WESTERN DIGITAL CORP
Form DEF 14A
September 23, 2008

SCHEDULE 14A
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to § 240.14a-12

WESTERN DIGITAL CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ Fee not required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

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Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Dear Stockholder:

We cordially invite you to attend our Annual Meeting of Stockholders to be held at The Westin South Coast Plaza located at 686 Anton Boulevard, Costa Mesa, California 92626 on Thursday, November 6, 2008 at 8:00 a.m., local time. Our Board of Directors and management look forward to welcoming you there.

We are holding the Annual Meeting for the following purposes:

1. To elect ten directors to serve until our next annual meeting of stockholders and until their successors are duly elected and qualified;

2. To approve an amendment to the company s 2005 Employee Stock Purchase Plan that would increase by 8,000,000 the number of shares of common stock available for issuance under the plan;

3. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending July 3, 2009; and

4. To transact such other business as may properly come before the Annual Meeting or any postponement or adjournment of the meeting.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR ELECTION OF EACH OF THE TEN DIRECTOR NOMINEES NAMED IN PROPOSAL 1, FOR PROPOSAL 2 TO APPROVE AN AMENDMENT TO THE 2005 EMPLOYEE STOCK PURCHASE PLAN, AND FOR PROPOSAL 3 TO RATIFY THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

Whether or not you are able to attend the meeting, it is important that your shares be represented, no matter how many shares you own. This year you may submit your proxy over the Internet, by telephone or (if you receive or request a paper copy of the proxy materials) by marking, signing, dating and mailing a proxy or voting instruction card. We urge you to promptly submit your proxy or voting instructions in order to ensure your representation and the presence of a quorum at the Annual Meeting.

On behalf of the Board of Directors, thank you for your continued support.

Thomas E. Pardun	John F. Coyne
Chairman of the Board	*President and Chief Executive Officer*

September 23, 2008

20511 Lake Forest Drive
Lake Forest, California 92630-7741

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held On November 6, 2008

To the Stockholders of
WESTERN DIGITAL CORPORATION:

Our 2008 Annual Meeting of Stockholders will be held at The Westin South Coast Plaza located at 686 Anton Boulevard, Costa Mesa, California 92626 on Thursday, November 6, 2008 at 8:00 a.m., local time, for the following purposes:

1. To elect ten directors to serve until our next annual meeting of stockholders and until their successors are duly elected and qualified;

2. To approve an amendment to the company s 2005 Employee Stock Purchase Plan that would increase by 8,000,000 the number of shares of common stock available for issuance under the plan;

3. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending July 3, 2009; and

4. To transact such other business as may properly come before the Annual Meeting or any postponement or adjournment of the meeting.

Any action on the items described above may be considered at the Annual Meeting at the time and on the date specified above or at any time and date to which the Annual Meeting is properly adjourned or postponed.

Only stockholders of record at the close of business on September 17, 2008 are entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements of the meeting.

This year, we are pleased to be using the new Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing to many of our stockholders a Notice of Internet Availability of Proxy Materials, or Notice, instead of a paper copy of this Proxy Statement and our Annual Report for the fiscal year ended June 27, 2008. The Notice contains instructions on how stockholders can access those documents over the Internet and vote their shares. The Notice also contains instructions on how each of those stockholders can receive a paper copy of our proxy materials, including this Proxy Statement, our 2008 Annual Report and a proxy card or voting instruction card. All stockholders who do not receive a Notice will receive a paper copy of the proxy materials by mail. We believe this new process will expedite stockholders receipt of proxy materials, lower the costs of our Annual Meeting and conserve natural resources.

By Order of the Board of Directors

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

Lake Forest, California
September 23, 2008

ALL OF OUR STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE URGED TO SUBMIT YOUR PROXY ELECTRONICALLY VIA THE INTERNET, BY TELEPHONE OR (IF YOU REQUEST OR RECEIVE A PAPER COPY OF THE PROXY MATERIALS) BY COMPLETING, SIGNING, DATING AND RETURNING THE ACCOMPANYING PROXY CARD OR VOTING INSTRUCTION CARD IN THE PRE-ADDRESSED RETURN ENVELOPE PROVIDED. PLEASE SEE THE ACCOMPANYING INSTRUCTIONS FOR MORE DETAILS ON VOTING. SUBMITTING YOUR PROXY OR VOTING INSTRUCTIONS PROMPTLY WILL ASSIST US IN REDUCING THE EXPENSES OF ADDITIONAL PROXY SOLICITATION, BUT IT WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE ANNUAL MEETING (AND, IF YOU ARE NOT A STOCKHOLDER OF RECORD, YOU HAVE OBTAINED A LEGAL PROXY FROM THE BANK, BROKER, TRUSTEE OR OTHER NOMINEE THAT HOLDS YOUR SHARES GIVING YOU THE RIGHT TO VOTE THE SHARES IN PERSON AT THE ANNUAL MEETING).

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Lake Forest, California 92630-7741

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS
November 6, 2008

Our Board of Directors is soliciting your proxy for the 2008 Annual Meeting of Stockholders to be held at 8:00 a.m., local time, on November 6, 2008 at The Westin South Coast Plaza located at 686 Anton Boulevard, Costa Mesa, California 92626, and at any and all adjournments or postponements of the Annual Meeting, for the purposes set forth in the Notice of Annual Meeting of Stockholders.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held November 6, 2008: This Proxy Statement and our 2008 Annual Report for the fiscal year ended June 27, 2008 are available on the Internet at www.proxyvote.com. These materials are also available on our corporate website at www.westerndigital.com/investor.

This year, we are pleased to be using the new Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing to many of our stockholders a Notice of Internet Availability of Proxy Materials, or Notice, instead of a paper copy of this Proxy Statement and our Annual Report for the fiscal year ended June 27, 2008. The Notice contains instructions on how stockholders can access those documents over the Internet and vote their shares. The Notice also contains instructions on how each of those stockholders can receive a paper copy of our proxy materials, including this Proxy Statement, our 2008 Annual Report and a proxy card or voting instruction card. All stockholders who do not receive a Notice will receive a paper copy of the proxy materials by mail. We believe this new process will expedite stockholders receipt of proxy materials, lower the costs of our Annual Meeting and conserve natural resources.

We are first mailing the Notice to our stockholders on or about September 26, 2008. For stockholders who have affirmatively requested paper copies of proxy materials, we intend to first mail paper copies of this Proxy Statement, the accompanying proxy card and our 2008 Annual Report on or about September 26, 2008.

VOTING

Record Date and Quorum

Only stockholders of record at the close of business on September 17, 2008 will be entitled to notice of and to vote at the Annual Meeting. On the record date, 221,553,468 shares of our common stock were outstanding.

The holders of a majority of our shares of common stock outstanding on the record date and entitled to vote at the Annual Meeting, present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting and any adjournments or postponements thereof. If you submit a proxy or voting instructions, your shares will be counted for purposes of determining the presence or absence of a quorum, even if you abstain from voting your shares. If a bank, broker, trustee or other nominee indicates on a proxy that it lacks discretionary authority to vote your shares on a particular matter, commonly referred to as broker non-votes, those shares will still be counted for purposes of determining the presence of a quorum at the Annual Meeting.

Submitting Your Proxy

Most stockholders hold their shares through a bank, broker, trustee or other nominee rather than directly in their own name. However, if you hold shares directly in your name with our transfer agent, American Stock Transfer & Trust Company, you are considered the stockholder of record with respect to those shares and we are sending these proxy materials directly to you. As a stockholder of record, you have the right to grant your voting proxy directly to the named proxy holder or to vote in person at the Annual Meeting.

If your shares are held in a bank or brokerage account or by a trustee or other nominee, you are considered the beneficial owner of these shares held in street name, and your bank, broker, trustee or nominee is forwarding these proxy materials to you. As the beneficial owner, you have the right to direct your bank, broker, trustee or nominee on how to vote and are also entitled to attend the Annual Meeting; however, you may not vote these shares in person at the Annual Meeting unless you obtain from the bank, broker, trustee or nominee that holds your shares a legal proxy giving you the right to vote the shares in person at the Annual Meeting.

If you participate in the Western Digital Stock Fund through our Western Digital Corporation 401(k) Plan, your proxy will serve as a voting instruction for T. Rowe Price Trust Company, the plan s trustee. If T. Rowe Price does not receive voting instructions for shares in your plan account, your shares will not be voted unless you attend the Annual Meeting and vote in person.

If you hold shares as a stockholder of record, your proxy must be submitted by telephone or the Internet as described below by 11:59 p.m. Eastern time on November 5, 2008 in order for your shares to be voted at the meeting. However, if you received a copy of the proxy materials by mail, you may instead mark, sign, date and return the enclosed proxy card, which must be received before the polls close at the Annual Meeting, in order for your shares to be voted at the meeting. If you hold shares in the Western Digital Corporation 401(k) Plan, your voting instructions must be received by 11:59 p.m. Eastern time on November 5, 2008 for the trustee to vote your shares. Finally, if you hold shares beneficially in street name with a bank, broker, trustee or nominee, please follow the voting instructions provided by your bank, broker, trustee or nominee.

If you submit a proxy by Internet, telephone or by mail, the persons named as proxies will vote the shares represented by your proxy in accordance with your instructions. If you validly submit a proxy but do not complete the voting instructions on the proxy, the persons named as proxies will vote the shares represented by your proxy FOR election of each of the ten director nominees named in Proposal 1, FOR approval of the amendment to the company s 2005 Employee Stock Purchase Plan as described in Proposal 2 and FOR ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending July 3, 2009 as described in Proposal 3.

Revoking Your Proxy and Deadline for Voting

You have the power to revoke your proxy or voting instructions before it is voted at the Annual Meeting. If you are a stockholder of record, you may revoke your proxy by submitting a written notice of revocation to our Secretary, by submitting a duly executed written proxy bearing a later date to change your vote, or by voting a later dated proxy electronically via the Internet or by telephone. A previously submitted proxy will not be voted if the stockholder of record who executed it is present at the Annual Meeting and votes the shares represented by the proxy in person at the Annual Meeting. For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your bank, broker, trustee or nominee, or, if you have obtained a legal proxy from your bank, broker, trustee or nominee giving you the right to vote your shares, by attending the Annual Meeting and voting in person. Please note that attendance at the Annual Meeting will not by itself constitute revocation of a proxy. Any change to your proxy or voting instructions that is provided by telephone or the Internet must be submitted by 11:59 p.m. Eastern time on November 5, 2008.

Votes Required to Adopt Proposals

Each share of our common stock outstanding on the record date is entitled to one vote on each of the ten director nominees and one vote on each other matter that may be presented for consideration and action by the stockholders at the Annual Meeting.

For purposes of Proposal 1, each director nominee receiving a majority of the votes cast with respect to that director (that is, the number of shares voted for the director exceeds the number of votes cast against that director) will be elected as a director, provided that if the number of nominees exceeds the number of directors to be elected, the directors will be elected by a plurality of the shares present in person or by proxy at the meeting and entitled to vote on the election of directors. Proposals 2 and 3 each require the affirmative approval of a majority of the shares present in person or represented by proxy and entitled to vote on the proposal at the Annual Meeting.

For the election of directors, shares not present or represented at the meeting and shares voting abstain will be entirely excluded from the vote and will have no effect on the outcome. For Proposals 2 and 3, we treat abstentions as shares present or represented and entitled to vote on that proposal, so abstaining has the same effect as a vote against the proposal. Broker non-votes (shares held by banks, brokers, trustees or other nominees who do not have discretionary authority to vote on a particular matter and who have not received voting instructions from their customers) on a proposal are not deemed to be entitled to vote on the proposal and, therefore, will not be counted in determining the outcome of the vote on that proposal. If you are a beneficial owner, please note that banks, brokers, trustees and other nominees do not have discretionary authority to vote on your behalf for the amendment to the Western Digital Corporation 2005 Employee Stock Purchase Plan as described in Proposal 2. As a result, if you do not submit voting instructions to your bank, broker, trustee or other nominee with respect to that proposal, your shares will not be considered entitled to vote for purposes of determining whether Proposal 2 has been approved by stockholders and will not be counted in determining the outcome of Proposal 2. All other proposals discussed in this Proxy Statement are considered routine and may be voted upon by your bank, broker, trustee or nominee if you do not give instructions. Please note that if your shares are held by a custodian bank, it will not have discretionary authority to vote on any matter without receiving voting instructions from you.

SECURITY OWNERSHIP BY PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our common stock, as of September 17, 2008, by (1) each person known by us to own beneficially more than 5% of our outstanding common stock, (2) each director and each nominee for election as a member of our Board of Directors, (3) each of the executive officers named in the Fiscal 2007 and 2008 Summary Compensation Table on page 32, and (4) all current directors and executive officers as a group. This table is based on information supplied to us by our executive officers, directors and principal stockholders or included in a Schedule 13G filed with the Securities and Exchange Commission.

Beneficial Owner	**Amount and Nature of Beneficial Ownership(1)**	**Percent of Class(2)**
Greater than 5% Stockholders:		
AXA Financial, Inc., and certain affiliates		
1290 Avenue of the Americas, New York, NY 10104(3)	25,792,658	11.64%
FMR LLC, Edward C. Johnson III and Fidelity Management & Research Company		
82 Devonshire Street, Boston, MA 02109(4)	25,724,649	11.61%
LSV Asset Management		
1 N. Wacker Drive, Suite 4000, Chicago, IL 60604(5)	11,295,428	5.10%
Directors:		
Peter D. Behrendt(6)(7)	86,219	*
Kathleen A. Cote(6)	33,829	*
Henry T. DeNero(6)	36,686	*
William L. Kimsey(6)	41,886	*
Michael D. Lambert(6)	60,329	*
Matthew E. Massengill(6)	73,011	*
Roger H. Moore(6)	13,829	*
Thomas E. Pardun(6)(8)	38,829	*
Arif Shakeel(6)	2,818	*
Named Executive Officers:		
John F. Coyne(9)(10)	602,168	*
Timothy M. Leyden(10)	70,776	*
Stephen D. Milligan(11)	4,470	*
Raymond M. Bukaty(10)	167,276	*
Hossein M. Moghadam(10)	60,651	*
All Directors and Current Executive Officers as a group (13 persons)(12)	1,288,307	*

* Represents less than 1% of the outstanding shares of our common stock.

(1) We determine beneficial ownership in accordance with the rules of the Securities and Exchange Commission. We deem shares subject to options that are currently exercisable or exercisable within 60 days after September 17, 2008, as outstanding for purposes of computing the share amount and the percentage ownership of the person

holding such awards, but we do not deem them outstanding for purposes of computing the percentage ownership of any other person.

(2) Except as otherwise noted below, we determine applicable percentage ownership on 221,553,468 shares of our common stock outstanding as of September 17, 2008. To our knowledge, except as otherwise indicated in the footnotes to this table and subject to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder s name.

