
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported) November 18, 2004

WESTERN DIGITAL CORPORATION

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

1-08703
(Commission File Number)

33-0956711
(IRS Employer
Identification No.)

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

92630
(Zip Code)

(949) 672-7000
Registrant's telephone number, including area code

Not Applicable (Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

1. The Board of Directors of Western Digital Corporation (the "Company") has previously adopted the Western Digital Corporation 2004 Performance Incentive Plan (the "Plan"). According to the preliminary results from the Company's annual stockholders meeting held on November 18, 2004, the Company's stockholders have approved the Plan.

The following summary of the Plan is qualified in its entirety by reference to the text of the Plan, as well as the forms of awards which may be granted under the Plan, a copy of each of which is filed as exhibits to this report.

The Company's Board of Directors or one or more committees appointed by the Board of Directors will administer the Plan. The Board of Directors has delegated general administrative authority for the Plan to the Compensation Committee of the Board of Directors.

The administrator of the Plan has broad authority under the Plan to, among other things, select participants and determine the type(s) of award(s) that they are to receive, and determine the number of shares that are to be subject to awards and the terms and conditions of awards, including the price (if any) to be paid for the shares or the award.

Persons eligible to receive awards under the Plan include officers or employees of the Company or any of its subsidiaries, directors of the Company, and certain consultants and advisors to the Company or any of its subsidiaries.

The maximum number of shares of the Company's common stock that may be issued or transferred pursuant to awards under the Plan equals the sum of: (1) 4,500,000 shares, plus (2) the number of shares available for additional award grant purposes under the Company's Employee Stock Option Plan immediately prior to the expiration of that plan on November 10, 2004, plus (3) the number of shares available for additional award grant purposes under the Company's Stock Option Plan for Non-Employee Directors and the Company's Broad-Based Stock Incentive Plan as of November 18, 2004 (the Employee Stock Option Plan, the Stock Option Plan for Non-Employee Directors and the Broad-Based Stock Incentive Plan are referred to collectively as the "Existing Plans"), plus (4) the number of any shares subject to stock options granted under the Existing Plans and outstanding as of November 18, 2004 which expire, or for any reason are cancelled or terminated, after that date without being exercised, plus (5) the number of any shares of restricted stock granted under the Company's Broad-Based Stock Incentive Plan that are outstanding and unvested as of November 18, 2004 which are forfeited, terminated, cancelled or otherwise reacquired by the Company without having become vested. Upon stockholder approval of the Plan, approximately 3,491,247 shares became available for award grant purposes of the Plan pursuant to clauses (2) and (3) of the preceding sentence. Accordingly, on November 18, 2004, approximately 7,991,247 shares (4,500,000 shares plus the 3,491,247 shares that were carried-over from the Existing Plans) were available for award grant purposes under the Plan, subject to future increases as described above as awards outstanding under the Existing Plans are cancelled, forfeited or otherwise terminate without having been exercised or become vested, as applicable. As of November 18, 2004, approximately 26,813,352 shares were subject to awards then outstanding under the Existing Plans.

To the extent that an award is settled in cash or a form other than shares, the shares that would have been delivered had there been no such cash or other settlement will not be counted against the shares available for

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issuance under the Plan. In the event that shares are delivered in respect of a dividend equivalent, stock appreciation right, or other award, only the actual number of shares delivered with respect to the award will be counted against the share limits of the Plan. Shares that are subject to or underlie awards which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under the Plan will again be available for subsequent awards under the Plan. Shares that are exchanged by a participant or withheld by the Company as full or partial payment in connection with any award under the Plan or the Existing Plans, as well as any shares exchanged by a participant or withheld by the Company to satisfy the tax withholding obligations related to any such award, will be available for subsequent awards under the Plan.

The types of awards that may be granted under the Plan include stock options, stock appreciation rights, restricted stock, stock bonuses and other forms of awards granted or denominated in the Company's common stock or units of the Company's common stock, as well as certain cash bonus awards.

As is customary in incentive plans of this nature, each share limit and the number and kind of shares available under the Plan and any outstanding awards, as well as the exercise or purchase prices of awards, and performance targets under certain types of performance-based awards, are subject to adjustment in the event of certain reorganizations, mergers, combinations, recapitalizations, stock splits, stock dividends, or other similar events that change the number or kind of shares outstanding, and extraordinary dividends or distributions of property to the stockholders.

In addition, the Compensation Committee of the Company's Board of Directors recommended, and, on November 18, 2004, the Company's Board of Directors approved, a Non-Employee Director Option Grant Program (the "Program") under the Plan. The Program continues, on substantially identical terms, the Company's automatic stock option grant program under the Stock Option Plan for Non-Employee Directors, which terminated concurrently with stockholder approval of the Plan. The following summary of the Program is qualified in its entirety by reference to the text of the Program, a copy of which is filed as an exhibit to this report.

The Program provides for the following award grants to members of the Company's Board of Directors who are not officers or employees of the Company or one of its subsidiaries ("Non-Employee Directors"):

- Upon first being appointed or elected to the Board, a Non-Employee Director who has not previously served on the Board will be granted automatically a nonqualified stock option under the Plan to purchase 75,000 shares of the Company's common stock; and
- Immediately following the Company's regular annual meeting of stockholders in each year during the term of the Plan commencing in 2004, each Non-Employee Director then in office will be granted automatically a nonqualified stock option under the Plan to purchase 10,000 shares of the Company's common stock.

The exercise price of each option granted pursuant to the Program will be 100 percent of the fair market value of a share of the Company's common stock on the date of grant of the option. Each option granted pursuant to the Program will have a maximum term of ten years from the date of grant of the option and generally will become exercisable as to 25% of the total number of shares subject thereto on the first anniversary of the date of grant of the option and as to an additional 6.25% of the total number of shares subject thereto at the end of each of the next 12 three-month periods thereafter.

2. The Compensation Committee of the Company's Board of Directors recommended, and, on November 18, 2004, the Company's Board of Directors approved, an amendment to the Amended and Restated Western Digital Corporation Non-Employee Directors Stock-For-Fees Plan (the "Stock-For-Fees Plan"). The amendment eliminated, effective January 1, 2005, the requirement that non-employee directors receive one-half of their director retainer fees in Company stock. Non-employee directors will continue to have the option to elect to receive shares, on a current or deferred basis, in lieu of any or all of the annual retainer fees, chairman fees and/or meeting attendance fees otherwise payable to him or her in cash. The number of shares of common stock payable will continue to be determined by dividing the amount of the cash fee the non-employee director would have received by the fair market value of the common stock on the date the cash fee would have been paid.

The amendment to the Stock-For-Fees Plan also eliminated, effective January 1, 2005, the requirement that the Company pay non-employee directors a 15% premium on cash retainer fees or cash meeting fees that the director elects to defer under the Company's Deferred Compensation Plan. Non-employee directors will continue to receive a 25% premium with respect to annual retainer fees or meeting fees that the director elects to defer in the form of deferred shares of Company stock.

3. The Compensation Committee of the Company's Board of Directors recommended, and, on November 18, 2004, the Company's Board of Directors approved, an amendment to the Western Digital Corporation Non-Employee Directors Restricted Stock Unit Plan to increase the number of restricted stock units granted annually to non-employee directors from 2,100 units to 4,527 units, effective January 1, 2005.

Item 5.02 DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF PRINCIPAL OFFICERS.

I.M. Booth retired as a member of the Company's Board of Directors, effective immediately prior to the Company's annual stockholders meeting held on November 18, 2004.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

The exhibits to this Current Report are listed in the Exhibit Index set forth elsewhere herein.

SIGNATURE

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

Dated: November 23, 2004

WESTERN DIGITAL CORPORATION

/s/ Raymond M. Bukaty

Raymond M. Bukaty
Senior Vice President, Administration and
General Counsel

EXHIBIT INDEX

Exhibit No.	Description
10.30	Western Digital Corporation 2004 Performance Incentive Plan
10.30.1	Form of Stock Option Grant (non-executives) under the Western Digital Corporation 2004 Performance Incentive Plan
10.30.2	Form of Stock Option Grant (executives) under the Western Digital Corporation 2004 Performance Incentive Plan
10.30.3	Form of Restricted Stock Agreement (non-executives) under the Western Digital Corporation 2004 Performance Incentive Plan
10.30.4	Form of Restricted Stock Agreement (executives) under the Western Digital Corporation 2004 Performance Incentive Plan
10.30.5	Western Digital Corporation 2004 Performance Incentive Plan Non-Employee Director Option Grant Program (including form of option)

WESTERN DIGITAL CORPORATION
2004 PERFORMANCE INCENTIVE PLAN

1. *Purpose of Plan*

The purpose of this Western Digital Corporation 2004 Performance Incentive Plan (this “Plan”) of Western Digital Corporation, a Delaware corporation (the “Corporation”), is to promote the success of the Corporation and to increase stockholder value by providing an additional means through the grant of awards to attract, motivate, retain and reward selected employees and other eligible persons.

2. *Eligibility*

The Administrator (as such term is defined in Section 3.1) may grant awards under this Plan only to those persons that the Administrator determines to be Eligible Persons. An “**Eligible Person**” is any person who is either: (a) an officer (whether or not a director) or employee of the Corporation or one of its Subsidiaries; (b) a director of the Corporation or one of its Subsidiaries; or (c) an individual consultant or advisor who renders or has rendered bona fide services (other than services in connection with the offering or sale of securities of the Corporation or one of its Subsidiaries in a capital-raising transaction or as a market maker or promoter of securities of the Corporation or one of its Subsidiaries) to the Corporation or one of its Subsidiaries and who is selected to participate in this Plan by the Administrator; provided, however, that a person who is otherwise an Eligible Person under clause (c) above may participate in this Plan only if such participation would not adversely affect either the Corporation’s eligibility to use Form S-8 to register under the Securities Act of 1933, as amended (the “**Securities Act**”), the offering and sale of shares issuable under this Plan by the Corporation or the Corporation’s compliance with any other applicable laws. An Eligible Person who has been granted an award (a “participant”) may, if otherwise eligible, be granted additional awards if the Administrator shall so determine. As used herein, “**Subsidiary**” means any corporation or other entity a majority of whose outstanding voting stock or voting power is beneficially owned directly or indirectly by the Corporation; and “**Board**” means the Board of Directors of the Corporation.

3. *Plan Administration*

3.1 **The Administrator.** This Plan shall be administered by and all awards under this Plan shall be authorized by the Administrator. The “**Administrator**” means the Board or one or more committees appointed by the Board or another committee (within its delegated authority) to administer all or certain aspects of this Plan. Any such committee shall be comprised solely of one or more directors or such number of directors as may be required under applicable law. A committee may delegate some or all of its authority to another committee so constituted. The Board or a committee comprised solely of directors may also delegate, to the extent permitted by Section 157(c) of the Delaware General Corporation Law and any other applicable law, to one or more officers of the Corporation, its powers under this Plan (a) to designate the officers and employees of the Corporation and its Subsidiaries who will receive grants of awards under this Plan, and (b) to determine the number of shares subject to, and the other terms and conditions of, such awards. The Board may delegate different levels of authority to different committees with administrative and grant authority under this Plan. Unless otherwise provided in the Bylaws of the Corporation or the applicable charter of any Administrator: (a) a majority of the members of the acting Administrator shall constitute a quorum, and (b) the vote of a majority of the members present assuming the presence of a quorum or the unanimous written consent of the members of the Administrator shall constitute action by the acting Administrator.

With respect to awards intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “**Code**”), this Plan shall be administered by a committee consisting solely of two or more outside directors (as this requirement is applied under Section 162(m) of the Code); provided, however, that the failure to satisfy such requirement shall not affect the validity of the action of any committee otherwise duly authorized and acting in the matter. Award grants, and transactions in or involving awards, intended to be exempt under Rule 16b-3 under the Securities

Exchange Act of 1934, as amended (the “**Exchange Act**”), must be duly and timely authorized by the Board or a committee consisting solely of two or more non-employee directors (as this requirement is applied under Rule 16b-3 promulgated under the Exchange Act). To the extent required by any applicable listing agency, this Plan shall be administered by a committee composed entirely of independent directors (within the meaning of the applicable listing agency).

3.2 **Powers of the Administrator.** Subject to the express provisions of this Plan, the Administrator is authorized and empowered to do all things necessary or desirable in connection with the authorization of awards and the administration of this Plan (in the case of a committee or delegation to one or more officers, within the authority delegated to that committee or person(s)), including, without limitation, the authority to:

(a) determine eligibility and, from among those persons determined to be eligible, the particular Eligible Persons who will receive an award under this Plan;

(b) grant awards to Eligible Persons, determine the price at which securities will be offered or awarded and the number of securities to be offered or awarded to any of such persons, determine the other specific terms and conditions of such awards consistent with the express limits of this Plan, establish the installments (if any) in which such awards shall become exercisable or shall vest (which may include, without limitation, performance and/or time-based schedules), or determine that no delayed exercisability or vesting is required (subject to the minimum vesting rules of Section 5.1.5), establish any applicable performance targets, and establish the events of termination or reversion of such awards;

(c) approve the forms of award agreements (which need not be identical either as to type of award or among participants);

(d) construe and interpret this Plan and any agreements defining the rights and obligations of the Corporation, its Subsidiaries, and participants under this Plan, further define the terms used in this Plan, and prescribe, amend and rescind rules and regulations relating to the administration of this Plan or the awards granted under this Plan;

(e) cancel, modify, or waive the Corporation’s rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding awards, subject to any required consent under Section 8.6.5;

(f) accelerate or extend the vesting or exercisability or extend the term of any or all such outstanding awards (in the case of options or stock appreciation rights, within the maximum ten-year term of such awards) in such circumstances as the Administrator may deem appropriate (including, without limitation, in connection with a termination of employment or services or other events of a personal nature) subject to any required consent under Section 8.6.5 and subject to the minimum vesting rules of Section 5.1.5;

(g) adjust the number of shares of Common Stock subject to any award, adjust the price of any or all outstanding awards or otherwise change previously imposed terms and conditions, in such circumstances as the Administrator may deem appropriate, in each case subject to Sections 4 and 8.6, and provided that in no case (except due to an adjustment contemplated by Section 7 or any repricing that may be approved by stockholders) shall such an adjustment constitute a repricing (by amendment, cancellation and regrant, exchange or other means) of the per share exercise or base price of any option or stock appreciation right;

(h) determine the date of grant of an award, which may be a designated date after but not before the date of the Administrator’s action (unless otherwise designated by the Administrator, the date of grant of an award shall be the date upon which the Administrator took the action granting an award);

(i) determine whether, and the extent to which, adjustments are required pursuant to Section 7 hereof and authorize the termination, conversion, substitution or succession of awards upon the occurrence of an event of the type described in Section 7;

(j) acquire or settle (subject to Sections 7 and 8.6) rights under awards in cash, stock of equivalent value, or other consideration; and

(k) determine the fair market value of the Common Stock or awards under this Plan from time to time and/or the manner in which such value will be determined.

3.3 **Binding Determinations.** Any action taken by, or inaction of, the Corporation, any Subsidiary, or the Administrator relating or pursuant to this Plan and within its authority hereunder or under applicable law shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons. Neither the Board nor any Board committee, nor any member thereof or person acting at the direction thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with this Plan (or any award made under this Plan), and all such persons shall be entitled to indemnification and reimbursement by the Corporation in respect of any claim, loss, damage or expense (including, without limitation, attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors and officers liability insurance coverage that may be in effect from time to time.

3.4 **Reliance on Experts.** In making any determination or in taking or not taking any action under this Plan, the Board or a committee, as the case may be, may obtain and may rely upon the advice of experts, including employees and professional advisors to the Corporation. No director, officer or agent of the Corporation or any of its Subsidiaries shall be liable for any such action or determination taken or made or omitted in good faith.

3.5 **Delegation.** The Administrator may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Corporation or any of its Subsidiaries or to third parties.

4. *Shares of Common Stock Subject to the Plan; Share Limits*

4.1 **Shares Available.** Subject to the provisions of Section 7.1, the capital stock that may be delivered under this Plan shall be shares of the Corporation's authorized but unissued Common Stock and any shares of its Common Stock held as treasury shares. For purposes of this Plan, "**Common Stock**" shall mean the common stock of the Corporation and such other securities or property as may become the subject of awards under this Plan, or may become subject to such awards, pursuant to an adjustment made under Section 7.1.

4.2 **Share Limits.** The maximum number of shares of Common Stock that may be delivered pursuant to awards granted to Eligible Persons under this Plan (the "**Share Limit**") is equal to the sum of the following:

(a) 4,500,000 shares of Common Stock, plus

(b) the number of shares of Common Stock available for additional award grant purposes under the Corporation's Employee Stock Option Plan (the "**Employee Option Plan**") immediately prior to the expiration of that plan on November 10, 2004; plus

(c) the number of shares of Common Stock available for additional award grant purposes under the Corporation's Stock Option Plan for Non-Employee Directors (the "**Director Option Plan**"), and the Corporation's Broad-Based Stock Incentive Plan (the "**Broad-Based Plan**" and, together with the Employee Option Plan and the Director Option Plan, the "**Option Plans**") as of the date of stockholder approval of this Plan (the "**Stockholder Approval Date**") and determined immediately prior to the termination of the authority to grant new awards under the Director Option Plan and the Broad-Based Plan as of the Stockholder Approval Date, plus

(d) the number of any shares subject to stock options granted under the Option Plans and outstanding on the Stockholder Approval Date which expire, or for any reason are cancelled or terminated, after the Stockholder Approval Date without being exercised; plus

(e) the number of any shares of restricted stock granted under the Broad-Based Plan that are outstanding and unvested on the Stockholder Approval Date that are forfeited, terminated, cancelled or otherwise reacquired by the Corporation without having become vested;

provided that in no event shall the Share Limit exceed 35,199,313 shares (which is the sum of the 4,500,000 shares set forth above, plus the number of shares available under the Option Plans for additional award grant

purposes as of the Effective Date (as such term is defined in Section 8.6.1), plus the aggregate number of shares subject to options previously granted and outstanding under the Option Plans as of the Effective Date, plus the maximum number of shares subject to restricted stock awards previously granted and outstanding under the Broad-Based Plan that had not vested as of the Effective Date).

