleases between Wan Tien Realty Pte Ltd and Western Digital (Singapore) Pte Ltd dated as of September 1, 1991(1)	
10.18	Sublease between Wan Tien Realty Pte Ltd and Western Digital (Singapore) Pte Ltd dated as of October 12, 1992(1)	
10.19	Agreement for Purchase and Sale of Assets by and between Registrant and Standard Microsystems Corporation effective as of September 16, 1991 and as amended by the Amendment No. 1 to Agreement for Purchase and Sale of Assets by and between the Registrant and Standard Microsystems Corporation effective as of September 27, 1991 (incorporated by reference to Exhibit 2 to Form 8 filed as Amendment Number 1 to Registrant's Form 8-K dated October 16, 1991)	
10.21	The Registrant's Non-Employee Director Stock-for-Fees Plan(1) **	
10.22	Office Building Lease between The Irvine Company and the Registrant dated as of January 13, 1988 (incorporated by reference to Exhibit 10.11 to Amendment No. 2 to the Registrant's Annual Report to Form 10-K (File No. 1-8703) as filed on Form 8 with the Securities and Exchange Commission on November 18, 1988)(6)	
10.26	Patent License Agreement between Western Electric Company, Incorporated and the Registrant effective as of July 1, 1980(3)	
10.27	Agreement between International Business Machines Corporation and the Registrant dated as of January 1, 1990(3)	
10.28	Letter to Mr. I.M. Booth from Mr. Roger W. Johnson dated December 3, 1992 regarding chief executive officer severance arrangement(3) **	
10.29	Form of Letter to Mr. George L. Bragg from Mr. Roger W. Johnson dated October 22, 1992 regarding vice chairman severance arrangement(7) **	
11	Computation of Per Share Earnings (see page 20 hereof)	
21	Subsidiaries of the Company (see page 21 hereof)	
23	Consent of Independent Auditors (see page 22 hereof)	
27	Financial Data Schedule *	

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* New exhibit filed with this Report.

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

- (1) Incorporated by reference to the Registrant's Annual Report on Form 10-K (File No. 1-8703) as filed with the Securities and Exchange Commission on September 28, 1992.
- (2) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q (File No. 1-8703) as filed with the Securities and Exchange Commission on May 9, 1994.
- (3) Incorporated by reference to Registrant's Amendment No. 1 to Form S-1 (No. 33-54968) as filed with the Securities and Exchange Commission on January 5, 1993.
- (4) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 1-8703) as filed with the Securities and Exchange Commission on January 5, 1994.
- (5) Subject to confidentiality order dated November 24, 1992.
- (6) Subject to confidentiality order dated November 21, 1988.
- (7) Incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-1 (No. 33-54968) as filed with the Securities and Exchange Commission on January 26, 1993.
- (8) Incorporated by reference to Registrant's Registration Statement on Form S-8 (No. 33-51725) as filed with the Securities and Exchange Commission on December 28, 1993.
- (9) Confidential treatment requested.

Western Digital Corporation
Deferred Compensation Plan
Master Plan Document

Exhibit 10.10

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WESTERN DIGITAL CORPORATION
DEFERRED COMPENSATION PLAN
EFFECTIVE MAY 16, 1994

Purpose

The purpose of this Plan is to provide specified benefits to a select group of management, highly compensated Employees and Directors who may contribute materially to the continued growth, development and future business success of Western Digital Corporation, a Delaware corporation, [and its subsidiaries] that sponsor this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA.

ARTICLE 1
Definitions

For purposes hereof, the following phrases or terms shall have the following indicated meanings:

- 1.1 "Account Balance" shall mean the sum of (i) the Deferral Amount, plus (ii) interest credited in accordance with all the applicable interest crediting provisions of this Plan, less (iii) all distributions. This account 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 pursuant to this Plan.
- 1.2 "Annual Deferral Amount" shall mean that portion of a Participant's Base Annual Salary, Management Incentive Compensation Plan and Profit Sharing Plan (Cash Element) and/or Directors Fees to be paid during a Plan Year that a Participant elects to have and is deferred, in accordance with Article 3, for such Plan Year and any Company contributions under Section 3.2 hereof that is credited for such 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 deferred and withheld prior to such event and any Company contributions in respect of such period.
- 1.3 "Base Annual Salary" shall mean the annual compensation, excluding bonuses, commissions, overtime, relocation expenses, incentive payments, non-monetary awards, directors fees, other fees, and automobile allowances, paid to a Participant for employment services rendered to any Employer, before reduction for compensation deferred pursuant to all qualified, non-qualified and Code Section 125 plans of any Employer.
- 1.4 "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.
- 1.5 "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 and attached hereto as Exhibit A.
- 1.6 "Board" shall mean the board of directors of the Company.
- 1.7 "Change in Control" means and shall be deemed to occur if any of the following events occur:
- (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.

- 1.8 "Claimant" shall have the meaning set forth in Section 14.1.
- 1.9 "Code" shall mean the Internal Revenue Code of 1986, as may be amended from time to time.
- 1.10 "Committee" shall mean the committee described in Article 12.
- 1.11 "Company" shall mean Western Digital Corporation, a Delaware corporation.
- 1.12 "Crediting Rate" shall mean, for each Plan Year, an annual interest rate determined by the Committee prior to the beginning of each Plan Year.
- 1.13 "Deferral Amount" shall mean the sum of all of a Participant's Annual Deferral Amounts, but taking into account only the vested portion of any Company contributions.
- 1.14 "Deduction Limitation" shall mean the following described limitation on the annual benefit that may be distributed pursuant to the provisions of this Plan. The limitation shall be applied to distributions under this Plan as set forth in this Plan. If the Company 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 Company would not be deductible by the Company solely by reason of the limitation under Code Section 162(m), then to the extent deemed necessary by the Company 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

Company may defer all or any portion of the distribution. Any amounts deferred pursuant to this limitation shall continue to be credited with interest in accordance with Section 3.5 below. The amounts so deferred and interest 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 Company in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Company 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.

- 1.15 "Director" shall mean any member of the board of directors of any Employer.
- 1.16 "Directors Fees" shall mean the annual fees paid by any Employer, including retainer fees and meetings fees, excluding stock fees, as compensation for serving on the board of directors.
- 1.17 "Disability" shall mean a period of disability during which a Participant qualifies for 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 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.
- 1.18 "Disability Benefit" shall mean the benefit set forth in Article 8.
- 1.19 "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 and attached hereto as Exhibit B.
- 1.20 "Employee" shall mean a person who is an employee of any Employer.
- 1.21 "Employer(s)" shall mean the Company and/or any of its subsidiaries that have been selected by the Board to participate in the Plan.
- 1.22 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as may be amended from time to time.
- 1.23 "Management Incentive Compensation Plan" shall mean compensation paid annually to a Participant as an Employee under the Western Digital Corporation Management Incentive Plan.
- 1.24 "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, (vi) whose Plan Agreement has not terminated, and (vii) whose Account Balance has not been paid in full.
- 1.25 "Plan" shall mean the Company's Deferred Compensation Plan, which shall be evidenced by this instrument and by each Plan Agreement, as may be amended from time to time.
- 1.26 "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 shall provide for the entire benefit to which such Participant is entitled to under the Plan, and the Plan Agreement bearing the latest date of acceptance by the Committee shall govern such entitlement.

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- 1.27 "Years of Plan Participation" shall mean the total number of full Plan Years a Participant has been a Participant in the Plan. For purposes of a Participant's first Plan Year of participation only, any partial Plan Year of participation shall be treated as a full Plan Year.
- 1.28 "Plan Year" shall, for the first Plan Year, begin on May 16, 1994, and end on December 31, 1994. For each Plan Year thereafter, the Plan Year shall begin on January 1 of each year and continue through December 31.
- 1.29 "Pre-Retirement Survivor Benefit" shall mean the benefit set forth in Article 6.
- 1.30 "Profit Sharing Plan (Cash Element)" shall mean that portion of compensation paid in cash annually to a Participant as an Employee under the Western Digital Corporation Profit Sharing Plan.
- 1.31 "Retirement", "Retires" 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 latter 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, 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.
- 1.32 "Retirement Benefit" shall mean the benefit set forth in Article 5.
- 1.33 "Short-Term Payout" shall mean the payout set forth in Section 4.1.
- 1.34 "Termination Benefit" shall mean the benefit set forth in Article 7.
- 1.35 "Termination of Employment" shall mean the ceasing 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, 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.
- 1.36 "Trust" shall mean the grantor trust, within the meaning of Code Section 671, 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.
- 1.37 "Unforeseeable Financial Emergency" shall mean an immediate and heavy financial need that cannot be relieved by any other resources including (i) reimbursement or compensation by insurance or otherwise, (ii) reasonable liquidation of the Participant's assets if doing so would not cause a hardship in itself, (iii) a suspension of elective contributions to the Company's qualified 401(k) plan, (iv) distributions or nontaxable loans from the Company's other plans or any other employer's plans; (v) loans from commercial sources at reasonable commercial terms, (vi) bank accounts, or (vii) reasonable, periodic

payment arrangements with a creditor. An immediate and heavy financial need exists due to a sudden and unexpected illness or accident of the Participant or a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, but do not include children's education expenses or home purchase or improvement expenses.

ARTICLE 2
Selection, Enrollment, Eligibility

- 2.1 SELECTION BY COMMITTEE. Participation in the Plan shall be limited to a select group of management, highly compensated Employees and Directors of the Employers. 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 of the Plan each selected Employee or Director shall complete, execute and return to the Committee at 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, Election Form and Beneficiary Designation Form, provided such documents are returned 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 timely returning all required documents to the Committee, 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 on which the Employee or Director completes all enrollment requirements. If an Employee or a Director fails to meet in a timely fashion all such requirements, that Employee or the 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.

ARTICLE 3
Deferral Commitments/Interest Crediting

3.1 MINIMUM DEFERRAL.

For each Plan Year, a Participant may elect to defer Base Annual Salary, annual cash payments under the Management Incentive Compensation Plan and the Profit Sharing Plan (Cash Element) and/or Directors Fees in the following minimum amounts for each deferral elected, up to a maximum of 100 percent of each:

Deferral -----	Minimum Amount -----
Aggregate of Base Annual Salary, Management Incentive Plan, and Profit Sharing Plan (Cash Element)	\$2,000
Directors Fees	\$2,000

If no election is made, the amount deferred shall be zero.

- 3.2 COMPANY CONTRIBUTION. For each Plan Year, the Board, in its discretion may elect to credit to each Employee Participant's Account Balance an additional amount to be determined by it, in its discretion. Such contributions shall become vested and nonforfeitable in accordance with the provisions governing employer contributions under the Company's qualified 401(k) plan. Notwithstanding the foregoing, a Participant shall become fully vested and nonforfeitable in all Company contributions hereunder upon his or her Retirement, Disability, or upon the occurrence of a Change in Control, whichever is earliest.
- 3.3 ELECTION TO DEFER; EFFECT OF ELECTION FORM. In connection with a Participant's commencement of participation in the Plan, the Participant shall make a deferral election by delivering to the Committee a completed and signed Election Form, which election and form must be accepted by the Committee for valid election to exist. For each succeeding Plan Year, a new Election Form must be delivered 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. If no Election Form is timely delivered for a Plan Year, no Annual Deferral Amount shall be withheld for that Plan Year.
- 3.4 WITHHOLDING OF DEFERRAL AMOUNTS. For each Plan Year, the Base Annual Salary portion of the Annual Deferral Amount shall be withheld each payroll period in equal amounts from the Participant's Base Annual Salary. The Management Incentive Compensation Plan and Profit Sharing Plan (Cash Element) and/or Directors Fees portion of the Annual Deferral Amount shall be withheld at the time such amounts are or otherwise would be paid to the Participant.
- 3.5 INTEREST CREDITING PRIOR TO DISTRIBUTION. The Plan shall credit monthly at the end of each month each Account Balance an amount equal to such balance multiplied by one twelfth of the applicable Crediting Rate.
- 3.6 INSTALLMENT DISTRIBUTIONS. In the event a benefit is paid in installments under Articles 5, 6 or 8, installment payment amounts shall be determined in the following manner:
- (a) Interest Rate. The interest rate to be used to calculate installment payment amounts shall be a fixed interest rate that is determined by averaging the Crediting Rates for the Plan Year in which installment payments commence and the four (4) preceding Plan Years. If a Participant has completed fewer than five (5) Plan Years, this average shall be determined using the Crediting Rates for the Plan Years during which the Participant participated in the Plan.
 - (b) "Deemed" Installment Payments. For purposes of calculating installment payment amounts only (and notwithstanding the fact that installment payments shall actually be paid monthly), installment payments for each 12 month period, starting with the date that the Participant became eligible to receive a benefit under this Plan (the "Eligibility Date") and continuing thereafter for each additional 12 month period until the Participant's Account Balance is paid in full, shall be deemed to have been paid in one sum as of the first day of each such 12 month period. (The result of this is that interest crediting shall be made on an annual basis after taking into account the "deemed" annual installment payment for the 12 month period.)
 - (c) Amortization. Based on the interest rate determined in accordance with Section 3.6(a) above and the "deemed" form of installment payments determined in accordance with Section 3.6(b) above, the Participant's Account Balance shall be amortized in equal annual installment payments over the term of the specified payment period (starting as of the Eligibility Date and stated in years rather than months).
 - (d) Monthly Payments. The annual installment payment determined in Section 3.6(c) above shall be

divided by 12, and the resulting number shall be the monthly installment payment that is to be paid each month during the specified monthly installment payment period in accordance with the other terms and conditions of this Plan.

- 3.7 FICA AND OTHER TAXES. For each Plan Year in which an Annual Deferral Amount is being withheld, the Participant's Employer(s) shall ratably withhold from that portion of the Participant's Base Annual Salary that is not being deferred, the Participant's share of FICA and other employment taxes. If necessary, the Committee shall reduce the Annual Deferral Amount in order to comply with this Section 3.7.

ARTICLE 4

Short-Term Payout; Unforeseeable Financial Emergencies: Withdrawal Election

- 4.1 SHORT-TERM PAYOUT. Subject to the Deduction Limitation, in connection with each election to defer an Annual Deferral Amount, a Participant may elect to receive a future "Short-Term Payout" from the Plan with respect to that Annual Deferral Amount. The Short-Term Payout shall be a lump sum payment in an amount that is equal to the Annual Deferral Amount plus interest credited in the manner provided in Section 3.5 above on that amount. Subject to the other terms and conditions of this Plan, each Short-Term payout elected shall be paid within 60 days of the first day of the Plan Year that is a number of years (not less than three, as specified by the Participant) after the first day of the Plan Year in which the Annual Deferral Amount is actually deferred.
- 4.2 WITHDRAWAL PAYOUT/SUSPENSIONS FOR UNFORESEEABLE FINANCIAL EMERGENCIES. If the Participant experiences an Unforeseeable Financial Emergency, the Participant may petition the Committee to (a) suspend any deferrals required to be made by a Participant and/or (b) receive a partial or full payout from the Plan. The payout shall not exceed the lesser of the Participant's Account Balance, calculated as if such Participant were receiving a Termination Benefit, or the amount reasonably needed to satisfy the Unforeseeable Financial Emergency. Only one such withdrawal may be made in any 24 month period. 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. A request for a withdrawal under this Section 4.2 must be accompanied by (x) a letter signed by the Participant describing all the circumstances and the resources he has available to meet the need and a certification that the resources listed in Section 1.38 hereof and all others are unavailable/insufficient/non-existent to meet the need, (y) copies of the appropriate official documentation (e.g., bills, eviction or foreclosure notices or documents showing that such are impending), and (z) statement of monthly household income and expenses (with explanations for unusual items).
- 4.3 WITHDRAWAL ELECTION. A Participant may elect, at any time, to withdraw all of his or her Account Balance prior to the time such Account Balance is otherwise due and payable in whole or in part, subject to a 10% withdrawal penalty (the net amount shall be referred to as the "Withdrawal Amount"). No partial withdrawals of that balance shall be allowed. The Participant 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 penalty shall be equal to 10% of the portion of the Participant's Account Balance, determined immediately prior to the withdrawal, that is not otherwise due and payable. The Participant 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 Account Balance.
- 5.2 PAYMENT OF RETIREMENT BENEFITS. 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 in equal monthly payments (the latter determined in accordance with Section 3.6 above) over a period of 60, 120, 180, or 240 months. The Participant may 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. The lump sum payment shall be made, or installment payments shall commence, no later than 60 days after the date the Participant Retires.
- 5.3 DEATH PRIOR TO COMPLETION OF RETIREMENT BENEFITS. 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 months 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 Account Balance.

ARTICLE 6
Pre-Retirement Survivor Benefit

- 6.1 PRE-RETIREMENT SURVIVOR BENEFIT. Subject to the Deduction Limitation, if a Participant dies before he or she Retires, experiences a Termination of Employment or suffers a Disability, the Participant's Beneficiary shall receive a Pre-Retirement Survivor Benefit equal to the Participant's Account Balance.
- 6.2 PAYMENT OF PRE-RETIREMENT SURVIVOR BENEFITS. 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 in equal monthly payments (the latter determined in accordance with Section 3.6 above) over a period of 60, 120, 180, or 240 months. The Participant may 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. Despite the foregoing, if the Participant's 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 in installment payments that do not exceed five years in duration. The lump sum payment shall be made, or installment payments shall commence, no later than 60 days after the date the Committee is provided with proof that is satisfactory to the Committee of the Participant's death.

ARTICLE 7
Termination Benefit

- 7.1 TERMINATION BENEFITS. Subject to the Deduction Limitation, if a Participant experiences a Termination of Employment prior to his or her Retirement, death or Disability, the Participant shall receive a Termination Benefit, which shall be equal to the Participant's Account Balance, with interest having been

credited in the manner provided in Section 3.5 above.

7.2 PAYMENT OF TERMINATION BENEFIT. The Termination Benefit 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) Eligibility. By participating in the Plan, all Participants are eligible for this waiver.
- (b) Waiver of Deferral; Credit for Plan Year of Disability. 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.
- (c) 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

8.2 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, in its sole and absolute discretion and for purposes of this Plan only, to terminate a Participant's employment or service as a Director at any time after such Participant is determined to be permanently disabled (i) under the Participant Employer's long-term disability plan (or would have been determined to be permanently disabled had he or she participated in that plan), or (ii) if such a plan does not exist, by the Committee in its sole discretion.

ARTICLE 9
Beneficiary Designation

9.1 BENEFCIARY. 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 BENEFCIARY 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

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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, accepted 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. Any Employer reserves the right to terminate the Plan at any time with respect to its participating Employees and Directors by the actions of its board of directors. Upon the termination of the Plan, all Plan Agreements of a Participant shall terminate and his or her Account Balance, determined as if he or she had experienced a Termination of Employment on the date of Plan termination or, if Plan termination occurs after the date upon which the Participant was eligible to Retire,

the Participant had Retired on the date of Plan termination, shall be paid to the Participant as follows. Prior to a Change in Control, 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 in monthly installments for up to 15 years, with interest credited during the installment period as provided in Section 3.6. 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 by paying the present value equivalent of such payments, using the Crediting Rate for the Plan Year in which the termination occurs as the discount rate, in a lump sum or pursuant to a different 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 actions of its board of directors; provided, however, that no amendment or modification shall be effective to decrease or restrict the value of a Participant's 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. 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 present value equivalent of such payments, using the Crediting Rate for the Plan Year of the amendment or modification as the discount rate, in a lump sum or pursuant to a different payment schedule.