(3) Beneficial ownership information is based on information contained in a Schedule 13G filed with the Securities and Exchange Commission on September 10, 2008 by AXA Financial, Inc. (AXA

Financial); AXA, which owns AXA Financial; and AXA Assurances I.A.R.D. Mutuelle and AXA Assurances Vie Mutuelle (collectively, the Mutuelles AXA), which, as a group, control AXA. According to the schedule, as of August 31, 2008, each of the Mutuelles AXA and AXA has sole dispositive power over 25,792,658 shares and sole voting power over 20,016,886 shares, and AXA Financial has sole dispositive power over 25,326,484 shares and sole voting power over 19,706,667 shares. The schedule indicates that a majority of the shares reported are held by unaffiliated third-party client accounts managed by AllianceBernstein L.P., as investment advisor, a majority-owned subsidiary of AXA Financial. Each of the Mutuelles AXA, as a group, and AXA expressly declares that the filing of its Schedule 13G shall not be construed as an admission that it is, for purposes of Section 13(d) of the Securities Exchange Act of 1934, the beneficial owner of any securities covered by the schedule.

(4) Beneficial ownership information is based on information contained in a Schedule 13G filed with the Securities and Exchange Commission on January 10, 2008 by FMR LLC (FMR), Edward C. Johnson III and Fidelity Management & Research Company (Fidelity). According to the schedule, as of December 31, 2007, FMR and Mr. Johnson, as Chairman of FMR, each has sole dispositive power over 25,724,649 shares. Fidelity (a wholly owned subsidiary of FMR) beneficially owns 21,244,900 shares, representing 9.59% of our outstanding common stock. Neither FMR nor Johnson has sole voting power of the shares beneficially owned by Fidelity. FMR has sole voting power over 4,465,249 shares through its wholly owned subsidiaries Strategic Advisers, Inc.; Pyramis Global Advisors, LLC; Pyramis Global Advisors Trust Company; and Fidelity International Limited, none of which individually owns more than 5% of our common stock.

(5) Beneficial ownership information is based on information contained in a Schedule 13G filed with the Securities and Exchange Commission on February 13, 2006 by LSV Asset Management. The schedule indicates that, as of December 31, 2005, LSV Asset Management has sole voting power over 7,871,128 shares and sole dispositive power over 11,295,428 shares.

(6) Includes shares of our common stock that may be acquired within 60 days after September 17, 2008 through the exercise of stock options as follows: Mr. Behrendt (58,829), Ms. Cote (33,829), Mr. DeNero (33,145), Mr. Kimsey (39,766), Mr. Lambert (53,829), Mr. Massengill (23,360), Mr. Moore (13,829), Mr. Pardun (33,829) and Mr. Shakeel (2,818). No director had any restricted stock units scheduled to vest within 60 days after September 17, 2008. Does not include shares representing deferred stock units credited to accounts in our Deferred Compensation Plan as of September 17, 2008, as to which directors currently have no voting or investment power, as follows: Mr. Behrendt (0), Ms. Cote (31,309), Mr. DeNero (45,487), Mr. Kimsey (2,708), Mr. Lambert (0), Mr. Massengill (0), Mr. Moore (57,567), Mr. Pardun (19,851) and Mr. Shakeel (0).

(7) Includes 500 shares of our common stock held in a custodial account (with Mr. Behrendt as custodian) on behalf of Mr. Behrendt s children.

(8) Includes 5,000 shares of our common stock held in a family trust.

(9) Mr. Coyne is also a member of our Board of Directors.

(10) Includes shares of our common stock that may be acquired within 60 days after September 17, 2008 through the exercise of stock options as follows: Mr. Coyne (368,229), Mr. Leyden (54,275), Mr. Bukaty (69,237), and Dr. Moghadam (27,947). No executive officer had any restricted stock units scheduled to vest within 60 days after September 17, 2008.

(11)

Beneficial ownership information is based on information provided by Mr. Milligan as of July 28, 2008. Mr. Milligan s employment with us terminated on August 31, 2007.

(12) Includes 812,922 shares of our common stock that may be acquired within 60 days after September 17, 2008 through the exercise of stock options by our directors and each of our current executive officers. Does not include 156,922 shares of our common stock representing deferred stock units as described in footnote (6) above. No director or executive officer had any restricted stock units scheduled to vest within 60 days after September 17, 2008. Does not include any shares owned by Mr. Milligan, who terminated employment with us on August 31, 2007.

PROPOSAL 1

ELECTION OF DIRECTORS

Our directors each serve a one-year term and are subject to re-election at each annual meeting of stockholders. Upon the recommendation of the Governance Committee, our Board of Directors has nominated all ten of the current directors for re-election to the Board of Directors to serve until the next annual meeting of stockholders and until their successors are elected and qualified. Currently, the authorized number of directors on our Board of Directors is ten.

Nominees for Election

Our nominees for election to our Board of Directors at the Annual Meeting include seven independent directors, as defined by the applicable listing standards of the New York Stock Exchange, and one current and two former members of our senior management. Each of the nominees is currently a member of our Board of Directors and has consented to serve as a director if elected. If you submit a proxy but do not give instructions with respect to the voting of directors, your shares will be voted FOR each of the ten nominees recommended by our Board of Directors. If you wish to give specific instructions with respect to the election of directors, you may do so by indicating your instructions on your proxy or voting instructions. In the event that, before the Annual Meeting, any of the nominees for director should become unable to serve if elected, the persons named as proxies may vote for a substitute nominee designated by our existing Board of Directors to fill the vacancy or for the balance of the nominees, leaving a vacancy, unless our Board of Directors chooses to reduce the number of directors serving on the Board of Directors. Our Board of Directors has no reason to believe that any of the following nominees will be unwilling or unable to serve if elected as a director.

The following biographical information for each of the ten nominees has been furnished by the nominee:

Peter D. Behrendt, 69, has been a director since 1994. He was Chairman of Exabyte Corporation, a manufacturer of computer tape storage products, from January 1992 until he retired in January 1998 and was President and Chief Executive Officer of Exabyte Corporation from July 1990 to January 1997. Mr. Behrendt is currently a venture partner with NEA, a California-based venture fund. He is also a director of Infocus Corporation.

Kathleen A. Cote, 59, has been a director since January 2001. She was the Chief Executive Officer of Worldport Communications, Inc., a European provider of Internet managed services, from May 2001 to June 2003. From September 1998 until May 2001, she served as President of Seagrass Partners, a provider of expertise in business planning and strategic development for early stage companies. From November 1996 until January 1998, she served as President and Chief Executive Officer of Computervision Corporation, an international supplier of product development and data management software. She is also a director of Forgent Networks, Inc. and Verisign, Inc.

John F. Coyne, 58, has been a director since October 2006. He joined us in 1983 and has served in various executive capacities. From November 2002 until June 2005, Mr. Coyne served as Senior Vice President, Worldwide Operations, from June 2005 until November 2005, he served as Executive Vice President, Worldwide Operations, and from November 2005 until June 2006, he served as Executive Vice President and Chief Operations Officer. Effective June 2006, he was named President and Chief Operating Officer. In January 2007, he became President and Chief Executive Officer. Mr. Coyne is also a director of Jacobs Engineering Group Inc.

Henry T. DeNero, 62, has been a director since June 2000. He was Chairman and Chief Executive Officer of Homespace, Inc., a provider of Internet real estate and home services, from January 1999 until it was acquired by LendingTree, Inc. in August 2000. From July 1995 to January 1999, he was Executive Vice President and Group Executive, Commercial Payments for First Data Corporation, a provider of information and transaction processing services. Prior to 1995, he was Vice Chairman and Chief Financial Officer of Dayton Hudson Corporation, a general merchandise retailer, and was previously a Director of McKinsey & Company, a management consulting firm. He is also a director of THQ, Inc. and Vignette Corp.

William L. Kimsey, 66, has been a director since March 2003. He is a veteran of 32 years service with Ernst & Young, a global independent auditing firm, and became that firm s Global Chief Executive Officer. Mr. Kimsey served at Ernst & Young as director of management consulting in St. Louis, office managing partner in Kansas City, Vice Chairman and Southwest Region managing partner in Dallas, Vice Chairman and West Region managing partner in Los Angeles, Deputy Chairman and Chief Operating Officer and, from 1998 to 2002, Chief Executive Officer and a global board member. He is also a director of Accenture Ltd. and Royal Caribbean Cruises Ltd.

Michael D. Lambert, 61, has been a director since August 2002. From 1996 until he retired in May 2002, he served as Senior Vice President for Dell Inc. s Enterprise Systems Group. During that period, he also participated as a member of a six-man operating committee at Dell, which reported to the Office of the Chairman. Mr. Lambert served as Vice President, Sales and Marketing for Compaq Computer Corporation from 1993 to 1996. Prior to that, for four years, he ran the Large Computer Products division at NCR/AT&T Corporation as Vice President and General Manager. Mr. Lambert began his career with NCR Corporation, where he served for 16 years in product management, sales and software engineering capacities. He is also a director of Vignette Corp.

Matthew E. Massengill, 47, has been a director since January 2000. He joined us in 1985 and served in various executive capacities with us until January 2007. From October 1999 until January 2000, he served as Chief Operating Officer, from January 2000 until January 2002, he served as President, and from January 2000 until October 2005, he served as Chief Executive Officer. Mr. Massengill served as Chairman of the Board of Directors from November 2001 until March 2007. He is also a director of Microsemi Corporation, Conexant Systems, Inc. and GT Solar International, Inc.

Roger H. Moore, 66, has been a director since June 2000. He served as President and Chief Executive Officer of Illuminet Holdings, Inc., a provider of network, database and billing services to the communications industry, from January 1996 until it was acquired by Verisign, Inc. in December 2001, and he retired at that time. He was a member of Illuminet s Board of Directors from July 1998 until December 2001. From September 1998 to October 1998, he served as President, Chief Executive Officer and as a director of VINA Technologies, Inc., a telecommunications equipment company. From November 1994 to December 1995, he served as Vice President of major accounts of Northern Telecom. From June 2007 to November 2007, Mr. Moore served as interim President and Chief Executive Officer of Arbinet-thexchange, Inc. From December 2007 to the present, Mr. Moore has served as the Chief Executive Officer of Verisign, Inc. s Communications Services Group. He is also a director of Consolidated Communications Holdings, Inc. and Verisign, Inc.

Thomas E. Pardun, 64, has been a director since 1993 and Chairman of the Board of Directors since April 2007. He served as Chairman of the Board of Directors from January 2000 until November 2001 and as Chairman of the Board and Chief Executive Officer of Edge2net, Inc., a provider of voice, data and video services, from November 2000 until September 2001. Mr. Pardun was President of MediaOne International Asia Pacific (previously U.S. West International, Asia-Pacific, a subsidiary of U.S. West, Inc.), an owner/operator of international properties in cable television, telephone services, and wireless communications companies, from May 1996 until his retirement in July 2000. Before joining U.S. West, Mr. Pardun was President of the Central Group for Sprint, as well as President of Sprint s West Division and Senior Vice President of Business Development for United Telecom, a predecessor company to Sprint. Mr. Pardun also held a variety of management positions during a 19-year tenure with IBM, concluding as Director of product-line evaluation. He is also a director of CalAmp Corporation and Occam Networks, Inc.

Arif Shakeel, 53, has been a director since September 2004. He joined us in 1985 and has served in various executive capacities. From February 2000 until April 2001, he served as Executive Vice President and General Manager of Hard Disk Drive Solutions, from April 2001 until January 2003, he served as Executive Vice President and Chief Operating Officer, and from January 2002 until June 2006, he served as President. He served as Chief Executive Officer from October 2005 until January 2007. He served as Special Advisor to the Chief Executive Officer from January 2007 until June 2007.

Vote Required and Recommendation of the Board of Directors

In May 2006, our Board of Directors approved an amendment to our Bylaws to require each director to be elected by a majority of the votes cast with respect to such director in uncontested elections (in other words, the number of shares voted for a director must exceed the number of votes cast against that director). In a contested election where the number of nominees exceeds the number of directors to be elected, a plurality voting standard will apply and the nominees receiving the greatest number of votes at the Annual

Meeting up to the number of authorized directors will be elected. In the case of an uncontested election, if a nominee who is serving as a director is not elected at the Annual Meeting by the requisite majority of votes cast, under Delaware law, the director would continue to serve on the Board of Directors as a holdover director. However, under our Bylaws, any incumbent director who fails to be elected must offer to tender his or her resignation to our Board of Directors. If the director conditions his or her resignation on acceptance by our Board of Directors, the Governance Committee will then make a recommendation to our Board of Directors on whether to accept or reject the resignation or whether other action should be taken. Our Board of Directors will act on the Governance Committee s recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date the election results are certified. The director who tenders his or her resignation will not participate in the Board s decision. A nominee who was not already serving as a director and is not elected at the Annual Meeting by a majority of the votes cast with respect to such director s election will not be elected to our Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR ELECTION TO THE BOARD OF DIRECTORS OF EACH OF THE ABOVE NOMINEES FOR DIRECTOR.

CORPORATE GOVERNANCE

Corporate Governance Guidelines and Code of Business Ethics

Our Board of Directors has adopted Corporate Governance Guidelines, which provide the framework for the governance of our company and represent the Board s current views with respect to selected corporate governance issues considered to be of significance to stockholders. Our Board of Directors has also adopted a Code of Business Ethics that applies to all of our directors, employees and officers, including our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Controller. The current versions of the Corporate Governance Guidelines and the Code of Business Ethics are available on our website under the Governance section at www.westerndigital.com and are available in print to any stockholder who delivers a written request to our Secretary at our principal executive offices. In accordance with rules adopted by the Securities and Exchange Commission and the New York Stock Exchange, we intend to promptly disclose future amendments to certain provisions of the Code of Business Ethics, or waivers of such provisions granted to executive officers and directors, on our website under the Governance section at www.westerndigital.com.

Director Independence

Our Board of Directors has reviewed and discussed information provided by the directors and our company with regard to each director s business and personal activities as they may relate to Western Digital or its management. Based on its review of this information and all other relevant facts and circumstances, our Board of Directors has affirmatively determined that, except for serving as a member of our Board of Directors, none of Messrs. Behrendt, DeNero, Kimsey, Lambert, Moore and Pardun or Ms. Cote has any relationship, material or immaterial, with Western Digital, either directly or as a partner, shareholder or officer of an organization that has a relationship with Western Digital, and that each of such directors qualifies as independent as defined by the listing standards of the New York Stock Exchange. Mr. Coyne is a current full-time, executive-level employee of Western Digital, and Mr. Shakeel and Mr. Massengill were full-time, executive-level employees of Western Digital within the last three years; therefore, Messrs. Coyne, Shakeel and Massengill are not independent as defined by the corporate governance listing standards of the New York Stock Exchange.

Committees

Our Board of Directors has standing Executive, Audit, Compensation and Governance Committees. The Governance Committee, among other things, performs functions similar to a nominating committee. Our Board of Directors usually determines the membership of these committees at its organizational meeting held immediately after the annual meeting of stockholders. The following table identifies the current members of the committees:

Director	Executive	Audit	Compensation	Governance
Peter D. Behrendt				
Kathleen A. Cote		ü		ü
John F. Coyne	Chair			
Henry T. DeNero	ü	Chair		
William L. Kimsey		ü		
Michael D. Lambert			Chair	
Matthew E. Massengill				
Roger H. Moore			ü	ü
Thomas E. Pardun(1)	ü		ü	Chair
Arif Shakeel				

(1) Mr. Pardun is our current Chairman of the Board. Mr. Pardun is an independent director under the listing standards of the New York Stock Exchange and presides at all executive sessions of our non-management, independent directors.