Shares issued in respect of any “Full-Value Award” granted under this Plan shall be counted against the foregoing Share Limit as 1.35 shares for every one share actually issued in connection with such award. (For example, if a stock bonus of 100 shares of Common Stock is granted under this Plan, 135 shares shall be charged against the Share Limit in connection with that award.) For this purpose, a “Full-Value Award” means any award under this Plan that is not either: (1) a delivery of shares in respect of compensation earned but deferred, (2) except as expressly provided in Section 5.1.1 (which generally provides that “discounted” stock option grants are Full-Value Awards), a stock option grant, and (3) except as expressly provided in Section 5.1.2 (which generally provides that “discounted” stock appreciation right grants are Full-Value Awards), a stock appreciation right grant.

The following limits also apply with respect to awards granted under this Plan:

(1) The maximum number of shares of Common Stock that may be delivered pursuant to options qualified as incentive stock options granted under this Plan is 35,199,313 shares.

(2) The maximum number of shares of Common Stock subject to those options and stock appreciation rights that are granted during any calendar year to any individual under this Plan is 1,000,000 shares.

(3) Additional limits with respect to Performance-Based Awards are set forth in Section 5.2.3.

Each of the foregoing numerical limits is subject to adjustment as contemplated by Section 4.3, Section 7.1, and Section 8.10.

4.3 Awards Settled in Cash, Reissue of Awards and Shares. The share limits of this Plan are subject to adjustment pursuant to the following, subject to any applicable limitations under Section 162(m) of the Code with respect to awards intended as performance-based compensation thereunder. Refer to Section 8.10 for application of this Plan’s share limits with respect to assumed awards.

(a) Shares that are subject to or underlie awards which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under this Plan shall again be available for subsequent awards under this Plan.

(b) To the extent that an award is settled in cash or a form other than shares of Common Stock, the shares that would have been delivered had there been no such cash or other settlement shall not be counted against the shares available for issuance under this Plan.

(c) Shares that are exchanged by a participant or withheld by the Corporation as full or partial payment in connection with any award under this Plan or under any of the Option Plans (with respect to such a payment in connection with any award under any of the Option Plans, only to the extent such transaction occurs after the Effective Date), as well as any shares exchanged by a participant or withheld by the Corporation or one of its Subsidiaries to satisfy the tax withholding obligations related to any award under this Plan or under any of the Option Plans (with respect to such an exchange or withholding in connection with any award under any of the Option Plans, only to the extent such transaction occurs after the Effective Date), shall be available for subsequent awards under this Plan.

(d) In the event that shares are delivered in respect of a dividend equivalent, stock appreciation right, or other award, only the actual number of shares delivered with respect to the award shall be counted against the share limits of this Plan.

4.4 Reservation of Shares; No Fractional Shares; Minimum Issue. The Corporation shall at all times reserve a number of shares of Common Stock sufficient to cover the Corporation’s obligations and contingent obligations to deliver shares with respect to awards then outstanding under this Plan (exclusive of any dividend equivalent obligations to the extent the Corporation has the right to settle such rights in cash). No fractional

shares shall be delivered under this Plan. The Administrator may pay cash in lieu of any fractional shares in settlements of awards under this Plan.

5. Awards

5.1 **Type and Form of Awards.** The Administrator shall determine the type or types of award(s) to be made to each selected Eligible Person. Awards may be granted singly, in combination or in tandem. Awards also may be made in combination or in tandem with, in replacement of, as alternatives to, or as the payment form for grants or rights under any other employee or compensation plan of the Corporation or one of its Subsidiaries. The types of awards that may be granted under this Plan are:

5.1.1 **Stock Options.** A stock option is the grant of a right to purchase a specified number of shares of Common Stock during a specified period as determined by the Administrator. An option may be intended as an incentive stock option within the meaning of Section 422 of the Code (an “ISO”) or a nonqualified stock option (an option not intended to be an ISO). The award agreement for an option will indicate if the option is intended as an ISO; otherwise it will be deemed to be a nonqualified stock option. The maximum term of each option (ISO or nonqualified) shall be ten (10) years. The per share exercise price for each option shall be not less than 100% of the fair market value of a share of Common Stock on the date of grant of the option, except as follows: (a) in the case of a stock option granted retroactively in tandem with or as a substitution for another award, the per share exercise price may be no lower than the fair market value of a share of Common Stock on the date such other award was granted (to the extent consistent with Sections 422 and 424 of the Code in the case of options intended as incentive stock options); and (b) in any other circumstances, a nonqualified stock option may be granted with a per share exercise price that is less than the fair market value of a share of Common Stock on the date of grant, provided that any shares delivered in respect of such option shall be charged against the Share Limit as a Full-Value Award. When an option is exercised, the exercise price for the shares to be purchased shall be paid in full in cash or such other method permitted by the Administrator consistent with Section 5.5.

5.1.2 **Additional Rules Applicable to ISOs.** To the extent that the aggregate fair market value (determined at the time of grant of the applicable option) of stock with respect to which ISOs first become exercisable by a participant in any calendar year exceeds \$100,000, taking into account both Common Stock subject to ISOs under this Plan and stock subject to ISOs under all other plans of the Corporation or one of its Subsidiaries (or any parent or predecessor corporation to the extent required by and within the meaning of Section 422 of the Code and the regulations promulgated thereunder), such options shall be treated as nonqualified stock options. In reducing the number of options treated as ISOs to meet the \$100,000 limit, the most recently granted options shall be reduced first. To the extent a reduction of simultaneously granted options is necessary to meet the \$100,000 limit, the Administrator may, in the manner and to the extent permitted by law, designate which shares of Common Stock are to be treated as shares acquired pursuant to the exercise of an ISO. ISOs may only be granted to employees of the Corporation or one of its subsidiaries (for this purpose, the term “subsidiary” is used as defined in Section 424(f) of the Code, which generally requires an unbroken chain of ownership of at least 50% of the total combined voting power of all classes of stock of each subsidiary in the chain beginning with the Corporation and ending with the subsidiary in question). There shall be imposed in any award agreement relating to ISOs such other terms and conditions as from time to time are required in order that the option be an “incentive stock option” as that term is defined in Section 422 of the Code. No ISO may be granted to any person who, at the time the option is granted, owns (or is deemed to own under Section 424(d) of the Code) shares of outstanding Common Stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation, unless the exercise price of such option is at least 110% of the fair market value of the stock subject to the option and such option by its terms is not exercisable after the expiration of five years from the date such option is granted.

5.1.3 **Stock Appreciation Rights.** A stock appreciation right or “SAR” is a right to receive a payment, in cash and/or Common Stock, equal to the excess of the fair market value of a specified number of shares of Common Stock on the date the SAR is exercised over the fair market value of a share of Common Stock on the date the SAR was granted (the “base price”) as set forth in the

applicable award agreement, except as follows: (a) in the case of a SAR granted retroactively in tandem with or as a substitution for another award, the base price may be no lower than the fair market value of a share of Common Stock on the date such other award was granted; and (b) in any other circumstances, a SAR may be granted with a base price that is less than the fair market value of a share of Common Stock on the date of grant, provided that any shares actually delivered in respect of such award shall be charged against the Share Limit as a Full-Value Award. The maximum term of an SAR shall be ten (10) years.

5.1.4 **Other Awards.** The other types of awards that may be granted under this Plan include: (a) stock bonuses, restricted stock, performance stock, stock units, phantom stock, dividend equivalents, or similar rights to purchase or acquire shares, whether at a fixed or variable price or ratio related to the Common Stock, upon the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions, or any combination thereof; (b) any similar securities with a value derived from the value of or related to the Common Stock and/or returns thereon; or (c) cash awards granted consistent with Section 5.2 below.

5.1.5 **Minimum Vesting Requirements.** Absent special circumstances, except for any accelerated vesting required or permitted pursuant to Section 7, and subject to such additional vesting requirements or conditions as the Administrator may establish with respect to the award, each award granted under this Plan that is a Full-Value Award shall be subject to the following minimum vesting requirements: (a) if the award includes a performance-based vesting condition, the award shall not vest earlier than the first anniversary of the date of grant of the award and vesting shall occur only if the award holder is employed by, a director of, or otherwise providing services to the Corporation or one of its Subsidiaries on such vesting date; and (b) if the award does not include a performance-based vesting condition, the award shall not vest more rapidly than in monthly installments over the three-year period immediately following the date of grant of the award and vesting of any vesting installment of the award shall occur only if the award holder is employed by, a director of, or otherwise providing services to the Corporation or one of its Subsidiaries on the date such installment is scheduled to vest.

5.2 **Section 162(m) Performance-Based Awards.** Without limiting the generality of the foregoing, any of the types of awards listed in Section 5.1.4 above may be, and options and SARs granted with an exercise or base price not less than the fair market value of a share of Common Stock at the date of grant (“**Qualifying Options**” and “**Qualifying SARs**,” respectively) typically will be, granted as awards intended to satisfy the requirements for “performance-based compensation” within the meaning of Section 162(m) of the Code (“**Performance-Based Awards**”). The grant, vesting, exercisability or payment of Performance-Based Awards may depend (or, in the case of Qualifying Options or Qualifying SARs, may also depend) on the degree of achievement of one or more performance goals relative to a pre-established targeted level or level using one or more of the Business Criteria set forth below (on an absolute or relative basis) for the Corporation on a consolidated basis or for one or more of the Corporation’s subsidiaries, segments, divisions or business units, or any combination of the foregoing. Any Qualifying Option or Qualifying SAR shall be subject only to the requirements of Section 5.2.1 and 5.2.3 in order for such award to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Award. Any other Performance-Based Award shall be subject to all of the following provisions of this Section 5.2.

5.2.1 **Class; Administrator.** The eligible class of persons for Performance-Based Awards under this Section 5.2 shall be officers and employees of the Corporation or one of its Subsidiaries. The Administrator approving Performance-Based Awards or making any certification required pursuant to Section 5.2.4 must be constituted as provided in Section 3.1 for awards that are intended as performance-based compensation under Section 162(m) of the Code.

5.2.2 **Performance Goals.** The specific performance goals for Performance-Based Awards (other than Qualifying Options and Qualifying SARs) shall be, on an absolute or relative basis, established based on one or more of the following business criteria (“**Business Criteria**”) as selected by the Administrator in its sole discretion: earnings per share, cash flow (which means cash and cash equivalents derived from either net cash flow from operations or net cash flow from operations, financing and investing activities), total stockholder return, gross revenue, revenue growth, operating income (before or

after taxes), net earnings (before or after interest, taxes, depreciation and/or amortization), return on equity or on assets or on net investment, cost containment or reduction, or any combination thereof. These terms are used as applied under generally accepted accounting principles or in the financial reporting of the Corporation or of its Subsidiaries. To qualify awards as performance-based under Section 162(m), the applicable Business Criterion (or Business Criteria, as the case may be) and specific performance goal or goals (“targets”) must be established and approved by the Administrator during the first 90 days of the performance period (and, in the case of performance periods of less than one year, in no event after 25% or more of the performance period has elapsed) and while performance relating to such target(s) remains substantially uncertain within the meaning of Section 162(m) of the Code. Performance targets shall be adjusted to mitigate the unbudgeted impact of material, unusual or nonrecurring gains and losses, accounting changes or other extraordinary events not foreseen at the time the targets were set unless the Administrator provides otherwise at the time of establishing the targets. The applicable performance measurement period may not be less than three months nor more than 10 years.

5.2.3 **Form of Payment; Maximum Performance-Based Award.** Grants or awards under this Section 5.2 may be paid in cash or shares of Common Stock or any combination thereof. Grants of Qualifying Options and Qualifying SARs to any one participant in any one calendar year shall be subject to the limit set forth in Section 4.2(2). The maximum number of shares of Common Stock which may be delivered pursuant to Performance-Based Awards (other than Qualifying Options and Qualifying SARs, and other than cash awards covered by the following sentence) that are granted to any one participant in any one calendar year shall not exceed 800,000 shares, either individually or in the aggregate, subject to adjustment as provided in Section 7.1. In addition, the aggregate amount of compensation to be paid to any one participant in respect of all Performance-Based Awards payable only in cash and not related to shares of Common Stock and granted to that participant in any one calendar year shall not exceed \$5,000,000. Awards that are cancelled during the year shall be counted against these limits to the extent permitted by Section 162(m) of the Code.

5.2.4 **Certification of Payment.** Before any Performance-Based Award under this Section 5.2 (other than Qualifying Options and Qualifying SARs) is paid and to the extent required to qualify the award as performance-based compensation within the meaning of Section 162(m) of the Code, the Administrator must certify in writing that the performance target(s) and any other material terms of the Performance-Based Award were in fact timely satisfied.

5.2.5 **Reservation of Discretion.** The Administrator will have the discretion to determine the restrictions or other limitations of the individual awards granted under this Section 5.2 including the authority to reduce awards, payouts or vesting or to pay no awards, in its sole discretion, if the Administrator preserves such authority at the time of grant by language to this effect in its authorizing resolutions or otherwise.

5.2.6 **Expiration of Grant Authority.** As required pursuant to Section 162(m) of the Code and the regulations promulgated thereunder, the Administrator’s authority to grant new awards that are intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code (other than Qualifying Options and Qualifying SARs) shall terminate upon the first meeting of the Corporation’s stockholders that occurs in the fifth year following the year in which the Corporation’s stockholders first approve this Plan.

5.3 **Award Agreements.** Each award shall be evidenced by a written award agreement in the form approved by the Administrator and executed on behalf of the Corporation and, if required by the Administrator, executed by the recipient of the award. The Administrator may authorize any officer of the Corporation (other than the particular award recipient) to execute any or all award agreements on behalf of the Corporation. The award agreement shall set forth the material terms and conditions of the award as established by the Administrator consistent with the express limitations of this Plan.

5.4 **Deferrals and Settlements.** Payment of awards may be in the form of cash, Common Stock, other awards or combinations thereof as the Administrator shall determine, and with such restrictions as it may

impose. The Administrator may also require or permit participants to elect to defer the issuance of shares or the settlement of awards in cash under such rules and procedures as it may establish under this Plan. The Administrator may also provide that deferred settlements include the payment or crediting of interest or other earnings on the deferral amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in shares.

5.5 **Consideration for Common Stock or Awards.** The purchase price for any award granted under this Plan or the Common Stock to be delivered pursuant to an award, as applicable, may be paid by means of any lawful consideration as determined by the Administrator, including, without limitation, one or a combination of the following methods:

- a reduction in compensation otherwise payable to the recipient of such award for services rendered by the recipient;
- cash, check payable to the order of the Corporation, or electronic funds transfer;
- notice and third party payment in such manner as may be authorized by the Administrator;
- the delivery of previously owned shares of Common Stock;
- by a reduction in the number of shares otherwise deliverable pursuant to the award; or
- subject to such procedures as the Administrator may adopt, pursuant to a “cashless exercise” with a third party who provides financing for the purposes of (or who otherwise facilitates) the purchase or exercise of awards.

In no event shall any shares newly-issued by the Corporation be issued for less than the minimum lawful consideration for such shares or for consideration other than consideration permitted by applicable state law. In the event that the Administrator allows a participant to exercise an award by delivering shares of Common Stock previously owned by such participant and unless otherwise expressly provided by the Administrator, any shares delivered which were initially acquired by the participant from the Corporation (upon exercise of a stock option or otherwise) must have been owned by the participant at least six months as of the date of delivery. Shares of Common Stock used to satisfy the exercise price of an option shall be valued at their fair market value on the date of exercise. The Corporation will not be obligated to deliver any shares unless and until it receives full payment of the exercise or purchase price therefor and any related withholding obligations under Section 8.5 and any other conditions to exercise or purchase have been satisfied. Unless otherwise expressly provided in the applicable award agreement, the Administrator may at any time eliminate or limit a participant’s ability to pay the purchase or exercise price of any award or shares by any method other than cash payment to the Corporation.

5.6 **Definition of Fair Market Value.** For purposes of this Plan, “fair market value” shall mean, unless otherwise determined or provided by the Administrator in the circumstances, the closing price of a share of Common Stock as reported on the composite tape for securities listed on the New York Stock Exchange (the “**Exchange**”) for the date in question or, if no sales of Common Stock were made on the Exchange on that date, the closing price of a share of Common Stock as reported on said composite tape for the next preceding day on which sales of Common Stock were made on the Exchange. The Administrator may, however, provide with respect to one or more awards that the fair market value shall equal the last closing price of a share of Common Stock as reported on the composite tape for securities listed on the Exchange available at the relevant time or the average of the high and low trading prices of a share of Common Stock as reported on the composite tape for securities listed on the Exchange for the date in question or the most recent trading day. If the Common Stock is no longer listed or is no longer actively traded on the Exchange as of the applicable date, the fair market value of the Common Stock shall be the value as reasonably determined by the Administrator for purposes of the award in the circumstances. The Administrator also may adopt a different methodology for determining fair market value with respect to one or more awards if a different methodology is necessary or advisable to secure any intended favorable tax, legal or other treatment for the particular award(s) (for example, and without limitation, the Administrator may provide that fair market value for purposes of one or

more awards will be based on an average of closing prices (or the average of high and low daily trading prices) for a specified period preceding the relevant date).