11.3 EFFECT OF PAYMENT. The full payment of the applicable benefit under Articles 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.

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 Committee 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 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 or any

of its members.

- 12.5 EMPLOYER INFORMATION. To enable the Committee to perform its functions, each Employer shall supply full and timely information to the Committee 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 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. The claim must state with particularity the determination desired 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 the Employers shall transfer over to the Trust such assets as the Employers determine, in their sole discretion, are necessary to assist in funding the Employer's future liabilities created with respect to the Annual Deferral Amounts.
- 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. 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 Agreement.

ARTICLE 16
Miscellaneous

- 16.1 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. 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.

- 16.2 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.
- 16.3 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 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, except that the foregoing shall not apply to any family support obligations set forth in a court order. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.
- 16.4 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, with or without cause, 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.
- 16.5 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.
- 16.6 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.
- 16.7 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.
- 16.8 GOVERNING LAW. Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the laws of the State of California without regard to its conflicts of laws principles.
- 16.9 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.

- 16.10 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.
- 16.11 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.
- 16.12 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.
- 16.13 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.
- 16.14 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.
- 16.15 DISTRIBUTION IN THE EVENT OF TAXATION.
- (a) General. If, for any reason, all or any portion of a Participant's benefit under this Plan becomes taxable to the Participant prior to receipt, a Participant may petition the Committee 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, 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 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(c) 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.
- 16.16 LEGAL FEES TO ENFORCE RIGHTS AFTER CHANGE IN CONTROL. The Company is aware that upon the occurrence of a Change in Control, the Board (which might then be composed of new members) or a shareholder of the Company, or of any successor corporation might then cause or attempt to cause the Company or such successor to refuse to comply with its obligations under the Plan and might cause

or attempt to cause the Company 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 or the Company has failed to comply with any of its obligations under the Plan or any agreement thereunder or, if the Company or any 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 irrevocably authorize such Participant to retain counsel of his or her choice at the expense of the Company to represent such Participant in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, shareholder or other person affiliated with the Company or any successor thereto in any jurisdiction.

IN WITNESS WHEREOF, the Company has signed this Plan document as of May 1, 1994.

WESTERN DIGITAL CORPORATION
a Delaware Corporation

By: ROBERT L. ERICKSON

Officer's Name: Robert L. Erickson

WESTERN DIGITAL CORPORATION
Executive Bonus Plan
Master Plan Document

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WESTERN DIGITAL CORPORATION

EXECUTIVE BONUS PLAN

EFFECTIVE MAY 16, 1994

PURPOSE

The purpose of this Plan is to provide specified benefits to a select group of management and highly compensated employees who may contribute materially to the continued growth, development and future business success of Western Digital Corporation, a Delaware corporation, and its subsidiaries. The Plan is intended to constitute a bonus arrangement and fall outside the scope and jurisdiction of the Employee Retirement Income Security Act of 1974.

ARTICLE 1
DEFINITIONS

For purposes hereof, unless otherwise clearly apparent from the context, the following phrases or term shall have the following indicated meaning:

- 1.1 "Beneficiary" shall mean one or more persons, trusts, estates or other entities, designated in accordance with Article 5 below, that are entitled to receive benefits under this Plan upon the death of a Participant.
- 1.2 "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 and attached hereto as Exhibit A.
- 1.3 "Board" shall mean the Board of Directors of the Company.
- 1.4 "Change of Control" means and shall be deemed to occur if any of the following events occur:
 - (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.
- (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 Section 1563 of the Internal Revenue Code of 1986, as amended) in which the Company is a member,
- (f) The Company or any other Employer voluntarily files a petition for bankruptcy under federal bankruptcy law, or an involuntary bankruptcy petition is filed against any Employer under federal bankruptcy law, which involuntary petition is not dismissed within 120 days of the filing;
- (g) The Company or any other Employer makes a general assignment for the benefit of creditors; or
- (h) The Company or any other Employer seeks or consents to the appointment of a trustee, receiver, liquidator or similar person.

With respect to Sections 1.6(f), (g) and (h) above, if the event described occurs only with respect to one or more Employers (other than the Company) and not to the Company, such event shall be a "Change in Control" only with respect to the Participants of that Employer or those Employers.

- 1.5 "Change in Control Benefit" shall mean the benefit set forth in Section 4.1 below.
- 1.6 "Claimant" shall have the meaning set forth in Section 11.1 below.
- 1.7 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.8 "Committee" shall mean the administrative committee appointed to manage and administer the Plan in accordance with the provisions of Article 10 below.
- 1.9 "Company" shall mean Western Digital Corporation, a Delaware corporation.
- 1.10 "Disability" shall mean a period of disability during which a Participant qualifies for benefits under the Participant's Employer's long-term disability plan (if the Participant participates in such a plan), or, if a Participant does not participate in such a plan, a period of disability during which the Participant would have qualified for benefits under the Employer's long-term disability plan had the Participant been a participant in such a plan (determined in the sole discretion of the Committee), or, if there is no such plan, as determined in the sole discretion of the Committee.

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- 1.11 "Employer" shall mean the Company and/or any of its subsidiaries that have been selected by the Board to participate in the Plan.
- 1.12 "Employer Benefit" shall mean the benefit set forth in Section 4.2 below.
- 1.13 "Forfeiture" shall mean a forfeiture of a Participant's rights to benefits under this Plan as set forth in Section 3.2 below.
- 1.14 "Insurer" shall mean the insurance company or companies that issue one or more Policies.
- 1.15 "Participant" shall mean any employee of an employer
- (a) who is selected to participate in the Plan,
 - (b) who elects to participate in the Plan,
 - (c) who signs a Plan Agreement and a Beneficiary Designation Form,
 - (d) whose signed Plan Agreement and Beneficiary Designation Form are accepted by the Committee, and
 - (e) whose Plan Agreement has not terminated.
- 1.16 "Participant's Account" shall mean an account established in accordance with Section 8.3(a)(i) below.
- 1.17 "Plan" shall mean the Western Digital Executive Bonus Plan, which is defined by this instrument and by each Plan Agreement, all as may be amended from time to time.
- 1.18 "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 shall provide for the entire benefit to which such Participant is entitled to under the Plan, and the Plan Agreement bearing the latest date of acceptance by the Committee shall govern such entitlement.
- 1.19 "Plan Year" shall, for the first Plan Year, begin on May 16, 1994, and end on December 31, 1994. For each Plan Year thereafter, the Plan Year shall begin on January 1 of each year and continue through December 31 of that year.
- 1.20 "Policy" or "Policies" shall mean the policy or policies issued in the name of the Trustee in accordance with the terms and conditions of this Plan and each respective Plan Agreement.
- 1.21 "Retirement," "Retires" or "Retired" shall mean a Participant ceasing to be employed by all Employers for any reason other than death, Disability or Termination of Employment on or after a Participant attains the age of sixty-two (62).
- 1.22 "Termination of Employment" shall mean the ceasing of employment with all Employers, voluntarily or involuntarily, for any reason other than Retirement, Disability or death.
- 1.23 "Trust" shall mean the trust established pursuant to that certain Trust Agreement, dated as of May 16, 1994, between the Company and the Trustee, as may be amended from time to time.

- 1.24 "Trustee" shall mean the trustee named in the Trust and any successor trustee.
- 1.25 "Vesting Date" shall mean the date upon which a Participant becomes 100% vested in his or her Change in Control Benefit in accordance with Section 3.1 below.
- 1.26 "Western DCP" shall mean the Western Digital Corporation Deferred Compensation Plan as in effect from time to time.

ARTICLE 2
SELECTION, ENROLLMENT AND ELIGIBILITY

- 2.1 SELECTION BY COMMITTEE. Participation in the Plan shall be limited to a select group of management and highly compensated employees of the Employers. From that group, the Committee shall select, in its sole discretion, employees to participate in the Plan.
- 2.2 ENROLLMENT REQUIREMENTS. As a condition to participation, each selected employee shall complete, execute and return to the Committee a Plan Agreement and a Beneficiary Designation Form. In addition, the Committee, in its sole discretion, shall establish from time to time such other enrollment requirements as it determines are necessary.
- 2.3 ELIGIBILITY; COMMENCEMENT OF PARTICIPATION. Provided an employee selected to participate in the Plan has met all enrollment requirements set forth in this Plan and required by the Committee, that employee shall commence participation in the Plan on the date specified by the Committee. If a selected employee fails to meet all such requirements prior to that date, that employee shall not be eligible to participate in the Plan until the completion of those requirements.

ARTICLE 3
VESTING; ACCOUNT BALANCE

- 3.1 VESTING IN CHANGE IN CONTROL BENEFIT. Subject to Section 3.2 below:
- (a) General Rule. If a Participant has not Retired, died, suffered a Disability, experienced a Termination of Employment, or received a complete withdrawal from the Western DCP that permanently ends his participation in such plan prior to 90 days prior to a Change in Control, the Participant shall become 100% vested in his or her Change in Control Benefit on January 1 of the Plan Year following the Change in Control (the "Vesting Date").
- (b) Early Vesting. If at any time on or after 90 days prior to a Change in Control and prior to the Vesting Date a Participant Retires, dies, suffers a Disability or experiences an involuntarily termination of employment with all Employers, the Participant (or the Participant's Beneficiary in the event of the Participant's death) shall become 100% vested in his or her Change in Control Benefit on the later of
- (i) the date of the Change in Control or
- (ii) the date of such Retirement, death, Disability or involuntary termination of employment, and such date (rather than January 1 of the following Plan Year) shall be considered the "Vesting Date" for purposes of this Plan.

- 3.2 FORFEITURE. Notwithstanding Section 3.1 above, a Participant shall forfeit rights to benefits under this Plan in accordance with this Section 3.2.
- (a) A Participant shall forfeit any right to benefits under this Plan if he or she:
- (i) Retires, dies, suffers a Disability, experiences a Termination of Employment or receives a complete withdrawal from the Western DCP that permanently ends his participation in such plan prior to 90 days prior to a Change in Control; or
- (ii) Voluntarily terminates his or her employment (other than by Retirement or Disability) with all of his Employers or withdraws all of his interest in the Western DCP thereby ending his participation in such plan at any time on or after the date of the Change in Control and prior to January 1 of the Plan Year following a Change in Control.
- (b) A Participant receiving a Short Payout or other partial distribution from the Western DCP before his Vesting Date described in Section 3.1 (a) hereof shall forfeit a portion of his Change in Control Benefit which bears the same proportion to all of such benefit as the partial distribution bears to his total interest in the Western DCP.
- 3.3 ACCOUNT BALANCE. Within 45 days of the end of each Plan Year, each Participant shall receive a statement setting forth the balance of his or her Participant's account as of the end of that Plan Year.

ARTICLE 4
BENEFITS

- 4.1 CHANGE IN CONTROL BENEFIT.
- (a) Eligibility. On the Vesting Date, the Participant or the Participant's Beneficiary, as the case may be, shall become entitled to the "Change in Control Benefit" described in Section 4.1(b).
- (b) Benefit and Payment. The "Change in Control Benefit" shall be a dollar amount that is equal to the fair market value of the assets allocated to and held in the Participant's Account as of the Vesting Date. This benefit shall be paid to the Participant, or his or her Beneficiary, within 90 days of the Vesting Date.
- 4.2 EMPLOYER BENEFIT.
- (a) Eligibility. The Participant's Employer shall be entitled to the Employer Benefit if and to the extent a Participant forfeits his Change in Control Benefit under Section 3.2 hereof.
- (b) Benefit and Payment. The "Employer Benefit" shall be a distribution of the forfeited assets allocated to and held in the Participant's Account as of the date of the event described in Section 3.2 above after taking into account any distributions made or to be made in accordance with Section 4.1 above, plus any earnings allocated to that account from that date to the date of payment of the Employer Benefit. This benefit shall be paid to the Participant's Employer within 120 days of January 1 of the Plan Year following that event.

- 4.3 WITHHOLDING AND PAYROLL TAXES. The Trustee shall withhold from any and all benefit payments made under this Article 4, all federal, state and local income, employment and other taxes required to be withheld in connection with the payment of benefits hereunder, in amounts to be determined in the sole discretion of the Participant's Employer.

ARTICLE 5
 BENEFICIARY

- 5.1 BENEFICIARY. Each Participant shall have the right, at any time, to designate his or her Beneficiary (both primary as well as contingent) to receive any benefits payable under the Plan to a Beneficiary upon the death of a Participant.
- 5.2 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 before his or her death.
- 5.3 ACKNOWLEDGMENT. No designation or change in designation of a Beneficiary shall be effective until received, accepted and acknowledged in writing by the Committee or its designated agent.
- 5.4 NO BENEFICIARY DESIGNATION. If a Participant fails to designate a Beneficiary as provided in Sections 5.1, 5.2 and 5.3 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.
- 5.5 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, before a Change in Control, to cause the Trustee to withhold such payments until this matter is resolved to the Committee's satisfaction.
- 5.6 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 the Participant's Plan Agreement shall terminate upon such full payment of benefits.

ARTICLE 6
 TERMINATION, AMENDMENT OR MODIFICATION OF THE PLAN

- 6.1 TERMINATION, AMENDMENT OR MODIFICATION PRIOR TO ONE YEAR BEFORE CHANGE IN CONTROL. Prior to one year before a Change in Control, each Employer reserves the right to terminate, amend or modify the Plan or any related Plan Agreement, in whole or in part, with respect to Participants whose services

are retained by the Employer. Notwithstanding the foregoing, no termination, amendment or modification shall be effective to decrease or reduce a Participant's potential benefits under this Plan below the balance in his or her Participant's Account as of the effective date of the termination, amendment or modification.

6.2 TERMINATION, AMENDMENT OR MODIFICATION WITHIN ONE YEAR BEFORE CHANGE OF CONTROL OR FOLLOWING CHANGE IN CONTROL. Within one year before a Change in Control and thereafter, neither the Company, any subsidiary of the Company nor any corporation, trust or other person that succeeds to all or any substantial portion of the assets of the Company shall have the right to terminate, amend or modify the Plan and/or any Plan Agreement in effect prior to such Change in Control, and all benefits under the Plan and any such Plan Agreement shall thereafter be paid in accordance with the terms of the Plan and such Plan Agreement, as in effect immediately prior to such Change in Control. If the Plan is terminated, amended, or modified within one year before the Change in Control, such termination, amendment or modification shall be considered void as of the date of the termination, amendment or modification. Any provision of this Plan or any Plan Agreement to the contrary shall be construed in accordance with this Section 6.2(a).

6.3 TERMINATION OF PLAN AGREEMENT. Absent the earlier termination, modification or amendment of the Plan, or a Participant's Forfeiture of his or her benefits under this Plan, the Plan Agreement of any Participant shall terminate upon the full payment of the applicable benefit provided under Article 4.

ARTICLE 7
OTHER BENEFITS AND AGREEMENTS

7.1 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. 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 8
TRUST

8.1 ESTABLISHMENT OF THE TRUST; PREMIUMS. The Employers shall establish the Trust and shall at least annually transfer over to the Trust such assets as the Committee determines, prior to a Change in Control, or the Trustee determines, after a Change in Control, are necessary to provide for the Employers' future liabilities created with respect to the benefits provided under the Plan and the Plan Agreements, including, without limitation, the payment of insurance premiums in amounts sufficient to acquire and maintain all Policies held by the Trustee. At the direction of the Committee, prior to a Change in Control, or the Trustee, after a Change in Control, the Employers shall pay any and all Policy premiums and other costs directly to the Insurer. In addition, if the Trust incurs any tax liability, the Employers shall contribute to the Trust sufficient funds to allow the Trustee to pay any such tax liability.

8.2 INTERRELATIONSHIP OF THE PLAN AND THE TRUST. The provisions of the Plan and each 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 Trustee, Participant and a Participant's Beneficiary as to the assets of the Trust. The Employers shall at all times remain liable to carry out their obligations under the Plan. The Employers and the Trustee shall cooperate with each other as is necessary to minimize the Trust's tax liability.

8.3 ACCOUNTS.

- (a) The Trustee shall establish and maintain the following separate accounts:
 - (i) A "Participant's Account" for each Participant to which the Employers' contributions, or a portion thereof, and earnings thereon shall be allocated to and held, the assets of which are to be used to pay the Change in Control Benefit or the Employer Benefit in accordance with this Plan and the Trust; and
 - (ii) An "Administrative Account" for the administrative expenses of the Trust to which a portion of the Employers' contributions and earnings thereon may be allocated to and held, the assets of which are to be used to pay the administrative expenses, including all taxes, of the Trust in accordance with the terms and provisions of this Plan and the Trust.
- (b) Prior to a Change in Control, the Committee shall direct the Trustee in writing as to:
 - (i) the allocation of the Employers' contributions to the accounts described in Section 8.3(a) above, and
 - (ii) the amounts of the earnings on the Employer's contributions held in the accounts described in Section 8.3(a) above. After a Change in Control, the Trustee shall make such allocations in accordance with the terms of the Plan and the Trust. Notwithstanding the foregoing, and except for a payment of benefits in accordance with Article 4 or a Forfeiture of benefits, a Participant's Account balance shall not be reduced.
- (c) Each of the accounts described in Section 8.3(a) above shall qualify for and be treated as separate shares under Code Section 663(c).

ARTICLE 9
INSURANCE POLICIES

9.1 POLICIES. The Committee may direct the Trustee in writing to acquire one or more Policies in the Trustee's name. The Trustee shall be the sole and absolute owner and beneficiary of each Policy, with all rights of an owner and beneficiary, including without limitation, the right to surrender Policies for their cash surrender values and to take one or more loans against one or more Policies. Notwithstanding the foregoing, the trustee shall exercise its ownership rights in each Policy only in accordance with the terms of this Plan, the respective Plan Agreements and the Trust.

9.2 DOCUMENTS REQUIRED BY INSURER. The Trustee, the Participant's Employer and the Participant shall sign such documents and provide such information as may be required from time to time by the Insurer.

ARTICLE 10
ADMINISTRATION

10.1 COMMITTEE DUTIES. This Plan shall be administered by a Committee which shall consist of persons approved by the Board. Members of the Committee may be Participants under this Plan. The Committee shall also have the discretion and authority to make, mend, interpret, and enforce all appropriate rules

and regulations for the administration of this Plan and decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan.

- 10.2 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 and may from time to time consult with counsel who may be counsel to any Employer.
- 10.3 BINDING EFFECT OF DECISIONS. The decision or action of the Committee 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.
- 10.4 INDEMNITY OF COMMITTEE. All Employers shall indemnify and hold harmless the members of the Committee 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 or any of its members.
- 10.5 EMPLOYER INFORMATION. To enable the Committee to perform its functions, each Employer shall supply full and timely information to the Committee 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 may reasonably require.

ARTICLE 11
CLAIMS PROCEDURES

- 11.1 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.
- 11.2 NOTIFICATION OF DECISION. The Committee shall consider a Claimant's claim within 60 days of receipt of that claim, 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) the 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 11.3 below.

11.3 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 only 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.

11.4 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.