Executive Committee

The Executive Committee operates pursuant to a written charter that is available on our website under the Governance section at www.westerndigital.com. As described in further detail in the written charter of the Executive Committee, between meetings of our Board of Directors, the Executive Committee may exercise all of the powers of our Board of Directors (except those powers expressly reserved to the Board of Directors or to another committee by applicable law or the rules and regulations of the Securities and Exchange Commission or the New York Stock Exchange) in the management and direction of the business and conduct of the affairs of the company, subject to any specific directions given by the Board of Directors.

Audit Committee

Our Board of Directors has affirmatively determined that all members of the Audit Committee are independent as defined under the listing standards of the New York Stock Exchange and applicable rules of the Securities and Exchange Commission and all members are audit committee financial experts as defined by rules of the Securities and Exchange Commission.

The Audit Committee operates pursuant to a written charter that is available on our website under the Governance section at www.westerndigital.com and is also available in print to any stockholder who delivers a written request to our Secretary at our principal executive offices. As described in further detail in the written charter of the Audit Committee, the key responsibilities of the Audit Committee include: (1) sole responsibility for the appointment, compensation, retention and oversight of our independent accountants and, where appropriate, the termination or replacement of the independent accountants; (2) an annual evaluation of the independent accountants qualifications, performance and independence, including a review and evaluation of the lead partner; (3) pre-approval of all auditing services and permissible non-auditing services to be performed by the independent accountants; (4) receipt and review of the reports from the independent accountants required annually and prior to the filing of any audit report by the independent accountants; (5) review and discussion with the independent accountants of any difficulties they encounter in the course of their audit work; (6) establishment of policies for the hiring of any current or former employee of the independent accountants; (7) review and discussion with management and the independent accountants of our annual and quarterly financial statements prior to their filing or public distribution; (8) general review and discussion with management of the presentation and information to be disclosed in our earnings press releases; (9) periodic review of the adequacy of our accounting and financial personnel resources; (10) periodic review and discussion of our internal control over financial reporting and review and discussion with our principal internal auditor of the scope and results of our internal audit program; (11) review and discussion of our policies with respect to risk assessment and risk management; (12) preparation of the audit committee report included in this Proxy Statement; (13) establishment of procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission of such complaints by company employees; (14) review of material pending legal proceedings involving us and other material contingent liabilities; and (15) review of any other matters relative to the audit of our accounts and preparation of our financial statements that the Audit Committee deems appropriate.

Compensation Committee

Our Board of Directors has affirmatively determined that all members of the Compensation Committee are independent as defined under the listing standards of the New York Stock Exchange. The Compensation Committee operates pursuant to a written charter that is available on our website under the Governance section at www.westerndigital.com and is also available in print to any stockholder who delivers a written request to our Secretary at our principal executive offices. As described in further detail in the written charter of the Compensation Committee, the Compensation Committee assists our Board of Directors and our management in defining our executive compensation policy and in carrying out various responsibilities relating to the compensation of our executive officers and directors, including: (1) evaluating and approving compensation for the Chief Executive Officer and for all other executive officers; (2) reviewing and making recommendations to the Board of Directors regarding non-employee director compensation; (3) overseeing the development and administration of our incentive and equity-based compensation plans, including the Incentive Compensation Plan, the 2004 Performance Incentive Plan, the Deferred Compensation Plan and the 2005 Employee Stock Purchase Plan; and (4) reviewing and making recommendations to the Board of Directors regarding changes to our benefit plans. The Compensation Committee is also responsible for reviewing and discussing with our management the Compensation Discussion and Analysis section included in this Proxy Statement for determining whether to recommend to our Board of Directors that it be included in this Proxy Statement, and for preparing the Report of the Compensation Committee that sets forth the Compensation Committee s determination regarding the Compensation Discussion and Analysis section. The Compensation Committee retains the power to delegate any of its responsibilities to a subcommittee but the subcommittee must be comprised only of one or more members of the Compensation Committee. The Compensation Committee has no current intention to delegate any of its authority to a subcommittee.

Additional information concerning the Compensation Committee s processes and procedures for consideration and determination of non-employee director compensation is included below under Director Compensation. Additional information concerning the executive compensation policies and objectives established by the Compensation Committee, the Compensation Committee s processes and procedures for consideration and determination of executive compensation, and the role of executive officers and the Compensation Committee s compensation consultant in determining executive compensation is included below under Compensation Discussion and Analysis.

Governance Committee

Our Board of Directors has affirmatively determined that all members of the Governance Committee are independent as defined under the listing standards of the New York Stock Exchange. The Governance Committee, which (among other things) performs functions similar to a nominating committee, operates pursuant to a written charter that is available on our website under the Governance section at www.westerndigital.com and is also available in print to any stockholder who delivers a written request to our Secretary at our principal executive offices. As described in further detail in the written charter of the Governance Committee, the key responsibilities of the Governance Committee include: (1) evaluating and recommending to the Board of Directors the size and composition of the Board of Directors and the size, composition and functions of the committee of the Board of Directors; (2) developing and recommending to the Board of Directors a set of criteria for membership; (3) identifying, evaluating, attracting, and recommending director candidates for membership on the Board of Directors, including directors for election at the annual meeting of stockholders; (4) making recommendations to the Board of Directors on such matters as the retirement age, tenure and resignation of directors; (5) managing the Board of Directors performance review process and reviewing the results with the Board of Directors on an annual basis; (6) overseeing the evaluation of the Chief Executive Officer by the Compensation Committee; (7) developing and recommending to the Board of Directors a set of corporate governance principles; and (8) reviewing and making recommendations to the Board of Directors regarding proposals of stockholders that relate to corporate governance.

Whenever a vacancy occurs on our Board of Directors, the Governance Committee is responsible for identifying and attracting one or more candidates to fill that vacancy, evaluating each candidate and recommending a candidate for selection by the full Board of Directors. In addition, the Governance Committee is responsible for recommending nominees for election or re-election to the Board of Directors at each annual meeting of stockholders. The Governance Committee is authorized to use any methods it deems appropriate for identifying candidates for Board of Directors membership, including considering recommendations from incumbent directors and stockholders. The Governance Committee is authorized to engage outside search firms to identify suitable candidates, but did not engage any third party for this purpose during fiscal 2008.

Once a list of potential candidates is collected, the Governance Committee evaluates the candidates through committee discussions, the assistance of a third party search firm and/or candidate interviews to identify the candidate(s) most likely to advance the interests of our stockholders. While the Governance Committee has no specific minimum qualifications in evaluating a director candidate, the Governance Committee has adopted a policy regarding critical factors to be considered in selecting director nominees which include: the nominee s personal and professional ethics, integrity and values; the nominee s intelligence, judgment, foresight, skills, experience (including understanding of marketing, finance, our technology and other elements relevant to the success of a company such as ours) and achievements, all of which the Governance Committee views in the context of the overall composition of the Board of Directors; the absence of any conflict of interest (whether due to a business or personal relationship) or legal impediment to, or restriction on, the nominee serving as a director; having a majority of independent directors on the Board of Directors; and representation of the long-term interests of the stockholders as a whole and a diversity of backgrounds and expertise which are most needed and beneficial to the Board of Directors and to Western Digital.

A stockholder may recommend a director candidate to the Governance Committee by delivering a written notice to our Secretary at our principal executive offices and including the following in the notice: (1) the name and address of the stockholder as they appear on our books or other proof of share ownership; (2) the class and number of shares of our common stock beneficially owned by the stockholder as of the date the stockholder gives written notice; (3) a description of all arrangements or understandings between the stockholder and the director candidate and any other person(s) pursuant to which the recommendation or nomination is to be made by the stockholder; (4) the name, age, business address and residence address of the director candidate and a description of the director candidate s business experience for at least the previous five years; (5) the principal occupation or employment of the director candidate; (6) the class and number of shares of our common stock beneficially owned by the director candidate; (7) the consent of the director candidate to serve as a member of our Board of Directors if elected; and (8) any other information required to be disclosed with respect to such director candidate in solicitations for proxies for the election of directors pursuant to applicable rules of the Securities and Exchange Commission. The Governance Committee may require additional information as it deems reasonably required to determine the eligibility of the director candidate to serve as a member of our Board of Directors.

The Governance Committee will evaluate director candidates recommended by stockholders for election to our Board of Directors in the same manner and using the same criteria as used for any other director candidate. If the Governance Committee determines that a stockholder-recommended candidate is suitable for membership on the Board of Directors, it will include the candidate in the pool of candidates to be considered for nomination upon the occurrence of the next vacancy on the Board of Directors or in connection with the next annual meeting of stockholders. Stockholders recommending candidates for consideration by the Board of Directors in connection with the next annual meeting of stockholders should submit their written recommendation no later than June 1 of the year of that meeting.

Stockholders who wish to nominate a person for election as a director in connection with an annual meeting of stockholders (as opposed to making a recommendation to the Governance Committee as described above) must deliver written notice to our Secretary within the time periods set forth on page 57 below under Stockholder Proposals for 2009 and in the manner further described in Section 2.11 of our Bylaws.

Meetings and Attendance

During fiscal 2008, there were 5 meetings of the Board of Directors, 12 meetings of the Audit Committee, 11 meetings of the Compensation Committee, 5 meetings of the Governance Committee, and 2 meetings of the Executive Committee. Each of the directors attended 75% or more of the total number of meetings of the Board of Directors and the committees of the Board of Directors on which he or she served during the period that he or she served in fiscal 2008.

Our Board of Directors strongly encourages each director to attend our annual meeting of stockholders. All but one of our directors attended last year s annual meeting of stockholders.

Communicating with Directors

Our Board of Directors provides a process for stockholders to send communications to the Board of Directors, or to individual directors or groups of directors. In addition, interested parties may communicate with our non-executive Chairman of the Board (who presides over executive sessions of the non-management directors) or with the non-management directors as a group. The Board of Directors recommends that stockholders and other interested parties initiate any communications with the Board of Directors (or individual directors or groups of directors) in writing. These communications should be sent by mail to Raymond M. Bukaty, Secretary, Western Digital Corporation, 20511 Lake Forest Drive, Lake Forest, California 92630-7741. This centralized process will assist the Board of Directors in reviewing and responding to stockholder and interested party communications in an appropriate manner. The name of any specific intended Board of Directors recipient or recipients should be clearly noted in the communication (including whether the communication is intended only for our non-executive Chairman of the Board or for the non-management directors as a group). The Board of Directors has instructed the Secretary to forward such correspondence only to the intended recipients; however, the Board of Directors has also instructed the Secretary, prior to forwarding any correspondence, to review such correspondence and not to forward any items deemed to be of a purely commercial or frivolous nature (such as spam) or otherwise obviously inappropriate for the intended recipient s consideration. In such cases, the Secretary may forward some of the correspondence elsewhere within Western Digital for review and possible response.

DIRECTOR COMPENSATION

Executive Summary

We believe that it is important to attract and retain exceptional and experienced directors who understand our business, and to offer compensation opportunities that further align the interests of those directors with the interests of our stockholders. To that end, we have established a non-employee director compensation program consisting of a combination of:

- annual and committee retainer fees, which directors may elect to receive in a combination of cash, common stock and/or deferred stock units under our Stock-for-Fees Plan; and
- equity incentive awards in the form of stock options and restricted stock units.

We also permit directors to participate in our Deferred Compensation Plan. Directors who are also one of our employees are generally not entitled to additional compensation under our director compensation program for serving as a director.

Our Compensation Committee reviews our non-employee director compensation on an annual basis. As part of this review, the Committee s compensation consultant, Mercer, reviews and evaluates the competitiveness of our director compensation program in light of general director compensation trends and director compensation programs of our peer group companies, which are listed in the Compensation Discussion and Analysis section below. After receiving input from its compensation consultant, the Compensation Committee makes recommendations to the full Board of Directors regarding any changes in our non-employee director compensation program that the Committee determines are advisable. After reviewing our director program in August 2007, the Compensation Committee did not recommend any changes to the program for fiscal 2008. Our director compensation program for fiscal 2008 is described in more detail in the tables and narrative that follow.

Director Compensation Table for Fiscal 2008

The table below summarizes the compensation of each of our directors for fiscal 2008 who is not also a named executive officer. Mr. Coyne was one of our named executive officers during fiscal 2008 and information regarding compensation to him in fiscal 2008 is presented below in the Fiscal 2007 and 2008 Summary Compensation Table and the related explanatory tables. As our employee, Mr. Coyne did not receive any additional compensation for his services as a director.

	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)(3)	Option Awards ($)(4)(5)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Peter D. Behrendt	75,000	114,266	115,918				305,184
Kathleen A. Cote	87,500	114,266	115,918				317,684
Henry T. DeNero	100,000	114,266	115,918				330,184
William L. Kimsey	85,000	114,266	115,918				315,184
Michael D. Lambert	90,000	114,266	115,918				320,184
Matthew E. Massengill	75,000	99,584	95,277(7)				269,861
Roger H. Moore	82,500	114,266	115,918				312,684
Thomas E. Pardun	240,000(6)	114,266	115,918				470,184
Arif Shakeel	112,500	89,677	70,055(7)				272,232

(1) For a description of the fees earned by the non-employee directors during fiscal 2008, see the disclosure under Non-Employee Director Fees below.

(2) Except as otherwise noted below, the amounts shown are the aggregate compensation expense recognized in our financial statements for fiscal 2008 related to restricted stock units previously awarded to each of our non-employee directors to the extent we recognized compensation expense in fiscal 2008 for such awards in accordance with the provisions of FAS 123(R). These costs were calculated based on the closing market price of our common stock on the respective grant dates and the other assumptions described in Note 8 in the Notes to Consolidated Financial Statements included in our 2008 Form 10-K (or, with respect to awards granted prior to fiscal 2008, the corresponding note in our Form 10-K for the fiscal year in which such grant was made), incorporated herein by this reference, but exclude the impact of estimated forfeitures related to service-based vesting conditions. No stock awards were forfeited by any of our non-employee directors during fiscal 2008.

(3) On August 23, 2007, Mr. Shakeel automatically received an award of 2,477 restricted stock units under our Non-Employee Director Restricted Stock Unit Grant Program in connection with his first becoming a non-employee director as a result of ceasing to be employed by us. The grant date fair value of this award was $52,735. On January 1, 2008, each non-employee director automatically received an award of 3,310 restricted stock units under our Non-Employee Director Restricted Stock Unit Grant Program. The grant date fair value of each of these awards was $99,995. See footnote (2) above for the assumptions used to value these awards. Our Non-Employee Director Restricted Stock Unit Grant Program is more fully described below under Non-Employee Director Equity Awards.

In addition, the following table presents the aggregate number of outstanding stock awards held by each of our non-employee directors on June 27, 2008:

Name	**Aggregate Number of Unvested Restricted Stock Units**	**Aggregate Number of Deferred Stock Units(a)**
Peter D. Behrendt	13,570	
Kathleen A. Cote	13,570	31,309
Henry T. DeNero	13,570	45,487
William L. Kimsey	13,570	2,708
Michael D. Lambert	13,570	
Matthew E. Massengill	8,197	
Roger H. Moore	13,570	57,567
Thomas E. Pardun	13,570	19,851
Arif Shakeel	5,787	

(a) This amount consists of stock units that the director has elected to defer pursuant to our Non-Employee Directors Stock-for-Fees Plan and our Deferred Compensation Plan in lieu of all or a portion of annual retainer or meeting fees received by the director during the year of the election. The deferred stock units are fully vested and are payable in an equivalent number of shares of our common stock on the payment date specified in accordance with the non-employee director s deferral election. For a description of the Non-Employee Directors Stock-for-Fees Plan, see Non-Employee Director Fees below.