5.7 **Transfer Restrictions.**

5.7.1 **Limitations on Exercise and Transfer.** Unless otherwise expressly provided in (or pursuant to) this Section 5.7, by applicable law and by the award agreement, as the same may be amended, (a) all awards are non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge; (b) awards shall be exercised only by the participant; and (c) amounts payable or shares issuable pursuant to any award shall be delivered only to (or for the account of) the participant.

5.7.2 **Exceptions.** The Administrator may permit awards to be exercised by and paid to, or otherwise transferred to, other persons or entities pursuant to such conditions and procedures, including limitations on subsequent transfers, as the Administrator may, in its sole discretion, establish in writing. Any permitted transfer shall be subject to compliance with applicable federal and state securities laws.

5.7.3 **Further Exceptions to Limits on Transfer.** The exercise and transfer restrictions in Section 5.7.1 shall not apply to:

(a) transfers to the Corporation,

(b) the designation of a beneficiary to receive benefits in the event of the participant's death or, if the participant has died, transfers to or exercise by the participant's beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution,

(c) subject to any applicable limitations on ISOs, transfers to a family member (or former family member) pursuant to a domestic relations order if approved or ratified by the Administrator,

(d) if the participant has suffered a disability, permitted transfers or exercises on behalf of the participant by his or her legal representative, or

(e) the authorization by the Administrator of "cashless exercise" procedures with third parties who provide financing for the purpose of (or who otherwise facilitate) the exercise of awards consistent with applicable laws and the express authorization of the Administrator.

5.8 **International Awards.** One or more awards may be granted to Eligible Persons who provide services to the Corporation or one of its Subsidiaries outside of the United States. Any awards granted to such persons may be granted pursuant to the terms and conditions of any applicable sub-plans, if any, appended to this Plan and approved by the Administrator.

6. *Effect of Termination of Service on Awards*

6.1 **General.** The Administrator shall establish the effect of a termination of employment or service on the rights and benefits under each award under this Plan and in so doing may make distinctions based upon, inter alia, the cause of termination and type of award. If the participant is not an employee of the Corporation or one of its Subsidiaries and provides other services to the Corporation or one of its Subsidiaries, the Administrator shall be the sole judge for purposes of this Plan (unless a contract or the award otherwise provides) of whether the participant continues to render services to the Corporation or one of its Subsidiaries and the date, if any, upon which such services shall be deemed to have terminated.

6.2 **Events Not Deemed Terminations of Service.** Unless the express policy of the Corporation or one of its Subsidiaries, or the Administrator, otherwise provides, the employment relationship shall not be considered terminated in the case of (a) sick leave, (b) military leave, or (c) any other leave of absence authorized by the Corporation or one of its Subsidiaries, or the Administrator; provided that unless reemployment upon the expiration of such leave is guaranteed by contract or law, such leave is for a period of not more than 90 days. In the case of any employee of the Corporation or one of its Subsidiaries on an approved leave of absence, continued vesting of the award while on leave from the employ of the Corporation or one of its Subsidiaries may be suspended until the employee returns to service, unless the Administrator

otherwise provides or applicable law otherwise requires. In no event shall an award be exercised after the expiration of the term set forth in the award agreement.

6.3 **Effect of Change of Subsidiary Status.** For purposes of this Plan and any award, if an entity ceases to be a Subsidiary of the Corporation a termination of employment or service shall be deemed to have occurred with respect to each Eligible Person in respect of such Subsidiary who does not continue as an Eligible Person in respect of another entity within the Corporation or another Subsidiary that continues as such after giving effect to the transaction or other event giving rise to the change in status.

7. *Adjustments; Acceleration*

7.1 **Adjustments.** Upon or in contemplation of: any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend) or reverse stock split ("stock split"); any merger, combination, consolidation, or other reorganization; any spin-off, split-up, or similar extraordinary dividend distribution in respect of the Common Stock (whether in the form of securities or property); any exchange of Common Stock or other securities of the Corporation, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; or a sale of all or substantially all the business or assets of the Corporation as an entirety; then the Administrator shall, in such manner, to such extent (if any) and at such time as it deems appropriate and equitable in the circumstances:

(a) proportionately adjust any or all of (1) the number and type of shares of Common Stock (or other securities) that thereafter may be made the subject of awards (including the specific share limits, maximums and numbers of shares set forth elsewhere in this Plan), (2) the number, amount and type of shares of Common Stock (or other securities or property) subject to any or all outstanding awards, (3) the grant, purchase, or exercise price (which term includes the base price of any SAR or similar right) of any or all outstanding awards, (4) the securities, cash or other property deliverable upon exercise or payment of any outstanding awards, or (5) (subject to Sections 7.8 and 8.8.3(a)) the performance standards applicable to any outstanding awards, or

(b) make provision for a cash payment or for the assumption, substitution or exchange of any or all outstanding share-based awards or the cash, securities or property deliverable to the holder of any or all outstanding share-based awards, based upon the distribution or consideration payable to holders of the Common Stock upon or in respect of such event.

The Administrator may adopt such valuation methodologies for outstanding awards as it deems reasonable in the event of a cash or property settlement and, in the case of options, SARs or similar rights, but without limitation on other methodologies, may base such settlement solely upon the excess if any of the per share amount payable upon or in respect of such event over the exercise or base price of the award. With respect to any award of an ISO, the Administrator may make such an adjustment that causes the option to cease to qualify as an ISO without the consent of the affected participant.

In any of such events, the Administrator may take such action prior to such event to the extent that the Administrator deems the action necessary to permit the participant to realize the benefits intended to be conveyed with respect to the underlying shares in the same manner as is or will be available to stockholders generally. In the case of any stock split or reverse stock split, if no action is taken by the Administrator, the proportionate adjustments contemplated by clause (a) above shall nevertheless be made.

7.2 **Automatic Acceleration of Awards.** Upon a dissolution of the Corporation or other event described in Section 7.1 that the Corporation does not survive (or does not survive as a public company in respect of its Common Stock), then each then-outstanding option and SAR shall become fully vested, all shares of restricted stock then outstanding shall fully vest free of restrictions, and each other award granted under this Plan that is then outstanding shall become payable to the holder of such award; provided that such acceleration provision shall not apply, unless otherwise expressly provided by the Administrator, with respect to any award to the extent that the Administrator has made a provision for the substitution, assumption, exchange or other continuation or settlement of the award, or the award would otherwise continue in accordance with its terms, in the circumstances.

7.3 **Possible Acceleration of Awards.** Without limiting Section 7.2, in the event of a Change in Control Event (as defined below), the Administrator may, in its discretion, provide that any outstanding option or SAR shall become fully vested, that any share of restricted stock then outstanding shall fully vest free of restrictions, and that any other award granted under this Plan that is then outstanding shall be payable to the holder of such award. The Administrator may take such action with respect to all awards then outstanding or only with respect to certain specific awards identified by the Administrator in the circumstances and may condition any such acceleration upon the occurrence of another event (such as, without limitation, a termination of the award holder's employment). For purposes of this Plan, "**Change in Control Event**" means any of the following:

(a) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act, a "**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 (other than the Corporation or any subsidiary thereof or any employee benefit plan (or related trust) of the Corporation or any subsidiary thereof, or any underwriter in connection with a firm commitment public offering of the Corporation's capital stock), becomes the "beneficial owner" (as such term is defined in Rule 13d-3 of the Exchange Act, except that a person shall also be deemed the beneficial owner of all securities which such person may have a right to acquire, whether or not such right is presently exercisable, referred to herein as "**Beneficially Own**" or "**Beneficial Owner**" as the context may require) of thirty-three and one third percent or more of (i) the then outstanding shares of the Corporation's common stock ("**Outstanding Company Common Stock**") or (ii) securities representing thirty-three and one-third percent or more of the combined voting power of the Corporation's then outstanding voting securities ("**Outstanding Company Voting Securities**") (in each case, other than an acquisition in the context of a merger, consolidation, reorganization, asset sale or other extraordinary transaction covered by, and which does not constitute a Change in Control Event under, clause (c) below);

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

(c) Consummation of any merger, consolidation, reorganization or other extraordinary transaction (or series of related transactions) involving the Corporation, a sale or other disposition of all or substantially all of the assets of the Corporation, or the acquisition of assets or stock of another entity by the Corporation or any of its subsidiaries (each, a "**Business Combination**"), in each case unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the Beneficial Owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination Beneficially Own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Corporation or all or substantially all of the Corporation's assets directly or through one or more subsidiaries (a "**Parent**")), (2) no Person (excluding any entity resulting from such Business Combination or a Parent or any employee benefit plan (or related trust) of the Corporation or such entity resulting from such Business Combination or Parent, and excluding any underwriter in connection with a firm commitment public offering of the Corporation's capital stock) Beneficially Owns, directly or indirectly, more than thirty-three and one third percent of, respectively, the then-outstanding shares of common stock of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, and (3) at least a majority of the members of the board of directors or trustees of the entity resulting from

such Business Combination or a Parent were Incumbent Directors at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(d) The stockholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation (other than in the context of a merger, consolidation, reorganization, asset sale or other extraordinary transaction covered by, and which does not constitute a Change in Control Event under, clause (c) above).

7.4 Early Termination of Awards. Any award that has been accelerated as required or contemplated by Section 7.2 or 7.3 (or would have been so accelerated but for Section 7.5, 7.6 or 7.7) shall terminate upon the related event referred to in Section 7.2 or 7.3, as applicable, subject to any provision that has been expressly made by the Administrator, through a plan of reorganization or otherwise, for the survival, substitution, assumption, exchange or other continuation or settlement of such award and provided that, in the case of options and SARs that will not survive, be substituted for, assumed, exchanged, or otherwise continued or settled in the transaction, the holder of such award shall be given reasonable advance notice of the impending termination and a reasonable opportunity to exercise his or her outstanding options and SARs in accordance with their terms (subject to Sections 7.5, 7.6 and 7.7 after giving effect to the acceleration of vesting) before the termination of such awards (except that in no case shall more than ten days' notice of accelerated vesting and the impending termination be required and any acceleration may be made contingent upon the actual occurrence of the event).

7.5 Other Acceleration Rules. Any acceleration of awards pursuant to this Section 7 shall comply with applicable legal requirements and, if necessary to accomplish the purposes of the acceleration or if the circumstances require, may be deemed by the Administrator to occur a limited period of time not greater than 30 days before the event. Without limiting the generality of the foregoing, the Administrator may deem an acceleration to occur immediately prior to the applicable event and/or reinstate the original terms of an award if an event giving rise to an acceleration does not occur. The Administrator may override the provisions of Section 7.2, 7.3, 7.4 and/or 7.6 by express provision in the award agreement and may accord any Eligible Person a right to refuse any acceleration, whether pursuant to the award agreement or otherwise, in such circumstances as the Administrator may approve. The portion of any ISO accelerated in connection with a Change in Control Event or any other action permitted hereunder shall remain exercisable as an ISO only to the extent the applicable \$100,000 limitation on ISOs is not exceeded. To the extent exceeded, the accelerated portion of the option shall be exercisable as a nonqualified stock option under the Code.

7.6 Possible Rescission of Acceleration. If the vesting of an award has been accelerated expressly in anticipation of an event or upon stockholder approval of an event and the Administrator later determines that the event will not occur, the Administrator may rescind the effect of the acceleration as to any then outstanding and unexercised or otherwise unvested awards.

7.7 Golden Parachute Limitation. Notwithstanding anything else contained in this Section 7 to the contrary, in no event shall an award be accelerated under this Plan to an extent or in a manner which would not be fully deductible by the Corporation or one of its Subsidiaries for federal income tax purposes because of Section 280G of the Code, nor shall any payment hereunder be accelerated to the extent any portion of such accelerated payment would not be deductible by the Corporation or one of its Subsidiaries because of Section 280G of the Code. If a participant would be entitled to benefits or payments hereunder and under any other plan or program that would constitute "parachute payments" as defined in Section 280G of the Code, then the participant may by written notice to the Corporation designate the order in which such parachute payments will be reduced or modified so that the Corporation or one of its Subsidiaries is not denied federal income tax deductions for any "parachute payments" because of Section 280G of the Code. Notwithstanding the foregoing, if a participant is a party to an employment or other agreement with the Corporation or one of its Subsidiaries, or is a participant in a severance program sponsored by the Corporation or one of its Subsidiaries, that contains express provisions regarding Section 280G and/or Section 4999 of the Code (or any similar successor provision), the Section 280G and/or Section 4999 provisions of such employment or other agreement or plan, as applicable, shall control as to any awards held by that participant (for example, and without limitation, a participant may be a party to an employment agreement with the Corporation or one

of its Subsidiaries that provides for a “gross-up” as opposed to a “cut-back” in the event that the Section 280G thresholds are reached or exceeded in connection with a change in control and, in such event, the Section 280G and/or Section 4999 provisions of such employment agreement shall control as to any awards held by that participant).

8. *Other Provisions*

8.1 **Compliance with Laws.** This Plan, the granting and vesting of awards under this Plan, the offer, issuance and delivery of shares of Common Stock, the acceptance of promissory notes and/or the payment of money under this Plan or under awards are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law, federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Corporation, be necessary or advisable in connection therewith. The person acquiring any securities under this Plan will, if requested by the Corporation or one of its Subsidiaries, provide such assurances and representations to the Corporation or one of its Subsidiaries as the Administrator may deem necessary or desirable to assure compliance with all applicable legal and accounting requirements.

8.2 **Employment Status.** No person shall have any claim or rights to be granted an award (or additional awards, as the case may be) under this Plan, subject to any express contractual rights (set forth in a document other than this Plan) to the contrary.

8.3 **No Employment/Service Contract.** Nothing contained in this Plan (or in any other documents under this Plan or in any award) shall confer upon any Eligible Person or other participant any right to continue in the employ or other service of the Corporation or one of its Subsidiaries, constitute any contract or agreement of employment or other service or affect an employee’s status as an employee at will, nor shall interfere in any way with the right of the Corporation or one of its Subsidiaries to change a person’s compensation or other benefits, or to terminate his or her employment or other service, with or without cause. Nothing in this Section 8.3, however, is intended to adversely affect any express independent right of such person under a separate employment or service contract other than an award agreement.

8.4 **Plan Not Funded.** Awards payable under this Plan shall be payable in shares or from the general assets of the Corporation, and no special or separate reserve, fund or deposit shall be made to assure payment of such awards. No participant, beneficiary or other person shall have any right, title or interest in any fund or in any specific asset (including shares of Common Stock, except as expressly otherwise provided) of the Corporation or one of its Subsidiaries by reason of any award hereunder. Neither the provisions of this Plan (or of any related documents), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan shall create, or be construed to create, a trust of any kind or a fiduciary relationship between the Corporation or one of its Subsidiaries and any participant, beneficiary or other person. To the extent that a participant, beneficiary or other person acquires a right to receive payment pursuant to any award hereunder, such right shall be no greater than the right of any unsecured general creditor of the Corporation.

8.5 **Tax Withholding.** Upon any exercise, vesting, or payment of any award or upon the disposition of shares of Common Stock acquired pursuant to the exercise of an ISO prior to satisfaction of the holding period requirements of Section 422 of the Code, the Corporation or one of its Subsidiaries shall have the right at its option to:

- (a) require the participant (or the participant’s personal representative or beneficiary, as the case may be) to pay or provide for payment of at least the minimum amount of any taxes which the Corporation or one of its Subsidiaries may be required to withhold with respect to such award event or payment; or
- (b) deduct from any amount otherwise payable in cash to the participant (or the participant’s personal representative or beneficiary, as the case may be) the minimum amount of any taxes which the Corporation or one of its Subsidiaries may be required to withhold with respect to such cash payment.

In any case where a tax is required to be withheld in connection with the delivery of shares of Common Stock under this Plan, the Administrator may in its sole discretion (subject to Section 8.1) grant (either at the

time of the award or thereafter) to the participant the right to elect, pursuant to such rules and subject to such conditions as the Administrator may establish, to have the Corporation reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares, valued in a consistent manner at their fair market value or at the sales price in accordance with authorized procedures for cashless exercises, necessary to satisfy the minimum applicable withholding obligation on exercise, vesting or payment. In no event shall the shares withheld exceed the minimum whole number of shares required for tax withholding under applicable law. The Corporation may, with the Administrator's approval, accept one or more promissory notes from any Eligible Person in connection with taxes required to be withheld upon the exercise, vesting or payment of any award under this Plan; provided that any such note shall be subject to terms and conditions established by the Administrator and the requirements of applicable law.

8.6 **Effective Date, Termination and Suspension, Amendments.**

8.6.1 **Effective Date.** This Plan is effective as of September 21, 2004, the date of its approval by the Board (the "**Effective Date**"). This Plan shall be submitted for and subject to stockholder approval no later than twelve months after the Effective Date. Unless earlier terminated by the Board, this Plan shall terminate at the close of business on the day before the tenth anniversary of the Effective Date. After the termination of this Plan either upon such stated expiration date or its earlier termination by the Board, no additional awards may be granted under this Plan, but previously granted awards (and the authority of the Administrator with respect thereto, including the authority to amend such awards) shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of this Plan.

8.6.2 **Board Authorization.** The Board may, at any time, terminate or, from time to time, amend, modify or suspend this Plan, in whole or in part. No awards may be granted during any period that the Board suspends this Plan.

8.6.3 **Stockholder Approval.** An amendment to this Plan shall be subject to stockholder approval: (a) if stockholder approval for the amendment is then required by applicable law or required under Sections 162, 422 or 424 of the Code to preserve the intended tax consequences of this Plan; (b) if the amendment constitutes a "material revision" of this Plan within the meaning of the applicable New York Stock Exchange listing rules or other applicable listing requirements; or (c) if stockholder approval for the amendment is otherwise deemed necessary or advisable by the Board.