11.5 LEGAL ACTION. A Claimant's compliance with the foregoing provisions of this Article 11 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 12
MISCELLANEOUS

12.1 UNSECURED GENERAL CREDITOR. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interest or claims in any property or assets of an Employer. Any and all of an Employer's assets shall be, and remain, the general, unpledged and 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.

12.2 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.

- 12.3 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 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, except that the foregoing shall not apply to any family support obligations set forth in a court order. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.
- 12.4 NOT A CONTRACT OF EMPLOYMENT. The terms and condition 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, with or without cause, unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be employed in the service of any Employer, or to interfere with the right of any employer to discipline or discharge the Participant at any time.
- 12.5 FURNISHING INFORMATION. A Participant 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.
- 12.6 TERMS. 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.
- 12.7 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.
- 12.8 GOVERNING LAW. The provisions of this Plan shall be construed and interpreted according to the laws of the State of California.
- 12.9 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 and invalid provision had never been inserted herein.
- 12.10 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, California 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.

- 12.11 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, the Participant's Beneficiaries, and their permitted successors and assigns.
- 12.12 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.
- 12.13 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, incompetency, 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.
- 12.14 DISTRIBUTION IN THE EVENT OF TAXATION. If, for any reason, all or any portion of a Participant's benefit under this Plan becomes taxable to the Participant prior to the Vesting Date, a Participant may petition the Committee, if prior to a Change in Control, or the Trustee, after a Change in Control, for a distribution of assets sufficient to meet the Participant's tax liability (including additions to tax, penalties and interest). Upon the grant of such a petition, which grant shall not be unreasonably withheld, the Trustee shall distribute to the Participant from the Trust immediately available funds in an amount equal to that Participant's federal, state and local tax liability associated with such taxation, which liability shall be measured by using that Participant's then current highest federal, state and local marginal tax rate, plus the rates or amounts for the applicable additions to tax, penalties and interest. 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.

IN WITNESS WHEREOF the Company has signed this Plan document as of
May 1, 1994.

WESTERN DIGITAL CORPORATION,
a Delaware corporation

By: ROBERT L. ERICKSON

Officer's Name: Robert L. Erickson

Exhibit 10.12

WESTERN DIGITAL CORPORATION
EXTENDED SEVERANCE PLAN

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WESTERN DIGITAL CORPORATION

EXTENDED SEVERANCE PLAN

ARTICLE 1
ESTABLISHMENT, PURPOSE AND EFFECTIVE DATE

1.1 Establishment. Western Digital Corporation, a Delaware corporation (the "Company"), hereby establishes and adopts the Western Digital Corporation Extended Severance Plan (the "Plan").

1.2 Purpose. The Board of Directors of the Company has determined it to be in the best interest of the Company and its stockholders to assure to the extent practicable the continued dedication and services of those persons covered by this Plan in light of the possibility, threat or occurrence of a "Change of Control" (as defined herein). The Company believes that this objective will be served by alleviating certain of the financial risks and uncertainties regarding employment status, both for existing and prospective employees, that are created by a pending or threatened Change of Control. Accordingly, this Plan provides for certain compensation arrangements for covered persons under certain prescribed circumstances in the event of termination of employment following or in connection with a Change of Control. The Company believes that the benefits provided by this Plan are reasonable and competitive with other corporations. Unless earlier terminated or extended by the Board, this Plan shall terminate on January 17, 2000.

1.3 Effective Date. The effective date of the Plan is January 18, 1990.

ARTICLE 2
DEFINITIONS

For purposes of the Plan, each of the following terms defined in this Article 2 shall have its defined meaning wherever used herein:

2.1 Acquiring Person. "Acquiring Person" means any Person, including such Person's Affiliates and Associates and including a group of Persons which is deemed a "person" under Section 13(d)(3) of the Exchange Act, who has initiated or consummated any transaction or series of transactions which are intended to result in, will result in, or have resulted in a Change of Control, provided that an "Acquiring Person" shall not include the Company, any Subsidiary, any employee benefit plan of the Company or of any Subsidiary or any Person organized,

appointed or established by the Company or any Subsidiary for or pursuant to the terms of any such plan.

2.2 Affiliate and Associate. "Affiliate" and "Associate", when used with reference to any Person, have the meanings given to such terms in Rule 12b-2 under the Exchange Act.

2.3 Amendment Period. "Amendment Period" has the meaning set forth in Section 5.4 hereof.

2.4 Base Salary. "Base Salary" means, with respect to any Participant and as of any date specified herein:

(a) The Participant's primary salary or wages (excluding bonuses) with respect to any period of time specified herein, plus the sum of the following amounts with respect to any period of time specified herein;

(b) Amounts elected as, or deemed to be, cash, property or other taxable benefits or non-taxable benefits under any plan established by the Company or any Subsidiary under Section 125 of the Code; and

(c) Amounts, excluding the Company's or any Subsidiary's matching deferral contributions, otherwise payable to the Participant as primary salary or wages but the receipt of which the Participant has elected to defer under any profit-sharing plan, salary deferral plan or other deferral arrangement established by the Company or any Subsidiary, whether or not qualified under Section 401(k) of the Code.

2.5 Beneficial Ownership. A Person's "Beneficial Ownership" of securities shall be determined in accordance with, and a Person shall be deemed the "Beneficial Owner" in accordance with, the rules and regulations, including Rule 13d-3, promulgated by the Securities and Exchange Commission in connection with Section 13(d) of the Exchange Act; provided that no Person engaged in business as an underwriter of securities shall be deemed for purposes of this Plan as the Beneficial Owner of any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition.

2.6 Board. "Board" means the Board of Directors of the Company.

2.7 Cause. "Cause" has the meaning set forth in Section 4.2 hereof.

2.8 Change of Control. "Change of Control" means and shall be deemed to occur if any of the following events occur: (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.

2.9 Change of Control Date. "Change of Control Date" means the first date on which any of the events constituting a Change of Control shall have occurred.

2.10 Code. "Code" means the Internal Revenue Code of 1986, including the rules and regulations promulgated thereunder, as amended from time to time and including any successor legislation thereto.

2.11 Committee. "Committee" means a committee appointed to administer the Plan and, except as otherwise provided below, shall be the Compensation Committee of the Board. A member of the Committee shall be disqualified from further service on the Committee if and when he or she ceases to be a Disinterested Person, and in such instance shall be comprised only of those members of the Compensation Committee who are

Disinterested Persons. Prior to a Change of Control, members of the Committee shall be appointed and removed by the Board. Subsequent to a Change of Control, only those members of the Compensation Committee who were such members prior to the Change of Control and who remain Disinterested Persons shall comprise the Committee, except that new members of the Committee shall be appointed as may be required by the Committee and members of the Committee shall be removed only by the Committee. Members of the Committee shall be Named Fiduciaries of the Plan within the meaning of Section 402(a) of ERISA.

2.12 Company. "Company" means Western Digital Corporation, a Delaware corporation, and any successor-in-interest thereto, including, without limitation, any Person into which the Company may merge and any Person who becomes the employer of all or substantially all of the employees of the Company and its Subsidiaries in connection with the acquisition by such Person of all or substantially all of the assets of the Company and the Subsidiaries taken as a whole.

2.13 Constructive Termination. "Constructive Termination" has the meaning set forth in Section 4.3 hereof.

2.14 Disinterested Person. Prior to a Change of Control, a "Disinterested Person" means any member of the Board who is not an officer or employee of the Company or any Subsidiary and who is not an Acquiring Person or an Affiliate or Associate of an Acquiring Person. Subsequent to a Change of Control, a "Disinterested Person" means any individual, whether or not a member of the Board, who is not an officer or employee of the Company or any Subsidiary and who is not an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

2.15 Domestic Employee. "Domestic Employee" means any employee of the Company or any Subsidiary, other than an Officer, a Key Employee or a Foreign Employee, who is expected by the Company or any Subsidiary to work an average of at least twenty hours per calendar week.

2.16 Employment. "Employment" means the employment with the Company or any Subsidiary of any Officer, Domestic Employee or Key Employee.

2.17 ERISA. "ERISA" means the Employee Retirement Income Security Act of 1974, including the rules and regulations promulgated thereunder, as amended from time to time and including any successor legislation thereto.

2.18 Exchange Act. "Exchange Act" means the Securities Exchange Act of 1934, including the rules and regulations promulgated thereunder, as amended from time to time and including any successor legislation thereto.

2.19 Exempt Person. "Exempt Person" means the Company, any Subsidiary, any employee benefit plan or employee stock plan of the Company or any Subsidiary (or any Person organized, appointed or established by the Company or any Subsidiary for or pursuant to the terms of any such plan).

2.20 Extended Period. "Extended Period" has the meaning set forth in Section 5.4 hereof.

2.21 Foreign Employee. "Foreign Employee" means any employee of the Company or any Subsidiary, other than an Officer, whose principal place of Employment is located outside the United States and who is expected by the Company or any Subsidiary to work an average of at least twenty hours per calendar week.

2.22 Initial Period. "Initial Period" has the meaning set forth in Section 5.4 hereof.

2.23 Key Employee. "Key Employee" means (a) any Domestic Employee of the Company or a Subsidiary, other than an Officer, who is determined by the Committee to fall within a grade level 68 or above (or the equivalent of such grade levels in any job evaluation grading method which may be adopted after January 17, 1990) and who is designated as a "Key Employee" by the Committee.

2.24 Officer. "Officer" means any employee of the Company or any Subsidiary who is determined by the Committee to be an officer of the Company under this Plan, and includes all elected officers of the Company and also includes all appointed officers of the Company with at least a vice president title.

2.25 Participant. "Participant" means an individual qualified to participate in the Plan in accordance with the provisions of Sections 3.2 and 3.3 hereof.

2.26 Person. "Person" means an individual, a corporation, a partnership, an association, a trust, an unincorporated organization or any other entity.

2.27 Plan. "Plan" means this Western Digital Corporation Extended Severance Plan, as it may be amended from time to time.

2.28 Severance Benefits. "Severance Benefits" has the meaning set forth in Section 4.5 hereof.

2.29 Severance Payment. "Severance Payment" has the meaning set forth in Section 4.4 hereof.

2.30 Severance Period. "Severance Period" has the meaning set forth in Section 4.4 hereof.

2.31 Subsidiary. "Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power sufficient to elect a majority of the directors of such corporation (or other persons performing similar functions) are directly or indirectly Beneficially Owned by the Company.

2.32 Term. "Term" means the period from January 18, 1990 through January 17, 2000.

2.33 Other Definitions. Each term defined elsewhere in the Plan shall have its defined meaning wherever used with an initial capital letter. The terms "hereof", "herein", "hereby" and variations thereof shall, whenever used in the Plan, refer to the Plan as a whole, and not to any particular Article or Section hereof. Where appropriate to the context of the Plan, use of the singular shall be deemed also to refer to the plural, and use of the plural to the singular, and pronouns of certain gender shall be deemed to comprehend either or both of the other genders.

ARTICLE 3 ADMINISTRATION AND PARTICIPATION

3.1 Administration of the Plan. The Committee shall be responsible for the administration of the Plan. The Committee is authorized and directed to exercise its discretion to interpret the Plan and to make all determinations and decisions and to take all actions necessary or advisable for the administration and implementation of the Plan, but only to the extent not contrary to the express provisions of the Plan. All interpretations, determinations and decisions made by the Committee pursuant to the Plan shall be made by unanimous written consent or by vote of a majority of the Committee present at a duly noticed meeting at which a majority of the members is present. All interpretations, determinations, decisions and other actions taken or made by the Committee pursuant to the provisions of the Plan shall be final and binding upon all Persons. Without limiting any indemnification rights (whether now in existence or hereafter granted) under the certificate of incorporation or bylaws of the Company, or under any plan or contract, or under applicable law, no member of the Committee shall under any circumstances be liable to any Person for acts or omissions in good faith pursuant to this Plan and the Company shall indemnify, defend and hold harmless each member to the fullest extent permitted by applicable law. The Company is the sponsor and plan administrator of the Plan. The Company pays the entire cost of the Plan benefits and administrative expenses from its general assets and maintains records of Plan participants.

Communications from eligible employees to the Company should be addressed as follows, except as specifically noted otherwise in this Plan:

Vice President - Human Resources
 Western Digital Corporation
 P.O. Box 19665
 Irvine, California 92713-9665
 (714)932-5000

3.2 Participation in the Plan. Each of the following individuals shall be a Participant in the Plan:

- (a) Every Officer;
- (b) Every Key Employee; and
- (c) Every Domestic Employee.

Except as provided in Section 4.6 hereof, if a Participant's Employment ceases for any reason prior to a Change of Control, such individual shall thereupon cease to be a Participant, provided that if such individual is reemployed prior to the Change of Control Date as an Officer, a Key Employee, or a Domestic Employee, such individual shall again be considered a Participant and his or her prior period of service shall be included in determining such Participant's Severance Period described in Section 4.4 hereof.

3.3 Ineligible Employees. Notwithstanding anything herein to the contrary, the following individuals shall not be considered Participants and shall not be entitled to receive any of the Severance Payments or Severance Benefits provided under the Plan if their Employment is terminated in connection with or following a Change of Control:

- (a) Any individual who has entered into a written employment or termination of employment agreement with the Company or any Subsidiary prior to the Change of Control Date, unless such employment or termination agreement expressly provides that such Participant is to be covered under the Plan;
- (b) Any individual who is hired by the Company or any Subsidiary on or after the Change of Control Date; and
- (c) Any individual who holds at least a five percent direct or indirect Beneficial Ownership interest in an Acquiring Person as of the Change of Control Date.

Written offers of employment which are accepted by Participants shall not be considered as written employment or termination agreements if the employment arrangement is terminable at will by the Company, a subsidiary, or the Employee unless the offer of employment and acceptance call for

termination payments or benefits that are greater than those provided for in the Company's normal practices and policies relating to terminations not made under the Plan.

3.4 Claim Procedure. Employees due benefits will receive them automatically in most cases. If an employee believes he or she is entitled to benefits but has not received them, he or she should file a claim in writing with the Committee's authorized delegate, Vice President - Human Resources, at the address set forth above under Section 3.1, who will decide if the employee is eligible for the benefits claimed. If the employee is found to be eligible, the employee will be notified and the amount will be paid. If the employee is found not to be eligible for any part of the benefit, the employee will be so notified in writing.

3.5 Appeal Procedure. If an employee who has filed a claim for benefits under the procedure described in Section 3.4 believes he or she was denied benefits erroneously, the employee may request a review of that determination. The employee should appeal in writing to the Committee within sixty days of receiving written notice of denial of his or her claim. The appeal should be addressed as follows:

Compensation Committee of
the Board of Directors of
Western Digital Corporation
P.O. Box 19665
Irvine, California 92713-9665
(714) 932-5000

The appeal notice must indicate specific reasons why the employee is not satisfied with the determination. The appeal should be decided by a full and fair review by the Committee. The Committee shall render its decision within sixty days after receipt of the appeal notice, or will notify the employee that an additional sixty-day period is necessary to resolve the appeal. In either case, the decision, including reasons therefore, will be furnished to the employee in writing. The Committee's decision will not be subject to further appeal under the Plan. No other legal remedies may be pursued by the employee until both the claim and appeal procedures are exhausted.

3.6 Additional Information. The Plan is a severance pay plan. The Company's employer identification number is 95-2647125 and the Plan's identification number is 504. Plan records shall be maintained on a fiscal year basis commencing on the Change in Control Date and each anniversary of such date. The agent for service of legal process in connection with the Plan is the Company's chief legal officer, at the address shown above in Section 3.1. This document contains both the text of the Plan and constitutes a summary plan description of the Plan.

3.7 Statement of ERISA Rights. Employees who are covered by the Plan are entitled to certain rights and protections under ERISA.

(a) All such employees shall be titled to:

(i) examine, without charge, at the headquarters of the Company and at other principal Company locations, all Plan documents and copies of all documents filed by the Plan with the U.S. Department of Labor, such as Plan descriptions; and

(ii) obtain copies of all Plan documents and other Plan information upon written request to the Company. The Company may make a reasonable charge for the copies.

(b) In addition to creating rights for employees, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of the employees covered by the Plan. No one may fire an employee or otherwise discriminate against an employee in any way to prevent the employee from ERISA. If a claim for a Plan benefit is denied in whole or in part, the claimant must receive a written explanation of the reason for the denial. The claimant has the right to have the Company review and reconsider his or her claim.

(c) Under ERISA, there are steps employees can take to enforce the above rights. For example, if an employee requests materials from the Company and does not receive them within thirty days, he or she may file suit in a federal court. In such a case, the court may require the Company to provide the materials and pay the employee up to \$100 a day until he or she receives the materials, unless the materials were not sent because of reasons beyond the control of the Company. If an employee has a claim for benefits which is denied or ignored, in whole or in part, the employee may file suit in a state or federal court. If an employee is discriminated against for asserting his or her rights, the employee may seek assistance from the U.S. Department of Labor or may file suit in a federal court. The court will decide who should pay court costs and legal fees. If the employee is successful, the court may order the person sued to pay these costs and fees. If the employee loses, the court may order the employee to pay these costs and fees if, for example, it finds the employee's claim is frivolous.

(d) If employees have any questions about the Plan, they should contact the Company. If employees have any questions about this statement or about their rights under ERISA, they should contact the nearest Area office of the U.S. Labor-Management Services Administration, Department of Labor.

ARTICLE 4
SEVERANCE PAYMENTS AND SEVERANCE BENEFITS

4.1 Right to a Severance Payment and Severance Benefits. If a Change of Control occurs and if a Participant's Employment is terminated on the Change of Control Date or within 24 months following the Change of Control Date by reason of an involuntary termination of Employment without Cause by the Company or any Subsidiary or by reason of a Constructive Termination, the Participant shall be entitled to receive the Severance Payment described in Section 4.4 hereof and the Severance Benefits described in Section 4.5, subject to all of the terms and conditions of the Plan.

4.2 Termination for Cause. The Company or any Subsidiary shall have "Cause" to terminate involuntarily the Employment of a Participant only in the event of (a) the Participant's conviction of a felony and exhaustion of all rights to appeal such conviction, or (b) the Participant's willful and gross misconduct that is materially and demonstrably injurious to the Company or any Subsidiary. A Participant whose Employment terminates by reason of death shall not be entitled to a Severance Payment or Severance Benefits hereunder, and any Severance Payments to Participants who may be receiving long-term disability ("LTD") payments under the Company's benefit plans shall be delayed until such time as the amount of such LTD payments can be determined. The total amount of LTD payments received by a Participant during a Participant's Severance Period shall then be offset against that Participant's Severance Payment.