(4) Except as otherwise noted below, the amounts shown are the aggregate compensation expense recognized in our financial statements for fiscal 2008 related to stock options previously granted to each of our non-employee directors to the extent we recognized compensation expense in fiscal 2008 for such awards in accordance with the provisions of FAS 123(R). These award fair values were calculated in accordance with the assumptions described in Note 8 in the Notes to Consolidated Financial Statements included in our 2008 Form 10-K (or, with respect to awards granted prior to fiscal 2008, the corresponding note in our Form 10-K for the fiscal year in which such grant was made), incorporated herein by this reference, but exclude the impact of estimated forfeitures related to service-based vesting conditions. No stock options were forfeited by any of our non-employee directors during fiscal 2008.

(5) On August 23, 2007, our Board of Directors approved a grant to Mr. Shakeel of a nonqualified stock option to purchase 3,127 shares of our common stock under our Non-Employee Director Option Grant Program in connection with his first becoming a non-employee director as a result of ceasing to be employed by us. This stock option has a per-share exercise price of $21.29, which is equal to the closing market price of a share of our common stock on the grant date. The grant date fair value of this award was $25,627. On November 6, 2007, pursuant to our Non-Employee Director Option Grant Program, our Board of Directors approved a grant to each of our non-employee directors of a non-qualified stock option to purchase 7,364 shares of our common stock. Each such stock option has a per-share exercise price of $27.64, which is equal to the closing market price of a share of our common stock on the grant date. The grant date fair value of each of these awards was $78,374. See footnote (4) above for the assumptions used to value these awards. Our Non-Employee Director Option Grant Program is more fully described below under Non-Employee Director Equity Awards.

In addition, the following table presents the aggregate number of outstanding options held by each of our non-employee directors on June 27, 2008:

	Aggregate Number of Securities Underlying Stock Options		
Name	Vested and Exercisable (#)	Unvested (#)	Total (#)
Peter D. Behrendt	54,434	19,615	74,049
Kathleen A. Cote	29,434	19,615	49,049
Henry T. DeNero	28,750	19,615	48,365
William L. Kimsey	35,371	19,615	54,986
Michael D. Lambert	49,434	19,615	69,049
Matthew E. Massengill	20,371	13,678	34,049
Roger H. Moore	9,434	19,615	29,049
Thomas E. Pardun	29,434	19,615	49,049
Arif Shakeel		10,491	10,491

(6) Our annual director retainer fees are generally paid in a lump sum on January 1 of each calendar year; however, prior to January 1, 2008, the $100,000 retainer to our Chairman of the Board was paid in equal installments at the beginning of each calendar quarter. As such, for Mr. Pardun, our Chairman of the Board, this amount includes one-half of Mr. Pardun s Chairman of the Board retainer for calendar year 2007 (or $50,000), which was paid quarterly during the first half of fiscal 2008, as well as all of Mr. Pardun s director retainer fees for calendar year 2008 (or $190,000), which were paid in a lump sum on January 1, 2008. Mr. Pardun elected to defer all of his director fees for fiscal 2008 in accordance with our Deferred Compensation Plan. For a description of our Deferred Compensation Plan as it applies to compensation deferred by our non-employee directors, see Deferred Compensation Plan for Non-Employee Directors below.

(7) Prior to fiscal 2008, Messrs. Massengill and Shakeel served, and received option awards in their capacity, as executive officers of the company. In fiscal 2007, Messrs. Massengill and Shakeel transitioned from employee-directors to non-employee directors. For Messrs. Massengill and Shakeel, the amounts reflected above do not include reversals under FAS 123(R) for fiscal 2008 of ($269,059) and ($177,691), respectively, in expense that was included in the Summary Compensation Table of our fiscal 2007 Proxy Statement resulting from the cancellation of certain option awards in connection with their transition to non-employee director status. For Mr. Shakeel, the amount reflected above also does not include $261,670 in expense under FAS 123(R) for fiscal 2008 for option awards he received in his capacity as an employee of the company and which were not cancelled in connection with his transition to non-employee director status.

Director Compensation Program

The following section describes the elements and other features of our non-employee director compensation program for fiscal 2008.

Non-Employee Director Fees

Annual Retainer and Committee Retainer Fees. The following table sets forth the schedule of the annual retainer and committee membership fees for each non-employee director, as in effect for fiscal 2008:

Type of Fee	**Fiscal 2008 Fees**
Annual Retainer	$ 75,000
Lead Independent Director Retainer	$ 20,000
Non-Executive Chairman of the Board Retainer	$ 100,000
Additional Committee Retainers	
Audit Committee	$ 10,000
Compensation Committee	$ 5,000
Governance Committee	$ 2,500
Additional Committee Chairman Retainers	
Audit Committee	$ 15,000
Compensation Committee	$ 10,000
Governance Committee	$ 7,500

The retainer fee to our lead independent director referred to above is paid only if our Chairman of the Board is one of our employees. The annual retainer fees are generally paid in a lump sum on January 1 of each year, except that prior to January 1, 2008, the retainer to our Chairman of the Board or to our lead independent director was paid in equal installments at the beginning of each calendar quarter.

Non-employee directors do not receive a separate fee for each Board of Directors or committee meeting they attend. However, we reimburse our non-employee directors for reasonable out-of-pocket expenses incurred to attend each Board of Directors or committee meeting.

Non-Employee Directors Stock-for-Fees Plan. Under our Amended and Restated Non-Employee Directors Stock-for-Fees Plan, each non-employee director may elect prior to any calendar year to receive shares of our common stock in lieu of any or all of the annual retainer fee(s) otherwise payable to him or her in cash for that calendar year. We determine the number of shares of common stock payable to a non-employee director under the Non-Employee Directors Stock-for-Fees Plan by dividing the amount of the cash fee the director would have otherwise received by the closing market price of a share of our common stock on the date the cash fee would have been paid.

At the time of the election for a calendar year under our Non-Employee Directors Stock-for-Fees Plan, we also permit each non-employee director to defer receipt of any shares he or she has elected to receive in lieu of annual retainer or meeting fees otherwise payable to the director, and we refer to these deferred shares as deferred stock units. See Deferred Compensation Plan for Non-Employee Directors below for a further discussion of the material terms of our Deferred Compensation Plan as it applies to compensation deferred by our non-employee directors.

We are authorized to issue a maximum of 400,000 shares of our common stock under the Non-Employee Directors Stock-for-Fees Plan, subject to adjustments for stock splits and similar events. The Board of Directors has the power to suspend, discontinue or, subject to stockholder approval if required by applicable law or regulation, amend the Non-Employee Directors Stock-for-Fees Plan at any time. In fiscal 2008, none of our non-employee directors made an election to receive shares of our common stock in lieu of annual retainer fees otherwise payable to the director for the year.

Non-Employee Director Equity Awards

Non-Employee Director Option Grant Program. Pursuant to our Non-Employee Director Option Grant Program adopted by our Board of Directors under our 2004 Performance Incentive Plan, we grant each non-employee director upon initial election or appointment to the Board of Directors an option to purchase a number of shares of our common stock that produces an approximate value for the option grant (using a Black-Scholes valuation as of the time of grant) equal to $300,000 on the grant date. Effective August 23, 2007, we also grant each member of the Board upon or as soon as practical after first becoming a non-employee director by virtue of retiring or otherwise ceasing to be employed by us an option to purchase a number of shares of common stock that produces an approximate value for the option grant (using a

Black-Scholes valuation as of the time of grant) equal to: (i) $100,000, divided by (ii) 365, multiplied by (iii) the number of days from the date such individual first becomes a non-employee director until the anticipated date of our next annual stockholders meeting. In addition, as in effect for fiscal 2008, after a non-employee director joins the Board of Directors, immediately following each annual meeting of stockholders if he or she has been re-elected as a director at that annual meeting, the non-employee director will receive an option to purchase a number of shares of our common stock that produces an approximate value for the option grant (using a Black-Scholes valuation as of the time of grant) equal to $100,000 on the grant date.

The per-share exercise price of stock options granted under our Non-Employee Director Option Grant Program equals the closing market price of a share of our common stock on the date of grant, and the options generally vest over a period of four years, with 25% vesting on the first anniversary of the grant date and 6.25% vesting at the end of each three-month period thereafter. In addition, all stock options granted under the Non-Employee Director Option Grant Program have either a seven-year term (for options granted on or after November 6, 2007) or a ten-year term (for options granted prior to November 6, 2007). Except as described in the next sentence, vested stock options will remain exercisable until the earlier of one year following the date the director ceases to be a director or the expiration date of the stock option. In the event the director retires after four years of service, all stock options granted to the director will immediately vest and will be exercisable by the director until the earlier of (i) three years after the director s retirement or (ii) the expiration of the original term of the option, provided that, for stock options granted after November 2006, the director has also performed at least twelve months of service for us after the grant of the option. In addition, if the director renders services to any of our competitors after ceasing to be a member of our Board, all outstanding stock options held by the director will immediately terminate and we will have the right to recover any profits realized by the director during the prior six-month period. Shares of common stock that we issue upon the exercise of stock options granted under the Non-Employee Director Option Grant Program are subject to the applicable share limits specified in our 2004 Performance Incentive Plan.

Non-Employee Director Restricted Stock Unit Grant Program. Our Board of Directors has adopted a Non-Employee Director Restricted Stock Unit Grant Program under our 2004 Performance Incentive Plan pursuant to which, as in effect for fiscal 2008, our non-employee directors automatically receive an award of restricted stock units on January 1 of each year equal in value to $100,000 (based on the closing market value of an equivalent number of shares of our common stock on the grant date). We award non-employee directors who are newly elected or appointed to the Board of Directors after January 1 of a given year a prorated award of restricted stock units for that year. Effective August 23, 2007, we also award members of our Board a prorated award of restricted stock units upon or as soon as practical after first becoming a non-employee director by virtue of retiring or otherwise ceasing to be employed by us after January 1 of a given year. The number of restricted stock units subject to this prorated award is equal to: (i) the number of units subject to the immediately preceding annual unit award, divided by (ii) 365, multiplied by (iii) the number of days from the date such individual first becomes a non-employee director until the immediately following January 1. Each award of restricted stock units represents the right to receive an equivalent number of shares of our common stock on its vest date.

Restricted stock units generally vest 100% on the third anniversary of the grant date. However, if a director served as a director for at least four continuous years when the director ceases to be a director, all unvested restricted stock units will vest immediately upon the director s termination, provided that, for restricted stock unit awards made after November 2006, the director has also performed at least twelve months of service for us after the grant of the restricted stock unit. If a director ceases to be a director for any reason (except removal) prior to meeting the eligibility requirements for accelerated vesting discussed above, then all of the unvested restricted stock units granted in the first twelve months prior to termination will terminate without vesting, one-third of all unvested restricted stock units granted within the second twelve-month period prior to termination will immediately vest and become payable, and two-thirds of all unvested restricted stock units granted within the third twelve-month period prior to termination will immediately vest and become payable. If dividends are paid prior to the vesting and payment of any restricted stock units granted to our non-employee directors, the director is credited with additional restricted stock units as dividend equivalents that are subject to the same vesting requirements as the underlying restricted stock units. Shares of common stock issued in respect of the Non-Employee Director Restricted Stock Unit Grant Program are subject to the applicable share limits specified in our 2004 Performance Incentive Plan.

Director Stock Ownership Guidelines. Our Board of Directors has established stock ownership guidelines for our directors. By November 18, 2009 or within three years of joining the Board, whichever occurs later, each director must own and continue to maintain at least 15,000 shares of our common stock. Common stock, restricted stock units, deferred stock units and common stock beneficially owned by the director by virtue of being held in a trust, by a spouse or by the director s minor children count toward the stock ownership requirement.

Deferred Compensation Plan for Non-Employee Directors

For each calendar year, we permit each non-employee director to defer payment of between a minimum of $2,000 and a maximum of 100% of any cash compensation to be paid to the director during that calendar year in accordance with our Deferred Compensation Plan. If a director has elected to receive common stock pursuant to our Non-Employee Directors Stock-for-Fees Plan in lieu of annual retainer or meeting fees otherwise payable to the director, the director is also permitted to make a deferral election with respect to such common stock. In that event, we credit deferred stock units to the director s deferred compensation account in an amount equal to the cash fee the director would have otherwise received divided by the closing market price of a share of our common stock on the date the cash fee would have been paid. The deferred stock units carry no voting or dividend rights.

We also permit non-employee directors to defer payment of any restricted stock units awarded under our Non-Employee Director Restricted Stock Unit Grant Program beyond the vesting date of the award. Restricted stock units and other amounts deferred in cash by a director are generally credited and payable in the same manner as amounts deferred by our executive officers and other participants in our Deferred Compensation Plan as further described below under Fiscal 2008 Non-Qualified Deferred Compensation Table beginning on page 40.

COMPENSATION DISCUSSION AND ANALYSIS

When we refer to our executives or executive officers in this section, we mean:

John F. Coyne, our President and Chief Executive Officer;

Timothy M. Leyden, our Executive Vice President and Chief Financial Officer;

Stephen D. Milligan, our former Senior Vice President and Chief Financial Officer, who terminated employment with us on August 31, 2007;

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

Dr. Hossein M. Moghadam, our Senior Vice President, Chief Technology Officer.

These individuals are our named executive officers under Securities and Exchange Commission rules for fiscal 2008 and are listed in the Fiscal 2007 and 2008 Summary Compensation Table below.

Executive Summary

Western Digital is an information storage pioneer and long-time industry leader providing products and services on a global scale for people and organizations that collect, manage and use digital information. Managing our global business to provide long-term value for our stockholders requires a team of passionate, innovative, dedicated and experienced executives. Our overriding executive compensation philosophy is clear and consistent we pay for performance. Our executives are accountable for the performance of the company and the segments they manage and are compensated primarily based on that performance.

Fiscal 2008 was an extraordinary year for our company, with revenue of $8.1 billion, operating income of $1.0 billion and net income of $867 million. These results reflect increases over the prior fiscal year of approximately 48%, 142% and 54%, respectively. During fiscal 2008, we also achieved unit shipment growth of 38% and accretion of our acquisition of Komag, Inc. The performance-based components of our compensation program for fiscal 2008, which are described in more detail below, reflect these significant company achievements.

The following discussion summarizes our executive compensation program, including our compensation objectives and philosophies and the processes and sources of input that were considered in determining compensation for our named executive officers. We believe that our executive compensation program contributes to a high-performance culture where executives deliver results that drive sustained growth.

Our Executive Compensation Philosophy and Objectives

Our compensation philosophy for our executive officers is based on the belief that the interests of our executives should be closely aligned with those of our stockholders. To support this philosophy, a large portion of each executive officer s compensation is placed at risk and linked to increases in stockholder value and/or the accomplishment of specific financial or operational goals that are expected to lead to the creation of short-term and long-term value for our stockholders.