8.6.4 **Amendments to Awards.** Without limiting any other express authority of the Administrator under (but subject to) the express limits of this Plan, the Administrator by agreement or resolution may waive conditions of or limitations on awards to participants that the Administrator in the prior exercise of its discretion has imposed, without the consent of a participant, and (subject to the requirements of Sections 3.2 and 8.6.5) may make other changes to the terms and conditions of awards. Any amendment or other action that would constitute a repricing of an award is subject to the limitations set forth in Section 3.2(g).

8.6.5 **Limitations on Amendments to Plan and Awards.** No amendment, suspension or termination of this Plan or change of or affecting any outstanding award shall, without written consent of the participant, affect in any manner materially adverse to the participant any rights or benefits of the participant or obligations of the Corporation under any award granted under this Plan prior to the effective date of such change. Changes, settlements and other actions contemplated by Section 7 shall not be deemed to constitute changes or amendments for purposes of this Section 8.6.

8.7 **Privileges of Stock Ownership.** Except as otherwise expressly authorized by the Administrator or this Plan, a participant shall not be entitled to any privilege of stock ownership as to any shares of Common Stock not actually delivered to and held of record by the participant. No adjustment will be made for dividends or other rights as a stockholder for which a record date is prior to such date of delivery.

8.8 **Governing Law; Construction; Severability.**

8.8.1 **Choice of Law.** This Plan, the awards, all documents evidencing awards and all other related documents shall be governed by, and construed in accordance with the laws of the State of Delaware.

8.8.2 **Severability.** If a court of competent jurisdiction holds any provision invalid and unenforceable, the remaining provisions of this Plan shall continue in effect.

8.8.3 **Plan Construction.**

(a) **Rule 16b-3.** It is the intent of the Corporation that the awards and transactions permitted by awards be interpreted in a manner that, in the case of participants who are or may be subject to Section 16 of the Exchange Act, qualify, to the maximum extent compatible with the express terms of the award, for exemption from matching liability under Rule 16b promulgated under the Exchange Act. Notwithstanding the foregoing, the Corporation shall have no liability to any participant for Section 16 consequences of awards or events under awards if an award or event does not so qualify.

(b) **Section 162(m).** Awards under Section 5.1.4 to persons described in Section 5.2 that are either granted or become vested, exercisable or payable based on attainment of one or more performance goals related to the Business Criteria, as well as Qualifying Options and Qualifying SARs granted to persons described in Section 5.2, that are approved by a committee composed solely of two or more outside directors (as this requirement is applied under Section 162(m) of the Code) shall be deemed to be intended as performance-based compensation within the meaning of Section 162(m) of the Code unless such committee provides otherwise at the time of grant of the award. It is the further intent of the Corporation that (to the extent the Corporation or one of its Subsidiaries or awards under this Plan may be or become subject to limitations on deductibility under Section 162(m) of the Code) any such awards and any other Performance-Based Awards under Section 5.2 that are granted to or held by a person subject to Section 162(m) will qualify as performance-based compensation or otherwise be exempt from deductibility limitations under Section 162(m).

8.9 **Captions.** Captions and headings are given to the sections and subsections of this Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision thereof.

8.10 **Stock-Based Awards in Substitution for Stock Options or Awards Granted by Other Corporation.** Awards may be granted to Eligible Persons in substitution for or in connection with an assumption of employee stock options, SARs, restricted stock or other stock-based awards granted by other entities to persons who are or who will become Eligible Persons in respect of the Corporation or one of its Subsidiaries, in connection with a distribution, merger or other reorganization by or with the granting entity or an affiliated entity, or the acquisition by the Corporation or one of its Subsidiaries, directly or indirectly, of all or a substantial part of the stock or assets of the employing entity. The awards so granted need not comply with other specific terms of this Plan, provided the awards reflect only adjustments giving effect to the assumption or substitution consistent with the conversion applicable to the Common Stock in the transaction and any change in the issuer of the security. Any shares that are delivered and any awards that are granted by, or become obligations of, the Corporation, as a result of the assumption by the Corporation of, or in substitution for, outstanding awards previously granted by an acquired company (or previously granted by a predecessor employer (or direct or indirect parent thereof) in the case of persons that become employed by the Corporation or one of its Subsidiaries in connection with a business or asset acquisition or similar transaction) shall not be counted against the Share Limit or other limits on the number of shares available for issuance under this Plan.

8.11 **Non-Exclusivity of Plan.** Nothing in this Plan shall limit or be deemed to limit the authority of the Board or the Administrator to grant awards or authorize any other compensation, with or without reference to the Common Stock, under any other plan or authority.

8.12 **No Corporate Action Restriction.** The existence of this Plan, the award agreements and the awards granted hereunder shall not limit, affect or restrict in any way the right or power of the Board or the stockholders of the Corporation to make or authorize: (a) any adjustment, recapitalization, reorganization or other change in the capital structure or business of the Corporation or any Subsidiary, (b) any merger, amalgamation, consolidation or change in the ownership of the Corporation or any Subsidiary, (c) any issue of bonds, debentures, capital, preferred or prior preference stock ahead of or affecting the capital stock (or the rights thereof) of the Corporation or any Subsidiary, (d) any dissolution or liquidation of the Corporation or any Subsidiary, (e) any sale or transfer of all or any part of the assets or business of the Corporation or any Subsidiary, or (f) any other corporate act or proceeding by the Corporation or any Subsidiary. No participant, beneficiary or any other person shall have any claim under any award or award agreement against any member of the Board or the Administrator, or the Corporation or any employees, officers or agents of the Corporation or any Subsidiary, as a result of any such action.

8.13 **Other Company Benefit and Compensation Programs.** Payments and other benefits received by a participant under an award made pursuant to this Plan shall not be deemed a part of a participant's compensation for purposes of the determination of benefits under any other employee welfare or benefit plans or arrangements, if any, provided by the Corporation or any Subsidiary, except where the Administrator expressly otherwise provides or authorizes in writing. Awards under this Plan may be made in addition to, in combination with, as alternatives to or in payment of grants, awards or commitments under any other plans or arrangements of the Corporation or its Subsidiaries.

[WESTERN DIGITAL LOGO]

WESTERN DIGITAL CORPORATION
ID: 95-2647125
20511 Lake Forest Drive
Lake Forest, CA 92630-7741

NOTICE OF GRANT OF STOCK OPTION
AND OPTION AGREEMENT

NAME	OPTION NO.: #####
ADDRESS LINE 1	PLAN: 2004 PERFORMANCE INCENTIVE PLAN
CITY, STATE ZIP	ID: #####

Congratulations! Effective <>, you have been granted a(n) <
> to buy <

[WESTERN DIGITAL LOGO]

Western Digital Corporation 20511 Lake Forest Drive
Lake Forest, California 92630 Telephone 949 672-7000

STANDARD TERMS AND CONDITIONS FOR STOCK OPTIONS
2004 Performance Incentive Plan

1. OPTION SUBJECT TO 2004 PERFORMANCE INCENTIVE PLAN.

The option (the "Option") referred to in the attached Notice of Grant of Stock Option and Option Agreement (the "Notice") was issued under Western Digital Corporation's (the "Corporation's") 2004 Performance Incentive Plan (the "Plan"). The Option is subject to the terms and provisions of the Notice, these Standard Terms and Conditions for Stock Options (these "Standard Terms"), and the Plan. To the extent any information in the Notice, the prospectus for the Plan, or other information provided by the Corporation conflicts with the Plan and/or these Standard Terms, the Plan or these Standard Terms, as applicable, shall control. To the extent any terms and provisions in these Standard Terms conflict with the terms and provisions of the Plan, the Plan shall control. The holder of the Option is referred to herein as the "Participant." Capitalized terms not defined herein have the meanings set forth in the Plan.

Unless otherwise expressly provided in other sections of these Standard Terms, provisions of the Plan that confer discretionary authority on the Board or the Administrator do not and shall not be deemed to create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Administrator so conferred by appropriate action of the Board or the Administrator under the Plan after the grant date of the Option.

2. OPTION AGREEMENT.

The Notice and these Standard Terms, together, constitute the Option Agreement with respect to the Option pursuant to Section 5.3 of the Plan.

3. TYPE OF STOCK OPTION

The Notice indicates whether the Option is intended to qualify as an incentive stock option (an "ISO") under the Internal Revenue Code of 1986, as amended (the "Code"), or is a nonqualified stock option (an option that is not an ISO). ISOs are subject to additional requirements under the Code as generally described in Section 5.1 of the Plan. If the aggregate fair market value of the shares with respect to which ISOs (whether granted under the Option or otherwise) first become exercisable by the Participant in any calendar year exceeds \$100,000, as measured on the applicable option grant dates and as determined in accordance with Code Section 422 and the regulations promulgated thereunder, the limitations of Section 5.1.2 of the Plan shall apply and to such extent the Option will be rendered a nonqualified stock option.

4. VESTING

The Option shall vest and become exercisable in percentage installments of the aggregate number of shares subject to the Option as set forth in the Notice. [STANDARD VESTING - INCLUDE UNLESS OTHERWISE PROVIDED BY THE ADMINISTRATOR AT THE TIME OF GRANT OF THE AWARD: The first vesting installment of the Option shall be a fixed installment covering the number of shares, and vesting on the fixed vesting date, set forth in the first line of the Notice under "Vesting." The balance of the Option (identified as "Quarterly" vesting in the Notice) shall vest and

become exercisable in substantially equal quarterly installments over the three year period following the first anniversary of the grant date of the Option (such that the first quarterly installment shall vest on the date that is three months after the first vesting date of the Option and so on such that all quarterly installments are scheduled to have vested on or before the Quarterly "Full Vesting" vesting date set forth in the Notice).] In each case, the Option is subject to earlier termination in accordance with Section 5.

The Option may be exercised only to the extent it is vested and exercisable. To the extent that the Option is vested and exercisable, the Participant has the right to exercise the Option (to the extent not previously exercised), and such right shall continue, until the expiration or earlier termination of the Option as provided in Section 5. Fractional share interests shall be disregarded, but may be cumulated.

The vesting schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of the Option and the rights and benefits under this Option Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 6 below or under the Plan.

5. EXPIRATION OF OPTION

The Option shall expire and the Participant shall have no further rights with respect thereto upon the earliest to occur of (a) the termination of the Option as provided in Section 6 below, (b) the termination of the Option as provided in Section 7.4 of the Plan, or (c) the Expiration Date set forth in the Notice. The Option may not be exercised at any time after a termination or expiration of the Option.

6. TERMINATION OF EMPLOYMENT, TOTAL DISABILITY OR DEATH

The Option shall be exercisable by the Participant (or his or her permitted successor in interest) following the Participant's termination of employment only to the extent provided below in this Section 6. Except as provided in Section 6(f) below, the last day that the Participant is employed by the Corporation or a Subsidiary prior to a period of non-employment by any such entity is referred to as the Participant's "Severance Date." In each case described below, the Option shall be subject to earlier termination as contemplated by Section 5.

(a) Termination of Employment Generally. In the event the Participant ceases to be an employee of the Corporation or any of its Subsidiaries for any reason (other than a termination of employment by the Corporation or one of its Subsidiaries for Cause (as defined below), due to the Participant's death or Retirement (as defined below), or at a time when the Participant is Totally Disabled (as defined below)), the Option shall terminate on the Participant's Severance Date to the extent that it is not vested and exercisable on that date and, to the extent that the Option is exercisable by the Participant on the Participant's Severance Date, it may be exercised by the Participant at any time within three months following the Participant's Severance Date. The Option, to the extent exercisable for the three-month period following the Participant's Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the three-month period.

(b) Total Disability. In the event that the Participant ceases to be an employee of the Corporation or any of its Subsidiaries at a time when the Participant is Totally Disabled and is not eligible to Retire, the Option shall terminate on the Participant's Severance Date to the extent that it is not vested and exercisable on that date. In such circumstances, or in the event that the Participant incurs such a Total Disability within not more than three months of the Participant's Severance Date if the termination of the Participant's employment was for any reason other than a termination of employment by the Corporation or one of its Subsidiaries for Cause, the Option may, to the extent the Option was exercisable by the Participant on the Participant's Severance Date, be exercised by the Participant (or, if the Participant is then incapacitated, by the Participant's personal representatives, heirs, or legatees) at any time during the one-year period following the Participant's Severance Date. The Option, to the extent exercisable for the one-year period following the Participant's Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the one-year period. For purposes of the Option, "Total

Disability" (which term shall include "Totally Disabled") means a "permanent and total disability" within the meaning of Section 22(e)(3) of the Code.

(c) Death. If the Participant dies while he or she is an employee of the Corporation or any of its Subsidiaries, the Option (to the extent outstanding and not previously vested and exercisable) shall vest and become exercisable on the Participant's Severance Date and shall continue to be exercisable by the Participant's personal representatives, heirs or legatees, as applicable, at any time during the three-year period following the Participant's Severance Date. The Option, to the extent exercisable for the three-year period following the Participant's Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the three-year period.

(d) Retirement. If the Participant Retires from the Corporation or one of its Subsidiaries, the Option (to the extent outstanding and not previously vested and exercisable) shall vest and become exercisable on the Participant's Severance Date and shall continue to be exercisable by the Participant (or if the Participant is then deceased, by the Participant's personal representatives, heirs or legatees, as applicable) at any time during the three-year period following the Participant's Severance Date. The Option, to the extent exercisable for the three-year period following the Participant's Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the three-year period. Notwithstanding the foregoing, in the event a Retired Participant provides services to a competitor of the Corporation or any of its Subsidiaries as an employee, consultant, director, officer, representative, independent contractor or otherwise, or otherwise competes with the business of the Corporation or its Subsidiaries (in each case as determined by the Administrator in its sole discretion), the Option, to the extent not previously exercised, shall immediately terminate. In addition, in such event the Corporation shall have the right to recover any profits realized by such Retired Participant as a result of any exercise of the Option during the six-month period prior to the date such Retired Participant commenced providing such services to a competitor. For this purpose, the Participant shall be deemed to have "Retired" (which term shall include "Retirement," "Retire" and "Retires") if the Participant voluntarily retires from employment with the Corporation or one of its Subsidiaries after satisfying all of the following at the time of such retirement: (i) the Participant is at least 55 years of age, (ii) the Participant's age plus total years of continuous service with the Corporation or any of its Subsidiaries (as determined by the Administrator in its sole discretion) totals at least 65, and (iii) the Participant has five (5) or more years of continuous service with the Corporation or any of its Subsidiaries (as determined by the Administrator in its sole discretion) ending on the date of such retirement. For purposes of calculating "age plus total years of continuous service" under clause (ii) above, fractional years shall be disregarded but may be cumulated (so that, by way of example only, a Participant who is age 55 and 6 months with 9 years and 6 months of continuous service would satisfy the requirements of clause (ii), while a Participant who is age 55 and 6 months with 9 years and 5 months of continuous service would not satisfy the requirements of clause (ii)). For purposes of calculating the Participant's "years of continuous service" under clause (ii) or clause (iii) above, in no event shall the Participant accrue more than one year of service with respect to any period of twelve consecutive months (that is, concurrent employment by both the Corporation and one or more of its Subsidiaries, or by multiple Subsidiaries, for a month shall not be counted as more than one month of service).

(e) Termination for Cause. Notwithstanding the foregoing provisions of this Section 6, if the Participant's employment with the Corporation or any of its Subsidiaries is terminated by the Corporation or one of its Subsidiaries for Cause, the Option (whether or not all or any portion of such Option is then vested and exercisable) shall immediately terminate on the Participant's Severance Date. For these purposes, the term "Cause" shall mean the occurrence or existence of any of the following with respect to the Participant, as determined by the Administrator or its delegate or delegates in its or their sole discretion:

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

(ii) whether prior or subsequent to the date hereof, the Participant's willful engaging in dishonest or fraudulent actions or omissions;

(iii) the Participant's failure or refusal to perform his or her duties as reasonably required by his or her employer;

(iv) negligence, insubordination, violation by the Participant of any duty (loyalty or otherwise) owed to the Corporation, one or more of its Subsidiaries, or any of their respective affiliates, or any other misconduct on the part of the Participant;

(v) the repeated non-prescription use of any controlled substance, or the repeated use of alcohol or any other non-controlled substance which in the Administrator's (or its delegate's or delegates') reasonable determination interferes with the Participant's service as an officer or employee of the Corporation, one or more of its Subsidiaries, or any of their respective affiliates;

(vi) sexual harassment by the Participant that has been reasonably substantiated and investigated;

(vii) involvement in activities representing conflicts of interest with the Corporation, one or more of its Subsidiaries, or any of their respective affiliates;

(viii) improper disclosure of confidential information;

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

(x) falsifying or misrepresenting information on the records of the Corporation, one or more of its Subsidiaries, or any of their respective affiliates;

(xi) the Participant's physical destruction or theft of substantial property or assets of the Corporation, one or more of its Subsidiaries, or any of their respective affiliates;

(xii) breach of any policy of, or agreement with, the Corporation, one or more of its Subsidiaries, or any of their respective affiliates applicable to the Participant or to which the Participant is otherwise bound.

(f) Continuation of Services. If the Participant's employment with the Corporation or any of its Subsidiaries terminates (regardless of the reason) but, immediately thereafter, the Participant continues to render services to the Corporation or any of its Subsidiaries as an employee, director or consultant, such Participant's Severance Date for purposes of the Option shall not be the date such Participant's employment terminates, but instead shall be the last day that the Participant either is employed by or actually renders services to the Corporation or any of its Subsidiaries. As provided in Section 6.1 of the Plan, the Administrator shall be the sole judge for purposes of the Option of whether the Participant continues to render services the Corporation or its Subsidiaries and the date, if any, upon which such services shall be deemed to have terminated.