4.3 Constructive Termination. Unless the Employment of a Participant is involuntarily terminated for Cause, the Employment of a Participant shall be deemed to have been terminated by reason of a "Constructive Termination" if the Participant voluntarily terminates his or her Employment within ninety days following (a) a material reduction, without the Participant's consent, in the Participant's job duties, title or authority or (b) a reduction in, or a failure to pay or provide, the Participant's Base Salary or any benefits (without an economically equivalent replacement for which the Participant is eligible under any pension plan, profit-sharing plan, health and welfare plan, life, disability or medical insurance plan or policy or other employee benefit plan, unless any such reduction in Base Salary, incentive compensation or benefits is made in connection with a Company-wide (or Subsidiary-wide) reduction in Base Salary or benefits that is not intended to or does not materially reduce employment levels in the Company or a Subsidiary. Recognizing that reductions in job duties, title or authority may be gradual and that such reductions may have to be viewed on a cumulative basis over some period of time, each new reduction in status or responsibility shall again initiate the

ninety-day period within which a Participant's rights may be exercised under this provision. The determination of whether or not the reduction(s) are material shall be viewed on a cumulative basis from the Change of Control Date. A constructive termination for which a Participant shall have ninety days in which to exercise his/her rights hereunder also shall be deemed to occur when a change is made in the terms or administration of the Company's or a Subsidiary's incentive compensation, commission or bonus program, such that the overall level of compensation that a Participant receives or is entitled to receive is materially reduced in relation to that Participant's overall level of compensation prior to the Change of Control Date or in relation to other individuals covered by the incentive compensation, commission or bonus program. Nothing in this provision shall require, however, the payment of incentive compensation commission or bonuses that would be contrary to the provisions of an incentive compensation, commission or bonus program that was in force on the Change of Control Date.

4.4 Severance Payment. A Participant who is entitled to receive a Severance Payment pursuant to Section 4.1 hereof shall receive from the Company, by a lump sum cash disbursement in United States currency delivered within sixty days after the date of the termination of the Participant's Employment, the present value of the aggregate amount described below in this Section 4.4, as determined by applying the discount rate specified in Section 280G of the Code.

(a) The "Severance Period" for a Participant who was an Officer shall be twelve months, plus one month for each full two-month period (if any) in which the Participant was employed by the Company and/or any Subsidiary in excess of one year prior to his or her Employment termination, provided, however, that the Severance Period shall in no event exceed thirty-six months. If the Participant was a Key Employee, the "Severance Period" for such Participant shall be four months, plus one month for each full four-month period, if any, in which Participant was employed by the Company and/or any Subsidiary in excess of one year prior to his or her Employment termination, provided, however, that the Severance Period shall in no event exceed twenty-four months. If the Participant was a Domestic Employee, the "Severance Period" for such Participant shall be two months, plus one month for each full six-month period (if any) in which the Participant was employed by the Company and/or any Subsidiary in excess of one year prior to his or her Employment termination, provided, however, that the Severance Period shall in no event exceed twenty-four months.

(b) If the Participant was an Officer, his or her Severance Payment shall equal the sum of:

(i) The Participant's monthly Base Salary as of the day immediately preceding the Change of Control Date or as of the date of his or her Employment termination, whichever is greater, multiplied by the number of months in the Participant's Severance Period; and

(ii) The average bonus or average commissions, expressed on a monthly basis, received by the Participant from the company and/or any Subsidiary with respect to (x) the two fiscal years immediately preceding the year in which the Change of Control occurs or, (y) the two fiscal years immediately preceding the year in which his or her Employment terminates, whichever averaged amount is greater, multiplied by the number of months in the Participant's Severance Period.

(c) If the Participant was a Domestic Employee or a Key Employee, his or her Severance Payment shall equal the Participant's monthly Base Salary plus the Participant's monthly draw against commissions, if any, as of the day immediately preceding the Change of Control Date or as of the date of his or her Employment termination, whichever is greater, multiplied by the number of months in the Participant's Severance Period.

4.5 Severance Benefits. A Participant who is entitled to receive Severance Benefits pursuant to Section 4.1 hereof shall receive the following benefits:

(a) The Participant (together with his or her eligible dependents and spouse) shall continue to receive from the Company and at the Company's expense, for a number of months immediately following the termination of his or her Employment equal to the number of months in the Severance Period, all benefits under any health and welfare plans and life and disability insurance plans and policies which such Participant and his or her dependents and spouse would have been eligible to receive had the Participant's Employment continued for the Severance Period. If any of the plans or policies governing such benefits do not permit such benefits to be provided to the Participants (or his or her eligible dependents and spouse) as a result of the termination of the Participant's Employment, the Company shall, at its expense, provide benefits of comparable value to the Participant (including such dependents and spouse). Providing benefits of comparable value does not include an obligation to provide benefits affording comparable tax treatment.

(b) If the Participant was an Officer, the Participant shall receive, for the duration of the Severance Period, the continued accrual of all retirement benefits (including, without limitation, years of service) under any pension plan(s) applicable to the Participant as of the date of the termination of his or her Employment based upon the

assumption that the Participant continued throughout the Severance Period to receive his or her Base Salary in effect as of the day immediately preceding the Change of Control Date or as of the date of his or her Employment termination, whichever is greater. If such accrual is not permitted by the terms of such plan(s), the Company shall comply with the provisions of Section 4.5(a) hereof regarding the furnishing to such Participant of comparable benefits.

4.6 Termination of Employment in Anticipation of a Change of Control. Notwithstanding anything to the contrary in the Plan, if the Committee determines that a Participant's Employment was involuntarily terminated without Cause, or by reason of a Constructive Termination, prior to a Change of Control but in anticipation of such subsequent, Change of Control (whether or not such termination is at the specific request of the Acquiring Persons or any Affiliate or Associate thereof), such terminated Participant shall be entitled to receive a Severance Payment and Severance Benefits pursuant to the terms and conditions of this Article 4, provided that (a) the Severance Payment shall be due within sixty days after the Change of Control Date, (b) Severance Benefits shall begin immediately following the Change of Control Date, (c) the amount of such Severance Payment and Severance Benefits and the length of the Participant's Severance Period shall be based upon the period of his or her actual Employment prior to the Change of Control, and (d) the offset provisions described in Section 4.7 hereof shall apply to the Severance Period beginning immediately following the Change of Control Date.

4.7 Mitigation and Offset. A Participant who is entitled to a Severance Payment and Severance Benefits shall have no duty to seek other employment or to become self-employed. If, however, the Participant subsequently obtains other employment, any health and welfare or insurance-type benefits received by the Participant during or with respect to such Participant's Severance Period following the termination of his or her Employment and attributable to services rendered by the Participant to a person other than the Company or any subsidiary during such period shall be applied to reduce the Company's obligation to provide Severance Benefits hereunder. It shall be a condition to the Company's obligation to provide such Severance Benefits to a terminated Participant that such terminated Participant shall keep the Company advised of the status of his or her employment during the Severance Period and of the amount of such benefits received by him or her during or with respect to such period. No salary, cash bonuses, grants of stock, pension benefits or other compensation received by the Participant during the Severance Period as a result of such subsequent employment or self-employment shall be applied to reduce the Company's obligation to make the Severance Payment to the Participant.

4.8 Section 280G Limitation. If, in the opinion of the Company's independent public accountants, any payment or benefit received or to be received by a Participant in connection with a Change of Control (whether pursuant to the Plan or any other plan or agreement to which the Participant is a beneficiary) would not be deductible for federal income tax purposes, in whole or in part, by the Company or any other Person making such payment or providing such benefit by reason of Section 280G of the Code, the aggregate such payments and benefits to be provided to the Participant shall be reduced (with the Severance Payment and Severance Benefits provided by the Plan being the first reduced) to the minimum extent necessary so that no portion of such aggregate payments and benefits is not deductible by reason of Section 280G of the Code. For purposes of the foregoing provision, (a) the value of any non-cash benefits or any deferred or contingent payment or benefit shall be determined in accordance with the principles of Section 280G of the Code, (b) no payment or benefit not constituting, in the opinion of such accountants, a "parachute payment" within the meaning of Section 280G of the Code shall be included in determining the aggregate amount of such payments and benefits, and (c) no payment or benefit, the receipt or enjoyment of which has been waived in writing by the Participant, shall be included in determining the aggregate amount of such payments and benefits.

4.9 Source of Payments. All amounts paid by the Company in connection with the Plan (including, without limitation, Severance Payments and payments regarding Severance Benefits) shall be made from the general assets of the Company.

4.10 Other Plans and Agreements. The terms and conditions of the Plan shall not affect a Participant's right to receive any other compensation or benefits provided for in any other plan or agreement to which such Participant may be a party or as to which such Participant may be a beneficiary.

ARTICLE 5 GENERAL PROVISIONS

5.1 Successors and Assigns. The Plan shall be binding upon, and shall benefit, the successors and assigns of the Company and the Participants. Without limiting the generality of the foregoing, any successor-in-interest to the Company (including, without limitation, any Person into which the Company may merge and any Person who employs all or substantially all of the employees of the Company and its Subsidiaries in connection with the acquisition of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole) shall assume all of the obligations of the Company under the Plan. Furthermore, if a Participant dies prior to receiving any

Severance Payment to which he or she is entitled, such payment shall be made to the Participant's estate or legal representative.

5.2 No Other Rights. Neither the adoption or maintenance of the Plan nor anything contained herein shall, with respect to any present or former employee of the Company or any Subsidiary, be deemed to create any contract or other right or interest under the Plan or in any funds other than as specifically provided herein. Without limiting the generality of the foregoing, neither the adoption or maintenance of the Plan nor anything contained herein shall, with respect to any Participant, be deemed to constitute an assurance of continued employment and, in the absence of a written employment agreement to the contrary, any Participant's employment may be terminated "at will".

5.3 Governing Laws; Enforcement of the Plan. The Plan shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California. Participants, the Committee and the Company shall each be entitled to bring a legal action to enforce the Plan. The unsuccessful party to any such action shall pay to the successful party all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred therein by the successful party.

5.4 Amendment and Termination of the Plan.

(a) During the initial four years of the Term of this Plan (the "Initial Period") and during any extension beyond the Initial Period (an "Extended Period"), no changes or amendments may be made to the Plan which would be adverse to the interests of Participants except as provided below. Unless so amended, the Plan shall remain in effect for the full Term.

(b) During a period of ninety days (the "Amendment Period") just prior to the end of the Initial Period and just prior to the end of any Extended Period, the Board may make such amendments as it may desire to the Plan, including termination of it, provided, however, that no amendment or termination adverse to the interests of Participants shall be adopted during such period(s) if a Change of Control has occurred or is imminent, threatened or under consideration by the Board.

(c) The Plan shall automatically be extended for an additional two-year period at the end of the Initial Period and at the end of each Extended Period until such time as the Term has expired unless the Plan has been terminated or has been amended as herein provided in a manner which would change such extension period.

IN WITNESS WHEREOF, the Company has caused the Plan to be adopted and to become effective as of January 18, 1990.

WESTERN DIGITAL CORPORATION

By CHARLES A. HAGGERTY

Its Chairman, President & CEO

By ROBERT L. ERICKSON

Its Vice President, Law and Secretary

EXHIBIT 10.14

SUMMARY DESCRIPTION
OF
WESTERN DIGITAL CORPORATION
MANAGEMENT INCENTIVE COMPENSATION PLAN

Pursuant to this plan (which is reviewed and approved annually), officers and certain other key employees above a designated grade level are eligible to receive cash bonuses based on specified performance goals in the areas of profitability, linearity of shipments and quality. For fiscal 1995, executive officers can earn bonuses of up to 100% of their base pay (up to 140% for the Chief Executive Officer). Payouts are keyed to a sliding scale based on predetermined target levels for the applicable performance goal. The aggregate of all payments made under this plan are not to exceed ten percent of pretax operating profit for the applicable fiscal year.

WAFER AND DIE PURCHASE CONTRACT

Effective as of July 18, 1994

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WAFER AND DIE PURCHASE CONTRACT

This WAFER AND DIE PURCHASE CONTRACT (this "Contract") is entered into effective as of July 18, 1994 (the "Effective Date"), by and between American Microsystems, Inc. having a place of business at 2300 Buckskin Road, Pocatello, Idaho 83201 ("AMI"), and Western Digital Corporation, a Delaware corporation having a place of business at 8105 Irvine Center Drive, Irvine, California ("WDC"). AMI and WDC are hereinafter collectively referred to as the "Parties."

RECITALS:

A. WDC designs, develops, makes or has made, markets, and sells various computer-related products including but not limited to complementary symmetry metal oxide semiconductor ("CMOS") integrated-circuit chips embodying WDC-originated designs ("WDC Proprietary Chips").

B. WDC owns intellectual property rights relating to the WDC Proprietary Chips.

C. WDC wants to ensure it can, on a long-term basis, buy mutually agreed-upon quantities of the wafers it needs to complete the assembly and final test of those WDC Proprietary Chips. WDC wants to cooperate with AMI during a "Qualification Phase" hereunder to qualify AMI as a vendor of wafers, and also to assess AMI's design support capability. Subject to AMI's becoming qualified and subject to satisfactory assessment of AMI's design support capability, WDC is willing to commit to buying a major portion of its requirements from AMI during a "Production Phase" hereunder.

D. AMI is in the process of developing wafer fabrication and probe testing capacity which AMI will want to keep loaded on a long-term basis. Subject to the successful installation and qualification of such capacity, and subject to the terms and conditions hereof, AMI is willing to commit, during the Production Phase, to allocate capacity sufficient to meet mutually agreed-upon wafer supply quantities for WDC.

E. The Parties want to cooperate during the Qualification Phase to utilize software tools collectively referred to herein as "AMI's Design System" to define the detailed design of certain of WDC's Proprietary Chips in forms involving cell designs within AMI's now-existing library of such cells ("Standard Cells") and involving other cells specially developed by AMI for WDC ("Custom Cells") under terms and conditions set forth in Exhibit F attached hereto. The Parties also want to provide for the grant of a license from AMI to WDC and the terms and conditions thereof, which license shall provide WDC with rights to make and have made these certain chips embodying such cells and any other

such chips hereafter designed utilizing AMI's Design System to involve such cell designs from AMI's library.

NOW, THEREFORE, in view of the foregoing recitals, and in consideration of, and subject to, the representations, conditions and covenants herein, the Parties agree as follows:

1. DEFINITIONS:

The definitions set forth in this Article 1 shall apply to the corresponding words and phrases set forth with initial capitalization in this Contract, whether used in the singular or the plural.

1.1 "D(0)" shall have the meaning given to it in Exhibit C.

1.2 "Demand Shortfall" shall mean, with respect to an AMI fiscal month during the Production Phase in which WDC requests via Weekly Releases for the month, less than * of the Monthly Run Rate, a number of units determined by computing the product * and the Monthly Run Rate and subtracting therefrom the number of Equivalent Wafers WDC requested for the month.

1.3 "Device" shall mean a die that is identified by a WDC manufacturing device code, regardless of whether or not the die has been separated from a Wafer.

1.4 "Die" shall mean an individual integrated-circuit in Wafer form.

1.5 "Die Price" shall have the meaning set forth in Section 5.3.

1.6 "Die Specifications" shall mean, for each respective Device, the specifications the Parties designate pursuant to Section 2.2 (which may include, but are not necessarily limited to, the database tape, probe program, and applicable process, MAP and visual information).

1.7 "Estimated die per Wafer" and its abbreviation "ED/W" shall have, with respect to Wafers having a reduced wafer price and with respect to Ordered Die ordered for delivery during each standard die pricing phase, the same meaning as the term "Net D/W" (set forth in Exhibit C attached hereto as a function of D(0) at the applicable D(0) (the applicable D(0) depends upon the quarter in which the Wafer is ordered for delivery), and shall have, with respect to Ordered Die ordered for delivery during each experience-based die pricing phase, the meaning set forth in Section 5.5.

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1.8 "Equivalent Wafer" shall mean, with respect to a number of Wafers to be purchased and sold under this Contract, either a DLM Wafer or 1.25 times a TLM Wafer.

1.9 "Lot" shall mean a group of Wafers (each Wafer containing a quantity of Devices) which are processed as a group. Each Lot will be assigned a specific alpha/numeric identification that distinguishes it from any other Lot.

1.10 "Lot Size" shall mean the number of Wafer Starts in a lot. For an Engineering lot, the Lot Size shall be variable, upon mutual agreement, from five (5) to twenty-five (25) wafer starts. For a production run, the Lot Size shall be twenty-five (25) wafer starts.

1.11 "Monthly Run Rate" shall mean, with respect to each AMI fiscal month during the Production Phase, the number of Equivalent Wafer starts determined by multiplying the Weekly Run Rate by the number of weeks in AMI's fiscal month.

1.12 "New Device" shall mean, with respect to a Device that has entered a Die-pricing phase, a Device having an all mask level change; thus, if WDC revises a Device in a way that affects one or more masks, the revised Device shall not be a New Device unless the die size changes.

1.13 "Ordered Die" shall mean Die ordered as such, whether in a Weekly Release or a change order thereto (Ordered Die shall be priced either as standard-priced die or experienced-priced die).

1.14 "Ordered Wafers" shall mean Wafers ordered as such, whether in a the group of the first 5000 Wafers (whether the 5000 Wafers consist of TLM Wafers or are a mix of TLM or DLM Wafers) or otherwise (Ordered Wafers shall be priced as either as standard-priced Wafers or reduced-priced Wafers).

1.15 "Products" shall mean any product WDC orders in a Weekly Release accepted by AMI in writing pursuant to Section 1.22 under this Contract, whether ordered as Die or as Wafers.

1.16 "Supply Shortfall" shall mean, with respect to an AMI fiscal month in which AMI accepts via accepted Weekly Releases for the month, a number of Equivalent Wafers less than a "Supply Floor" equal to the lesser of: (a) * of the Monthly Run Rate, or (b) the sum of: (1) the number of Equivalent Wafer starts WDC requests for each week in the month in which WDC requests less than * of the Weekly Run Rate, and (2) * of the Weekly Run Rate for all other weeks in the month, and shall be determined by subtracting the number of Equivalent Wafers AMI accepted for the month from the Supply Floor.

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1.17 "Unprobed Wafer Price" and "UWP" shall mean, with respect to each quarter hereunder and with respect to DLM Wafers and TLM Wafers, respectively, the prices set forth in Exhibit A in the lines headed "PRICE (UWP)" and entitled "DLM" and "TLM," respectively, or such other price as may result from any amendment the Parties may hereafter agree upon in writing.

1.18 "Wafer" shall mean any 5" Wafer that AMI shall fabricate for WDC pursuant to this Contract; AMI shall backgrind every Wafer before delivery to WDC.

1.19 "Wafer Specifications" shall mean, for each respective Device, the specifications the Parties designate pursuant to Section 2.2.

1.20 "Weekly Acceptance" shall mean a written acceptance by AMI of a Weekly Release under this Contract.

1.21 "Weekly Demand Shortfall" shall mean, with respect to any week during the Production Phase in which WDC requests via a Weekly Release for the week, a number of Equivalent Wafer starts less than * of the Weekly Run Rate, a number of units determined by computing the product of * and the Weekly Run Rate and subtracting therefrom the number of Equivalent Wafers WDC requested for the week.

1.22 "Weekly Release" shall mean a written purchase order placed by WDC under this Contract.

1.23 "Weekly Run Rate" shall mean, with respect to each quarter during the Production Phase, the number of Wafer starts set forth in Exhibit A in the line entitled "DLM (WSPW)" or such modified number as may result from any Ramp-down notice or from any amendment the Parties may hereafter agree upon in writing.

2. QUALIFICATION PHASE; CONDITIONS PRECEDENT TO, AND INCENTIVES TO REACH, PRODUCTION PHASE

2.1 During the Qualification Phase, the Parties shall cooperate in good faith to determine as soon as possible whether AMI's wafer fabrication processes and quality control procedures are compatible with WDC's needs. The Qualification Phase commences on the Effective Date and will expire either upon the commencement date of a Production Phase of this Contract or upon the termination date of this Contract. The commencement date of the Production Phase, if any, shall be the date the Parties hereafter agree upon in writing based upon the Parties' agreement that the tasks set forth in this Article have been successfully completed. This Contract terminates for failure of qualification without liability to either Party (other than for a breach of the duties of good faith performance of the tasks set forth in this

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Article) either on March 31, 1995, or, if both Parties deem it desirable to extend the maximum duration of the Qualification Phase, on such later date that the Parties hereafter agree upon in writing.