Our compensation policies and programs are designed to:

- attract, develop, reward and retain highly qualified and talented individuals;
- motivate executives to improve the overall performance and profitability of our company as a whole as well as the business group for which each executive is responsible, and reward executives when specific measurable results have been achieved;
- encourage accountability by determining salaries and incentive awards based on each executive s individual performance and contribution;
- tie incentive awards to financial and non-financial metrics that drive the performance of our common stock over the long term to further reinforce the linkage between the interests of our stockholders and our executives; and
- ensure compensation levels are both externally competitive and internally equitable.

The Compensation Committee does not use a specific formula for allocating total compensation between performance- and non-performance-based compensation, between annual and long-term compensation or between cash and non-cash compensation. However, the Compensation Committee believes that a substantial portion of total compensation should be long-term, at-risk compensation (with that amount increasing as responsibility increases). We believe that our compensation program assists us in achieving these compensation objectives and philosophies, as described in more detail below.

Determination of Executive Compensation

Role of the Compensation Committee

Our executive compensation program is administered by our Compensation Committee. The Compensation Committee is responsible for approving all elements of compensation for our executive officers. The Compensation Committee s practice is to consider all elements of compensation and our compensation philosophy and objectives when determining the appropriate level and mix of each element of compensation for our executive officers. While the Compensation Committee follows general guidelines in setting compensation for our executives, as described in more detail below, members of the Compensation Committee also consider the following in determining the specific level and mix of compensation for each of our executive officers:

- the executive s experience, performance and judgment;
- survey and market data prepared by the Compensation Committee s compensation consultant;
- for executives other than the Chief Executive Officer, the Chief Executive Officer s recommendations;

internal fairness;

summaries of prior and potential future compensation levels (sometimes referred to as tally sheets);

succession planning and retention objectives;

past and expected future contributions of the executive; and

current company and business conditions.

The Compensation Committee reviews compensation to and performance of our executive officers on an annual basis and at the time of hiring, a promotion or other change in responsibilities. The Compensation Committee s annual review typically occurs in late Summer or early Fall of each year. The review for determining fiscal 2008 compensation commenced in August 2007 and continued during the Compensation Committee s meeting in September 2007. The Compensation Committee s annual review consists of an evaluation of all elements of total direct compensation for the executive officers. The compensation decisions made in light of the annual review for fiscal 2008 are explained in more detail below under the section entitled Elements of our Executive Compensation Program.

Role of Executive Officers

While no executive participates in any discussions or decisions regarding his or her own compensation, certain of our executive officers and other employees assist the Compensation Committee in the administration of our executive compensation process. Our Chief Executive Officer works with our Vice President, Human Resources, in reviewing the performance of the other named executive officers and developing recommendations to the Compensation Committee regarding the base salary, bonuses, equity award levels and other incentive compensation to these executives for consideration by the Compensation Committee at its annual review. While the Compensation Committee considers these recommendations, the Compensation Committee is solely responsible for making the final decision regarding compensation to our executive officers.

Our Vice President, Human Resources, also provides internal and external compensation data to the Compensation Committee and its compensation consultant for use in its annual review. Our Chief Financial Officer may provide input to the Compensation Committee on the financial targets for our performance-based compensation programs and may present data regarding the impact of compensation programs on our financial statements. Our General Counsel and Secretary generally assesses and advises the Compensation Committee regarding the legal implications or considerations involving our compensation program.

The Compensation Committee alone is charged with approving the compensation of our Chief Executive Officer, although the Compensation Committee confers with other members of our Board of Directors in evaluating the Chief Executive Officer s performance and determining the Chief Executive Officer s compensation. Our Chief Executive Officer is not present for and does not participate in discussions concerning his own compensation.

Role of the Compensation Consultant

The Compensation Committee s practice has been to retain compensation consultants to provide objective advice and counsel to the Compensation Committee on all matters related to the compensation of our executive officers and our compensation programs generally. Mercer has been retained by the Compensation Committee as its compensation consultant. The Compensation Committee s relationship with Mercer is reviewed annually and has continued in fiscal 2008 with Mercer attending all in-person meetings of the Compensation Committee held during the year. Mercer s responsibilities for fiscal 2008 generally included, among other things:

- providing recommendations regarding the composition of our peer group (described below);
- gathering and analyzing publicly available proxy data for the peer group and other peer group data;
- analyzing pay survey data;
- providing best practices and advice regarding compensation trends;
- reviewing and advising on the performance measures to be used in bonus formulas;
- reviewing and advising on management recommendations regarding target bonus levels, actual bonuses paid and the design and size of equity awards; and
- advising on the Compensation Committee s charter.

Mercer communicates regularly with management to gather information and review management proposals, but reports directly to the Compensation Committee. Mercer and certain of its affiliates also provide welfare plan consulting, actuarial and plan administration services to the company with respect to the company s general employee benefit plans and programs. However, Mercer has established safeguards between the executive compensation consultants engaged by the Compensation Committee and the other service providers to the company. These safeguards are designed to help ensure that the Compensation Committee s executive compensation consultants continue to fulfill their role in providing objective, unbiased advice.

Comparative Market Data

To assist the Compensation Committee during its annual review of the competitiveness of compensation levels and the appropriate mix of compensation elements to our executive officers, Mercer provides comparative market data on compensation practices and programs as well as guidance on industry best practices. In general, the market data is collected from independent published surveys and from public filings of a group of peer companies in the high-technology industry. The survey data is filtered for high-technology companies (where such data is not available, the surveys are filtered for durable manufacturing companies), and is adjusted for companies with similar revenue levels. The peer group compensation data is taken from each company s most recent proxy statement and other SEC filings. The survey and peer group data is then averaged (with the survey and peer group data weighted equally) to create what we refer to in this section as composite market data. The composite market data is then used by the Compensation Committee as a reference point in making compensation decisions during its annual review.

The Compensation Committee, with guidance from Mercer, determines the composition of our peer group and reevaluates this group on an annual basis. The evaluation of the peer group generally occurs in May of each year. This peer group is then used to create the composite market data reviewed by the Compensation Committee during its annual executive compensation review for the following fiscal year. In May 2007, the Compensation Committee, with assistance from Mercer, determined that our peer group would consist of 16 U.S.-based technology companies of comparable revenue, market capitalization and business characteristics to us and who compete with us for executive talent. Data from these companies, along with the survey data described above, were then used to create the composite market data reviewed by the Compensation Committee during its fiscal 2008 review of executive compensation in August and September 2007. Most of the companies included in our peer group are, as are we, included in the Dow Jones U.S. Technology, Hardware and Equipment Index, which the company has selected as the industry index for purposes of the stock performance graph appearing in our Annual Report for fiscal 2008. Below is a list of the companies in our peer group for fiscal 2008:

Fiscal 2008 Peer Group Companies

Advanced Micro Devices, Inc.	National Semiconductor Corp.
Analog Devices, Inc.	Network Appliance Inc.
Applied Materials Inc.	Nvidia Corp.
Broadcom Corp.	Qualcomm
EMC Corporation	SanDisk Corporation
Gateway Inc.	Seagate Technology
Lexmark International Group Inc.	Spansion Inc.
Micron Technology Inc.	Texas Instruments Incorporated

The peer group for fiscal 2008 was the same peer group for fiscal 2007, except that Freescale Semiconductor was removed due to an acquisition and LSI Logic Corporation and ON Semiconductor Corporation were removed in light of their small revenue level relative to Western Digital.

Elements of Our Executive Compensation Program

Our current executive compensation program consists of several compensation elements. The following chart briefly summarizes the general characteristics of each element of direct compensation, the compensation objectives the element helps us achieve and the Compensation Committee s target pay level for such element based on composite market data.

Element of Direct Compensation	Characteristics	Purpose	Target Pay Level
Base Salary	Fixed component. Annually reviewed by Compensation Committee and adjusted, if and when appropriate.	To attract, develop, reward and retain highly-qualified executive talent and to maintain a stable management team. To compensate executives for sustained individual performance.	Targeted at the median based on composite market data.
Semi-Annual Bonus Opportunity	Performance-based semi-annual cash bonus opportunity. Payable based on level of achievement of semi-annual company performance goals.	To motivate executives to achieve specified performance goals that drive overall performance. To encourage accountability by rewarding based on performance. To attract, develop, reward and retain highly-qualified executive talent.	Targeted at a level such that, when added to base salary, total annual cash compensation is between the median and the 75^{th} percentile based on composite market data and assuming target levels of performance.
Long-Term Incentive Compensation	Performance-based long-term component. Generally granted annually in the form of a combination of stock options, restricted stock units and long-term performance cash awards. Amounts actually earned under awards will vary based on stock price appreciation and company performance.	To tie incentives to performance of our common stock over the long term. To reinforce the linkage between the interests of stockholders and our executives. To motivate executives to improve multi-year financial performance. To attract, develop, reward and retain highly-qualified executive talent.	Targeted at a level such that, when added to total annual cash compensation, total direct compensation is between the median and the 75^{th} percentile based on composite market data and assuming target levels of performance.

In addition to these elements of our direct compensation program, we also provide executives with relatively minimal perquisites and certain other indirect benefits, including participation in certain post-employment compensation arrangements. For an analysis of these other features of our compensation program, please refer to the section below entitled Other Features of our Executive Compensation Program.

The following sections describe each direct element of our compensation program in more detail and the process for determining the amount of compensation to be paid with each element for fiscal 2008.

Base Salary

Executive officers are paid an amount in the form of a base salary sufficient to attract highly-qualified executive talent and to maintain a stable management team. Base salary levels for our executive officers are determined by the Compensation Committee and are generally targeted at the median of base salaries paid to similarly situated executives at comparable companies based on the composite market data provided by Mercer, which the Compensation Committee believes to be the threshold salary level needed to attract and retain talented executives. However, base salaries of individual executive officers can and do vary from this market data based on a review of such factors as the competitive environment, our financial performance, the executive s experience level and scope of responsibility, and the overall need and desire to retain the executive in light of current performance, future performance, future potential and the overall contribution of the executive. The Compensation Committee exercises its judgment based on all of these factors in making its decisions. No specific formula is applied to determine the weight of each criterion.

For fiscal 2008, the Compensation Committee reviewed the base salaries paid to all continuing executive officers during its annual review in August 2007. In light of the composite market data and the other factors discussed above, the Compensation Committee determined that no change would be made to the base salaries paid to Messrs. Coyne and Bukaty and Dr. Moghadam (which were $800,000, $400,000 and $400,000, respectively) for fiscal 2008. Effective September 1, 2007, Mr. Leyden assumed the role of Chief Financial Officer from Mr. Milligan, who terminated employment with us on August 31, 2007. Mercer advised the Compensation Committee that Mr. Leyden s salary prior to the promotion was below the median base salary for Chief Financial Officers based on our composite market data. The Compensation Committee also noted that Mr. Milligan s base salary at the time of his separation from service was $450,000. In light of these considerations and the Compensation Committee s recognition that Mr. Leyden had demonstrated significant leadership, especially in regards to our acquisition of Komag, Inc., the Compensation Committee determined to increase Mr. Leyden s base salary from $409,000 to $450,000, effective with his promotion to the Chief Financial Officer position on September 1, 2007. In its fiscal 2009 annual review, which commenced in August 2008, the Compensation Committee, based on a review of composite market data and Mr. Leyden s continued contributions to our performance, approved an increase in the annual base salary paid to Mr. Leyden from $450,000 to $550,000.

Semi-Annual Incentive Compensation

Our Incentive Compensation Program, or ICP, formally links cash bonuses for executive officers and other participating employees to our semi-annual financial performance as well as other discretionary factors, including non-financial and strategic operating objectives, business and industry conditions and individual and business group performance. We believe that the ICP is a valuable component of our overall compensation program because it assists us in achieving our compensation objective of motivating our executives to achieve specified financial and non-financial goals that help to drive our overall financial performance. The ICP also encourages accountability by rewarding executives based both on the actual financial performance achieved as well as other discretionary factors such as individual and business group performance.

Target Awards. The Compensation Committee establishes target awards under the ICP for each executive officer that are expressed as a percentage of the executive s semi-annual base salary and that are based on the executive s position and responsibility. These target awards are reviewed annually by the Compensation Committee as part of its annual compensation review and at the time of hiring, a promotion or other change in responsibilities, and may be increased based on the executive s performance and/or market factors.

The target ICP award for each executive officer other than Mr. Coyne is 75% of base salary. On September 12, 2007, the Compensation Committee approved an increase in Mr. Coyne s target bonus percentage under the ICP from 100% to 125%, effective for fiscal 2008. This determination was made after reviewing the total annual cash compensation and target bonus opportunities of the Chief Executive Officers of our peer group companies and in consideration of Mr. Coyne s strong leadership of the company, including with respect to our acquisition of Komag, Inc. and substantially all of the assets of Senvid, Inc. The ICP target award for our Chief Executive Officer, compared with the targets for our other executive officers, reflects our compensation philosophy that a greater percentage of compensation should be at-risk for our Chief Executive Officer as he bears greater responsibility for our overall performance.

Performance Goal and Funding Levels. For fiscal 2008, prior to commencement of each semi-annual performance period under our ICP, the Compensation Committee established specific operating and/or financial performance goals to correspond to specific ICP funding levels ranging between 0% and 200% of target. (Commencing with fiscal 2009, the Compensation Committee will establish the applicable goals at the first scheduled meeting of the Compensation Committee that occurs after the start of the performance period.) For both the first half and second half of fiscal 2008, the Compensation Committee selected earnings per share as the financial performance goal and established specific earnings per share goals to correspond to specific funding percentages ranging between 0% and 200% of target. Earnings per share is calculated under generally accepted accounting principles, but excluding tax and other non-recurring charges. The Compensation Committee believes that earnings per share is the appropriate performance goal for the ICP because earnings per share closely reflects our overall performance and profitability and the returns achieved by our stockholders. In so doing, the Compensation Committee believes that the ICP assists in achieving our compensation objectives of motivating executives to improve our overall performance and profitability and tying incentive awards to financial metrics that drive the performance of our common stock over the long term.

At the end of the applicable performance period, the Compensation Committee determines the ICP funding percentage for executive officers based upon our performance against the established operating and/or financial performance goals for the period. In its discretion and based upon the recommendation of the Chief Executive Officer, the Compensation Committee may adjust the company funding percentage upward (subject to a cap of 200%) or downward according to our overall achievement of other key non-financial and strategic operating objectives as well as changes in the business and industry that occur during the performance period and how well we and our executive officers were able to adapt to those changes. The ICP funding percentage, as adjusted by the Compensation Committee, determines the overall funding level for bonus payments to our executives for the applicable semi-annual performance period.

For the first half of fiscal 2008, the Compensation Committee set an earnings per share target of $0.91 correlated to a 100% payout. Actual earnings per share for the first half of fiscal 2008 was $2.14, resulting in a payout under the ICP equal to 200% of target. For the second half of fiscal 2008, the Compensation Committee set an earnings per share target of $1.12 correlated to a 100% payout. Actual earnings per share for the second half of fiscal 2008 was $2.17, also resulting in a payout under the ICP equal to 200% of target. Earnings per share for ICP purposes was calculated under generally accepted accounting principles, but excluding tax and other non-recurring charges.

Bonus Calculation and Discretionary Adjustments. Actual bonus amounts to the executive officers for each semi-annual performance period under the ICP are calculated by multiplying the executive s target semi-annual bonus amount by the funding percentage approved by the Compensation Committee based on achievement of the applicable performance metrics.