(g) Exercise Period for ISOs. Notwithstanding any post-termination exercise period provided for herein or in the Plan, the Option will qualify as an ISO only if it is exercised within the applicable exercise periods for ISOs under, and meets all of the other requirements of, the Code. If the Option is not exercised within the applicable exercise periods for ISOs or does not meet such other requirements, the Option will be rendered a nonqualified stock option.

7. EXERCISE OF OPTION

The Option shall be exercisable by the delivery to the Secretary of the Corporation (or such other person as the Administrator may require pursuant to such administrative exercise procedures as the Administrator may implement from time to time) of:

- a written notice stating the number of shares of Common Stock to be purchased pursuant to the Option or by the completion of such other administrative exercise procedures as the Administrator may require from time to time,

- payment in full for the purchase price (the per-share exercise price of the Option multiplied by the number of shares to be purchased) in cash, check or by electronic funds transfer to the Corporation, or (subject to compliance with all applicable laws, rules, regulations and listing requirements and further subject to such rules as the Administrator may adopt as to any non-cash payment) in shares of Common Stock already owned by the Participant, valued at their fair market value on the exercise date, provided, however, that any shares initially acquired upon exercise of a stock option or otherwise from the Corporation must have been owned by the Participant for at least six (6) months before the date of such exercise;
- any written statements or agreements required by the Administrator pursuant to Section 8.1 of the Plan; and
- satisfaction of the tax withholding provisions of Section 8.5 of the Plan.

The Administrator also may, but is not required to, authorize a non-cash payment alternative by notice and third party payment in such manner as may be authorized by the Administrator.

The Option will qualify as an ISO only if it meets all of the applicable requirements of the Code.

8. NONTRANSFERABILITY

The Option and any other rights of the Participant under this Option Agreement or the Plan are nontransferable and exercisable only by the Participant, except as set forth in Section 5.7 of the Plan. For purposes of clarity, the Administrator has not authorized any transfer exceptions as contemplated by Section 5.7.2 of the Plan.

9. NO RIGHT TO EMPLOYMENT

Nothing contained in this Option Agreement or the Plan constitutes a continued employment or service commitment by the Corporation or any of its Subsidiaries, affects the Participant's status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by or in service to the Corporation or any Subsidiary, interferes in any way with the right of the Corporation or any Subsidiary at any time to terminate such employment or service, or affects the right of the Corporation or any Subsidiary to increase or decrease the Participant's other compensation.

10. RIGHTS AS A STOCKHOLDER

Neither the Participant nor any beneficiary or other person claiming under or through the Participant shall have any right, title, interest or privilege in or to any shares of Common Stock subject to the Option except as to such shares, if any, as shall have been actually issued to such person and recorded in such person's name following the exercise of the Option or any portion thereof.

11. NOTICES

Any notice to be given under the terms of this Option Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the address last reflected on the Corporation's payroll records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be delivered in person or shall be enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government. Any such notice shall be given only when received, but if the Participant is no longer employed by the Corporation or a Subsidiary, shall be deemed to

have been duly given five business days after the date mailed in accordance with the foregoing provisions of this Section 11.

12. ARBITRATION

Any controversy arising out of or relating to this Option Agreement (including these Standard Terms) and/or the Plan, their enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of their provisions, or any other controversy or claim arising out of or related to the Option or the Participant's employment, including, but not limited to, any state or federal statutory claims, shall be submitted to arbitration in Orange County, California, before a sole arbitrator selected from Judicial Arbitration and Mediation Services, Inc., Orange, California, or its successor ("JAMS"), or if JAMS is no longer able to supply the arbitrator, such arbitrator shall be selected from the American Arbitration Association, and shall be conducted in accordance with the provisions of California Code of Civil Procedure Sections 1280 et seq. as the exclusive forum for the resolution of such dispute; provided, however, that provisional injunctive relief may, but need not, be sought by either party to this Option Agreement in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally determined by the arbitrator. Final resolution of any dispute through arbitration may include any remedy or relief which the arbitrator deems just and equitable, including any and all remedies provided by applicable state or federal statutes. At the conclusion of the arbitration, the arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the arbitrator's award or decision is based. Any award or relief granted by the arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction. The parties acknowledge and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with any of the matters referenced in the first sentence above. The parties agree that Corporation shall be responsible for payment of the forum costs of any arbitration hereunder, including the arbitrator's fee. The parties further agree that in any proceeding with respect to such matters, each party shall bear its own attorney's fees and costs (other than forum costs associated with the arbitration) incurred by it or him or her in connection with the resolution of the dispute. By accepting the Option, the Participant consents to all of the terms and conditions of this Option Agreement (including, without limitation, this Section 12).

13. GOVERNING LAW

This Option Agreement, including these Standard Terms, shall be interpreted and construed in accordance with the laws of the State of Delaware (without regard to conflict of law principles thereunder) and applicable federal law.

14. SEVERABILITY

If the arbitrator selected in accordance with Section 12 or a court of competent jurisdiction determines that any portion of this Option Agreement (including these Standard Terms) or the Plan is in violation of any statute or public policy, then only the portions of this Option Agreement or the Plan, as applicable, which are found to violate such statute or public policy shall be stricken, and all portions of this Option Agreement and the Plan which are not found to violate any statute or public policy shall continue in full force and effect. Furthermore, it is the parties' intent that any order striking any portion of this Option Agreement and/or the Plan should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

15. ENTIRE AGREEMENT

This Option Agreement (including these Standard Terms) and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Option Agreement may be amended pursuant to Section 8.6 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant

hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

16. SECTION HEADINGS

The section headings of this Option Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

[WESTERN DIGITAL LOGO]

WESTERN DIGITAL CORPORATION
ID: 95-2647125
20511 Lake Forest Drive
Lake Forest, CA 92630-7741

NOTICE OF GRANT OF STOCK OPTION
AND OPTION AGREEMENT - EXECUTIVES

NAME	OPTION NO.: #####
ADDRESS LINE 1	PLAN: 2004 PERFORMANCE INCENTIVE PLAN
CITY, STATE ZIP	ID: #####

Congratulations! Effective <>, you have been granted a(n) <
> to buy <

[WESTERN DIGITAL LOGO]

Western Digital Corporation 20511 Lake Forest Drive
Lake Forest, California 92630 Telephone 949 672-7000

STANDARD TERMS AND CONDITIONS FOR STOCK OPTIONS - EXECUTIVES
2004 Performance Incentive Plan

1. OPTION SUBJECT TO 2004 PERFORMANCE INCENTIVE PLAN.

The option (the "Option") referred to in the attached Notice of Grant of Stock Option and Option Agreement (the "Notice") was issued under Western Digital Corporation's (the "Corporation's") 2004 Performance Incentive Plan (the "Plan"). The Option is subject to the terms and provisions of the Notice, these Standard Terms and Conditions for Stock Options - Executives (these "Standard Terms"), and the Plan. To the extent any information in the Notice, the prospectus for the Plan, or other information provided by the Corporation conflicts with the Plan and/or these Standard Terms, the Plan or these Standard Terms, as applicable, shall control. To the extent any terms and provisions in these Standard Terms conflict with the terms and provisions of the Plan, the Plan shall control. The holder of the Option is referred to herein as the "Participant." Capitalized terms not defined herein have the meanings set forth in the Plan.

Unless otherwise expressly provided in other sections of these Standard Terms, provisions of the Plan that confer discretionary authority on the Board or the Administrator do not and shall not be deemed to create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Administrator so conferred by appropriate action of the Board or the Administrator under the Plan after the grant date of the Option.

2. OPTION AGREEMENT.

The Notice and these Standard Terms, together, constitute the Option Agreement with respect to the Option pursuant to Section 5.3 of the Plan.

3. TYPE OF STOCK OPTION

The Notice indicates whether the Option is intended to qualify as an incentive stock option (an "ISO") under the Internal Revenue Code of 1986, as amended (the "Code"), or is a nonqualified stock option (an option that is not an ISO). ISOs are subject to additional requirements under the Code as generally described in Section 5.1 of the Plan. If the aggregate fair market value of the shares with respect to which ISOs (whether granted under the Option or otherwise) first become exercisable by the Participant in any calendar year exceeds \$100,000, as measured on the applicable option grant dates and as determined in accordance with Code Section 422 and the regulations promulgated thereunder, the limitations of Section 5.1.2 of the Plan shall apply and to such extent the Option will be rendered a nonqualified stock option.

4. VESTING

The Option shall vest and become exercisable in percentage installments of the aggregate number of shares subject to the Option as set forth in the Notice. [STANDARD VESTING - INCLUDE UNLESS OTHERWISE PROVIDED BY THE ADMINISTRATOR AT THE TIME OF GRANT OF THE AWARD: The first vesting installment of the Option shall be a fixed installment covering the number of shares, and vesting on the fixed vesting date, set forth in the first line of the Notice under "Vesting." The balance of the Option (identified as "Quarterly" vesting in the Notice) shall vest and

become exercisable in substantially equal quarterly installments over the three year period following the first anniversary of the grant date of the Option (such that the first quarterly installment shall vest on the date that is three months after the first vesting date of the Option and so on such that all quarterly installments are scheduled to have vested on or before the Quarterly "Full Vesting" vesting date set forth in the Notice).] In each case, the Option is subject to earlier termination in accordance with Section 5.

Notwithstanding the foregoing but subject to Sections 7.5, 7.6 and 7.7 of the Plan, to the extent that the Option is outstanding and otherwise unvested immediately prior to the occurrence of a Change in Control Event, the Option shall vest and become exercisable upon the occurrence of the Change in Control Event. This acceleration provision shall not in any way limit the Corporation's ability to terminate the Option in connection with a Change in Control Event as provided in Section 7.4 of the Plan; provided that, in any such circumstances, the Optionee is given reasonable advance notice of the impending termination and a reasonable opportunity to exercise the outstanding portion of the Option in accordance with its terms (subject to Sections 7.5, 7.6 and 7.7 of the Plan, after giving effect to the acceleration of vesting) before the termination of the Option in such circumstances (except that in no case shall more than ten days' notice of accelerated vesting and the impending termination be required and any acceleration may be made contingent upon the actual occurrence of the event).

The Option may be exercised only to the extent it is vested and exercisable. To the extent that the Option is vested and exercisable, the Participant has the right to exercise the Option (to the extent not previously exercised), and such right shall continue, until the expiration or earlier termination of the Option as provided in Section 5. Fractional share interests shall be disregarded, but may be cumulated.

The vesting schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of the Option and the rights and benefits under this Option Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 6 below or under the Plan.

5. EXPIRATION OF OPTION

The Option shall expire and the Participant shall have no further rights with respect thereto upon the earliest to occur of (a) the termination of the Option as provided in Section 6 below, (b) the termination of the Option as provided in Section 7.4 of the Plan, or (c) the Expiration Date set forth in the Notice. The Option may not be exercised at any time after a termination or expiration of the Option.

6. TERMINATION OF EMPLOYMENT, TOTAL DISABILITY OR DEATH

The Option shall be exercisable by the Participant (or his or her permitted successor in interest) following the Participant's termination of employment only to the extent provided below in this Section 6. Except as provided in Section 6(f) below, the last day that the Participant is employed by the Corporation or a Subsidiary prior to a period of non-employment by any such entity is referred to as the Participant's "Severance Date." In each case described below, the Option shall be subject to earlier termination as contemplated by Section 5.

(a) Termination of Employment Generally. In the event the Participant ceases to be an employee of the Corporation or any of its Subsidiaries for any reason (other than a termination of employment by the Corporation or one of its Subsidiaries for Cause (as defined below), due to the Participant's death or Retirement (as defined below), or at a time when the Participant is Totally Disabled (as defined below)), the Option shall terminate on the Participant's Severance Date to the extent that it is not vested and exercisable on that date and, to the extent that the Option is exercisable by the Participant on the Participant's Severance Date, it may be exercised by the Participant at any time within three months following the Participant's Severance Date. The Option, to the extent exercisable for the three-month period following the Participant's Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the three-month period.

(b) Total Disability. In the event that the Participant ceases to be an employee of the Corporation or any of its Subsidiaries at a time when the Participant is Totally Disabled and is not eligible to Retire, the Option shall terminate on the Participant's Severance Date to the extent that it is not vested and exercisable on that date. In such circumstances, or in the event that the Participant incurs such a Total Disability within not more than three months of the Participant's Severance Date if the termination of the Participant's employment was for any reason other than a termination of employment by the Corporation or one of its Subsidiaries for Cause, the Option may, to the extent the Option was exercisable by the Participant on the Participant's Severance Date, be exercised by the Participant (or, if the Participant is then incapacitated, by the Participant's personal representatives, heirs, or legatees) at any time during the one-year period following the Participant's Severance Date. The Option, to the extent exercisable for the one-year period following the Participant's Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the one-year period. For purposes of the Option, "Total Disability" (which term shall include "Totally Disabled") means a "permanent and total disability" within the meaning of Section 22(e)(3) of the Code.

(c) Death. If the Participant dies while he or she is an employee of the Corporation or any of its Subsidiaries, the Option (to the extent outstanding and not previously vested and exercisable) shall vest and become exercisable on the Participant's Severance Date and shall continue to be exercisable by the Participant's personal representatives, heirs or legatees, as applicable, at any time during the three-year period following the Participant's Severance Date. The Option, to the extent exercisable for the three-year period following the Participant's Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the three-year period.

(d) Retirement. If the Participant Retires from the Corporation or one of its Subsidiaries, the Option (to the extent outstanding and not previously vested and exercisable) shall vest and become exercisable on the Participant's Severance Date and shall continue to be exercisable by the Participant (or if the Participant is then deceased, by the Participant's personal representatives, heirs or legatees, as applicable) at any time during the three-year period following the Participant's Severance Date. The Option, to the extent exercisable for the three-year period following the Participant's Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the three-year period. Notwithstanding the foregoing, in the event a Retired Participant provides services to a competitor of the Corporation or any of its Subsidiaries as an employee, consultant, director, officer, representative, independent contractor or otherwise, or otherwise competes with the business of the Corporation or its Subsidiaries (in each case as determined by the Administrator in its sole discretion), the Option, to the extent not previously exercised, shall immediately terminate. In addition, in such event the Corporation shall have the right to recover any profits realized by such Retired Participant as a result of any exercise of the Option during the six-month period prior to the date such Retired Participant commenced providing such services to a competitor. For this purpose, the Participant shall be deemed to have "Retired" (which term shall include "Retirement," "Retire" and "Retires") if the Participant voluntarily retires from employment with the Corporation or one of its Subsidiaries after satisfying all of the following at the time of such retirement: (i) the Participant is at least 55 years of age, (ii) the Participant's age plus total years of continuous service with the Corporation or any of its Subsidiaries (as determined by the Administrator in its sole discretion) totals at least 65, and (iii) the Participant has five (5) or more years of continuous service with the Corporation or any of its Subsidiaries (as determined by the Administrator in its sole discretion) ending on the date of such retirement. For purposes of calculating "age plus total years of continuous service" under clause (ii) above, fractional years shall be disregarded but may be cumulated (so that, by way of example only, a Participant who is age 55 and 6 months with 9 years and 6 months of continuous service would satisfy the requirements of clause (ii), while a Participant who is age 55 and 6 months with 9 years and 5 months of continuous service would not satisfy the requirements of clause (ii)). For purposes of calculating the Participant's "years of continuous service" under clause (ii) or clause (iii) above, in no event shall the Participant accrue more than one year of service with respect to any period of twelve consecutive months (that is, concurrent employment by both the Corporation and one or more of its Subsidiaries, or by multiple Subsidiaries, for a month shall not be counted as more than one month of service).

(e) Termination for Cause. Notwithstanding the foregoing provisions of this Section 6, if the Participant's employment with the Corporation or any of its Subsidiaries is terminated by the Corporation or one of its Subsidiaries for Cause, the Option (whether or not all or any portion of such Option is then vested and exercisable) shall immediately terminate on the Participant's

Severance Date.

For purposes of this Section 6 and as to any termination of employment or services that occurs prior to the occurrence of a Change in Control Event, the term "Cause" shall mean the occurrence or existence of any of the following with respect to the Participant, as determined by the Administrator or its delegate or delegates in its or their sole discretion:

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

(ii) whether prior or subsequent to the date hereof, the Participant's willful engaging in dishonest or fraudulent actions or omissions;

(iii) the Participant's failure or refusal to perform his or her duties as reasonably required by his or her employer;

(iv) negligence, insubordination, violation by the Participant of any duty (loyalty or otherwise) owed to the Corporation, one or more of its Subsidiaries, or any of their respective affiliates, or any other misconduct on the part of the Participant;

(v) the repeated non-prescription use of any controlled substance, or the repeated use of alcohol or any other non-controlled substance which in the Administrator's (or its delegate's or delegates') reasonable determination interferes with the Participant's service as an officer or employee of the Corporation, one or more of its Subsidiaries, or any of their respective affiliates;

(vi) sexual harassment by the Participant that has been reasonably substantiated and investigated;

(vii) involvement in activities representing conflicts of interest with the Corporation, one or more of its Subsidiaries, or any of their respective affiliates;

(viii) improper disclosure of confidential information;

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

(x) falsifying or misrepresenting information on the records of the Corporation, one or more of its Subsidiaries, or any of their respective affiliates;

(xi) the Participant's physical destruction or theft of substantial property or assets of the Corporation, one or more of its Subsidiaries, or any of their respective affiliates;

(xii) breach of any policy of, or agreement with, the Corporation, one or more of its Subsidiaries, or any of their respective affiliates applicable to the Participant or to which the Participant is otherwise bound.