2.2 The Parties shall confer to compare WDC's standard wafer and die specifications (a list of which is attached hereto as Exhibit E) with AMI's standard wafer and die specifications (AMI Document No. 5501010), and in good faith resolve all differences between such specifications and agree upon in writing a Die Specification and a Wafer Specification that shall govern during the Production Phase.

2.3 AMI shall exercise good faith efforts to expand its wafer fabrication capacity by installing fabrication and test equipment it deems necessary to enable it to manufacture probed Wafers for WDC in the quantities specified in Exhibit A. AMI shall keep WDC fully informed concerning AMI's progress on this task, and shall give WDC prompt notice of any information that indicates the possibility of a material delay in its ability to, or any inability to, obtain, install, and qualify such equipment. If, for any reason beyond AMI's control, AMI is unable to obtain and install such equipment in sufficient time to meet scheduled ramp-up of production, AMI may request WDC to extend the maximum duration of the Qualification Phase, which request shall not be unreasonably refused.

2.4 At no charge to WDC, AMI shall:

- (a) Start fifty (50) Wafers (in two independent Lots) to produce Die embodying AMI's standard evaluation circuit, and complete the manufacture, including packaging, of such Die;
- (b) Test such packaged Die in accordance with test procedures set forth in a memorandum dated June 16, 1994, and captioned "Qualification Plan for AMI CW (0.8 micron) Diffusion Process," (the "Qual memo") a copy of which is included in Exhibit E attached hereto; and
- (c) Disclose all such test results in writing to WDC.

2.5 At WDC's cost in the amount set forth in this section, AMI shall:

- (a) Start twenty-five (25) Wafers to produce Die embodying a Device that WDC shall designate as a "Qualification Device," and AMI shall complete the fabrication of these Wafers;
- (b) AMI shall test each of these Wafers in accordance with AMI's customary wafer-test standards (the "MAP test"), and shall deliver to WDC these Wafers, and written test results on a by-wafer basis setting forth normal

parametric data and a certification for each Wafer that complies with AMI's customary wafer-test standards. Within thirty (30) days after delivery of these Wafers and the written test results and AMI's invoice therefor, *

2.6 On reasonable notice and during regular working hours, AMI shall afford all persons designated by WDC who have agreed to be bound by appropriate confidentiality agreements and security arrangements to have access to all facilities AMI uses, whether its own or those of a subcontractor, to manufacture Wafers (including test) for all purposes relating to qualification of manufacturing operations. Promptly after the Effective Date, the Parties shall negotiate in good faith an agreement containing reciprocal indemnity clauses with respect to any personal injury or property damage caused by or to a Party's employee during a visit to the other Party's facility.

2.7 The Parties shall cooperate in good faith in joint efforts to derive from existing designs of two WDC Proprietary Chips compatible designs suitable for fabrication in AMI's process. These two WDC Proprietary Chips, as designed for compatibility with AMI's process, are referred to herein as "Candidate Production Chips." As of the Effective Date, WDC expects to designate its "Horizon" and "Enterprise" chips as the Candidate Production Chips. WDC may substitute one or two other chips at any time during the Qualification Phase, provided that doing so does not create unreasonable additional work or expense for or unreasonable additional burden on AMI. The joint efforts required under this Section include reasonable engineering support provided by both Parties to develop appropriate probe tests, test cards, and any other materials or processes reasonably required to complete the manufacture and testing of prototype runs of the Candidate Production Chips. Exhibit F attached hereto sets forth the general nature of the activities to be undertaken, briefly describes certain deliverables, and sets forth the compensation WDC shall pay to AMI. WDC has heretofore issued a purchase order in the amount of ** to get these activities started. If the scope of the work to be undertaken by AMI materially changes, the Parties shall negotiate in good faith to determine additional terms, including but not limited to more compensation to AMI, governing these activities.

2.8 At no charge to WDC, AMI shall:
(a) Start fifty (50) Wafers (in two independent Lots) to produce Die embodying two Devices that WDC shall designate, and AMI shall complete the fabrication of

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such Wafers, and at WDC's request shall complete the manufacture including packaging of a reasonable number of such Die;

- (b) Test such packaged Die in accordance with the "Qual memo," a copy of which is included in Exhibit E attached hereto; and
- (c) Deliver to WDC these Wafers and packaged Die, and written test results on a by-wafer and by-die basis.

2.9 The following table sets forth incentive payments WDC shall make to AMI conditioned upon meeting the various possible dates for Qualification Complete (see Section 2.1) and for R1 Release Status (see the document identified as RL000100 Rev J0 listed in Exhibit E) for the two Candidate Production Chips:

*

2.10 The Parties' best estimate, as of the Effective Date, for the schedule of milestones leading up to the R1 releases is set forth in Exhibit G. The Parties shall confer regularly (not less than once per week) during the Qualification Phase and agree upon updates to the schedule of milestones. If but for delays caused by WDC, AMI would have been able to meet any given target date for an incentive payment under Section 2.9, and if AMI has given prompt notice to WDC of the fact that WDC is causing such delay, WDC shall make the incentive payment provided that AMI satisfies the incentive conditions by a revised target date that is later than the original target date by the amount of the delay WDC caused.

2.11 AMI acknowledges and understands that there will highly likely be a need for repeatedly changing probe tests during the Qualification Phase, and that such test changes will not affect pricing during the Qualification Phase.

3. PRODUCTION PHASE CAPACITY AND PURCHASE COMMITMENTS

3.1 Subject to the ramp-down provisions of Section 8.1, the force majeure provisions of Section 10.5, and the "make-or-pay" provisions of this Article 3, AMI commits to provide sufficient capacity during the Production Phase to fabricate, probe and sell to WDC all Products ordered by WDC in conformance with this Contract. AMI's commitment to provide capacity is limited to the quantities set forth in Exhibit A attached hereto.

3.2 Subject to the ramp-down provisions of Section 8.2, the force majeure provisions of Section 10.5, and the "take-or-pay" provisions of this Article 3, WDC commits to buy Products during the Production Phase in the quantities set forth in Exhibit A attached hereto.

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3.3 (a) If in any AMI fiscal month during the Production Phase a Demand Shortfall occurs, WDC shall owe AMI a Demand Shortfall payment determined as follows:

$$\text{Payment} = \text{UWP} * 0.7 * \text{Demand Shortfall}$$

(b) If in any AMI fiscal month during the Production Phase a Supply Shortfall occurs, AMI shall owe WDC a Supply Shortfall payment determined as follows:

$$\text{Payment} = \text{UWP} * 0.7 * \text{Supply Shortfall}$$

(c) If in any week during the Production Phase a Weekly Demand Shortfall occurs, WDC shall immediately owe AMI a Weekly Demand Shortfall payment determined as follows:

$$\text{Payment} = \text{UWP} * \text{Weekly Demand Shortfall}$$

(To avoid double liability, for the purpose of determining whether a Demand Shortfall has occurred, WDC shall be deemed to have requested * of the Weekly Run Rate by virtue of having become obligated under this Subsection.)

(d) The Parties shall reconcile any and all shortfalls on a quarterly basis; i.e., within two weeks after the close of each AMI fiscal quarter during the Production Phase, the Parties shall confer and agree upon the net amount, if any, either Party owes the other Party as a shortfall payment, and such other Party may forthwith submit an invoice to the owing Party in such net amount, and the owing Party shall pay the other Party the amount due within thirty (30) days of such invoice.

With respect to any period in which WDC causes a Demand Shortfall, if actual average Die per wafer for Wafers started during such period are lower than the estimated Die per wafer, the Parties shall negotiate in good faith for a reduction or elimination of any WDC "take- or-pay" payment obligation.

3.4 If during the Term hereof, WDC foresees a possible need to exercise its right under the license granted to it in Section 18.8 to have made any integrated circuit that either has been designed using AMI's Design System or embodies any AMI Standard Cell, or both, (the Subject Chip") WDC shall give AMI written notice and the Parties shall negotiate in good faith to define terms and conditions under which AMI will offer to provide the foundry capacity to make the Subject Chip for WDC. If notwithstanding such negotiations WDC continues to foresee a possible need to exercise such right, and WDC receives an offer

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from another foundry, WDC shall give written notice to AMI and offer AMI the opportunity to match any other foundry's offer and, if AMI requests different terms or conditions, shall negotiate in good faith in an effort to define equivalent terms and conditions upon which AMI can offer a competitive bid. WDC's duty to negotiate on such matter shall expire 14 days from the date of the written notice. If WDC exercises its right under the license granted to it in Section 18.8 to make or have made any Subject Chip, WDC shall continue to be bound by the "take- or-pay" provisions of this Article.

3.5 Each Party shall exercise good faith efforts to make up for any shortfall in supply or demand to eliminate reconciliation payments. These efforts may include but are not limited to WDC requesting build aheads of alternative Devices if reduction in demand for any Device causes demand to fall into a shortfall situation, or AMI may try to build ahead for other customers in the event of a Demand Shortfall from WDC.

In the event of a Demand Shortfall, or Supply Shortfall, AMI will make a good faith effort to provide upside capacity (when available at AMI's discretion) of up to * above the Weekly Run Rate in order to facilitate recovery from the shortfall situation.

4. PRICING PHASES FOR PRODUCT ORDERING: UNPROBED WAFERS, PROBED WAFERS, AND DIE

4.1 For every Device to be purchased hereunder during the Production Phase, there shall be, in the following sequence:

- (a) a wafer-pricing phase;
- (b) a standard die-pricing phase; and
- (c) an experience-based die-pricing phase.

4.2 The term "transition date" is used herein, with respect to each Device, to mean the date the Device enters the standard die pricing phase. Each experience-based die-pricing phase starts at the beginning of the quarter that begins at least 90 days after the transition date.

4.3 All of the first * Wafers (whether the * Wafers consist of TLM Wafers or are a mix of TLM or DLM Wafers) WDC orders under this Contract, shall be Ordered Wafers, i.e., priced as Wafers in accord with the provisions of Section 5.2. In addition to such first * Wafers, WDC may order other Wafers as such under this Contract (i.e., other than when WDC may order Die pursuant to Section 4.4), and all such ordered Wafers shall be priced as Wafers in accord with the provisions of Section 5.2.

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4.4 After having ordered such first * Wafers, WDC may order product as Ordered Die as follows:

- (a) for any Device that does not embody any of AMI's standard cells, only after such Device has both passed the 4-corner test described in Exhibit B attached hereto and been the subject of prior orders of 500 wafers;
- (b) for any Device that embodies any of AMI's standard cells, and embodies one or more custom cells (these being the cells developed for WDC under the separate agreement referred to in the Recitals), only after either (1) such Device has passed the 4-corner test described in Exhibit B attached hereto, or (2) upon the agreement of the Parties;
- (c) for any Device designed exclusively with AMI standard cells, at the discretion of WDC upon notice to AMI.

4.5 WDC may order a reasonable number of unprobed wafers (to be paid for at the agreed-upon unprobed Wafer price, i.e., the UWP set forth in Exhibit A); for example, in connection with engineering or other special activities.

4.6 WDC shall make an incentive payment of * to AMI conditioned upon AMI's achievement of a D(0) less than * as demonstrated by the average die per Wafer for the last thousand Wafers (whether such Wafers consist of TLM Wafers or are a mix of TLM or DLM Wafers) of the first * Wafers (i.e., * through *) completed hereunder.

4.7 Upon request of either Party at any time during the Term hereof, the Parties shall negotiate in good faith in light of then-existing circumstances to amend this Contract to provide additional capacity and purchase commitments, access to improved processes including any sub 0.8 micron process, and such other amendments as seem mutually desirable in light of then-existing circumstances.

5. PRICES

5.1 The prices for all Products under this Contract shall be as set forth in this Article.

5.2 The price for every Ordered Wafer shall be determined as follows:

- (a) for each Wafer in a single Lot, if the average number of good (i.e., passes probe test) Die per Wafer in the

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Lot is greater than 50% of the applicable Net D/W (set forth in Exhibit C attached hereto as a function of D(θ)) at the applicable D(θ) (the applicable D(θ) depends upon the quarter in which the Wafer is ordered for delivery), then the Wafer Price ("WP") shall equal the sum of the Unprobed Wafer Price ("UWP") which varies by quarter as set forth in Exhibit A, the Wafer Probe Charge ("WPC") which is set forth in Exhibit A, and the Wafer Backgrind Charge ("WBC") which is set forth in Exhibit A, and any Applicable Adder Charge ("AAC") of the kind set forth in Exhibit A, i.e.:

$$WP = UWP + WPC + WBC + AAC$$

- (b) if the number of good Die on a particular Wafer is less than 20% of the applicable Net D/W at the applicable D(θ), the Wafer shall be at WDC's option, either scrapped at no charge to WDC, or sold to WDC at a Reduced Wafer Price ("RWP") determined as follows:

$$RWP = 2*(Die Price)* (number of good die)$$

- (c) for each Wafer in a single Lot, if the average number of good Die per Wafer in the Lot is greater than 20% of the applicable Net D/W at the applicable D(θ), but less than 50% of the applicable Net D/W at the applicable D(θ), then the Reduced Wafer Price ("RWP") shall be determined as follows:

$$RWP = 2*(Die Price)* (number of good die)$$

*

5.3 The price for every Ordered Die shall be determined by dividing the sum of the Unprobed Wafer price ("UWP") and the Wafer probing charge ("WPC") and the Wafer backgrind charge ("WBC") and any Applicable Adder Charge ("AAC") by the number of die estimated to yield good for a Wafer in the phase in which the Die is ordered for delivery; i.e.:

$$\text{Die Price} = \frac{UWP + WPC + WBC + AAC}{ED/W}$$

5.4 The estimated die per wafer (ED/W) applicable to pricing of Die ordered for delivery during the standard die pricing phase shall be determined in accord with a selected one of the two tables set forth in Exhibit C attached hereto which relates die size to standard estimated die per wafer ("the Baseline Yield"); the first table * shall be applicable for standard die pricing for the ninety (90) days immediately following the ordering of the last of the first * Wafers, and the second table * shall be applicable for standard die pricing thereafter.

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5.5 The estimated die per wafer (ED/W) applicable to pricing of Die ordered for delivery during any experience-based die pricing phase shall be set equal to the higher of: the Baseline Yield or the average number of good die per wafer for Wafers probed for delivery during the last ninety (90) days of the preceding die-pricing phase.

5.6 If a test change requested by WDC affects the average number of good Die per Wafer for a particular Device in the experience-based die-pricing phase, the Parties in good faith shall negotiate a new ED/W figure for the purpose of adjusting the price paid and/or to be paid for Die manufactured after implementation of the test change.

6. STANDARD ORDERING INTERVALS

6.1 The standard lead times from AMI's acceptance of a WDC purchase order for a particular Device to shipment by AMI of completed Products in response to such accepted purchase order are set forth in Exhibit A attached hereto.

6.2 The following table sets forth incentive payments WDC shall make to AMI conditioned upon AMI's meeting the following dates for improved Standard Lead Times for TLM (i.e., the total time between ordering and delivery date which includes the fab time (including polyimide time), probe time, and backgrind time):

*

6.3 During any month during the Production Phase, provided that WDC has ordered not less than 2000 Wafers per month for each of the immediately preceding two months, AMI shall, free of any lot expedite charge, upon WDC's request, start up to one priority (not hot hand carry) lot per month, subject to a cap of two such priority lots in process at a time. For any additional priority lots and all hot hand carry lots WDC requests, WDC shall pay AMI the lot expedite charges set forth in Exhibit A.

7. FORECASTING

7.1 During the Term hereof, WDC shall deliver to AMI, during the first calendar week of each calendar month, a non-binding monthly forecast setting forth, by technology, by calendar month, for the six-month period starting with the current month, WDC's forecasted demand for Wafers under this Contract.

7.2 Within seven days after WDC delivers each such monthly forecast, the Parties shall confer in good faith to reach

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agreement on a monthly forecast that AMI and WDC accept for capacity planning purposes.

7.3 AMI sometimes has plant shutdowns during certain periods of time during the calendar year. During such plant-shutdown periods, AMI will neither make any wafer starts nor deliver any Product. To the extent that such shutdowns entail potential shortfalls for WDC, the Parties shall cooperate in good faith to arrange for extra capacity for WDC during the weeks immediately before and/or immediately after such plant shutdowns.

8. RAMP-DOWN PROVISIONS

8.1 At any time during the Term hereof, AMI may in its sole and absolute discretion give WDC written notice (a "Capacity Ramp-down Notice") setting forth AMI's decision to ramp down the wafer start capacity to be reserved for WDC. After AMI gives the Capacity Ramp-down Notice, the wafer start capacity to be reserved for WDC may be reduced by AMI as follows (subject to any cancellation of ramp-down or variances thereto, in any magnitude and in either direction, upon which the Parties may separately agree in writing):

- Up to * days after notice: * reduction from the Weekly Run Rate;
Run
- * days after notice: * reduction from immediately prior level;
- * days after notice: * reduction from immediately prior level;
- * days after notice: * reduction from immediately prior level;
- * or more days after notice: * CAPACITY.

8.2 At any time during the Term hereof, WDC may in its sole and absolute discretion give AMI written notice (a "Demand Ramp-down Notice") setting forth WDC's decision to ramp down the demand to be committed to AMI. After WDC gives the Demand Ramp-down Notice, the wafer start capacity to be reserved for WDC may be reduced by AMI as follows (subject to any cancellation of ramp-down or variances thereto, in any magnitude and in either direction, upon which the Parties may separately agree in writing):

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Up to * days after notice: * reduction from the Weekly Run Rate;
 * days after notice: * reduction from immediately prior level;
 * days after notice: * reduction from immediately prior level;
 * days after notice: * reduction from immediately prior level;
 * or more days after notice: * CAPACITY

9. PRODUCT PURCHASE ORDERS AND ACCEPTANCES

9.1 WDC will issue to AMI at the beginning of each quarter a nonbinding three (3) month "Blanket Purchase Order" setting forth WDC's purchase quantities, by technology, for such three (3) month period.

9.1 Beginning with the first week of the Production Phase, on Monday of each week by 12 o'clock noon MST or MDT, as applicable (or the next business day thereafter in case of a holiday) during the Term hereof, WDC shall deliver to AMI a Weekly Release. Every Weekly Release shall contain, by Device, the number of wafer starts in the appropriate multiple of Lot Size required to provide the ordered quantity of Die and/or Wafers.

9.2 The ordered quantity of Die and Wafers in each Weekly Release shall be calculated using updated and mutually agreed upon estimated Wafers per Lot and estimated Die per Wafer, which calculations will be performed on a monthly basis (similar to the method described in Exhibit C attached hereto).

9.3 Each calendar week, by the close of the first business day after delivery of the Weekly Release, the Parties shall confer to discuss it and mutually assure themselves that the Weekly Release conforms to the requirements of this Contract and is acceptable to AMI. Each Weekly Release that is received and is acceptable will be started in wafer fab at AMI within the week following the Monday in which the Weekly Release is received. Subject to the provisions of Article 10 below, each accepted Weekly Release shall be binding as to quantity, delivery date, and price.