Following determination of the ICP bonus amount for the applicable semi-annual period, the Compensation Committee reserves the discretion to further adjust the bonus payment to an executive officer based upon his individual and business group performance. For the Chief Executive Officer, any adjustments are made by the Compensation Committee based on their assessment of the Chief Executive Officer s performance. For the other executive officers, any adjustments are made by the Compensation Committee, taking into account the recommendation of the Chief Executive Officer, based upon individual performance goals developed by the Chief Executive Officer with input from the executive that are intended to focus the executive s attention on the achievement of financial and other business objectives within his individual area of responsibility and management. For fiscal 2008, the Compensation Committee did not exercise its discretion to adjust the ICP award for executive officers based on these factors given the extraordinary operational and financial achievements noted above.

For calendar year 2007, Mr. Coyne, our President and Chief Executive Officer, recommended to the Compensation Committee a special discretionary bonus (referred to as the president s award) to all executive officers (other than Mr. Coyne himself). The special bonus award for executive officers equaled 25% of the executive s target annual bonus opportunity under the ICP and was paid during fiscal 2008. In recommending approval of the discretionary bonuses to the Compensation Committee, Mr. Coyne noted the following significant financial achievements for calendar year 2007 versus calendar year 2006:

- 310 basis point increase in market share;

38% increase in revenue;

33% increase in units shipped;

41% increase in gross margin; and

56% increase in earnings per share.

Mr. Coyne also noted that the ratio of bonuses paid to employees (including the president s award) to net income for the first half of 2008, sometimes referred to as the sharing ratio, would be consistent with the sharing ratio for the preceding two semi-annual bonus periods. After considering these factors, the company s significant achievements and the extraordinary returns received by stockholders during calendar year 2007, the Compensation Committee approved the president s award for these executive officers in the amounts recommended by Mr. Coyne.

Please see the section entitled *Incentive Compensation Plan* on page 36 for a table that reflects each executive s target semi-annual bonus opportunity under the ICP for fiscal 2008, the actual semi-annual bonuses paid to the executive under the ICP for fiscal 2008 and any additional discretionary bonus (such as the president s award) paid to the executive for fiscal 2008.

Long-Term Incentive Compensation

In February 2006, following a review and analysis by Mercer, the Compensation Committee established a long-term incentive program pursuant to which a combination of stock options, restricted stock units and/or long-term performance cash awards are generally awarded on an annual basis to our executive officers and other key employees. As part of this long-term incentive program, the Compensation Committee has established long-term incentive grant guidelines expressed as a percentage of annual salary and ranging from a minimum, midpoint and maximum value. The midpoint value of these guidelines, when added to total annual cash compensation, is intended to target the executive s total direct compensation at the median to the 75th percentile of the total direct compensation levels for comparable jobs in the marketplace based on the composite market data provided by Mercer.

These long-term incentive guidelines provide a framework for the Compensation Committee when determining the amount of the awards to each executive under the long-term incentive program. For each of our executive officers other than Mr. Coyne, the actual grant value of the executive s long-term incentive awards is determined by the Compensation Committee based upon the recommendation of Mr. Coyne after reviewing the executive s responsibilities, individual performance, current compensation package, value of unvested equity awards and expected future contributions and value to the company. The Compensation Committee undertakes a similar analysis to determine the grant value of any long-term incentive award to Mr. Coyne.

Once this dollar value is determined, the Compensation Committee determines the allocation of this amount between the various long-term incentive award types. Generally, approximately 40% is awarded in the form of stock options (based on the Black-Scholes value of the options), 30% is awarded in the form of restricted stock units (based on the closing market price of our common stock), and 30% is awarded in the form of a long-term performance cash award (based on the target value of the award). However, variations from this allocation formula can and do occur based on a number of factors, including the value of an executive s accumulated prior grants and an analysis of the executive s pay in light of the composite market data reviewed by the Compensation Committee.

In September 2007, the Compensation Committee determined the long-term incentive grant value for each executive officer (other than Mr. Milligan who terminated employment with us in August 2007). The grant value for Mr. Leyden was set at approximately the midpoint of his grant guidelines, and for Mr. Bukaty, the grant value was set near the minimum point of his grant guidelines in light of his accumulated prior long-term incentive awards. The grant values for Messrs. Leyden and Bukaty were allocated among stock options, restricted stock units and performance cash awards according to the standard formula described above. These awards are included in the Fiscal 2008 Grants of Plan-Based Awards Table below. After reviewing Dr. Moghadam s total direct compensation in light of the composite market data and his accumulated prior long-term incentive awards, the Compensation Committee determined not to grant any long-term incentive awards to Dr. Moghadam for fiscal 2008.

For Mr. Coyne, the Compensation Committee noted that his employment agreement provides for an annual performance cash award with a minimum target value of $2 million and an annual stock option grant, in an amount determined by the Compensation Committee, beginning with fiscal 2008. The Compensation Committee also noted the 1.1 million restricted stock unit award Mr. Coyne received under his 5-year employment agreement in connection with the commencement of his employment as Chief Executive Officer. After noting these employment agreement provisions and the other considerations discussed above, for fiscal 2008 the Compensation Committee approved a performance cash award with a target value of $2 million and a stock option grant covering 125,000 shares (which had a Black-Scholes value that, when added to the

$2 million target performance cash award and the annualized grant value of Mr. Coyne s 1.1 million restricted stock unit award, annualized over the term of the employment agreement, provided Mr. Coyne with a long-term incentive opportunity at approximately the median of the composite market data). These awards are also included in the Fiscal 2008 Grants of Plan-Based Awards Table below.

Stock Options. Stock options are generally the largest component of our long-term incentive program. We believe that stock options, which provide a return to the executive only if the market price of the underlying shares increases over time, are inherently performance-based and serve as an effective means to achieve our compensation objective of motivating our executives to contribute to the long-term growth and profitability of our company and thereby create value for our stockholders. Stock options also function as a retention incentive for our executives as they generally vest and become exercisable in periodic installments over a four-year period, contingent upon the executive s continued employment.

For a more detailed description of the terms of the stock option awards granted in fiscal 2008, see the section entitled Description of Compensation Arrangements of Named Executive Officers Equity-Based Awards below.

Restricted Stock Units. A portion of our long-term incentive compensation is generally allocated to restricted stock unit awards. Restricted stock units represent the right to receive an equivalent number of shares of our common stock at the time the restricted stock units vest without the payment of an exercise price or other consideration. Although a restricted stock unit award has some value regardless of stock price volatility, the value of restricted stock units appreciates as the value of our common stock increases thereby helping to achieve our compensation objective of aligning our executives interests with those of our stockholders. Restricted stock unit awards also assist us with retention in that they generally vest and become payable upon the third anniversary of grant, contingent upon the executive s continued employment. We believe that allocating some portion of our long-term incentives to restricted stock unit awards is appropriate and beneficial to stockholders because we can grant more grant date value per share with a restricted stock unit award than a stock option and thereby minimize the dilutive effect of such equity awards on stockholders.

For a more detailed description of the terms of the restricted stock unit awards granted in fiscal 2008, see the section entitled Description of Compensation Arrangements of Named Executive Officers Equity-Based Awards below.

Long-Term Performance Cash Awards. Long-term performance cash awards represent the right to receive a payment of cash at the end of a fixed performance period (generally two fiscal years) depending upon our achievement of one or more operating and/or other financial performance goals established by the Compensation Committee. The purpose of the performance cash awards is to focus executives on the achievement of key financial operating objectives over a multi-year period. The total amount payable pursuant to a long-term performance cash award for fiscal 2008 varies from 0% to 200% of the target award, depending upon our performance against the established performance goals.

In connection with Mr. Coyne s promotion to President and Chief Operating Officer in May 2006, the Compensation Committee granted him a long-term cash award with a performance period covering fiscal 2007 and fiscal 2008. In early fiscal 2007, the Compensation Committee granted a long-term cash award to each named executive officer (other than Mr. Leyden who was not then an executive officer of the company) with a performance period covering fiscal 2007 and fiscal 2008. On May 9, 2007, shortly after becoming one of our named executive officers, Mr. Leyden was granted a long-term cash award with a performance period covering just fiscal 2008. Mr. Leyden s long-term cash award covered one fiscal year (as opposed to two fiscal years for the remaining executive officers) so that all named executive officers would be on the same performance period schedule beginning with awards granted in fiscal 2008.

For Mr. Coyne s May 2006 award, the Compensation Committee selected revenue as the applicable performance goal. For the other awards, the Compensation Committee selected both revenue and operating income, each weighted equally, as the performance goals for these long-term performance cash awards that became earned in fiscal 2008. The Compensation Committee selected these as the appropriate metrics for the long-term cash awards because we believe that performance against these financial measures is a strong indication of the company s multi-year operating performance. Revenue and operating income are generally calculated in accordance with generally accepted accounting principles, but exclude certain non-recurring charges and certain effects of our acquisition of Komag, Inc.

The following chart reflects the revenue and operating income targets applicable to these awards, the actual performance of the company over the applicable performance period and the resulting payout percentage of the long-term cash award.

Award	Performance Period	Performance Metric	Target Goal (100%)	Actual Performance	Resulting Payout Percentage	Weight	Total Payout Percentage
Coyne May 2006 Grant	FY 07 and 08	Revenue	$ 10.5 billion	$ 13.272 billion	128%	100%	128%
						Total	128%
All Nov 2006 Grants	FY 07 and 08	Revenue	$ 10.449 billion	$ 13.272 billion	200%	50%	100%
		Operating Income	$ 777 million	$ 1.421 billion	200%	50%	100%
						Total	200%
Leyden May 2007 Grant	FY 08	Revenue	$ 6.507 billion	$ 8.074 billion	200%	50%	100%
		Operating Income	$ 441 million	$ 1.055 billion	200%	50%	100%
						Total	200%

Please see the section entitled *Long-Term Performance Cash Awards* on page 37 for a table that reflects the amounts earned by executive officers under long-term performance cash awards in fiscal 2008 based on the performance described in the table above.

As described above, in fiscal 2008, the Compensation Committee granted long-term cash awards to each named executive officer (other than to Dr. Moghadam, who did not receive any long-term incentive compensation in fiscal 2008, and Mr. Milligan, who terminated employment with us prior to grant) covering fiscal years 2008 and 2009, which become payable at between 0% and 200% of target based on the achievement of selected revenue and operating income targets for the cumulative two-year period. More information concerning these grants, including the threshold, target and maximum amounts payable under these awards, is included in the Fiscal 2008 Grants of Plan-Based Awards Table and related narrative. No portion of the awards was payable during fiscal 2008.

Other Features of our Executive Compensation Program

In addition to direct compensation, we also provide executives with relatively minimal perquisites and certain other benefits, including participation in certain post-employment compensation arrangements, which are described in more detail below.

Perquisites

For fiscal 2008, we provided Mr. Bukaty and Dr. Moghadam with a perquisite allowance that was paid bi-weekly with the executive s salary payment. Effective August 2008, we do not provide any executive officer with a perquisite allowance and currently do not expect to grant a perquisite allowance to any future executive officers. We also provide our executive officers with certain other perquisites, including expanded health benefits consisting of an allowance for medical and dental care. In addition, executives are entitled to various other benefits that are available to all employees generally, including health and welfare benefits, paid holidays and other time off and participation in our 2005 Employee Stock Purchase Plan, a stockholder-approved, tax-qualified plan that allows employees to purchase shares of our common stock at a discount.

We believe the perquisites and other benefits provided to our executive officers are a relatively inexpensive way to enhance the competitiveness of our executives compensation package and are generally appropriate in light of the benefit packages offered by companies in our peer group.

Employment Agreements

The Compensation Committee does not have an established policy for entering into employment agreements with executive officers. Generally, absent other factors, the Compensation Committee s intent is to retain the flexibility to review and adjust compensation to our executive officers on at least an annual basis. In certain circumstances, however, we have entered into employment agreements with our executive officers where we determined that the retention of the executive during the term of the agreement was critical to our future success. In these cases, we typically agree to fix some or all of the executive s compensation for the term of the agreement.

On October 31, 2006, we entered into an employment agreement with Mr. Coyne that provided for his promotion to Chief Executive Officer on January 2, 2007 and his continued employment in that capacity through January 1, 2012. The material terms of Mr. Coyne s employment agreement are summarized below under Description of Compensation Arrangements for Named Executive Officers.

Post-Employment Compensation

Retirement Benefits. We provide retirement benefits to our executive officers and other eligible employees under the terms of our tax-qualified 401(k) plan. Eligible employees may contribute up to 30% of their annual cash compensation up to a maximum amount allowed by the Internal Revenue Code and are also eligible for matching contributions. These matching contributions vest over a five-year service period. Our executive officers participate in the 401(k) plan on substantially the same terms as our other participating employees. The 401(k) plan and our matching contributions are designed to assist us in achieving our compensation objectives of attracting and retaining talented individuals and ensuring that our compensation programs are competitive and equitable. We do not maintain any defined benefit or supplemental retirement plans for our executive officers.

Deferred Compensation Opportunities. Our executives and certain other key employees who are subject to U.S. federal income taxes are eligible to participate in our Deferred Compensation Plan. Participants in the Deferred Compensation Plan can elect to defer certain compensation without regard to the tax code limitations applicable to tax-qualified plans. We did not make any company matching or discretionary contributions to the plan on behalf of participants in fiscal 2008. The Deferred Compensation Plan is intended to promote retention by providing employees with an opportunity to save for retirement in a tax-efficient manner. Please see the Fiscal 2008 Non-Qualified Deferred Compensation Table table and related narrative section, Non-Qualified Deferred Compensation Plan, on pages 40 and 41 below for a more detailed description of our Deferred Compensation Plan and the deferred compensation amounts that our executives have accumulated under the plan.

Severance and Change in Control Benefits. Our executive officers are eligible to receive certain severance and change in control benefits under various severance plans or agreements with us. These severance and change in control benefits are an important component of each executive s overall compensation as they help us to attract and retain our key executives who could have other job alternatives that may appear to them to be less risky absent these protections. In separation circumstances not covered by our severance plans, the Compensation Committee may consider separation agreements for executive officers on a case-by-case basis.

Our philosophy is that, outside of a change in control context, severance protections are only appropriate in the event an executive is involuntarily terminated by us without cause. In such circumstances, we provide severance benefits to our named executive officers under our Executive Severance Plan. Severance benefits in these circumstances generally consist of two years base salary, a pro-rata bonus for the bonus cycle in which the termination occurs (assuming 100% achievement of performance targets), accelerated vesting of certain equity awards and certain continued health and welfare benefits. For a more detailed description of the nature and amounts of severance benefits payable under our Executive Severance Plan, see Potential Payments Upon Termination or Change in Control below.