For purposes of this Section 6 and as to any termination of employment or services that occurs after the occurrence of a Change in Control Event, the term "Cause" shall mean the occurrence or existence of any of the following with respect to the Participant, as determined by a majority of the disinterested directors of the Board:

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

(B) whether prior or subsequent to the date hereof, the Participant's willful engaging in dishonest or fraudulent actions or omissions which results directly or indirectly in any demonstrable material financial or economic harm to the Corporation, one or more of its Subsidiaries, or any of their respective affiliates;

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

(D) gross negligence, insubordination, material violation by the Participant of any duty of loyalty to the Corporation, one or more of its Subsidiaries, or any of their respective affiliates, or any other material misconduct on the part of the Participant, provided that the Participant shall have first received written notice from the Corporation stating with specificity the nature of such action or violation and affording the Participant at least five (5) days to correct such action or violation;

(E) the repeated non-prescription use of any controlled substance, or the repeated use of alcohol or any other non-controlled substance which in the Board's reasonable determination interferes with the Participant's service as an officer or employee of the Corporation, one or more of its Subsidiaries, or any of their respective affiliates;

(F) sexual harassment by the Participant that has been reasonably substantiated and investigated;

(G) involvement in activities representing conflicts of interest with the Corporation, one or more of its Subsidiaries, or any of their respective affiliates;

(H) improper disclosure of confidential information;

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

(J) falsifying or misrepresenting information on the records of the Corporation, one or more of its Subsidiaries, or any of their respective affiliates; or

(K) the Participant's physical destruction or theft of substantial property or assets of the Corporation, one or more of its Subsidiaries, or any of their respective affiliates.

(f) Continuation of Services. If the Participant's employment with the Corporation or any of its Subsidiaries terminates (regardless of the reason) but, immediately thereafter, the Participant continues to render services to the Corporation or any of its Subsidiaries as an employee, director or consultant, such Participant's Severance Date for purposes of the Option shall not be the date such Participant's employment terminates, but instead shall be the last day that the Participant either is employed by or actually renders services to the Corporation or any of its Subsidiaries. As provided in Section 6.1 of the Plan, the Administrator shall be the sole judge for purposes of the Option of whether the Participant continues to render services the Corporation or its Subsidiaries and the date, if any, upon which such services shall be deemed to have terminated.

(g) Exercise Period for ISOs. Notwithstanding any post-termination exercise period provided for herein or in the Plan, the Option will qualify as an ISO only if it is exercised within the applicable exercise periods for ISOs under, and meets all of the other requirements of, the Code. If the Option is not exercised within the applicable exercise periods for ISOs or does not meet such other requirements, the Option will be rendered a nonqualified stock option.

7. EXERCISE OF OPTION

The Option shall be exercisable by the delivery to the Secretary of the Corporation (or such other person as the Administrator may require pursuant to such administrative exercise procedures as the Administrator may implement from time to time) of:

- a written notice stating the number of shares of Common Stock to be purchased pursuant to the Option or by the completion of such other administrative exercise procedures as the Administrator may require from time to time,
- payment in full for the purchase price (the per-share exercise price of the Option multiplied by the number of shares to be purchased) in cash, check or by electronic funds transfer to the Corporation, or (subject to compliance with all applicable laws, rules, regulations and listing requirements and further subject to such rules as the Administrator may adopt as to any non-cash payment) in shares of Common Stock already owned by the Participant, valued at their fair market value on the exercise date, provided, however, that any shares initially acquired upon exercise of a stock option or otherwise from the Corporation must have been owned by the Participant for at least six (6) months before the date of such exercise;
- any written statements or agreements required by the Administrator pursuant to Section 8.1 of the Plan; and
- satisfaction of the tax withholding provisions of Section 8.5 of the Plan.

The Administrator also may, but is not required to, authorize a non-cash payment alternative by notice and third party payment in such manner as may be authorized by the Administrator.

The Option will qualify as an ISO only if it meets all of the applicable requirements of the Code.

8. NONTRANSFERABILITY

The Option and any other rights of the Participant under this Option Agreement or the Plan are nontransferable and exercisable only by the Participant, except as set forth in Section 5.7 of the Plan. For purposes of clarity, the Administrator has not authorized any transfer exceptions as contemplated by Section 5.7.2 of the Plan.

9. NO RIGHT TO EMPLOYMENT

Nothing contained in this Option Agreement or the Plan constitutes a continued employment or service commitment by the Corporation or any of its Subsidiaries, affects the Participant's status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by or in service to the Corporation or any Subsidiary, interferes in any way with the right of the Corporation or any Subsidiary at any time to terminate such employment or service, or affects the right of the Corporation or any Subsidiary to increase or decrease the Participant's other compensation.

10. RIGHTS AS A STOCKHOLDER

Neither the Participant nor any beneficiary or other person claiming under or through the Participant shall have any right, title, interest or privilege in or to any shares of Common Stock subject to the Option except as to such shares, if any, as shall have been actually issued to such person and recorded in such person's name following the exercise of the Option or any portion thereof.

11. NOTICES

Any notice to be given under the terms of this Option Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the address last reflected on the Corporation's payroll records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be delivered in person or shall be enclosed in a properly sealed envelope addressed

as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government. Any such notice shall be given only when received, but if the Participant is no longer employed by the Corporation or a Subsidiary, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions of this Section 11.

12. ARBITRATION

Any controversy arising out of or relating to this Option Agreement (including these Standard Terms) and/or the Plan, their enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of their provisions, or any other controversy or claim arising out of or related to the Option or the Participant's employment, including, but not limited to, any state or federal statutory claims, shall be submitted to arbitration in Orange County, California, before a sole arbitrator selected from Judicial Arbitration and Mediation Services, Inc., Orange, California, or its successor ("JAMS"), or if JAMS is no longer able to supply the arbitrator, such arbitrator shall be selected from the American Arbitration Association, and shall be conducted in accordance with the provisions of California Code of Civil Procedure Sections 1280 et seq. as the exclusive forum for the resolution of such dispute; provided, however, that provisional injunctive relief may, but need not, be sought by either party to this Option Agreement in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally determined by the arbitrator. Final resolution of any dispute through arbitration may include any remedy or relief which the arbitrator deems just and equitable, including any and all remedies provided by applicable state or federal statutes. At the conclusion of the arbitration, the arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the arbitrator's award or decision is based. Any award or relief granted by the arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction. The parties acknowledge and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with any of the matters referenced in the first sentence above. The parties agree that Corporation shall be responsible for payment of the forum costs of any arbitration hereunder, including the arbitrator's fee. The parties further agree that in any proceeding with respect to such matters, each party shall bear its own attorney's fees and costs (other than forum costs associated with the arbitration) incurred by it or him or her in connection with the resolution of the dispute. By accepting the Option, the Participant consents to all of the terms and conditions of this Option Agreement (including, without limitation, this Section 12).

13. GOVERNING LAW

This Option Agreement, including these Standard Terms, shall be interpreted and construed in accordance with the laws of the State of Delaware (without regard to conflict of law principles thereunder) and applicable federal law.

14. SEVERABILITY

If the arbitrator selected in accordance with Section 12 or a court of competent jurisdiction determines that any portion of this Option Agreement (including these Standard Terms) or the Plan is in violation of any statute or public policy, then only the portions of this Option Agreement or the Plan, as applicable, which are found to violate such statute or public policy shall be stricken, and all portions of this Option Agreement and the Plan which are not found to violate any statute or public policy shall continue in full force and effect. Furthermore, it is the parties' intent that any order striking any portion of this Option Agreement and/or the Plan should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

15. ENTIRE AGREEMENT

This Option Agreement (including these Standard Terms) and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Option Agreement may be amended pursuant to Section 8.6 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

16. SECTION HEADINGS

The section headings of this Option Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

WESTERN(R)
DIGITAL

WESTERN DIGITAL CORPORATION
ID: 95-2657125
P.O. Box 19665
Lake Forest, CA 92630-7741
(949) 672-7000 x 27985/27986

NOTICE OF GRANT OF RESTRICTED STOCK
AND RESTRICTED STOCK AGREEMENT

<><><> AWARD NUMBER: <>
<> PLAN: <>
<> ID: <>
<>, <> <>

Congratulations! Effective<>, you have been granted restricted stock of Western Digital Corporation. These shares were granted under the 2004 Performance Incentive Plan (the "Plan").(1)

VESTING(2):

Shares	Vest Type	Full Vest
-----	-----	-----
<>	<>	<>
<>	<>	<>
<>	<>	<>
<>	<>	<>

Your restricted stock award is subject to the terms and conditions of this Notice, the attached Standard Terms and Conditions for Restricted Stock Awards (the "Standard Terms") and the Plan. By accepting the award, you are agreeing to the terms of the award as set forth in those documents. You should read the Plan, the Prospectus for the Plan, and the Standard Terms. The Standard Terms and the Plan are each incorporated into (made a part of) this Notice by this reference. You do not have to accept your award. If you do not agree to the terms of your award, you should promptly return this Notice to the Western Digital Corporation Stock Plans Administrator.

A copy of the Plan, the Prospectus for the Plan, and the Standard Terms have been provided to you. If you need another copy of these documents, or if you would like to confirm that you have the most recent version, you may obtain another copy in the Company Library on the E*TRADE OptionsLink web site. The documents are also available on the Western Digital Intranet site under Legal.

-
- (1) The number of shares subject to the award is subject to adjustment under Section 7.1 of the Plan (for example, and without limitation, in connection with stock splits).
 - (2) The shares covered by the award are subject to forfeiture under Section 5 of the attached Standard Terms and Conditions for Restricted Stock Awards.

WESTERN(R)
DIGITAL

Western Digital Corporation 20511 Lake Forest Drive
Lake Forest, California 92630 Telephone 949 672-7000

STANDARD TERMS AND CONDITIONS FOR
RESTRICTED STOCK AWARDS
2004 Performance Incentive Plan

1. RESTRICTED STOCK SUBJECT TO 2004 PERFORMANCE INCENTIVE PLAN

The Restricted Stock Award (the "Award") referred to in the attached Notice of Grant of Restricted Stock and Restricted Stock Agreement (the "Notice") was issued under Western Digital Corporation's (the "Corporation's") 2004 Performance Incentive Plan (the "Plan"). The restricted shares covered by the Award (the "Restricted Shares") are subject to the terms and provisions of the Notice, these Standard Terms and Conditions for Restricted Stock Awards (these "Standard Terms"), and the Plan. To the extent any information in the Notice, the prospectus for the Plan, or other information provided by the Corporation conflicts with the Plan and/or these Standard Terms, the Plan or these Standard Terms, as applicable, shall control. To the extent any terms and provisions in these Standard Terms conflict with the terms and provisions of the Plan, the Plan shall control. The holder of the Restricted Shares is referred to herein as the "Participant". Capitalized terms not defined herein have the meanings set forth in the Plan.

2. AWARD AGREEMENT

The Notice and these Standard Terms, together, constitute the Award Agreement with respect to the Award pursuant to Section 5.3 of the Plan.

3. VESTING

Subject to Section 5 below, the Award shall vest, and restrictions (other than those set forth in Section 8.1 of the Plan) shall lapse, in percentage installments of the aggregate number of the Restricted Shares as set forth in the Notice. [STANDARD VESTING - INCLUDE UNLESS OTHERWISE PROVIDED BY THE ADMINISTRATOR AT THE TIME OF GRANT OF THE AWARD: The Award shall become vested with respect to one-fourth of the total number of the Restricted Shares (subject to adjustment under Section 7.1 of the Plan) on each of the first, second, third and fourth anniversaries of the grant date of the Award.]

The vesting schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of the Award and the rights and benefits under this Award Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 5 below or under the Plan.

4. STOCK CERTIFICATES

(a) Book Entry Form. The Corporation shall issue the Restricted Shares subject to the Award either: (a) in certificate form as provided in Section 4(b) below; or (b) in book entry form, registered in the name of the Participant with notations regarding the applicable restrictions on transfer imposed under this Award Agreement.

(b) Certificates to be Held by Corporation; Legend. Any certificates representing Restricted Shares that may be delivered to the Participant by the Corporation prior to vesting shall be redelivered to the Corporation to be held by the Corporation until the restrictions on such shares shall have lapsed and the shares shall thereby have

become vested or the shares represented thereby have been forfeited hereunder. Such certificates shall bear the following legend:

"The ownership of this certificate and the shares of stock evidenced hereby and any interest therein are subject to substantial restrictions on transfer under an Agreement entered into between the registered owner and Western Digital Corporation. A copy of such Agreement is on file in the office of the Secretary of Western Digital Corporation."

(c) Delivery of Certificates Upon Vesting. Promptly after the vesting of any Restricted Shares pursuant to the Notice, the Corporation shall, as applicable, either remove the notations on any Restricted Shares issued in book entry form which have vested or deliver to the Participant a certificate or certificates evidencing the number of Restricted Shares which have vested (or, in either case, such lesser number of shares as may be permitted pursuant to Section 8.5 of the Plan). The Participant (or the beneficiary or personal representative of the Participant in the event of the Participant's death or incapacity, as the case may be) shall deliver to the Corporation any representations or other documents or assurances required pursuant to Section 8.1 of the Plan. The shares so delivered shall no longer be restricted shares hereunder.

(d) Stock Power; Power of Attorney. Concurrent with the execution and delivery of this Award Agreement, the Participant shall deliver to the Corporation an executed stock power in the form attached hereto as Exhibit A, in blank, with respect to such shares. The Participant, by acceptance of the Award, shall be deemed to appoint, and does so appoint by execution of this Award Agreement, the Corporation and each of its authorized representatives as the Participant's attorney(s)-in-fact to effect any transfer of unvested forfeited shares (or shares otherwise reacquired by the Corporation hereunder) to the Corporation as may be required pursuant to the Plan or this Award Agreement and to execute such documents as the Corporation or such representatives deem necessary or advisable in connection with any such transfer.

5. TERMINATION OF EMPLOYMENT

Subject to earlier vesting as provided in Section 7.2 or 7.3 of the Plan and Section 6 hereof, if the Participant ceases to be employed by or to provide services to the Corporation and its Subsidiaries (regardless of the reason for such termination, whether with or without cause, voluntarily or involuntarily, or due to disability), the Participant's Restricted Shares (and related Restricted Property) shall be forfeited to the Corporation to the extent such shares have not become vested upon the date the Participant's employment or services terminate; provided, however, that in the event of the Participant's death at a time when the Participant is employed by or providing services to the Corporation or any of its Subsidiaries, the Restricted Shares (and related Restricted Property) covered by the next installment of the Award scheduled to vest following the date of the Participant's death pursuant to the Notice and Section 3 hereof shall automatically become fully vested as of such date of death, and the Restricted Shares (and related Restricted Property) covered by any remaining installments of the Award that have not vested after giving effect to the foregoing proviso shall be forfeited to the Corporation as of such date of death. Upon the occurrence of any forfeiture of Restricted Shares hereunder, such unvested, forfeited shares and related Restricted Property shall be automatically transferred to the Corporation, without any other action by the Participant (or the Participant's successor or representative in the event of the Participant's death or disability, as applicable) and, if applicable, the Corporation shall refund any purchase price paid by the Participant for such forfeited shares to the Participant (or the Participant's successor or representative in the event of the Participant's death or disability, as applicable); no additional consideration shall be paid by the Corporation with respect to such transfer. No interest shall be credited with respect to nor shall any other adjustments be made to the purchase price for fluctuations in the fair market value of the Common Stock either before or after the transfer date (except for customary adjustments to reflect stock splits, reverse stock splits, and stock dividends). The Corporation may exercise its powers under Section 4(d) hereof and take any other action necessary or advisable to evidence such transfer. The Participant (or the Participant's successor or representative in the event of the Participant's death or disability, as applicable) shall deliver any additional documents of transfer that the Corporation may request to confirm the transfer of such unvested, forfeited shares and related Restricted Property to the Corporation.

6. ADJUSTMENTS

Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 7.1 of the Plan, the Administrator will make adjustments if appropriate in the number and kind of securities that may become vested under the Award. If any adjustment is made under Section 7.1 of the Plan, the restrictions applicable to the Restricted Shares shall continue in effect with respect to any consideration or other securities (the "RESTRICTED PROPERTY" and, for the purposes of this Award Agreement, "Restricted Shares" shall include "Restricted Property," unless the context otherwise requires) received in respect of such Restricted Shares. Such Restricted Property shall vest at such times and in such proportion as the Restricted Shares to which the Restricted Property is attributable vest, or would have vested pursuant to the terms hereof if such Restricted Shares had remained outstanding. To the extent that the Restricted Property includes any cash (other than regular cash dividends provided for in Section 10 hereof), such cash shall be invested, pursuant to policies established by the Administrator, in interest bearing, FDIC-insured (subject to applicable insurance limits) deposits of a depository institution selected by the Administrator, the earnings on which shall be added to and become a part of the Restricted Property.

7. WITHHOLDING TAXES

The Corporation (or any of its Subsidiaries last employing the Participant) shall be entitled to require a cash payment by or on behalf of the Participant and/or to deduct from other compensation payable to the Participant any sums required by federal, state or local tax law to be withheld with respect to the vesting of any Restricted Shares. Alternatively, the Participant or other person in whom the Restricted Shares vest may irrevocably elect, in such manner and at such time or times prior to any applicable tax date as may be permitted or required under Section 8.5 of the Plan and rules established by the Administrator, to have the Corporation (or the entity last employing the Participant) withhold and reacquire Restricted Shares at their fair market value at the time of vesting to satisfy any withholding obligations of the Corporation or any Subsidiary with respect to such vesting. Any election to have shares so held back and reacquired shall be subject to such rules and procedures, which may include prior approval of the Administrator, as the Administrator may impose from time to time, and shall not be available if the Participant makes or has made an election pursuant to Section 83(b) of the Code with respect to such Award.