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10. CHANGE ORDERS

10.1 WDC may issue change orders to any Weekly Release to increase the quantity of any Device that had been ordered hereunder, and AMI may accept such change order if AMI in its sole discretion determines that AMI can reasonably supply such increased number of Devices.

10.2 If AMI determines that it can temporarily increase its capacity commitment to WDC, AMI may offer increased capacity with respect to any Weekly Release to increase the quantity of any Device that had been ordered in a Weekly Release, and WDC shall increase its applicable Weekly Release provided that WDC can reasonably purchase such increased number of Devices.

10.3 WDC may issue change orders to any Weekly Release to decrease the quantity of any Device that had been ordered hereunder, and AMI shall accept such change order. If, as a result of such a change order, AMI has incurred costs associated with the material in process in the line at the time of such change order, then WDC shall compensate AMI in accord with the rules set forth in Exhibit D attached hereto.

10.4 At the beginning of each quarter in which any Device either enters experience-based die pricing, WDC may issue change orders to the Weekly Releases for each of the last 4 weeks of the preceding quarter, which change orders shall be based on the improved ED/W.

10.5 In no event will AMI be liable for any re-procurement costs, nor for delay or non-delivery, due to causes beyond its reasonable control, including, but not limited to, acts of God, acts of civil or military authority, governmental priorities, fires, strikes, lockouts, slow-downs, shortages, factory or labor conditions, process or yield problems demonstrated to be outside AMI's control, or inability due to causes beyond AMI's reasonable control to obtain necessary labor, materials or fabrication/test facilities. In the event of any such delay, the date of delivery shall, at the request of AMI, be deferred for a period equal to the time lost by reason of the delay. In the event that AMI's production is curtailed for any of the foregoing reasons so that AMI cannot deliver the full amount set forth in an accepted purchase order, AMI may allocate production deliveries among its various customers then under contract for similar goods. The allocation will be made in a commercially fair and reasonable manner. When allocation has been made, WDC will be notified of the estimated quota made available. If AMI determines that it cannot perform as a result of one of the causes described above, AMI will cooperate with WDC and will negotiate in good faith the reasonable terms and conditions upon which a second source of WDC's choice may receive technical information required for such second source to manufacture Devices for WDC. If AMI determines

that it is unable to deliver Devices to WDC as a result of any of the causes set forth in this subsection, WDC's take-or-pay obligation shall be suspended, and the parties in good faith shall negotiate and agree upon the terms and conditions for reinstating WDC's take-or-pay obligation.

10.6 WDC may issue change orders to initiate "fab holds," and AMI shall hold further production of all Wafers affected by each such change order. If any such Wafers are on fab hold for more than six weeks, AMI may submit an invoice to WDC requiring payment for the Wafers that are being held in an amount determined by the Work In Process methodology set forth in Exhibit D.

11. RECONCILIATIONS AND OTHER REPORTS

11.1 During the Term hereof, the Parties shall exercise good faith efforts to cooperate to maintain capacity-utilization and demand fulfillment records that are continually mutually verified for accuracy and completeness. It is expected that these records will be reviewed and verified at least monthly.

11.2 Such good faith efforts under Section 11.1 shall include weekly conferences between WDC's Reconciliation Representative (Ward Stark, or his successor) and AMI's Reconciliation Representative (Lisa Aleman, or her successor). If any such weekly conference reveals a Dispute as to the capacity-utilization records, then either Reconciliation Representative may initiate the dispute resolution process under Article 13 of this Contract.

11.3 AMI Report Requirements

Subject to AMI's security and confidentiality requirements, AMI shall provide WDC with information reasonably requested by WDC which is specific to WDC Devices and reasonably related to WDC's administration of this Contract including all reports and information as agreed upon between WDC and AMI personnel responsible for implementation of orders and deliveries under this Contract.

12. INVOICES AND PAYMENT TERMS

12.1 AMI shall render a sales invoice upon each shipment of Wafers to WDC. WDC shall pay every sales invoice AMI renders under this Contract within thirty (30) days from the date of the invoice. Each shipment shall constitute an independent transaction and WDC shall pay for same in accord with the specified payment terms.

12.2 As to all Devices purchased under this Contract which WDC believes to have a defect ("purportedly defective devices"), WDC may request AMI, which request must be submitted in writing, to provide a return material authorization ("RMA"), and WDC may send a sample of the purportedly defective devices with its request. AMI shall give WDC notice of whether AMI has accepted or rejected WDC's request for RMA no later than seven (7) calendar days (not including plant shutdowns) after the date of AMI's receipt of the written request. If AMI either accepts WDC's request or fails to give such notice on time, WDC may return all purportedly defective devices covered by the request, and may issue a debit memo for the full price of all purportedly defective devices returned. AMI shall, within a reasonable period after receipt of the purportedly defective devices and confirmation by AMI that such purportedly defective devices are, in fact, defective as a result of AMI's fabrication thereof, issue a credit memo for the full price thereof. If AMI determines the purportedly defective devices to be not defective: (a) if less than thirty (30) days have elapsed since AMI's receipt of the purportedly defective devices, AMI may give written notice to WDC of its determination and, if WDC concurs (which concurrence shall not unreasonably be withheld), may promptly reship them to WDC and again invoice WDC for the full price; if thirty (30) days or more have elapsed since AMI's receipt of the purportedly defective devices, AMI may request WDC to buy them at the full price, which request shall not unreasonably be rejected.

12.3 If AMI decides to recall any Product, AMI shall submit to WDC a written report setting forth every lot number involved in the recall. Also, AMI shall forthwith issue a credit memo for the full price (including shipping charges actually invoiced to WDC) of the recalled Product. If it is practical to do so (e.g., the Product has not been shipped as finished goods), WDC shall return the recalled Product to AMI. If AMI later determines that the recalled Product is good, AMI may request WDC to buy it at the full price, which request shall not be unreasonably rejected.

13. MANAGEMENT STRUCTURE

13.1 Upon execution of the Contract, each Party shall appoint an Operations Manager and a representative for an Executive Committee.

13.2 The Operations Managers shall have overall responsibility for monitoring performance and addressing any performance deficiencies under this Contract. The Operations Managers shall meet as often as necessary and shall respectively serve as each Party's chief coordinator to effect the purposes of this Contract and to address resolution of disputes hereunder. If any dispute is not resolved for whatever reason within ten (10) days from the

commencement of dispute, either Operations Manager may refer the dispute to the Executive Committee.

13.3 The Executive Committee shall meet by teleconference or in person, as often as either Party may reasonably request for the purpose of reviewing high level operational priorities and objectives related to this Contract and resolving any disputes that arises under this Contract that has not been resolved by the Operations Managers. If the Executive Committee is unable to resolve a dispute within fifteen (15) days after the initial request to resolve such dispute is received by the Executive Committee, then either Party may submit the matter for resolution as provided under Section 13.4 hereof.

13.4 This Contract shall be governed by and enforced in accordance with California law. Any controversy or claim arising out of or related to this Agreement, or any breach thereof, shall be settled by binding arbitration, conducted by a single mutually agreed-upon arbitrator in accordance with the rules then obtaining of the American Arbitration Association. Any such arbitration shall be conducted in either Pocatello, Idaho, or Irvine, California. Judgment upon the award rendered in any such arbitration may be entered in any state or federal court having jurisdiction thereof, and the parties submit to the jurisdiction of such court for the limited purpose of enforcement of any such judgment. Notwithstanding anything to the contrary which may now or hereafter be contained in the rules of the American Arbitration Association, the parties agree as follows: (i) each party will bear its own costs of arbitration, including attorneys' fees; (ii) the arbitrator will, upon the request of either party, issue a written opinion of his/her findings of fact and conclusions of law; and, (iii) upon receipt by the requesting party of a written opinion, such party will have the right within ten (10) days thereof to file with the arbitrator a motion to reconsider, and the arbitrator thereupon will reconsider the issues raised by said motion and either confirm or change his/her decision which will then be final and conclusive upon both parties hereto. The costs of such a motion for reconsideration and written opinion of the arbitrator will be borne by the moving party.

13.5 Notwithstanding anything to the contrary contained herein, and irrespective of the existence of any dispute between the parties, AMI shall, if commercially practicable, continue to provide to WDC, and WDC shall continue to make timely payment to AMI for, all products and services upon the terms and conditions hereof during the pendency of any such dispute.

14. SUPPORT

14.1 Each Party shall provide without charge all engineering support reasonably requested by the other Party to support initiation of AMI's fabrication of any Device under this Contract. Such reasonable engineering support includes, but is not limited to, that which is normally provided in a typical "foundry interface" by AMI, such as cooperative efforts to optimize process test variables by comparing test results in split wafer lot experiments, (provided that WDC pays AMI for such wafers), and by providing such test program information, Device design information, sensitivities of design to process variations or such other information as may be deemed helpful in assessing and eliminating process problems. All other unusual engineering support requested by WDC, such as, but not limited to, those design services normally provided, for charge, by AMI to customers of AMI's digital or mixed-signal ASIC business areas (such as cell modeling and design) will be subject to review of the individuals at WDC and AMI who are responsible for this Contract and may be subject to "consultancy charges" as mutually agreed upon by the Parties.

14.2 Subject to prior mutual agreement on payment of costs, experimental wafer lots or split lot experiments with respect to any Device may be processed, wafer probed, assembled into Devices and tested upon prior agreement between the functional engineering organizations of both Parties.

14.3 Any such experimental lots or experiments requested by one Party in writing shall be subject to the written approval by the other Party, which approval shall not be unreasonably delayed or withheld. Upon any such request and approval, AMI and WDC agree to share costs of such lots or experiments in a reasonable manner.

14.4 Each Party shall perform its respective tasks with respect to such lots or experiments in a timely and prudent manner and shall properly document results of the performance of such tasks and all engineering data with respect thereto. Any such results and data documented by one Party shall be communicated to the other Party in a timely manner and shall be supplemented, when deemed appropriate, with comparative control results or data with respect to such Device relating to wafer processing, final wafer probe, assembly yields, final device test and reliability operations.

15. WARRANTY

15.1 AMI warrants that Devices: have been processed according to AMI's established standard processing requirements for such Devices; materially conform to the mutually agreed-upon Wafer

Specification and the Die Specification; and are otherwise free from defects in material and workmanship at the time of shipment to WDC. This warranty does not apply to experimental or prototype Devices fabricated during prototype or experimental operations, or to any Device having a design-related error, or to any Device with respect to which subsequent investigation shows that the WDC-defined test software was deficient or otherwise defective at the time of final wafer probe of such Device at AMI's facility or to any Device if the process information, processing instructions, mask data, finished wafer inspection criteria, probe card information or any probe card with respect to any device code supplied by WDC is defective such that defects may have occurred or escaped detection without fault of AMI, or to assembled devices of which Devices are a component and any detected defect on such Device is at least in part related to assembly operations or techniques or is detected by a device testing procedure which is not available on any mutually agreed-upon test program specified for the testing of Devices at AMI's facility.

15.2 If any defect in material or workmanship or deviation from processing requirements is suspected in any such Device to which the above warranty applies, AMI and WDC shall cooperate in failure mode analysis of such suspect Device and shall mutually determine whether such suspected defect or deviation actually exists.

15.3 AMI and WDC shall in good faith mutually determine, based upon the circumstances then existing, whether AMI will replace every AMI-confirmed defective Device without charge, or refund or give credit for the purchase price of every AMI-confirmed defective Device, provided: within a warranty period expiring twelve (12) months after the date of shipment of the Device from AMI, the Device exhibits the defect, WDC notifies AMI in writing of the claimed defect within thirty (30) days after WDC knows or reasonably should know of the claimed defect; and mutually performed failure mode analysis or examination of the Device discloses that the claimed defect actually exists. If AMI elects to replace the defective Device, AMI shall ship Wafers with the replacing Device F.O.B. origin, freight prepaid to WDC's destination. Any replaced Device shall become AMI's property. The method of disposition of any replaced Device shall be as mutually agreed by both Parties in writing. In no event shall AMI be responsible for final assembly, deinstallation or reinstallation of any Devices, assemblies or apparatus of which such Devices are components, or for the expenses thereof.

15.4 THE FOREGOING WARRANTY IS EXPRESSED IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED, STATUTORY OR IMPLIED, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND OF ALL OTHER OBLIGATIONS OR LIABILITIES ON AMI'S PART, AND IT NEITHER ASSUMES NOR AUTHORIZES

ANY OTHER PERSON TO ASSUME FOR AMI ANY OTHER LIABILITIES IN CONNECTION WITH THE SALE OF DEVICES. This warranty shall not apply to any Devices which shall have been repaired or altered, except by AMI, or which shall have been subjected to misuse, negligence, accident, improper transportation or improper storage. The aforementioned warranty provisions do not extend the original twelve (12) month warranty period of any Device which has been repaired or replaced by AMI.

15.5 In no event shall AMI be liable for special, incidental or consequential damages of any nature whatsoever (including without limitation lost profits) regardless of the legal theory on which any such claim might be made against AMI.

16. GENERAL SALES TERMS

16.1 AMI shall properly pack, mark, and ship all Wafers or other items to be delivered to WDC under this Contract as follows: A packing list shall accompany each shipping package unit; Each packing list, bill of lading or equivalent and invoice shall: identify every applicable WDC purchase order number, and every device code of every Wafer being shipped; specify the quantity being shipped, and the location to which Wafers or items are being shipped; Each shipping package unit shall be properly marked with the applicable order number(s).

16.2 AMI shall, through its quality organization, and in accordance with AMI's standard incoming/outgoing wafer inspection procedures (AMI Document No. 5110006) inspect every lot to be delivered to WDC under this Contract. AMI shall support WDC with reasonably complete failure analysis reports on all WDC returns, qualification unit failures, and reliability monitor failures describing root cause and corrective action within a reasonable period following AMI's receipt of purported failures.

16.3 The following are the criteria for acceptance of production lots of Die and Wafers: the Die Specifications; the Wafer Specifications; mutually agreed-upon Device sort tests; and mutually agreed-upon minimum Wafer Lot Size and minimum percentages of die per Wafers.

16.4 Delivery terms on Wafers or other items to be delivered by AMI in accord with every accepted order and under the terms and conditions of this Contract shall be F.O.B. point of origin, freight collect, with title and risk of loss passing to WDC when AMI delivers such Wafers or other items to the carrier at the point of origin. Where, in order to meet WDC's requests, AMI ships or packs the Wafers or other items in other than its normal manner for domestic shipment, additional billing may be rendered.

16.5 Any sales or similar tax which AMI shall be required to pay to or collect for any government upon or with respect to services rendered or the sale, use or delivery of the processed Wafers or other items shall be billed to WDC as a separate billing item and paid by WDC, unless a valid exemption certificate is furnished by WDC to AMI.

17. TERM AND TERMINATION

17.1 Unless terminated sooner under Article 2 or this Article 17, the term of this Contract shall be from the Effective Date until December 31, 1996 (the "Term").

17.2 Notwithstanding any termination of this Contract, Articles 15 and 18 shall survive as well as any other provision of this Contract deemed necessary to survive in order to ensure the specified provisions are given full force and effect.

If either Party commits a material breach of this Contract, then other Party may give written notice of termination for material breach, and the termination of the Contract shall be effective after thirty (30) days unless the Party in breach has cured any such material breach.

18. INTELLECTUAL PROPERTY

18.1 "Confidential Information" shall mean any trade secret (which may, without limitation, include designs of Devices, layout data, and test programs for testing Wafers and Devices, or any information, including a formula, pattern, compilation, program, device, method, technique, or process, that: derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy) one Party (the "Disclosing Party") discloses to the other Party (the "Receiving Party") pursuant to this Contract either:

(a) in a document (any written, graphic, machine readable, or other tangible form) which is either

(1) Marked "Confidential" or in some other manner to indicate its confidential nature; or

(2) a tape or electronic transfer of data that is expressly identified as confidential by the Disclosing Party prior to

disclosure and is inherently known to have a confidential nature, such as a tape for reticle generation, a netlist, a database for testing, etc.;

(b) orally, provided that the Disclosing Party:

(1) at the time of disclosure, expressly states that such orally disclosed Trade Secret is confidential, and

(2) within a reasonable time (not to exceed thirty (30) days) after its oral disclosure, delivers to the Receiving Party a document marked as aforesaid setting forth written confirmation of the prior oral confidential disclosure and setting forth the Trade Secret so disclosed.

18.2 Except as required for the performance of this Contract, each Party shall treat as confidential all Confidential Information of the other Party, shall not use such Confidential Information and shall not disclose such Confidential Information to any third party except as required for the performance of this Contract, and subject to confidentiality obligations at least as protective as those set forth herein. Without limiting the foregoing, the Receiving Party use at least the same degree of care which it uses to prevent the disclosure of its own confidential information of like importance (and no less than reasonable care) to prevent the disclosure of Confidential Information disclosed to it by the Disclosing Party.

18.3 The Receiving Party has no obligation to refrain from making a disclosure of confidential information if such disclosure is:

(a) in response to a valid order of a court or other governmental body of the United States or any political subdivision thereof; provided, however, that the Receiving Party making the disclosure pursuant to the order shall first have given prior written notice to the Disclosing Party so as to permit the Disclosing Party to take such protective action as it deems appropriate, including the seeking of a protective order requiring that the information and/or documents so disclosed be used only for the purposes for which the order was issued; or

(b) otherwise required by law, or

(c) necessary to establish rights under this Contract.

18.4 The Receiving Party has no obligation to refrain from either making a disclosure of, or using any information that:

(a) is already in the possession of the Receiving Party without obligation of confidence;

- (b) is independently developed by the Receiving Party;
- (c) is or becomes publicly available without breach of this Contract;
- (d) is rightfully received by the Receiving Party from a third party; or.
- (e) is intentionally disclosed by the Disclosing Party to a third party without a confidentiality restriction.

18.5 The obligation to protect the Confidential Information shall survive for three (3) years following the date of disclosure thereof under this Contract, except that the obligation to protect the Confidential Information concerning construction (including layout), operation, and testing of Devices shall survive while WDC purchases such Devices from AMI, and shall not in any event terminate earlier than three (3) years after the termination of this Contract.

18.6 WDC shall defend, indemnify and hold harmless AMI against any damages, expense or loss resulting from infringement of patents, copyrights, trademarks or any other intellectual property right arising from compliance with WDC's designs, specifications and/or instructions. Except as provided in the preceding sentence, AMI shall defend any suit or proceeding brought against WDC to the extent that such suit or proceeding is based exclusively on a claim that AMI's fabrication process constitutes an infringement of any United States patent. In no event shall AMI's total liability to WDC under this provision exceed the aggregate sum paid by WDC to AMI for the allegedly infringing products. The foregoing states the entire liability of AMI for patent infringement under this Contract. THIS PROVISION IS STATED IN LIEU OF ANY OTHER EXPRESSED, IMPLIED OR STATUTORY WARRANTY AGAINST INFRINGEMENT, AND SHALL BE THE SOLE AND EXCLUSIVE REMEDY FOR INFRINGEMENT OF ANY KIND.