We believe that the occurrence or potential occurrence of a change of control transaction will create uncertainty regarding the continued employment of our named executive officers. This uncertainty results from the fact that many change of control transactions result in significant organizational changes, particular at the senior executive level. In order to encourage named executive officers to remain employed with us during an important time when their prospects for continued employment following the transaction are often uncertain, we provide named executive officers with additional severance protections under our Change of Control Severance Plan. We also provide severance protections under the plan to ensure that executive officers can objectively evaluate change in control transactions that may be in the best interests of stockholders despite the potential negative consequences such transactions may have on them personally. Under the Change of Control Severance Plan, all of our executives are eligible to receive severance benefits if the executive is terminated by us without cause as well as if the executive voluntarily terminates his employment for good reason within one year after a change in control or prior to and in connection with, or in anticipation of, a change of control transaction. In the context of a change of control, we believe that severance is appropriate if an executive voluntarily terminates employment with us for a good reason because in these circumstances we believe that a voluntary termination for good reason is essentially equivalent to an involuntary termination by us without cause. Good reason generally includes certain materially adverse changes in responsibilities, compensation, benefits or location of work place. In such circumstances, we provide severance benefits to our named executive officers under our Change of Control Severance Plan generally consisting of two years annual cash compensation, accelerated vesting of certain equity awards and certain continued health and welfare benefits. For a more detailed description of the nature and amounts of severance benefits payable under our Change of Control Severance Plan, see Potential Payments Upon Termination or Change in Control below.

We believe that the level of severance benefits provided to named executive officers under the Executive Severance Plan and the Change of Control Severance Plan is appropriate in light of severance protections available to executives at our peer group companies and is intended to provide named executive officers with financial and personal security during the period of time they are likely to be seeking subsequent employment.

We are also required under our Change of Control Severance Plan to reimburse our executives for any excise taxes imposed by Section 4999 of the Internal Revenue Code in the event any severance benefits constitute excess parachute payments under Section 280G of the Internal Revenue Code. This excise tax gross-up provision is intended to preserve the level of change of control severance protections that we have determined to be appropriate and to eliminate bias against a change in control transaction that may be beneficial to stockholders. We believe this protection is an appropriate and reasonable part of the compensation package for these executives and generally consistent with industry practice.

We generally do not believe that severance benefits should be paid unless there is an actual or, in the context of a change of control, constructive termination of an executive s employment without cause. However, under our standard terms and conditions for stock options, restricted stock and restricted stock unit awards to our executive officers, such awards generally will immediately vest upon the occurrence of a change in control as defined in our 2004 Performance Incentive Plan. In addition, the standard terms and conditions of long-term performance cash awards to our executive officers provide that the long-term performance cash award will become immediately payable at its target level in the event of a change in control. We believe it is appropriate to fully vest equity and other long-term incentive awards in these change in control situations because such a transaction may effectively end the executive s ability to realize any further value with respect to the awards.

Please see the Potential Payments Upon Termination or Change in Control section beginning on page 41 below for a description and quantification of the potential payments that may be made to the executive officers in connection with their termination of employment or a change in control.

Other Executive Compensation Program Policies

Equity Grant and Ownership Guidelines and Policies

Equity Award Guidelines. We recognize that the granting of equity awards presents specific accounting, tax and legal issues. In accordance with equity award guidelines adopted by our Board of Directors, all equity awards to our executives and other employees will be approved and granted only by the Compensation Committee at telephonic or in-person meetings that are scheduled in advance and that occur outside of our established blackout periods. The authority to grant equity awards will not be delegated to any other committee, subcommittee or individual and will not occur by Unanimous Written Consent. It is also our intent that all stock option grants will have an exercise price per share equal to the closing market price of a share of our common stock on the grant date.

Executive Stock Ownership Guidelines. To help achieve our compensation objective of linking the interests of our stockholders with those of our executive officers, we have established executive stock ownership guidelines covering our senior executives, including our named executive officers. The guidelines provide that each executive achieve ownership of a number of qualifying shares with a market value equal to the specified multiple of the executive s base salary (in effect upon the later of February 6, 2008 or the date he or she first becomes subject to the guidelines) shown below.

Position	Multiple
CEO	5 x Salary
Executive Vice Presidents	1 x Salary
Senior Vice Presidents	1 x Salary

Each executive must achieve ownership of the required market value of shares before February 6, 2013 (or, if later, within three years of becoming subject to the guidelines). Thereafter, the executive must maintain ownership of at least the number of shares that were necessary to meet the executive s required market value of ownership on the date the requirement was first achieved (subject to certain adjustments in the event of a change in base salary or position). Ownership that counts toward the guidelines includes common stock, restricted stock units, restricted stock, deferred stock units and common stock beneficially owned by the executive by virtue of being held in a trust, by a spouse or by the director s minor children. Shares the executive has a right to acquire through the exercise of stock options (whether or not vested) are not counted towards the stock ownership requirement. All of our named executive officers subject to the guidelines have met their required ownership level as of the date of this Proxy Statement.

IRC Section 162(m) Policy

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation in excess of $1 million paid to a company s chief executive officer and certain other highly compensated executive officers unless certain tests are met. It is our current intention that, so long as it is consistent with our overall compensation objectives and philosophy, executive compensation will be structured so as to be deductible for federal income purposes to the extent reasonably possible. Our 2004 Performance Incentive Plan has been structured so that any taxable compensation derived pursuant to the exercise of stock options approved by the Compensation Committee and granted under that plan should not be subject to the Section 162(m) deductibility limitations. In addition, in most cases, the long-term performance cash awards to our executive officers are intended to be exempt from the Section 162(m) deductibility limitations. Base salaries, bonuses under the ICP, long-term cash retention awards and restricted stock or stock unit awards with time-based vesting do not, however, satisfy all the requirements of Section 162(m) and, accordingly, are not exempt from the Section 162(m) deductibility limitations. Nevertheless, the Compensation Committee has determined that these plans and policies are in our best interests and the best interests of our stockholders since the plans and policies help us to achieve our compensation objectives. The Compensation Committee will, however, continue to consider, among other relevant factors, the deductibility of compensation when it reviews our compensation plans and policies.

The following report of our Compensation Committee shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission or subject to Regulation 14A or 14C under the Securities Exchange Act or to the liabilities of Section 18 of the Securities Exchange Act, nor shall any information in this report be incorporated by reference into any past or future filing under the Securities Act or the Securities Exchange Act, except to the extent that we specifically request that it be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act or the Securities Exchange Act.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management, and based on that review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Proxy Statement for our 2008 Annual Meeting of Stockholders and incorporated by reference into our 2008 Annual Report on Form 10-K.

COMPENSATION COMMITTEE

Michael D. Lambert, Chairman
Roger H. Moore
Thomas E. Pardun

August 6, 2008

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

All of the Compensation Committee members whose names appear on the Compensation Committee Report above were members of the Compensation Committee during all of fiscal 2008. All members of the Compensation Committee during fiscal 2008 were independent directors and none of them were our employees or former employees or had any relationship with us requiring disclosure under rules of the Securities Exchange Commission requiring disclosure of certain transactions with related persons. There are no Compensation Committee interlocks between us and other entities in which one of our executive officers served on the compensation committee (or equivalent body) or the board of directors of another entity whose executive officer(s) served on our Compensation Committee or Board of Directors.

EXECUTIVE COMPENSATION TABLES AND NARRATIVES

Fiscal 2007 and 2008 Summary Compensation Table

The following table presents information regarding compensation earned for fiscal 2007 and 2008 by all individuals who served as our Chief Executive Officer or Chief Financial Officer during fiscal 2008 and our two other executive officers who were serving as executive officers at the end of fiscal 2008. In this Proxy Statement, we refer to these individuals as our named executive officers. Unless otherwise noted, the footnote disclosures apply to fiscal 2008 compensation. For an explanation of the amounts included in the table for fiscal 2007, please see the footnote disclosures in our fiscal 2007 Proxy Statement.

nd Principal Position	Fiscal Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(5)	To ($
Coyne	2008	800,000	135,000	6,120,142	723,678	4,768,000		51,019	12,5
t and Chief Executive	2007	724,423	90,000	3,809,537	435,489	2,573,500		18,297	7,6
M. Leyden	2008	442,904	84,375	567,955	336,843	1,095,000		9,514	2,5
e Vice President and nancial Officer	2007	62,923	75,000	23,138	13,325	46,865		5,736	2
D. Milligan(6)	2008	77,885		697,663(7)	182,561			1,493,118	2,4
enior Vice President ef Financial Officer	2007	432,115		1,243,628	379,910	401,755		19,960	2,4
d M. Bukaty	2008	400,000	75,000	339,921	227,256	1,200,000		22,750	2,2
ice President, tration, General and Secretary	2007	400,000		1,037,013	275,297	375,000		20,460	2,1

M. Moghadam	2008	400,000	277,500	1,156,331	223,054	1,440,000	19,750	3,5
ice President, Chief	2007	400,000	135,000	932,292	251,766	559,500	19,100	2,2
ogy Officer								

(1) For fiscal 2008, the amounts shown include the special president s awards granted to Messrs. Leyden and Bukaty and Dr. Moghadam, which are more fully described in the Compensation Discussion and Analysis section above and quantified in the Description of Compensation Arrangements for Named Executive Officers section below. For Messrs. Coyne and Moghadam, the amounts shown also include the last installment of a retention award which vested on September 1, 2007, in the amount of $135,000 and $202,500, respectively.

(2) The amounts shown are the aggregate compensation expense recognized in our financial statements for the indicated fiscal year related to restricted stock or restricted stock units previously awarded to each named executive officer to the extent we recognized compensation cost in such fiscal year for such awards in accordance with the provisions of FAS 123(R). These expenses were calculated based on the closing market price of our common stock on the respective grant dates and the other assumptions described in Note 8 in the Notes to Consolidated Financial Statements included in our 2008 Annual Report on Form 10-K (or, with respect to awards granted prior to fiscal 2008, the corresponding note in our Form 10-K for the fiscal year in which the grant was made), which are incorporated herein by reference, but exclude the impact of estimated forfeitures related to service-based vesting conditions. There were no forfeitures of stock awards during fiscal 2008 by our named executive officers other than by Mr. Milligan,

who forfeited stock awards covering 93,901 shares of common stock in connection with the termination of his employment on August 31, 2007.

See Fiscal 2008 Grants of Plan-Based Awards Table below for information on awards made in fiscal 2008.

(3) The amounts shown are the aggregate compensation expense recognized in our financial statements for the indicated fiscal year related to stock options previously granted to each named executive officer to the extent we recognized compensation cost in such fiscal year for such awards in accordance with the provisions of FAS 123(R). These expenses were calculated based on the assumptions described in Note 8 in the Notes to Consolidated Financial Statements included in our 2008 Annual Report on Form 10-K (or, with respect to awards granted prior to fiscal 2008, the corresponding note in our Form 10-K for the fiscal year in which the grant was made), which are incorporated herein by reference, but exclude the impact of estimated forfeitures related to service-based vesting conditions. There were no forfeitures of option awards during fiscal 2008 other than Mr. Milligan, who forfeited stock options covering 52,562 shares of common stock in connection with the termination of his employment on August 31, 2007.

See Fiscal 2008 Grants of Plan-Based Awards Table below for information on awards made in fiscal 2008.

(4) The table below summarizes the non-equity incentive plan compensation earned by our named executive officers in fiscal 2008. These amounts and our Incentive Compensation Plan and long-term cash awards are more fully described in the Compensation Discussion and Analysis section above and in the Description of Compensation Arrangements for Named Executive Officers section below. Mr. Milligan did not earn any non-equity incentive plan compensation for fiscal 2008.

Name	ICP-1st Half FY08	ICP-2nd Half FY08	Long-Term Cash Award(s) Earned in FY08
John F. Coyne	$ 1,000,000	$ 1,000,000	$ 2,768,000
Timothy M. Leyden	$ 337,500	$ 337,500	$ 420,000
Stephen D. Milligan			
Raymond M. Bukaty	$ 300,000	$ 300,000	$ 600,000
Hossein M. Moghadam	$ 300,000	$ 300,000	$ 840,000

(5) The table below summarizes all other compensation to each of our named executive officers in fiscal 2008:

Name	Perquisites(a)	401(k) Company Matching Contributions	Payout of Accrued Vacation	Separation Pay
John F. Coyne		$ 7,750	$ 43,269	
Timothy M. Leyden		$ 9,514		

Stephen D. Milligan			$ 1,493,118(b)
Raymond M. Bukaty	$ 15,000	$ 7,750	
Hossein M. Moghadam	$ 12,000	$ 7,750	

(a) For Messrs. Coyne, Leyden and Milligan, no amount is shown because the aggregate amount of perquisites and other personal benefits paid to each such individual during fiscal 2008 was less than $10,000. For Mr. Bukaty and Dr. Moghadam, the amount shown consists of: (i) a perquisite allowance that was paid bi-weekly to such individuals, and (ii) the maximum dollar value of a medical and dental allowance available to such individuals.

(b) This amount consists of: (i) a severance payment equal to $1.4 million; (ii) a pro-rata bonus under the ICP for the performance period ending December 31, 2007 (assuming achievement of the performance target at 100%) in an amount equal to $58,861; (iii) a lump sum payment equal to $19,257, the amount of COBRA premium payments for 18 months; and (iv) $15,000 in company-provided outplacement services. For more information on these separation payments and the separation agreement we entered into with Mr. Milligan in connection with the termination of his employment, please see Potential Payments Upon Termination or Change in Control Separation, Transition and General Release Agreement with Mr. Milligan below.

(6) Mr. Milligan s employment ended on August 31, 2007.

(7) Includes an incremental accounting expense of $225,000 for severance-related modifications to certain stock awards made pursuant to our separation agreement with Mr. Milligan as described below under Potential Payments Upon Termination or Change in Control Separation, Transition and General Release Agreement with Mr. Milligan.

Fiscal 2008 Grants of Plan-Based Awards Table

The following table presents information regarding all grants of plan-based awards made to our named executive officers during our fiscal year ended June 27, 2008.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards						
Name	**Award Type(1)**	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**All Other Stock Awards: Number of Shares of Stock or Units (#)(2)**	**All Other Option Awards: Number of Securities Underlying Options (#)(3)**	**Exercise or Base Price of Option Awards ($/Sh)**	**Grant Date Fair Value of Stock and Option Awards ($)(4)**
John F. Coyne	ICP 1st Half	07/01/07		$ 500,000	$ 1,000,000				
	Options	09/12/07					125,000	23.46	1,099,963
	LT Cash (FY08-09)(5)	09/12/07		$ 2,000,000	$ 4,000,000				
	ICP 2nd Half	12/31/07		$ 500,000	$ 1,000,000				
Timothy M. Leyden	ICP 1st Half	07/01/07		$ 168,750	$ 337,500				
	RSUs	09/12/07				11,723			275,022
	Options	09/12/07					29,600	23.46	260,471
	LT Cash (FY08-09)(5)	09/12/07		$ 270,000	$ 540,000				
	ICP 2nd Half	12/31/07		$ 168,750	$ 337,500				
Stephen D. Milligan	ICP 1st Half(6)	07/01/07		$ 168,750	$ 337,500				
	Option Modif.	08/31/07					28,256		(7
Raymond M. Bukaty	ICP 1st Half	07/01/07		$ 150,000	$ 300,000				

	RSUs	09/12/07			5,210			122,227
	Options	09/12/07				13,155	23.46	115,758
	LT Cash (FY08-09)(5)	09/12/07	$ 120,000	$ 240,000				
	ICP 2nd Half	12/31/07	$ 150,000	$ 300,000				
Hossein M. Moghadam	ICP 1st Half	07/01/07	$ 150,000	$ 300,000				
	ICP 2nd Half	12/31/07	$ 150,000	$ 300,000				

(1) To help explain this table and the awards granted to our named executive officers in fiscal 2008, we have included an additional column showing the type of award granted.

(2) Represents restricted stock units awarded to the named executive officer under our 2004 Performance Incentive Plan. See Description of Compensation for Named Executive Officers Equity-Based Awards below for more information about these awards.