8. NONTRANSFERABILITY

Prior to the time that they have become vested pursuant to the Notice and Section 3, neither the Restricted Shares, nor any interest therein, amount payable in respect thereof, or Restricted Property (as defined in Section 6 hereof) may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (a) transfers to the Corporation, or (b) transfers by will or the laws of descent and distribution.

9. NO RIGHT TO EMPLOYMENT

Nothing contained in this Award Agreement or the Plan constitutes an employment or service commitment by the Corporation or any of its Subsidiaries, affects the Participant's status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by or in service to the Corporation or any Subsidiary, interferes in any way with the right of the Corporation or any Subsidiary at any time to terminate such employment or service, or affects the right of the Corporation or any Subsidiary to increase or decrease the Participant's other compensation.

10. RIGHTS AS A STOCKHOLDER

Subject to the provisions of the Plan, the Notice and these Standard Terms, the Participant shall have all of the powers, preferences, and rights of a holder of Common Stock with respect to the Restricted Shares. The Participant agrees and understands that nothing contained in these Standard Terms provides, or is intended to provide, any protection against potential future dilution of his or her stockholder interest in the Corporation for any reason. After the grant date of the Award, the Participant shall be entitled to cash dividends and voting rights with respect to the Restricted Shares subject to the Award even though such shares are not vested, provided that such rights shall terminate immediately as to any Restricted Shares that are forfeited pursuant to Section 5. Any stock dividends paid

in respect of Restricted Shares shall be treated as additional Restricted Shares and shall be subject to the same restrictions and other terms and conditions that apply to the Restricted Shares with respect to which such stock dividends are paid.

11. NOTICES

Any notice to be given under the terms of this Award Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the address last reflected on the Corporation's payroll records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be delivered in person or shall be enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government. Any such notice shall be given only when received, but if the Participant is no longer employed by the Corporation or a Subsidiary, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions of this Section 11.

12. ARBITRATION

Any controversy arising out of or relating to this Award Agreement (including these Standard Terms) and/or the Plan, their enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of their provisions, or any other controversy arising out of or related to the Award, including, but not limited to, any state or federal statutory claims, shall be submitted to arbitration in Orange County, California, before a sole arbitrator selected from Judicial Arbitration and Mediation Services, Inc., Orange, California, or its successor ("JAMS"), or if JAMS is no longer able to supply the arbitrator, such arbitrator shall be selected from the American Arbitration Association, and shall be conducted in accordance with the provisions of California Code of Civil Procedure Sections 1280 et seq. as the exclusive forum for the resolution of such dispute; provided, however, that provisional injunctive relief may, but need not, be sought by either party to this Award Agreement in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally determined by the arbitrator. Final resolution of any dispute through arbitration may include any remedy or relief which the arbitrator deems just and equitable, including any and all remedies provided by applicable state or federal statutes. At the conclusion of the arbitration, the arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the arbitrator's award or decision is based. Any award or relief granted by the arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction. The parties acknowledge and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with any of the matters referenced in the first sentence above. The parties agree that Corporation shall be responsible for payment of the forum costs of any arbitration hereunder, including the arbitrator's fee. The parties further agree that in any proceeding with respect to such matters, each party shall bear its own attorney's fees and costs (other than forum costs associated with the arbitration) incurred by it or him or her in connection with the resolution of the dispute. By accepting the Award, the Participant consents to all of the terms and conditions of this Award Agreement (including, without limitation, this Section 12).

13. GOVERNING LAW

This Award Agreement, including these Standard Terms, shall be interpreted and construed in accordance with the laws of the State of Delaware (without regard to conflict of law principles thereunder) and applicable federal law.

14. SEVERABILITY

If the arbitrator selected in accordance with Section 12 or a court of competent jurisdiction determines that any portion of this Award Agreement (including these Standard Terms) or the Plan is in violation of any statute or public policy, then only the portions of this Award Agreement or the Plan, as applicable, which are found to violate such statute or public policy shall be stricken, and all portions of this Award Agreement and the Plan which are not found to violate any statute or public policy shall continue in full force and effect. Furthermore, it is the parties' intent that

any order striking any portion of this Award Agreement and/or the Plan should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

15. ENTIRE AGREEMENT

This Award Agreement (including these Standard Terms) and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Award Agreement may be amended pursuant to Section 8.6 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

16. SECTION HEADINGS

The section headings of this Award Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

STOCK POWER

FOR VALUE RECEIVED and pursuant to that certain Award Agreement between Western Digital Corporation, a Delaware corporation (the "Corporation"), and the individual named below (the "Individual") dated as of _____, 2004, the Individual, hereby sells, assigns and transfers to the Corporation, an aggregate _____ shares of Common Stock of the Corporation, standing in the Individual's name on the books of the Corporation and represented by stock certificate number(s) _____ to which this instrument is attached, and hereby irrevocably constitutes and appoints _____ as his or her attorney in fact and agent to transfer such shares on the books of the Corporation, with full power of substitution in the premises.

Dated _____, _____

Signature

Print Name

(Instruction: Please do not fill in any blanks other than the signature line. The purpose of the assignment is to enable the Corporation to exercise its sale/purchase option set forth in the Award Agreement without requiring additional signatures on the part of the Individual.)

WESTERN(R)

WESTERN DIGITAL CORPORATION

DIGITAL

ID: 95-2657125
P.O. Box 19665
Lake Forest, CA 92630-7741
(949) 672-7000 x 27985/27986

NOTICE OF GRANT OF RESTRICTED STOCK
AND RESTRICTED STOCK AGREEMENT - EXECUTIVES

<><><> AWARD NUMBER: <>
<> PLAN: <>
<> ID: <>
<>, <> <>

Congratulations! Effective<>, you have been granted restricted stock of Western Digital Corporation. These shares were granted under the 2004 Performance Incentive Plan (the "Plan").(1)

VESTING(2):

Shares	Vest Type	Full Vest
-----	-----	-----
<>	<>	<>
<>	<>	<>
<>	<>	<>
<>	<>	<>

Your restricted stock award is subject to the terms and conditions of this Notice, the attached Standard Terms and Conditions for Restricted Stock Awards - Executives (the "Standard Terms") and the Plan. By accepting the award, you are agreeing to the terms of the award as set forth in those documents. You should read the Plan, the Prospectus for the Plan, and the Standard Terms. The Standard Terms and the Plan are each incorporated into (made a part of) this Notice by this reference. You do not have to accept your award. If you do not agree to the terms of your award, you should promptly return this Notice to the Western Digital Corporation Stock Plans Administrator.

A copy of the Plan, the Prospectus for the Plan, and the Standard Terms have been provided to you. If you need another copy of these documents, or if you would like to confirm that you have the most recent version, you may obtain another copy in the Company Library on the E*TRADE OptionsLink web site. The documents are also available on the Western Digital Intranet site under Legal.

- -----
- (1) The number of shares subject to the award is subject to adjustment under Section 7.1 of the Plan (for example, and without limitation, in connection with stock splits).
- (2) The shares covered by the award are subject to forfeiture under Section 5 of the attached Standard Terms and Conditions for Restricted Stock Awards.

Western Digital Corporation 20511 Lake Forest Drive
Lake Forest, California 92630 Telephone 949 672-7000

STANDARD TERMS AND CONDITIONS FOR
RESTRICTED STOCK AWARDS - EXECUTIVES
2004 Performance Incentive Plan

1. RESTRICTED STOCK SUBJECT TO 2004 PERFORMANCE INCENTIVE PLAN

The Restricted Stock Award (the "Award") referred to in the attached Notice of Grant of Restricted Stock and Restricted Stock Agreement (the "Notice") was issued under Western Digital Corporation's (the "Corporation's") 2004 Performance Incentive Plan (the "Plan"). The restricted shares covered by the Award (the "Restricted Shares") are subject to the terms and provisions of the Notice, these Standard Terms and Conditions for Restricted Stock Awards - Executives (these "Standard Terms"), and the Plan. To the extent any information in the Notice, the prospectus for the Plan, or other information provided by the Corporation conflicts with the Plan and/or these Standard Terms, the Plan or these Standard Terms, as applicable, shall control. To the extent any terms and provisions in these Standard Terms conflict with the terms and provisions of the Plan, the Plan shall control. The holder of the Restricted Shares is referred to herein as the "Participant". Capitalized terms not defined herein have the meanings set forth in the Plan.

2. AWARD AGREEMENT

The Notice and these Standard Terms, together, constitute the Award Agreement with respect to the Award pursuant to Section 5.3 of the Plan.

3. VESTING

Subject to Section 5 below, the Award shall vest, and restrictions (other than those set forth in Section 8.1 of the Plan) shall lapse, in percentage installments of the aggregate number of the Restricted Shares as set forth in the Notice. [STANDARD VESTING - INCLUDE UNLESS OTHERWISE PROVIDED BY THE ADMINISTRATOR AT THE TIME OF GRANT OF THE AWARD: The Award shall become vested with respect to one-fourth of the total number of the Restricted Shares (subject to adjustment under Section 7.1 of the Plan) on each of the first, second, third and fourth anniversaries of the grant date of the Award.]

Notwithstanding the foregoing but subject to Sections 7.5, 7.6 and 7.7 of the Plan, to the extent that the Award is outstanding and otherwise unvested immediately prior to the occurrence of a Change in Control Event, the Award shall vest, and restrictions (other than those set forth in Section 8.1 of the Plan) shall lapse, as to the outstanding and otherwise unvested Restricted Shares upon the occurrence of the Change in Control Event.

The vesting schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of the Award and the rights and benefits under this Award Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 5 below or under the Plan.

4. STOCK CERTIFICATES

(a) Book Entry Form. The Corporation shall issue the Restricted Shares subject to the Award either: (a) in certificate form as provided in Section 4(b) below; or (b) in book entry form, registered in the name of the Participant with notations regarding the applicable restrictions on transfer imposed under this Award Agreement.

(b) Certificates to be Held by Corporation; Legend. Any certificates representing Restricted Shares that may be delivered to the Participant by the Corporation prior to vesting shall be redelivered to the Corporation to be held by the Corporation until the restrictions on such shares shall have lapsed and the shares shall thereby have become vested or the shares represented thereby have been forfeited hereunder. Such certificates shall bear the following legend:

"The ownership of this certificate and the shares of stock evidenced hereby and any interest therein are subject to substantial restrictions on transfer under an Agreement entered into between the registered owner and Western Digital Corporation. A copy of such Agreement is on file in the office of the Secretary of Western Digital Corporation."

(c) Delivery of Certificates Upon Vesting. Promptly after the vesting of any Restricted Shares pursuant to the Notice, the Corporation shall, as applicable, either remove the notations on any Restricted Shares issued in book entry form which have vested or deliver to the Participant a certificate or certificates evidencing the number of Restricted Shares which have vested (or, in either case, such lesser number of shares as may be permitted pursuant to Section 8.5 of the Plan). The Participant (or the beneficiary or personal representative of the Participant in the event of the Participant's death or incapacity, as the case may be) shall deliver to the Corporation any representations or other documents or assurances required pursuant to Section 8.1 of the Plan. The shares so delivered shall no longer be restricted shares hereunder.

(d) Stock Power; Power of Attorney. Concurrent with the execution and delivery of this Award Agreement, the Participant shall deliver to the Corporation an executed stock power in the form attached hereto as Exhibit A, in blank, with respect to such shares. The Participant, by acceptance of the Award, shall be deemed to appoint, and does so appoint by execution of this Award Agreement, the Corporation and each of its authorized representatives as the Participant's attorney(s)-in-fact to effect any transfer of unvested forfeited shares (or shares otherwise reacquired by the Corporation hereunder) to the Corporation as may be required pursuant to the Plan or this Award Agreement and to execute such documents as the Corporation or such representatives deem necessary or advisable in connection with any such transfer.

5. TERMINATION OF EMPLOYMENT

Subject to earlier vesting as provided in Section 7.2 or 7.3 of the Plan and Section 6 hereof, if the Participant ceases to be employed by or to provide services to the Corporation and its Subsidiaries (regardless of the reason for such termination, whether with or without cause, voluntarily or involuntarily, or due to disability), the Participant's Restricted Shares (and related Restricted Property) shall be forfeited to the Corporation to the extent such shares have not become vested upon the date the Participant's employment or services terminate; provided, however, that in the event of the Participant's death at a time when the Participant is employed by or providing services to the Corporation or any of its Subsidiaries, the Restricted Shares (and related Restricted Property) covered by the next installment of the Award scheduled to vest following the date of the Participant's death pursuant to the Notice and Section 3 hereof shall automatically become fully vested as of such date of death, and the Restricted Shares (and related Restricted Property) covered by any remaining installments of the Award that have not vested after giving effect to the foregoing proviso shall be forfeited to the Corporation as of such date of death. Upon the occurrence of any forfeiture of Restricted Shares hereunder, such unvested, forfeited shares and related Restricted Property shall be automatically transferred to the Corporation, without any other action by the Participant (or the Participant's successor or representative in the event of the Participant's death or disability, as applicable) and, if applicable, the Corporation shall refund any purchase price paid by the Participant for such forfeited shares to the Participant (or the Participant's successor or representative in the event of the Participant's death or disability, as applicable); no additional consideration shall be paid by the Corporation with respect to such transfer. No interest shall be credited with respect to nor shall any other adjustments be made to the purchase price for fluctuations in the fair market value of the Common Stock either before or after the transfer

date (except for customary adjustments to reflect stock

splits, reverse stock splits, and stock dividends). The Corporation may exercise its powers under Section 4(d) hereof and take any other action necessary or advisable to evidence such transfer. The Participant (or the Participant's successor or representative in the event of the Participant's death or disability, as applicable) shall deliver any additional documents of transfer that the Corporation may request to confirm the transfer of such unvested, forfeited shares and related Restricted Property to the Corporation.

6. ADJUSTMENTS

Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 7.1 of the Plan, the Administrator will make adjustments if appropriate in the number and kind of securities that may become vested under the Award. If any adjustment is made under Section 7.1 of the Plan, the restrictions applicable to the Restricted Shares shall continue in effect with respect to any consideration or other securities (the "RESTRICTED PROPERTY" and, for the purposes of this Award Agreement, "Restricted Shares" shall include "Restricted Property," unless the context otherwise requires) received in respect of such Restricted Shares. Such Restricted Property shall vest at such times and in such proportion as the Restricted Shares to which the Restricted Property is attributable vest, or would have vested pursuant to the terms hereof if such Restricted Shares had remained outstanding. To the extent that the Restricted Property includes any cash (other than regular cash dividends provided for in Section 10 hereof), such cash shall be invested, pursuant to policies established by the Administrator, in interest bearing, FDIC-insured (subject to applicable insurance limits) deposits of a depository institution selected by the Administrator, the earnings on which shall be added to and become a part of the Restricted Property.

7. WITHHOLDING TAXES

The Corporation (or any of its Subsidiaries last employing the Participant) shall be entitled to require a cash payment by or on behalf of the Participant and/or to deduct from other compensation payable to the Participant any sums required by federal, state or local tax law to be withheld with respect to the vesting of any Restricted Shares. Alternatively, the Participant or other person in whom the Restricted Shares vest may irrevocably elect, in such manner and at such time or times prior to any applicable tax date as may be permitted or required under Section 8.5 of the Plan and rules established by the Administrator, to have the Corporation (or the entity last employing the Participant) withhold and reacquire Restricted Shares at their fair market value at the time of vesting to satisfy any withholding obligations of the Corporation or any Subsidiary with respect to such vesting. Any election to have shares so held back and reacquired shall be subject to such rules and procedures, which may include prior approval of the Administrator, as the Administrator may impose from time to time, and shall not be available if the Participant makes or has made an election pursuant to Section 83(b) of the Code with respect to such Award.

8. NONTRANSFERABILITY

Prior to the time that they have become vested pursuant to the Notice and Section 3, neither the Restricted Shares, nor any interest therein, amount payable in respect thereof, or Restricted Property (as defined in Section 6 hereof) may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (a) transfers to the Corporation, or (b) transfers by will or the laws of descent and distribution.

9. NO RIGHT TO EMPLOYMENT

Nothing contained in this Award Agreement or the Plan constitutes an employment or service commitment by the Corporation or any of its Subsidiaries, affects the Participant's status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by or in service to the Corporation or any Subsidiary, interferes in any way with the right of the Corporation or any Subsidiary at any time to terminate such employment or service, or affects the right of the Corporation or any Subsidiary to increase or decrease the Participant's other compensation.

10. RIGHTS AS A STOCKHOLDER

Subject to the provisions of the Plan, the Notice and these Standard Terms, the Participant shall have all of the powers, preferences, and rights of a holder of Common Stock with respect to the Restricted Shares. The Participant agrees and understands that nothing contained in these Standard Terms provides, or is intended to provide, any protection against potential future dilution of his or her stockholder interest in the Corporation for any reason. After the grant date of the Award, the Participant shall be entitled to cash dividends and voting rights with respect to the Restricted Shares subject to the Award even though such shares are not vested, provided that such rights shall terminate immediately as to any Restricted Shares that are forfeited pursuant to Section 5. Any stock dividends paid in respect of Restricted Shares shall be treated as additional Restricted Shares and shall be subject to the same restrictions and other terms and conditions that apply to the Restricted Shares with respect to which such stock dividends are paid.

11. NOTICES

Any notice to be given under the terms of this Award Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the address last reflected on the Corporation's payroll records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be delivered in person or shall be enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government. Any such notice shall be given only when received, but if the Participant is no longer employed by the Corporation or a Subsidiary, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions of this Section 11.