18.7 WDC shall own the intellectual property rights pertaining to the design of the Devices; however, AMI shall own the reticles obtained by AMI for the purpose of supplying Devices to WDC under this Contract.

18.8 Notwithstanding anything in Section 18.2 to the contrary, and notwithstanding anything to the contrary contained in any other agreement between the Parties, and subject to Section 3.4, the Parties do not intend to obligate WDC to refrain from using AMI's Design System or Standard Cells AMI discloses to WDC; to the contrary, AMI hereby grants WDC an irrevocable (except for uncured material breach of this Contract by WDC), worldwide, non-exclusive, non-transferable, royalty-free license (without the right to sublicense) to make and to have made and to sell or otherwise dispose of any integrated circuit that either has been

designed using AMI's Design System or embodies any AMI Standard Cell, or both, including the integrated circuits that shall constitute the Candidate Production Chips and including any other integrated circuit that hereafter during the Term hereof is designed (whether originally or as a derivative) using AMI's Design System or embodies any AMI Standard Cell, or both.

19. ENTIRE CONTRACT

This Contract, and the Exhibits identified herein, constitute the entire contract between the parties with respect to the subject matter hereof. All prior contracts between the parties, whether written or oral, express or implied, with respect to the subject matter hereof, are canceled and superseded. All inconsistent and/or additional terms and conditions set forth in any WDC purchase order or release, and all inconsistent and/or additional terms and conditions set forth in any AMI acceptance or acknowledgement of purchase order, are canceled and superseded by this Contract. The interpretation of this Contract may not be explained or supplemented by any course of dealing or performance.

IN WITNESS WHEREOF, the Parties have caused this Contract to be signed and accepted by their duly authorized representatives as of the day and year first above written.

"AMI"
AMERICAN MICROSYSTEMS, INC.

"WDC"
WESTERN DIGITAL CORPORATION

By: CONRAD WREDBERG

(Signature)

Conrad Wredberg

(Printed Name)

President and CEO

(Title)

By: KEN HENDRICKSON

(Signature)

Ken Hendrickson

(Printed Name)

Executive Vice President/G.M.

(Title)

EXHIBIT A

1. WAFER CAPACITIES, WAFER PRICES, and LEADTIMES

CALENDAR	Q394	Q494	Q195	Q295	Q395	Q495	Q196	Q296	Q396	Q496
	----	----	----	----	----	----	----	----	----	----

WSPW CAPACITY

 "EQUIVALENT
 WAFERS"

*

NOTE: The term "Equivalent Wafers" shall mean a number of wafers, whether some or all are DLM wafers and whether some or all are TLM wafers, and shall be computed by adding the number of DLM wafers to the number resulting from multiplying the number of TLM wafers by 1.25. For example, if WDC orders 500 DLM wafers and 400 TLM wafers, this corresponds to $[500 + (1.25)(400)] = 1000$ Equivalent Wafers.

The following table lists the maximum capacity limit in WSPW if all wafers ordered were to be DLM:

CALENDAR	Q394	Q494	Q195	Q295	Q395	Q495	Q196	Q296	Q396	Q496
	----	----	----	----	----	----	----	----	----	----

DLM(WSPW)

*

The following table lists the maximum capacity limit in WSPW if all wafers ordered were to be TLM:

CALENDAR	Q394	Q494	Q195	Q295	Q395	Q495	Q196	Q296	Q396	Q496
	----	----	----	----	----	----	----	----	----	----

TLM(WSPW)

*

Q'ly TLM 10,400/Quarter, Q295 - Q496

* As for Q295, the Parties shall determine by December 31, 1994, the WSPW quantities for DLM and TLM subject to a cap of 1000 Equivalent WSPW.

*	*				*					
LEADTIMES										
DLM FAB					*					
TLM FAB					*					
PROBE					*					
BACKGRIND					*					
POLYIMIDE					*					
Standard										
Lead Times:										
DLM					*					
TLM					*					

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2. NRE CHARGES: * * (Tooling) + * (Engineering Lot Charge)
* per plate in the event of an ECO to a given reticle set

3. LOT EXPEDITE CHARGES: Expedite Lot: */Lot @ 27 calendar days
Hot Hand-Carry Lot: */Lot @ 21 calendar days

4. WAFER PROBE CHARGE ("WPC"): */Wafer

The Parties have agreed upon the amount of this charge based upon a plan to use a Trillium Tester that is expected to probe wafers at the rate of 10 wafers/hr. If the average rate of probing wafers under this Contract materially changes, the Parties shall re-negotiate the Wafer Probe Charge. In addition, WDC may want to consign certain test equipment to AMI for AMI to use in probe testing of Wafers made under this Contract. The Parties shall negotiate in good faith a reduction in the Wafer Probe Charge based upon any such consignment.

5. WAFER BACKGRIND CHARGE ("WBC"): */Wafer (based upon flatness w/i 10 microns.)

The Parties have agreed upon the amount of this charge based upon a plan to use an independent contractor to backgrind the wafers. If the average actual cost of backgrinding wafers under this Contract materially changes, the Parties shall re-negotiate the Wafer Backgrind Charge.

6. APPLICABLE ADDER CHARGES ("AAC"):

(a) POLYIMIDE ADDER: * per wafer. Incremental NRE for a new design before plates are made is * (one Plate), or * (two plates) after plates are made.

(b) POLYCID ADDER: * per wafer. An adjustment to the standard die yield references (Exhibit C) will be determined by the parties at the time of implementation.

(c) SALICIDE ADDER: To be negotiated.

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EXHIBIT B
4-CORNER TEST / EXPERIMENTAL LOTS

1. PURPOSE OF 4-CORNER EXPERIMENTAL LOT

The purpose of the 4-corner test of a Device is to verify that the Device functions properly throughout normal expected variations in the DC electrical results deriving from AMI process(es). This will be accomplished by varying the gate channel length and the threshold voltage as described below.

2. DESCRIPTION

The 4-corner test shall be designed so that the following DC electrical results are achieved:

SPLIT	Vtn(v)	Vtp(v)	Leff (micron m)	Nominal Values:
-------	--------	--------	-----------------	-----------------

*

3. EVALUATION

The experimental lots shall be evaluated by subjecting them to normal AMI DC electrical tests (MAP) and probe tests. In some cases, WDC may require final electrical tests following package assembly to complete the evaluation. The evaluation shall be judged completed when the following criteria are satisfied:

- a. AMI MAP tests demonstrate the electrical targets defined in Section 2 (above) have been met to the satisfaction of AMI. If such targets have not been met, AMI may at its expense repeat the experiment up to a limit of three (3) attempts.
- b. Probe tests have been completed and it is shown through the use of the Student T-Test that none of the 4 experimental splits is significantly different from the nominal split to a confidence level of 90%.
- c. If desired by WDC, final electrical tests have been completed and it is shown through the use of the Student T-Test that none of the 4 experimental splits is significantly different from the nominal split to a confidence level of 90%.

Criteria listed above may be waived or altered by mutual consent of both Parties.

4. RESPONSIBILITY

- a. AMI shall be responsible for designing, executing, and DC electrical testing of these experiment lots.

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- b. Probe tests may be performed at either AMI or WDC. WDC shall be responsible for evaluation of the probe results.
- c. Final electrical tests (if required) shall be performed and evaluated by WDC.

5. APPROVAL

The subject WDC-designed Device shall be deemed to have passed the 4-Corner Experimental Tests based upon the satisfactory completion of the tests and evaluations described above. Subject to the requirements of Section 4.4 having been met, WDC's final decision to transition the Device to Die Pricing shall rest with the WDC Operations Manager.

EXHIBIT C
STANDARD DIE YIELD REFERENCE

DIE SIDE # MILS	CM	AREA # CM2	GROSS DIE ##	TLM DO = *.*		DLM DO = *.*	
				YIELD	NET D/W##	YIELD	NET D/W##
300	0.762	0.581	125	**.*%	**	**.*%	**
305	0.775	0.600	123	**.*%	**	**.*%	**
310	0.787	0.620	121	**.*%	**	**.*%	**
315	0.800	0.640	119	**.*%	**	**.*%	**
320	0.813	0.661	117	**.*%	**	**.*%	**
325	0.826	0.681	115	**.*%	**	**.*%	**
330	0.838	0.703	113	**.*%	**	**.*%	**
335	0.851	0.724	111	**.*%	**	**.*%	**
340	0.864	0.746	109	**.*%	**	**.*%	**
345	0.876	0.768	107	**.*%	**	**.*%	**
350	0.889	0.790	105	**.*%	**	**.*%	**
355	0.902	0.813	103	**.*%	**	**.*%	**
360	0.914	0.836	101	**.*%	**	**.*%	**
365	0.927	0.860	100	**.*%	**	**.*%	**
370	0.940	0.883	98	**.*%	**	**.*%	**
375	0.953	0.907	96	**.*%	**	**.*%	**
380	0.965	0.932	94	**.*%	**	**.*%	**
385	0.978	0.956	92	**.*%	**	**.*%	**
390	0.991	0.981	90	**.*%	**	**.*%	**
395	1.003	1.007	88	**.*%	**	**.*%	**
400	1.016	1.032	86	**.*%	**	**.*%	**
405	1.029	1.058	84	**.*%	**	**.*%	**
410	1.041	1.085	83	**.*%	**	**.*%	**
415	1.054	1.111	81	**.*%	**	**.*%	**
420	1.067	1.138	79	**.*%	**	**.*%	**
425	1.080	1.165	77	**.*%	**	**.*%	**
430	1.092	1.193	76	**.*%	**	**.*%	**
435	1.105	1.221	74	**.*%	**	**.*%	**
440	1.118	1.249	72	**.*%	**	**.*%	**
445	1.130	1.278	70	**.*%	**	**.*%	**
450	1.143	1.306	69	**.*%	**	**.*%	**
455	1.156	1.336	67	**.*%	**	**.*%	**
460	1.168	1.365	66	**.*%	**	**.*%	**
465	1.181	1.395	64	**.*%	**	**.*%	**
470	1.194	1.425	62	**.*%	**	**.*%	**
475	1.207	1.456	61	**.*%	**	**.*%	**
480	1.219	1.486	59	**.*%	**	**.*%	**
485	1.232	1.518	58	**.*%	**	**.*%	**
490	1.245	1.549	56	**.*%	**	**.*%	**
495	1.257	1.581	55	**.*%	**	**.*%	**
500	1.270	1.613	53	**.*%	**	**.*%	**
505	1.283	1.645	52	**.*%	**	**.*%	**
510	1.295	1.678	51	**.*%	**	**.*%	**
515	1.308	1.711	49	**.*%	**	**.*%	**
520	1.321	1.745	48	**.*%	**	**.*%	**
525	1.334	1.778	47	**.*%	**	**.*%	**
530	1.346	1.812	45	**.*%	**	**.*%	**
535	1.359	1.847	44	**.*%	**	**.*%	**
540	1.372	1.881	43	**.*%	**	**.*%	**
545	1.384	1.916	41	**.*%	**	**.*%	**
550	1.397	1.952	40	**.*%	**	**.*%	**
555	1.410	1.987	39	**.*%	**	**.*%	**
560	1.422	2.023	38	**.*%	**	**.*%	**
565	1.435	2.060	37	**.*%	**	**.*%	**
570	1.448	2.096	36	**.*%	**	**.*%	**
575	1.461	2.133	35	**.*%	**	**.*%	**

Based on center-of-scribe to center-of-scribe measurements
 ## Gross and net die will be adjusted for any non-die fields stepped on
 the wafer resulting in a reduced gross die count
 ### Actual gross die based on completed reticles may be used for net die
 calculations

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EXHIBIT C
STANDARD DIE YIELD REFERENCE

DIE SIDE #	MILS	CM	AREA #	CM2	GROSS DIE ##	TLM DO = *,*		DLM DO = *,*	
						YIELD	NET D/W##	YIELD	NET D/W##
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530	1.346	1.812	45	**.*%	**	**.*%	**		
535	1.359	1.847	44	**.*%	**	**.*%	**		
540	1.372	1.881	43	**.*%	**	**.*%	**		
545	1.384	1.916	41	**.*%	**	**.*%	**		
550	1.397	1.952	40	**.*%	**	**.*%	**		
555	1.410	1.987	39	**.*%	**	**.*%	**		
560	1.422	2.023	38	**.*%	**	**.*%	**		
565	1.435	2.060	37	**.*%	**	**.*%	**		
570	1.448	2.096	36	**.*%	**	**.*%	**		
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Based on center-of-scribe to center-of-scribe measurements
 ## Gross and net die will be adjusted for any non-die fields stepped on
 the wafer resulting in a reduced gross die count
 ### Actual gross die based on completed reticles may be used for net die
 calculations

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EXHIBIT D

CHANGE ORDER/CANCELLATION COMPENSATION
(See Section 10.3 and Exhibit "A" of Contract)

WORK IN PROCESS (W.I.P.) CANCELLATION CHARGES

AMI "DLM" FAB STEP

- *
- *
- *
- *

CANCELLATION CHARGES

- * OF WAFER UWP

AMI "TLM" FAB STEP

- *
- *
- *
- *

CANCELLATION CHARGES

- * OF WAFER UWP

* Confidential Treatment

EXHIBIT E
LIST OF SPECIFICATIONS AND "QUAL MEMO"

Specifications:

QC000082 Rev 01
QC000159 Rev 02
QC000175 Rev A0
RL000100 Rev J0
QC020016 Rev 01

EXHIBIT E

[WESTERN DIGITAL LOGO/LETTERHEAD]

SUBJECT: QUALIFICATION PLAN FOR AMI CW (0.8 MICRON) DIFFUSION PROCESS
FROM: J.K. WANG
DEPARTMENT: MCP QUALITY
DATE: JUNE 16, 1994

WD QUALIFICATION PLAN:

The following reliability qualification plan is laid out based on the assumption that CW TLM diffusion process will be loaded first. It is assumed that neither polycide nor salicide process is required for *****. This plan is subject to change if polycide process is required for porting existing WD design to the AMI foundry.

WHAT IS COVERED IN THE QUALIFICATION?:

Ideally, to perform a full qualification of a process, one or several vehicles that include all the library cells in CW technology and cover all the features allowed by the CW design rules (e.g. stacked vias ?) need to be available. AMI needs to provide to WD the list of library cells and design rules that are not covered by SEC chips. In addition, any new cells or allowed design rule deviations (*****) that are not covered by SEC need to be listed to WD Reliability and the plan to address alternate qualification method for these new cells or features must be provided by AMI before July 15, 1994.

Without cell and rule information about SEC as discussed above, WD Reliability proposes R2 qualification of CW (0.8 micron) diffusion process using two AMI SEC lots. Passing R2 read points for all the stresses permits R2 release of the process only, not the whole cell library or design rule. Reliability plan addressing the differential features between SEC and CW cell library, between SEC and ***** need to be provided by AMI. The work necessary to address all such differential features must be complete by *.

For R3 release, two conditions need to be met. One is that these SEC lots plus one WD ***** device lot of 370 units need to pass R3 read points. The other is that the process infant mortality as demonstrated by ***** chips or comparable AMI devices needs to be below 2000 PPM. WD's goal is to receive products that are less than ***** . AMI needs to provide infant mortality improvement plan and monitor the infant mortality trend on bi-weekly basis.

SEC and ***** qualification lots require HTOL, environmental stresses, ESD and latchup, etc. Reliability stress conditions should be the same between SEC and WD code(s). Since WD ***** devices consist of random logic with analog contents and are much more difficult to debug any reliability failure than SEC, AMI's is requested to adopt our stress condition instead of their sequential stress method.

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EXHIBIT E

The following summarizes the reliability tests and the sample size per lot required for CW process qualification:

STRESS NAME	STRESS DURATION	REJECT/SAMPLE/LOT	CYCLE TIME
HTOL (6.5V,125 degrees C, dynamic)	48hrs 168hrs 500hrs 1000hrs	*****	2 mo
HTS (150 degrees C)	168hrs 500hrs 1000hrs	*****	2 mo
TC(-65 degrees C/150 degrees C)	300cyc 600cyc	*****	2.5 wks
TS(-55 degrees C/125 degrees C)	100cyc	*****	1 wk
pressure cooker	96hrs 240hrs	*****	1.5 wks
THB	168hrs 500hrs 1000hrs	*****	2 mo
bond strength		*****	1 day
ESD, 2000V/1200V/600V		*****	1 wk
Latchup 100mA (DC ramp, 125C)		*****	2 days
Hot carrier		*****	days
Electromigration		*****	hrs to wks
Construction analysis		*****	3 wks

Table I Reliability Test Plan for 0.8 micron CW Diffusion Process.

Note:

- 1) Boldface: R2 requirement (production release) (A/W): AMI performs on TLM SEC, WD performs on WD code *****. Total sample for each lot is about 370 units not including EM, hot carrier or construction analysis. One wafer or 10 packaged devices can be used for construction analysis (A): AMI performs this test (W): WD performs this test.
- 2) All functional failures need to be baked at 150 degrees C for 24 hours and re-tested. If passing re-test, the failures are considered bake recoverable. Bake recoverable defects require special analysis procedure that needs to be discussed later between AMI and WD. If failed re-test, the failures are routed to failure analysis.
- 3) prerequisite: AMI needs to have TLM SEC design and mask sets complete.
- 4) If latchup is performed at room temperature using JEDEC pulse method, it should pass 250 mA.
- 5) Constant current stressing for electromigration ***** and ***** data (fit to lognormal distribution) should be provided to WD.1
- 6) WD need to know if SEC includes all the ESD buffers related to 1, 0, I/O, pull up, pull down and tri-state buffers. AMI has indicated that 0.8 micron DLM gate array test chip passed ***** protection for pin leakage except for Idd current due to core circuit damage, and it passed pin leakage and Idd current for *****. AMI indicated that any product designed in the CWx technology is assured of having better than ***** ESD immunity2. AMI needs to report whether this gate array data applies to standard cell or custom TLM3.

CC: *****

****:
 1 *****
 2 *****
 3 *****

EXHIBIT F
TERMS AND CONDITIONS CONCERNING DESIGN SERVICES ACTIVITIES

This Exhibit sets forth AMI's analysis of the support required in order to help WDC successfully implement both Enterprise and Horizon (the "First Devices") during the Qualification Phase of this Contract.

There are three basic categories of activity:

1. Software Tools and Services
2. Engineering Services
3. Back End Support

Within these activities there are deliverables such as the actual software for category 1, the circuit description and physical data on the custom cells AMI develops for category 2 and sorted, assembled and tested parts for category 3.

Deliverables are priced on a stand-alone basis. Services are quoted as a fixed dollar amount based on assumptions as to the time and effort required for such things as the development of special cells, but "rates" for engineering time are shown also in the event that engineering effort required extends beyond the scope of the assumptions used. AMI's assumptions are shown below:

ASSUMPTIONS:

1. A Technical Program Manager (TPM) will be required full time for six months, half time for the next six months and part time thereafter (this person is Barry West). If needed beyond six months, the TPM can be made available on a full time basis.
2. Dedicated support from San Jose based Field Applications Engineers (FAE) equal to one-third time through "tape out" on both Horizon and Enterprise.
3. Development of the special cells (22 as of Effective Date) is estimated at 16 man weeks and with concurrent engineering in Pocatello is estimated to take a total span of 10 calendar weeks.
4. Engineering training will be required of AMI engineering both on site in Mountain View and in Pocatello.