(3) Except as otherwise noted below, represents stock options awarded to the named executive officer under our 2004 Performance Incentive Plan. See Description of Compensation for Named Executive Officers Equity-Based Awards below for more information about these awards.

(4) The dollar value of the options shown represents the grant date fair value of the award computed in accordance with FAS 123(R). See Note 8 in the Notes to Consolidated Financial Statements included in our 2008 Annual Report on Form 10-K for more information about the assumptions used to determine these amounts. The dollar value of the restricted stock units shown represents the grant date fair value calculated based on the closing market price of our common stock on the respective grant dates.

(5) Represents a long-term performance cash award granted to the named executive officer under our 2004 Performance Incentive Plan for the performance period that began July 2, 2007 and ends July 3, 2009. The award will be payable in cash at the end of the performance period based on our achievement of specified operating income and revenue goals that correspond to specific payment percentages ranging between 0% and 200% of the target award value.

(6) Under the terms of his separation agreement, which are described in more detail below under the section entitled Potential Payments Upon Termination or Change in Control, in connection with his separation,

Mr. Milligan became entitled to a pro-rata bonus under the ICP for the first half of fiscal 2008 (based on the number of days during the period he was employed) at 100% of target.

(7) There was no incremental fair value under FAS 123(R) associated with our agreement to accelerate to August 31, 2007 the vesting of 28,256 stock options previously granted to Mr. Milligan. For a further description of this acceleration, see the discussion of our separation, transition and general release agreement with Mr. Milligan below under Potential Payments Upon Termination or Change in Control.

Description of Compensation Arrangements for Named Executive Officers

Overview

The Fiscal 2007 and 2008 Summary Compensation Table above quantifies the value of the different forms of compensation earned by our named executive officers in fiscal 2008 and fiscal 2007, and the Fiscal 2008 Grants of Plan-Based Awards Table table above provides information regarding the equity awards and non-equity incentive awards granted to our named executive officers in fiscal 2008. These tables should be read in conjunction with the narrative descriptions and additional tables that follow.

We have entered into an employment agreement with Mr. Coyne. We do not have an employment agreement with any of the other named executive officers. As a result, the Compensation Committee determined the base salary, bonus and other equity and non-equity incentive awards to our other named executive officers in fiscal 2008 in the manner described above under Compensation Discussion and Analysis beginning on page 18. For Mr. Coyne, base salary, the target bonus award under our Incentive Compensation Plan and other equity and non-equity incentive awards were determined in fiscal 2008 in accordance with the terms of his employment agreement with, us as summarized below, and the other factors considered by the Compensation Committee, as described above under Compensation Discussion and Analysis. We previously entered into a retention agreement with each of Mr. Coyne and Dr. Moghadam. The terms of these retention agreements are summarized below.

Employment Agreement with Mr. Coyne

On October 31, 2006, we entered into an employment agreement with Mr. Coyne that provided for his promotion to President and Chief Executive Officer effective January 2, 2007. In accordance with the agreement, on January 2, 2007, Mr. Coyne s annual base salary increased to $800,000, his target bonus award under our semi-annual Incentive Compensation Plan, or ICP, increased to 100% of his semi-annual base salary and he became entitled to participate in our other benefit plans on terms consistent with those generally applicable to our other senior executives. On September 12, 2007, the Compensation Committee approved an increase in his target bonus under the ICP to 125% of his semi-annual base salary.

Under the agreement, Mr. Coyne also received two long-term performance cash awards, each of which provide for a cash bonus opportunity with a target amount of $1,000,000. One cash award covered the performance period July 1, 2006 through June 29, 2007 and was subject to our achievement of specified operating income and revenue goals that correspond to specific payment percentages ranging between 0% and 200%. Mr. Coyne received a payment in respect of this award in the amount of $1,686,000, which was reported in the Summary Compensation Table in our proxy statement for fiscal 2007. The second cash award covered the performance period July 1, 2006 through June 27, 2008 and was also subject to our achievement of specified operating income and revenue goals that correspond to specific payment percentages ranging between 0% and 200%. Mr. Coyne received a payment in respect of this award in the amount of $2,000,000, which is reported in the Non-Equity Incentive Plan Compensation column of the Fiscal 2007 and 2008 Summary Compensation Table above.

In addition, each year during Mr. Coyne s employment with us as President and Chief Executive Officer commencing in fiscal 2008, Mr. Coyne will receive a long-term performance cash award providing for a cash opportunity with a target amount of at least $2,000,000. These subsequent long-term performance cash awards will be based on a 24-month performance period and will be subject to the achievement of performance objectives to be established by our Compensation Committee. See Non-Equity Incentive Plan Compensation and Awards below for a further description of the long-term performance cash award granted to Mr. Coyne during fiscal 2008.

On January 31, 2007, in accordance with his agreement, Mr. Coyne also received an award of 1,100,000 restricted stock units. Subject to Mr. Coyne s continued employment with us, these units will vest and become payable in an equivalent number of shares of our common stock as follows: 110,000 units on January 1, 2008, 110,000 units on January 1, 2009, 330,000 units on January 1, 2010, 110,000 units on January 1, 2011 and 440,000 units on January 1, 2012. Also on January 31, 2007, Mr. Coyne received a stock option to purchase 120,000 shares of our common stock. The exercise price per share of the option equals the closing market price of our common stock on the January 31, 2007 grant date of the option. In addition, in each of our four fiscal years commencing with fiscal 2008, Mr. Coyne will receive a stock option to purchase additional shares of our common stock. The number of shares subject to these stock options will be determined in the good faith discretion of our Compensation Committee based on Mr. Coyne s individual performance, our performance and market benchmark comparisons of our composite market data for chief executive officers.

Our employment agreement with Mr. Coyne expires January 1, 2012, subject to certain termination provisions. For a description of these termination provisions and additional information regarding the severance benefits to which Mr. Coyne is entitled under his employment agreement with us, see Potential Payments upon Termination or Change in Control below.

Retention Agreements with Mr. Coyne and Dr. Moghadam

On September 21, 2004, we entered into retention agreements with each of Mr. Coyne and Dr. Moghadam. Pursuant to these agreements, Mr. Coyne received a cash award in the amount of $300,000 and Dr. Moghadam received a cash award in the amount of $450,000. Each award vested and became payable 25% on September 1, 2005, 30% on September 1, 2006 and 45% on September 1, 2007. The last installment payable to Mr. Coyne and Dr. Moghadam under these agreements on September 1, 2007 is included in the Bonus column of the Fiscal 2007 and 2008 Summary Compensation Table above.

Separation, Transition and General Release Agreement with Mr. Milligan

We entered into a separation, transition and general release agreement with Mr. Milligan in connection with his termination of employment with us on August 31, 2007. For a more detailed description of the material terms of this agreement, including the accelerated vesting of certain outstanding awards held by Mr. Milligan, see the section entitled Potential Payments Upon Termination or Change in Control Separation, Transition and General Release Agreement with Mr. Milligan below.

Non-Equity Incentive Plan Compensation and Awards

Incentive Compensation Plan. Under our Incentive Compensation Plan, or ICP, our executive officers and other participating employees are eligible to receive cash bonus awards on a semi-annual basis. The amount of the bonuses payable under our ICP are determined based on our achievement of operating and/or financial performance goals established by the Compensation Committee semi-annually as well as other discretionary factors, including non-financial and strategic operating objectives, business and industry conditions and individual and business group performance.

The executive is generally required to remain employed with us through the date on which the Compensation Committee determines, and we pay, the bonus amounts for the applicable semi-annual period to be eligible to receive payment of the bonus for that period. See the Compensation Discussion and Analysis beginning on page 18 above for a more detailed description of our Incentive Compensation Plan.

The following table reflects each executive s target semi-annual bonus opportunity under the ICP for fiscal 2008, the actual semi-annual bonuses paid to the executive under the ICP for fiscal 2008 and any additional discretionary bonus (such as the president s award) paid to the executive for fiscal 2008:

	Target Semi-Annual ICP	Company Funding	First Half of Fiscal 2008 ICP Bonus	Add l Discretionary	Actual Bonus	Company Funding	Second Half of Fiscal 2008 ICP Bonus	Add l Discretionary	Actual Bonus	Total Fis
ne	Bonus	%	Amount(a)	Bonus(b)	Amount	%	Amount(a)	Bonus(b)	Amount	2008 Bon
F. ne	$ 500,000	200%	$ 1,000,000		$ 1,000,000	200%	$ 1,000,000		$ 1,000,000	$ 2,000,(
othy M. den	$ 168,750	200%	$ 337,500	$ 84,375	$ 421,875	200%	$ 337,500		$ 337,500	$ 759,:
mond ukaty	$ 150,000	200%	$ 300,000	$ 75,000	$ 375,000	200%	$ 300,000		$ 300,000	$ 675,(
ein M. hadam	$ 150,000	200%	$ 300,000	$ 75,000	$ 375,000	200%	$ 300,000		$ 300,000	$ 675,(

(a) These amounts are included in the Non-Equity Incentive Plan Compensation column of the Fiscal 2007 and 2008 Summary Compensation Table above.

(b) These amounts, which represent the special president s award paid in fiscal 2008, are included in the Bonus column of the Fiscal 2007 and 2008 Summary Compensation Table above.

Long-Term Performance Cash Awards. The long-term performance cash awards reported in the Fiscal 2008 Grants of Plan-Based Awards Table were granted under, and are subject to, the terms of our 2004 Performance Incentive Plan. Each long-term performance cash award is valued at a target amount as determined by the Compensation Committee and will be payable in cash at the end of a fixed performance period in an amount ranging between 0% and 200% of the target amount depending upon the level of our achievement against one or more operating and/or financial performance goals established by the Compensation Committee. For a description of the accelerated vesting conditions of the long-term performance cash awards in the event of certain termination or change in control events, see Potential Payments upon Termination or Change in Control below.

In addition, during fiscal 2008, each of our named executive officers (other than Mr. Milligan, who terminated employment with us on August 31, 2007) received payments under long-term performance cash awards previously awarded to them by the Compensation Committee, as more fully described above in the Compensation Discussion and Analysis. In light of our actual revenue and operating income results versus the targets described in the Compensation Discussion and Analysis section above, the following amounts were paid to named executive officers under these long-term cash awards.

Name(a)	**Target Long-Term Cash Award**	**Performance Period**	**Payout Percentage (% of Target)**	**Amount Earned Under Long-Term Cash Award(b)**
John F. Coyne	$ 1,000,000	FY 07 and 08	200%	$ 2,000,000
	$ 600,000	FY 07 and 08	128%	$ 768,000
Timothy M. Leyden	$ 210,000	FY 08	200%	$ 420,000
Raymond M. Bukaty	$ 300,000	FY 07 and 08	200%	$ 600,000
Hossein M. Moghadam	$ 420,000	FY 07 and 08	200%	$ 840,000

(a) Mr. Milligan was also granted a long-term cash award covering fiscals 2007 and 2008. However, as noted above, Mr. Milligan terminated employment with us prior to the end of the performance period and, therefore, forfeited his award without payment.

(b) These amounts, along with the ICP bonuses earned by the executives for fiscal 2008 as described above, are included in the Non-Equity Incentive Plan Compensation column of the Fiscal 2007 and 2008 Summary Compensation Table above.

Equity-Based Awards

Each stock option and restricted stock unit award reported in the Fiscal 2008 Grants of Plan-Based Awards Table was granted by the Compensation Committee under, and is subject to, the terms of our 2004 Performance Incentive Plan. The Board of Directors has delegated general administrative authority for the 2004 Performance Incentive Plan to the Compensation Committee. The Compensation Committee has broad authority under the 2004 Performance Incentive Plan with respect to awarding grants, including to select participants and determine the type of award they are to receive, to determine the number of shares that are to be subject to awards and the terms and conditions of awards, to accelerate or extend the vesting or exercisability or extend the term of any or all outstanding awards, to make certain adjustments to an outstanding award and to authorize the conversion, succession or substitution of an award upon the occurrence of certain corporate events such as reorganizations, mergers and stock splits, and to make provision for the payment of the purchase price of an award (if any) and ensure that any tax withholding obligations incurred in respect of awards are satisfied.

Stock Options. Each stock option reported in the Fiscal 2008 Grants of Plan-Based Awards Table has a per-share exercise price equal to the closing market price of a share of our common stock on the grant date as reported on the composite tape for securities listed on the New York Stock Exchange. In addition, each stock option granted to our named executive officers in fiscal 2008 vests 25% on the first anniversary of its grant date and 6.25% at the end of each three-month period thereafter until the stock option is fully vested on the fourth anniversary of its grant.

Once vested, each stock option will generally remain exercisable until its normal expiration date. Stock options granted during fiscal 2008 expire on the seventh anniversary of their grant date. Outstanding options, however, may terminate earlier in connection with the termination of the named executive officer s employment with us. In the event an executive s employment terminates, stock options granted to the executive will generally remain exercisable until the earlier to occur of three months following the executive s severance date or the expiration date of the stock options, except that all outstanding stock options held by an executive will terminate immediately in the event the executive s employment is terminated for cause. Subject to the earlier expiration of the stock options, stock options granted to the named executive officer will remain exercisable for a longer period upon the occurrence of specified events, as follows: one year in the event the executive ceases to be an employee due to his total disability; three years in the event of the executive s death; and three years after the executive meets the criteria of a qualified retiree by satisfying certain minimum service-period requirements.

Additional information regarding the vesting acceleration provisions applicable to option awards granted to our named executive officers is included below under the heading Potential Payments upon Termination or Change in Control.

Restricted Stock Units. Each restricted stock unit award granted to our named executive officers in fiscal 2008 represents a contractual right to receive one share of our common stock per restricted stock unit on the vesting date(s) of the restricted stock units. The vesting dates of the restricted stock unit awards reported in the Fiscal 2008 Grants of Plan-Based Awards Table are disclosed in the Outstanding Equity Awards at Fiscal 2008 Year-End Table table below. Restricted stock units are credited to a bookkeeping account that we have established on behalf of each named executive officer.

Our named executive officers are not entitled to voting rights with respect to their restricted stock units. However, if we pay an ordinary cash dividend on our outstanding shares of common stock, the named executive officer will have the right to receive a dividend equivalent with respect to any unpaid restricted stock unit (whether vested or not) held as of the record date for the dividend payment. A dividend equivalent is a credit to the named executive officer s bookkeeping account of an additional number of restricted stock units equal to (i) the per-share cash dividend, multiplied by (ii) the number of restricted stock units held by the named executive officer as of the record date of the dividend payment, divided by (iii) the per-share closing market price of our common stock on the date the dividend is paid. Dividend equivalents will be subject to the same vesting, payment and other terms and conditions as the original stock units to which they relate (except that dividend equivalents may be paid in cash based on the closing market price of a share of our common stock on the date of payment).

Outstanding Equity Awards at Fiscal 2008 Year-End Table

The following table presents information regarding the current holdings of stock options and stock awards held by each of our named executive officers as of June 27, 2008. This table includes vested but unexercised stock option awards, unvested and unexercisable stock option awards, and unvested awards of restricted stock or restricted stock units.

		Option Awards				Stock Awards	
Name	**Grant Date(1)**	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(2)**
John F. Coyne	09/23/02	14,062		3.85	09/23/12		