12. ARBITRATION

Any controversy arising out of or relating to this Award Agreement (including these Standard Terms) and/or the Plan, their enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of their provisions, or any other controversy arising out of or related to the Award, including, but not limited to, any state or federal statutory claims, shall be submitted to arbitration in Orange County, California, before a sole arbitrator selected from Judicial Arbitration and Mediation Services, Inc., Orange, California, or its successor ("JAMS"), or if JAMS is no longer able to supply the arbitrator, such arbitrator shall be selected from the American Arbitration Association, and shall be conducted in accordance with the provisions of California Code of Civil Procedure Sections 1280 et seq. as the exclusive forum for the resolution of such dispute; provided, however, that provisional injunctive relief may, but need not, be sought by either party to this Award Agreement in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally determined by the arbitrator. Final resolution of any dispute through arbitration may include any remedy or relief which the arbitrator deems just and equitable, including any and all remedies provided by applicable state or federal statutes. At the conclusion of the arbitration, the arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the arbitrator's award or decision is based. Any award or relief granted by the arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction. The parties acknowledge and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with any of the matters referenced in the first sentence above. The parties agree that Corporation shall be responsible for payment of the forum costs of any arbitration hereunder, including the arbitrator's fee. The parties further agree that in any proceeding with respect to such matters, each party shall bear its own attorney's fees and costs (other than forum costs associated with the arbitration) incurred by it or him or her in connection with the resolution of the dispute. By accepting the Award, the Participant consents to all of the terms and conditions of this Award Agreement (including, without limitation, this Section 12).

13. GOVERNING LAW

This Award Agreement, including these Standard Terms, shall be interpreted and construed in accordance with the laws of the State of Delaware (without regard to conflict of law principles thereunder) and applicable federal law.

14. SEVERABILITY

If the arbitrator selected in accordance with Section 12 or a court of competent jurisdiction determines that any portion of this Award Agreement (including these Standard Terms) or the Plan is in violation of any statute or public policy, then only the portions of this Award Agreement or the Plan, as applicable, which are found to violate such statute or public policy shall be stricken, and all portions of this Award Agreement and the Plan which are not found to violate any statute or public policy shall continue in full force and effect. Furthermore, it is the parties' intent that any order striking any portion of this Award Agreement and/or the Plan should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

15. ENTIRE AGREEMENT

This Award Agreement (including these Standard Terms) and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Award Agreement may be amended pursuant to Section 8.6 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

16. SECTION HEADINGS

The section headings of this Award Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

STOCK POWER

FOR VALUE RECEIVED and pursuant to that certain Award Agreement between Western Digital Corporation, a Delaware corporation (the "Corporation"), and the individual named below (the "Individual") dated as of _____, 2004, the Individual, hereby sells, assigns and transfers to the Corporation, an aggregate _____ shares of Common Stock of the Corporation, standing in the Individual's name on the books of the Corporation and represented by stock certificate number(s) _____ to which this instrument is attached, and hereby irrevocably constitutes and appoints _____ as his or her attorney in fact and agent to transfer such shares on the books of the Corporation, with full power of substitution in the premises.

Dated _____, _____

Signature

Print Name

(Instruction: Please do not fill in any blanks other than the signature line. The purpose of the assignment is to enable the Corporation to exercise its sale/purchase option set forth in the Award Agreement without requiring additional signatures on the part of the Individual.)

WESTERN DIGITAL CORPORATION
2004 PERFORMANCE INCENTIVE PLAN
NON-EMPLOYEE DIRECTOR OPTION GRANT PROGRAM

1. ESTABLISHMENT; PURPOSE. This Non-Employee Director Option Grant Program (this "PROGRAM") is adopted under the Western Digital Corporation 2004 Performance Incentive Plan (the "PLAN"). The purpose of this Program is to promote the success of the Corporation and the interests of its stockholders by providing members of the Board who are not officers or employees of the Corporation or one of its Subsidiaries ("NON-EMPLOYEE DIRECTORS") an opportunity to acquire an ownership interest in the Corporation and more closely aligning the interests of Non-Employee Directors and stockholders. Except as otherwise expressly provided herein, the provisions of the Plan shall govern all awards made pursuant to this Program. Capitalized terms are defined in the Plan if not defined herein.

2. PARTICIPATION. Awards under this Program shall be made only to Non-Employee Directors, shall be evidenced by award agreements substantially in the form of Exhibit 1 hereto and shall be further subject to such other terms and conditions set forth therein.

3. ANNUAL OPTION GRANTS.

3.1 INITIAL AWARD FOR NEW DIRECTORS. Upon first being appointed or elected to the Board, a Non-Employee Director who has not previously served on the Board shall be granted automatically (without any action by the Board or the Administrator) a nonqualified stock option to purchase 75,000 shares of Common Stock the date of grant of which will be the date such Non-Employee Director is first appointed or elected to the Board.

3.2 SUBSEQUENT ANNUAL AWARDS. Immediately following the Corporation's regular annual meeting of stockholders in each year during the term of the Plan commencing in 2004, each Non-Employee Director then in office shall be granted automatically (without any action by the Board or the Administrator) a nonqualified stock option to purchase 10,000 shares of Common Stock the date of grant of which shall be the date of such annual meeting of stockholders. An individual who was previously a member of the Board, who then ceased to be a member of the Board for any reason, and who then again becomes a Non-Employee Director shall thereupon again become eligible to be granted stock options under this Section 3.2.

3.3 OPTION PRICE. The purchase price per share of the Common Stock covered by each option granted pursuant to this Section 3 shall be 100 percent of the Fair Market Value of a share of Common Stock on the date of grant of the option (the "AWARD DATE"). The exercise price of any option granted under this Section 3 shall be paid in full at the time of each purchase in cash or by check, in shares of Common Stock valued at their fair market value on the date of exercise of the option, or partly in such shares and partly in cash, or in any other manner authorized by the Administrator pursuant to Section 5.5 of the Plan; provided that any shares used in payment shall have been owned by the Non-Employee Director for at least six months prior to the date of exercise.

3.4 TRANSFER RESTRICTIONS. Options granted pursuant to this Section 3 shall be subject to the transfer restrictions set forth in Section 5.7 of the Plan. For purposes of clarity, the Administrator has not approved any transfer exceptions with respect to the options in accordance with Section 5.7.2 of the Plan.

4. OPTION PERIOD AND EXERCISABILITY. Each option granted under Section 3 above and all rights or obligations under this Program with respect to a particular option shall expire ten years after the date of grant of such option and shall be subject to earlier termination as provided below. Subject to Sections 5, 6 and 7 hereof, each option granted under Section 3 shall become exercisable as to 25% of the total number of shares subject thereto on the first anniversary of the date of grant of the option and as to an additional 6.25% of the total number of shares subject thereto at the end of each of the next 12 three-month periods thereafter.

5. TERMINATION OF DIRECTORSHIP. Subject to the maximum ten-year term of the option and subject to earlier termination pursuant to Section 7 below, if a Non-Employee Director ceases to be a member of the Board for any reason, the following rules shall apply with respect to any option granted to the Non-Employee Director pursuant to Section 3 above (the last day that the Director is a member of the Board is, except as otherwise provided below, referred to as the Director's "SEVERANCE DATE"):

- other than as expressly provided below in this Section 5, (a) the Non-Employee Director will have until the date that is one (1) year after his or her Severance Date to exercise such option (or portion thereof) to the extent that it was vested on the Severance Date, (b) such option, to the extent not vested on the Severance Date, shall terminate on the Severance Date, and (c) such option, to the extent exercisable for the one-year period following the Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the one-year period;
- if the Non-Employee Director ceases to be a member of the Board due to his or her Retirement (as defined below), (a) the Non-Employee Director will have until the date that is three (3) years after his or her Severance Date to exercise such option, (b) such option, to the extent not otherwise vested on the Severance Date, shall automatically become fully vested as of the Severance Date, and (c) such option, to the extent exercisable for the three-year period following the Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the three-year period;

provided, however, that if the Board determines that any such Non-Employee Director who has Retired renders services as an employee, director, consultant, contractor or otherwise to a competitor of the Corporation or one of its Subsidiaries at any time during such three-year period, then any such option shall immediately terminate to the extent not exercised as of the date the Board makes such determination. In addition, in such event the Corporation shall have the right to recover any profits realized by such Retired Non-Employee Director as a result of any exercise of such option during the six-month period prior to the date such Non-Employee Director commenced providing such services to a competitor.

For purposes of this Section 5, the term "RETIREMENT" (which term shall include "Retired") shall mean the cessation of a director's services as a member of the Board due to his or her voluntary resignation at any time after such director has served as a member of the Board for at least forty-eight (48) months and has attained at least age 55.

Notwithstanding any other provision of this Section 5, if a Non-Employee Director ceases to be a member of the Board (regardless of the reason) but, immediately thereafter, is employed by the Corporation or one of its Subsidiaries, such director's Severance Date shall not be the date the director ceases to be a member of the Board but instead shall be the last day that the director is either or both (1) a member of the Board and/or (2) employed by the Corporation or a Subsidiary.

6. ADJUSTMENTS. Options granted under this Program shall be subject to adjustment as provided in Section 7.1 of the Plan, but only to the extent that such adjustment is consistent with adjustments to options held by persons other than executive officers or directors of the Corporation (to the extent that persons other than executive officers or directors of the Corporation then hold options). The grant levels reflected in Section 3 above shall be automatically adjusted upon the record date for any stock split, reverse stock split, or stock dividend to give effect to such change in capitalization unless otherwise provided by the Board in the circumstances, and may be adjusted in the discretion of the Board in any other circumstances contemplated by Section 7.1.

7. ACCELERATION AND POSSIBLE EARLY TERMINATION. If a Change in Control Event (as such term is defined in the Plan) occurs and in connection with such Change in Control Event a Non-Employee Director ceases to be a member of the Board, each option granted under Section 3 above to such Non-Employee Director, to the extent such option is then outstanding, shall become immediately exercisable and vested in full. For purposes of this Section 7, but without limitation, a director will be deemed to have ceased to be a member of the Board in connection with a Change in Control Event if such director (a) is removed by or resigns upon the request of any Person exercising practical voting control over the Corporation following such Change in Control Event or a person acting upon authority or at the instruction of such Person, or (b) is willing or able to continue as a member of the Board but is not re-elected to or retained as a member of the Board by the Corporation's stockholders at the stockholder vote or consent action for the election of directors that precedes and is taken in connection with, or next follows, such Change in Control Event.

Each option granted under this Program shall be subject to adjustment and termination pursuant to Section 7 of the Plan.

8. MAXIMUM NUMBER OF SHARES; AMENDMENT; ADMINISTRATION. If option grants otherwise required pursuant to this Program would otherwise exceed any applicable share limit under Section 4.2 of the Plan, such grants shall be made pro-rata to directors entitled to such grants. The Board may from time to time amend this Program without stockholder approval; provided that no such amendment shall materially and adversely affect the rights of a Non-Employee Director as to an option granted under this Program before the adoption of such amendment. This Program does not limit the Board's authority to make other, discretionary award grants to Non-Employee Directors pursuant to the Plan. The Plan Administrator's power

and authority to construe and interpret the Plan and awards thereunder pursuant to Section 3.1 of the Plan shall extend to this Program and awards granted hereunder. As provided in Section 3.2 of the Plan, any action taken by, or inaction of, the Administrator relating or pursuant to this Program and within its authority or under applicable law shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons.

You do not have to accept the Option. If you do not agree to the terms of the Option, you should promptly return this Notice to the Western Digital Corporation Stock Plans Administrator. Unless otherwise expressly provided in other sections of this Notice, provisions of the Plan that confer discretionary authority on the Board or the Administrator do not and shall not be deemed to create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Administrator so conferred by appropriate action of the Board or the Administrator under the Plan after the grant date of the Option.

2. **OPTION AGREEMENT.** This Notice constitutes the Option Agreement with respect to the Option pursuant to Section 5.3 of the Plan.

3. **TYPE OF STOCK OPTION.** The Option is not intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended.

4. **VESTING.** Subject to earlier termination in accordance with Section 5, the Option shall vest and become exercisable in percentage installments of the aggregate number of shares subject to the Option as set forth in this Notice and Section 4 of the Program. The Option may be exercised only to the extent it is vested and exercisable. To the extent that the Option is vested and exercisable, the Participant has the right to exercise the Option (to the extent not previously exercised), and such right shall continue, until the expiration or earlier termination of the Option as provided in Section 5. Fractional share interests shall be disregarded, but may be cumulated.

The vesting schedule requires continued service through each applicable vesting date as a condition to the vesting of the applicable installment of the Option and the rights and benefits under this Option Agreement. Service for only a portion of the vesting period with respect to a vesting installment, even if services are provided for a substantial portion of that period, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of services as provided under Section 5 of the Program or under the Plan.

5. **EXPIRATION OF OPTION.** The Option shall expire and the Participant shall have no further rights with respect thereto upon the earliest to occur of (a) the termination of the Option in connection with a termination of the director's services as provided in Section 5 of the Program, (b) the termination of the Option as provided in Section 7.4 of the Plan, or (c) the Expiration Date set forth in this Notice. The Option may not be exercised at any time after a termination or expiration of the Option.

6. **EXERCISE OF OPTION.** The Option shall be exercisable by the delivery to the Secretary of the Corporation (or such other person as the Administrator may require pursuant to such administrative exercise procedures as the Administrator may implement from time to time) of:

- a written notice stating the number of shares of Common Stock to be purchased pursuant to the Option or by the completion of such other administrative exercise procedures as the Administrator may require from time to time,
- payment in full for the purchase price (the per-share exercise price of the Option multiplied by the number of shares to be purchased) in cash, check or by electronic funds transfer to the Corporation, or (subject to compliance with all applicable laws, rules, regulations and listing requirements and further subject to such rules as the Administrator may adopt as to any non-cash payment) in shares of Common Stock already owned by the Participant, valued at their fair market value on the exercise date, provided, however, that any shares initially acquired upon exercise of a stock option or otherwise from the Corporation must have been owned by the Participant for at least six (6) months before the date of such exercise; and

- any written statements or agreements required by the Administrator pursuant to Section 8.1 of the Plan.

The Administrator also may, but is not required to, authorize a non-cash payment alternative by notice and third party payment in such manner as may be authorized by the Administrator.

7. **NONTRANSFERABILITY.** The Option and any other rights of the Participant under this Option Agreement, the Program or the Plan are nontransferable and exercisable only by the Participant, except as set forth in Section 5.7 of the Plan. For purposes of clarity, the Administrator has not authorized any transfer exceptions as contemplated by Section 5.7.2 of the Plan.

8. **NO SERVICE COMMITMENT.** Nothing contained in this Option Agreement, the Program or the Plan constitutes an employment or service commitment by the Corporation or any of its Subsidiaries, confers upon the Participant any right to remain in service to the Corporation or any Subsidiary, interferes in any way with the right of the Corporation or any Subsidiary at any time to terminate such service, or affects the right of the Corporation or any Subsidiary to increase or decrease the Participant's other compensation.

9. **RIGHTS AS A STOCKHOLDER.** Neither the Participant nor any beneficiary or other person claiming under or through the Participant shall have any right, title, interest or privilege in or to any shares of Common Stock subject to the Option except as to such shares, if any, as shall have been actually issued to such person and recorded in such person's name following the exercise of the Option or any portion thereof.

10. **NOTICES.** Any notice to be given under the terms of this Option Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the address last reflected on the Corporation's records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be delivered in person or shall be enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government. Any such notice shall be given only when received, but if the Participant is no longer a member of the Board of Directors, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions of this Section 10.

11. **ARBITRATION.** Any controversy arising out of or relating to this Option Agreement, the Program and/or the Plan, their enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of their provisions, or any other controversy or claim arising out of or related to the Option or the Participant's employment, including, but not limited to, any state or federal statutory claims, shall be submitted to arbitration in Orange County, California, before a sole arbitrator selected from Judicial Arbitration and Mediation Services, Inc., Orange, California, or its successor ("JAMS"), or if JAMS is no longer able to supply the arbitrator, such arbitrator shall be selected from the American Arbitration Association, and shall be conducted in accordance with the provisions of California Code of Civil Procedure Sections 1280 et seq. as the exclusive forum for the resolution of such dispute; provided, however, that provisional injunctive relief may, but need not, be sought by either party to this Option Agreement in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally determined by the arbitrator. Final resolution of any dispute through arbitration may include any remedy or relief which the arbitrator deems just and equitable, including any and all remedies provided by applicable state or federal statutes. At the conclusion of the arbitration, the arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the arbitrator's award or decision is based. Any award or relief granted by the arbitrator hereunder shall be final and binding on

the parties hereto and may be enforced by any court of competent jurisdiction. The parties acknowledge and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with any of the matters referenced in the first sentence above. The parties agree that Corporation shall be responsible for payment of the forum costs of any arbitration hereunder, including the arbitrator's fee. The parties further agree that in any proceeding with respect to such matters, each party shall bear its own attorney's fees and costs (other than forum costs associated with the arbitration) incurred by it or him or her in connection with the resolution of the dispute. By accepting the Option, the Participant consents to all of the terms and conditions of this Option Agreement (including, without limitation, this Section 11).

12. **GOVERNING LAW.** This Option Agreement shall be interpreted and construed in accordance with the laws of the State of Delaware (without regard to conflict of law principles thereunder) and applicable federal law.

13. **SEVERABILITY.** If the arbitrator selected in accordance with Section 11 or a court of competent jurisdiction determines that any portion of this Option Agreement, the Program or the Plan is in violation of any statute or public policy, then only the portions of this Option Agreement, the Program or the Plan, as applicable, which are found to violate such statute or public policy shall be stricken, and all portions of this Option Agreement, the Program and the Plan which are not found to violate any statute or public policy shall continue in full force and effect. Furthermore, it is the parties' intent that any order striking any portion of this Option Agreement, the Program and/or the Plan should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

14. **ENTIRE AGREEMENT.** This Option Agreement, the Program and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan, the Program and this Option Agreement may be amended pursuant to Section 8.6 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

15. **SECTION HEADINGS.** The section headings of this Option Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.