CATEGORY 1 - SOFTWARE TOOLS & SERVICES:

Deliverables include: H-spice models, Verilog simulation models, IKOS simulation models, physical models, Design Kit (libraries, 5-corner simulation tools, Enhanced Design Utilities, optimization tools), Access Design Tools, process target intrinsic parameters and design rules.

- Cost: *
- training and installation at below listed rates
- installation at locations other than Mountain View not included
- number of "seats" to be determined by WDC

ENGINEERING SERVICES:

- Weekly rate for AMI engineering at their home site: *
- Weekly rate for Pocatello engineering in Mt. View: *

- Development of afore-mentioned special cells: *
- Technical Program Manager: *
- *
- *
- Dedicated FAE support: *
- Layout Engineering: *

BACK-END SUPPORT

- Assembly of 30 Ceramic prototypes *
- Assembly of 100 Plastic samples *
- Test - hardware and execution (WDC to do test development) *
- Test - per tester hour *

In addition to providing the prototypes and samples as mentioned above (which are already included in the dollar value set forth below) and according to Section 2.8 of the Wafer and Die Purchase Contract, AMI will run two full lots at no charge to WD, excluding assembly and test except for a "reasonable number of devices" per Section 2.8(a), on the basis of a standard priority. Any expedite charges will be additional according to Exhibit A of the Contract.

WDC shall place a purchase order for the following items immediately, which AMI will call "initial NRE."

- Software deliverables *
- Development of special cells *
- Technical Program Manager and dedicated FAE support *
- Protos & samples of the First Devices *

Milestone payments of the "initial NRE" shown above will be billed to WDC according to the following schedule:

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Start of Project (already past)	*
* "tape out"	*
* "tape out"	*
Ceramic * working sample approval	*
Ceramic * working sample approval	*

Additional purchase orders may be necessary for separate items as they become necessary. Any effort expended or charges which will be incurred in excess of those listed above should be mutually discussed and agreed upon by AMI and WDC before such effort is expended and charges are incurred.

PROPOSED DEVELOPMENT SCHEDULE

AMI will use its commercially reasonable best efforts to achieve the following schedules:

Milestones	*	*
Release to Layout	*	*
Tape Out	*	*
Wafers out of Fab	*	*
30 Ceramic Protos	*	*
100 Plastic Samples	*	*

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EXHIBIT G
SCHEDULE OF MILESTONES

AMI Process Qual Schedule

Description -----	Weeks -----	Estm. Completion Date -----
SEC LOT #1		
Fab out	28 - 33	8/14
Sort	33 - 34	8/21
Assembly	34 - 37	9/11
1000 hours of life	37 - 48	11/13
1000 hours of storage life	37 - 45	11/8
SEC LOT #2		
Fab out	28 - 35	8/28
Sort	35 - 36	9/4
Assembly	36 - 39	9/25
1000 hours of life	39 - 48	11/27
1000 hours of storage life	39 - 47	11/20
SEC LOT #3		
Fab out	28 - 37	9/11
Sort	37 - 38	9/16
Assembly	38 - 41	10/9
1000 hours of life	41 - 50	12/11
1000 hours of storage life	41 - 49	12/4

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ID	TASK NAME	DURATION	START	FINISH	% COMP.
1	CELL 3 LIBRARY CREATION	*	***	***	100%
2	Define Metal Pitch	*	***	***	100%
3	Create Initial library	*	***	***	100%
4	Create LEF Timing File	*	***	***	100%
5	Timing Added to library	*	***	***	100%
6	Test Routes complete	*	***	***	100%
7	Missing cell investigation	*	***	***	100%
8	Update data files	*	***	***	100%
9	Copy ESD memo to WD	*	***	***	100%
10	Die size estimation	*	***	***	100%
11	Die size estimation program for WD	*	***	***	100%
12	CUSTOM CALL REQUESTS	*	***	***	56%
13	Research schedule reduction	*	***	***	100%
14	6 I/O cells for *****	*	***	***	100%
15	6 I/O cells on workstations	*	***	***	100%
16	Release cells to WD	*	***	***	0%
17	Analog input with protection	*	***	***	50%
18	I083X6 for *****	*	***	***	100%
19	2 core cells for *****	*	***	***	100%
20	2 core cells on workstation	*	***	***	100%
21	Release to WD	*	***	***	0%
22	Preliminary cell development	*	***	***	85%
23	14 Preliminary cells on workstations	*	***	***	0%
24	All preliminary models released	*	***	***	0%
25	14 I/O cells for *****	*	***	***	20%
26	14 Final I/O cells on workstations	*	***	***	0%
27	All physical and final models	*	***	***	0%
28	CWX3V LIBRARY	*	***	***	95%
29	3V Characterization	*	***	***	100%
30	3V library creation	*	***	***	100%
31	Addition to mission cells	*	***	***	75%
32	Delay Calculator problems	*	***	***	100%
33	FIFO INVESTIGATION	*	***	***	75%
34	Simulation	*	***	***	50%
35	Layout	*	***	***	100%
36	ROM DATA	*	***	***	100%
37	Models	*	***	***	100%
38	Physical	*	***	***	100%

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EXHIBIT G

ID	TASK NAME	DURATION	START	FINISH	% COMP.
39	SAMPLE PACKAGES	*	***	***	78%
40	208 pln pkg	*	***	***	100%
41	240 pln pkg	*	***	***	75%
42	PLI - Vector Issues	*	***	***	100%
43	Missing I/O's (3)	*	***	***	100%
44	Recommended ***** Clock Structure	*	***	***	100%
45	Unrecognized resistor problem	*	***	***	100%
46	LPE netlist extraction investigation	*	***	***	100%
47	LPE flow creation	*	***	***	100%
48	Update LPE rules for TLM	*	***	***	100%
49	3 sigma vs 2 sigma investigation	*	***	***	100%
50	Get GDS utilities to WD	*	***	***	100%
51	AcrCell routing density study	*	***	***	100%
52	Metal migration relaxation results	*	***	***	100%
53	TD02 and TD03 to WD	*	***	***	100%
54	Power Equation accuracy data	*	***	***	100%
55	TEST PROGRAM	*	***	***	0%
56	Test Engineer assigned	*	***	***	0%
57	*****	*	***	***	2%
58	Netlist to AMI for parallel layout	*	***	***	0%
59	Power Pad investigation	*	***	***	0%
60	Custom block abstracts to AMI	*	***	***	100%
61	AMI parallel layout	*	***	***	2%
62	Release to layout	*	***	***	0%
63	Layout	*	***	***	0%
64	Tape out	*	***	***	0%
65	Fabrication of wafers	*	***	***	0%
66	Wafers out of Fab	*	***	***	0%
67	30 Ceramic protos	*	***	***	0%
68	100 Plastic samples	*	***	***	0%
69	*****	*	***	***	0%
70	Release to layout	*	***	***	0%
71	Layout	*	***	***	0%
72	Tape out	*	***	***	0%
73	Fabrication of Wafers	*	***	***	0%
74	30 Ceramic protos	*	***	***	0%
75	100 Plastic samples	*	***	***	0%

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EXHIBIT G

- 1 CALL 3 LIBRARY CREATION
6/14/94 - Task completed except test routes. Behind schedule due to other commitments. Toan Ly has received initial library with timing.
6/17/94 - Unable to update status of test routes due to inability to contact J. Seymour.
7/6/94 - complete except for a few missing cells which have been provided by WD
- 6 TEST ROUTES COMPLETE
6/24/94 - Jim Seymour will deliver final Cell 3 libraries to Toan Ly today. He will also train Toan on processing new cells and using the library.
- 7 MISSING CELL INVESTIGATION
6/17/94 - Unable to contact J. Seymour to discuss missing cells.
6/24/94 - Jim fixed missing core cells. Barry delivered the missing I/O cells to Toan on 6/22/94.
- 10 DIE SIZE ESTIMATION
7/8/94 - Current die size estimate for ***** mils/side.
- 11 DIE SIZE ESTIMATION PROGRAM FOR WD
6/17/94 - Trying to get a formula of simple spreadsheet to WD for die size estimations.
6/22/94 - Still trying to get program.
6/24/94 - Program mailed to Marty Jain on 6/23/94 and he will deliver to WD when he gets it.
- 13 RESEARCH SCHEDULE REDUCTION
6/17/94 - Proposal is to release preliminary models which will be incrementally replaced with final models as they are completed. Preliminary models will be produced without backannotation and will have some degree of inaccuracy. Investigation is underway to determine the scope of the inaccuracy.
- 14 6 I/O CELLS FOR *****
6/13/94 - Delay due to misinterpreted spec on *****. Pull-up was left out on initial version.
6/17/94 - Delay due to confusion on PCI spec. AMI designed internal design, WD wanted pull-up and schmitt. Since AMI cannot meet PCI spec for VIH and VIL with schmitt, Terry Wu agreed to a design with no schmitt but with a pull-up. Design was produced and completed on 6/17/94.
- 16 RELEASE CALLS TO WD
6/17/94 - Completed 4 days behind schedule due to issues discussed in item 14.
- 17 ANALOG INPUT WITH PROTECTION
7/8/94 - WD has requested and analog direct core input with ESD protection added. The cell will provide direct analog input to the core with a range of VSS to VDD. If a signal with a voltage over VDD is applied, the protection will clamp the signal back to VDD. The cell development should not effect previous cell development commitments since it is a layout project only. An existing cell (PP04X) will be used in the layout until this cell can be finished.
- 18 I083X6 FOR *****
7/13/94 - Request for this cell has potential schedule impact of 2 days on the ***** cells. Wallace Kou of WD was informed of this potential impact on 7/8/94 by Marty Jain.
- 19 2 CORE CELLS FOR *****
6/15/94 - ITA4 cell designed and layout started. DLY8_2_3 cell design has begun.
6/17/94 - Cells completed on schedule even when PCI redesign conflicted with schedule. Thanks to Y. Zhang and J. Witt.
- 21 RELEASE TO WD
6/17/94 - Completed on time.
- 22 PRELIMINARY CELL DEVELOPMENT

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EXHIBIT G

6/22/94 - First schematic drawn and DC characteristics measured. Schematic is given to WD for approval.
 6/24/94 - AC and DC characteristics of first schematic have been measured and given to WD for approval. Now that specs are understood by AMI and methodology for designing the cells has been established, the rest of the cells should progress faster.
 6/29/94 - All 6ma, 4ma, 16ma and all level shifter schematics are complete. These will be delivered to WD by Barry West during site visit on 6/30/94. This project remains on schedule.
 7/6/94 - All schematics are complete. They are waiting for WD approval. This project remains on schedule.
 7/8/94 - Timing views for first device are under development. Still waiting approval of schematics from WD.
 7/13/94 - Timing views almost complete. Still waiting for WD to approve schematics. AMI is assuming they are OK. WD has been provided with HSPICE files for all cells.

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14 I/O CELLS FOR *****
 6/22/94 - This task pertains to layout and final model generation.
 7/6/94 - First cell is in layout at DRC/LVS verification. Protection structure for WIDX and WSIX cells is under development.
 7/13/94 - Four cells are completed in layout. The lack of schematic approval from WD is becoming critical in the ability of AMI to finish this test on time. AMI has assumed that the schematics are OK and continued with layout. If some schematics are rejected by WD that are already finished in layout, it will impact the schedule. Wallace Kou and Andy Anderson will be notified by phone of this problem today.

30

3V LIBRARY CREATION
 6/17/94 - Task completed on time. Thanks to Y. Zhang, M. Willis, and R. Ray.
 6/22/94 - Libraries were not produced on *****. Should be done by 6/23/94.

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FIFO INVESTIGATION
 6/10/94 - Awaiting input from WD on FIFO.
 6/17/94 - Cell level netlist received. Still trying to contact Jason Trinh to find out exactly what is to be done on this investigation.
 6/22/94 - Task is proceeding after discussions with Jason.

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SIMULATION
 6/22/94 - Netlist received. Converting to AMI format. Waiting for vectors for simulation. They have been promised to AMI by 6/24/94.
 6/29/94 - It was discovered that the netlist originally given to AMI was not the same netlist that WD was using. The cell and net counts were about 400 too low on the netlist AMI had. A new netlist was received by Barry West on 6/28/94. Vectors received on 6/27/94. This caused a restart of the simulation.
 7/6/94 - Simulation has begun on netlist. A synthesized netlist of the design with all MUX cells removed has about 4000 less gates. AMI will try to prove the simulation that it is functionally equivalent. If it is, AMI will recommit its use over the original design containing MUX's.
 7/13/94 - Simulation is underway.

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LAYOUT
 6/29/94 - Test layouts completed for both old and new netlist of FIFO. Cell densities were low on this netlist and concern about the routability of the AMI libraries were expressed by WD. After some evaluation of the netlist for the FIFO by Barry West, it was discovered that almost 50% of the gate count of the design was the largest cell in the library (MX81). Given this fact and the fact that the design has a large pin per net ratio (over 4), AMI feels that this is not a fair test case to determine the routability of the library. AMI will replace the MX81 cell with logic to create a fair test case. WD and AMI will then be able to route the new design to test routability.
 7/6/94 - Still attempting to route new design without MUX cells and verify that it is functionally the same.
 7/8/94 - Route of FIFO without MUX's is complete. AMI got it down to 6.6 mm² with a cell density of 590 cells per mm². AMI feels this is a good density based on the high net count for the FIFO. AMI will recommend to WD that

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they use the new FIFO block pending the simulation results which should prove that the new FIFO is functionally the same and runs faster. AMI will spend some effort to optimize the route further.
7/13/94 - Best route for this without floorplan partitioning (which could be the best way) is 6.6 mm2.

- 39 SAMPLE PACKAGES
6/29/94 - All packaging issues will be discussed at meeting at WD on 6/30/94.
6/22/94 - Clock structure defined. Results are being verified.
6/24/94 - Recommended clock structure was delivered by WD on 6/23/94. Some assumptions made by AMI about the clock structure with respect to the chip coverage of the clock were invalid. A more detailed discussion and recommendations from AMI will be developed at the meeting at WD on 6/30/94.
7/6/94 - New structures recommended for clocks which include floorplan considerations.
- 45 UNRECOGNIZED RESISTOR PROBLEM
6/17/94 - Problem was discovered. Current LPS rules require a netlist and a completed LVS run. This was not happening. Investigation is under way to find out how long it would take to update LPE rules.
- 46 LPE NETLIST EXTRACTION INVESTIGATION
6/20/94 - Three days required to update LPE extraction rules to produce netlist from layout. AMI is waiting for conformation from WD to proceed with this before it will begin.
- 47 LPE FLOW CREATION
6/22/94 - Debugging one problem in flow before flow can be released to WD.
6/24/94 - Awaiting a new version of software from ***** to try to fix a bug that is crashing the LPE run.
7/13/94 - Unable to get a resolution from ***** about how to fix the problem. AMI will request assistance from WD to get ***** to provide a solution.
7/13/94 - ***** has provided a fix. LPE flow was created and delivered to WD today.
- 48 UPDATE LPE RULES FOR TLM
8/24/94 - On hold until current bug is fixed.
7/13/94 - Delivered today.
- 49 3 SIGMA VS 2 SIGMA INVESTIGATION
6/17/94 - Since AMI has no previous experience with using 2 sigma models with respect to manufacturability of a device, no information on the impact can be offered. Toan Ly should call Ton Burghard directly for further information if required.
- 51 ARCCCELL ROUTING DENSITY STUDY
7/6/94 - AMI is trying again with modified FIFO netlist.
7/8/94 -See note on FIFO routing for results.
- 52 METAL MIGRATION RELAXATION RESULTS
6/24/94 - Barry is attempting to find out the status of this investigation.
7/6/94 - AMI has provided new numbers to WD. These numbers are 1.3mA per micron of metal width for all metal layers and 0.9mA per min via cut.
- 54 POWER EQUATION ACCURACY DATA
6/24/94 - Accuracy of the power equation in the data book is dependent on the ability of the user to accurately estimate switching activity of a circuit in a clock cycle. If this data can be determined accurately, then the equation is very accurate. Access has automated routines for applying this equation to a circuit.
- 55 TEST PROGRAM
7/6/94 - Test meeting on 6/30/94 was a success. This report will contain summary of commitments of both parties in the next report.

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- 56 TEST ENGINEER ASSIGNED
6/29/94 - This person is Kim Gunderson. Glen Mikkelson has been assigned to address yield issues of production.
- 58 NETLIST TO AMI FOR PARALLEL LAYOUT
6/22/94 - This is for *****.
6/29/94 - AMI has still not received the netlist which was originally scheduled for 6/24/94.
7/6/94 - AMI has received preliminary netlist from WD on 7/5/94. This netlist is not layout ready since it contains no clocking structure. There is also some concern on AMI's part about the number of power pads in this design vs the number of 16mA outputs. Marty Jain will be giving WD a clock structure to insert into the netlist today in hopes it will be ready by 7/7/94. Assuming the netlist is received for layout on 7/7, it will be 2 weeks behind schedule.
7/8/94 - Netlist undergoing changes to add clock structure and new pin out to fix power pad placement. Hopefully it will be delivered today.
7/13/94 - Netlist with clock structure and correct pin out was received on 7/8/94 in the late evening.
- 59 POWER PAD INVESTIGATION
7/8/94 - AMI has analyzed the power pad requirements and placement and recommended changes. The number of power pads is fine, but their placement must be adjusted in order for the design to function correctly. Terry Wu, Toan Ly, Marty Jain, and Marry West spent several hours going over an optimum power pad placement and WD has made the changes. These changes will help assure the design meets all AMI power pad space.
- 60 CUSTOM BLOCK ABSTRACTS TO AMI
6/29/94 - AMI has still not received abstracts which we originally scheduled for 6/24/94.
7/6/94 - Blocks have been received by AMI. There are a couple of problems remaining that are being resolved. All problems should be resolved today.
7/8/94 - Only missing place is the pin definition for the backend block. Layout cannot begin until this is complete.
7/13/94 - All pin problems have been solved today. Layout will begin today.
- 61 AMI PARALLEL LAYOUT
6/24/94 - AMI will be performing this layout as a backup to the WD Cell3 layout. This requires delivery of a netlist and the custom block abstracts from WD in order to begin on schedule.
6/29/94 - Scheduled start date is being pushed back due to lack of netlist and abstracts.
7/13/94 - Pad placement file created by AMI and sent to WD. Netlist is read and floorplanning has begun. The AMI layout is behind the WD layout due to date AMI received abstracts and netlist.

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APPENDIX

The timeline indicating the AMI process qual schedule by week is on page 2 of Exhibit 6 to Exhibit 10.15

This schedule contains summary financial information extracted from the Consolidated Statements of Operations and Balance Sheets of Western Digital Corporation and is qualified in its entirety by reference to such 1994 Annual Report on Form 10-K.

1,000
U.S. DOLLAR

	YEAR
	JUN-30-1994
	JUL-01-1993
	JUN-30-1994
	1
	243,484
	0
	201,512
	10,825
	79,575
	537,488
	192,339
	118,922
	640,513
275,744	
	58,646
	4,490
0	
	0
	283,749
640,513	
	1,539,680
1,539,680	
	1,221,749
	1,221,749
	112,827
	0
	5,838
	86,042
	12,906
73,136	
	0
	0
	0
	73,136
	1.77
	1.70