

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

SEAGATE TECHNOLOGY INC

CIK: **354952** | IRS No.: **942612933** | State of Incorpor.: **DE** | Fiscal Year End: **0628**
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2000

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____ .

COMMISSION FILE NO. 001-11403

SEAGATE TECHNOLOGY, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>

<S>	DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	<C>	94-2612933 (I.R.S. EMPLOYER IDENTIFICATION NUMBER)
	920 DISC DRIVE SCOTTS VALLEY, CALIFORNIA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)		95067 (ZIP CODE)

</TABLE>

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (831) 438-6550

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

<TABLE>

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
<S> COMMON STOCK, PAR VALUE \$.01 PER SHARE	<C> NEW YORK STOCK EXCHANGE

</TABLE>

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing price of Common Stock on June 30, 2000 as reported by the New York Stock Exchange, was approximately \$11.633 billion. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of the registrant's Common Stock on June

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2000 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by reference to Part III of this form 10-K Report.

PART I

The information contained in this report includes forward-looking statements, based on current expectations, that involve risks and uncertainties which could cause actual results to differ materially from those expressed in the forward-looking statements. Various important factors known to Seagate Technology, Inc. that could cause such material differences are identified below in Part I, Item 1 of this Report and in the "Management's Discussion and Analysis of Results of Operations and Financial Condition" in Part II, Item 7 of this Report.

ITEM 1. BUSINESS

GENERAL

Seagate Technology, Inc. (the "Company" or "Seagate") designs, manufactures and markets products for storage, retrieval and management of data on computer and data communications systems. These products include rigid disc drives, tape drives and software. Businesses, other organizations and individuals use rigid disc drives as the primary medium for storing electronic information in computer systems ranging from desktop computers to data centers delivering information over corporate networks and the Internet. Seagate also designs, manufactures and markets tape drives and intelligent storage solutions and is a leading provider of business intelligence software. Seagate's advanced research and development capabilities, combined with its vertically integrated manufacturing facilities enables it to bring high quality, next generation information storage products to market.

Seagate's rigid disc drive products currently include rigid disc drive models in the 3.5 inch form factor with capacities ranging from 4.3 gigabytes ("GB") to 73 GB. Seagate sells its products to original equipment manufacturers ("OEMs") for inclusion in their computer systems or subsystems, and to or through distributors, resellers, dealers, system integrators and retailers. Seagate has pursued a strategy of vertical integration and accordingly designs and manufactures rigid disc drive components including recording heads, discs, disc substrates and motors. It also assembles certain of the key subassemblies for use in its products including printed circuit board and head stack assemblies. Seagate's rigid disc drive products are currently manufactured offshore with limited production in the United States.

Seagate believes that the growth of electronic data, driven by the Internet and e-commerce, will create the need for higher volumes of information storage products with greater capabilities. Intelligent storage solutions combine high performance rigid disc drives with sophisticated software to address high growth markets such as storage area networks, or SANs, and network attached storage, or NAS. Seagate expects the demand for intelligent storage solutions such as NAS and SAN to grow as the need for greater network storage capacity increases.

As an extension of our core rigid disc drive business and to address Internet and e-commerce driven growth opportunities, we announced the formation of our Intelligent Storage Platforms group in May 1999. The Intelligent Storage Platforms group develops products for new network devices, the Internet, high performance servers and other information-centric computing applications. These solutions combine hardware, software and services to provide new products for Seagate's existing OEM and strategic distributor customer base and address the needs of emerging markets for storage and storage-related applications. In fiscal year 2000, the Intelligent Storage Platforms group was renamed and consolidated with some other business units of Seagate to form the Internet Solutions Group. In January 2000, Seagate strengthened its capabilities in intelligent storage solutions by acquiring XIOTech Corporation, a privately-held provider of storage area network products.

The Company has also identified an opportunity for use of its products in consumer applications and in fiscal 2000 began developing products for storage intensive consumer applications by combining Seagate's expertise in storage technology with the development of core competencies in audio/visual ("A/V") recording, home networking, satellite and cable communications. Seagate has shipped more than 200,000 rigid disc drives for personal video recorder products. In July 2000, Seagate and Thomson Multimedia formed an independent company called CacheVision. CacheVision brings together the Company's product development

activities and Thomson Multimedia's A/V technologies expertise and marketing presence to develop cost-optimized, time-to-market integrated systems to be incorporated into consumer electronic products such as televisions, set-top boxes, personal video recorders and DVD players. The Company expects to sell rigid disc drive products to CacheVision as an OEM customer. In July 2000 Seagate contributed certain of its optical technology for use in telecommunication switching applications to Iolon, Inc., a private venture-financed company, in exchange for a significant minority equity interest in Iolon.

Additionally, to promote the development of next generation storage applications, in April 1999 Seagate announced the formation of Seagate Investments, Inc. This subsidiary, acting as a venture fund, provides seed capital and early round financing to software, services and hardware companies creating and developing complementary technologies in storage-intensive applications. To date, Seagate Investments, Inc. has made total investments of \$36 million.

Seagate anticipates that its broadened strategy may include additional acquisitions of, investments in and strategic alliances with complementary businesses, products and technologies to enable lower cost per megabyte, faster time to market, increased capacity, better performance characteristics and increased demand for its products.

PENDING GOING PRIVATE TRANSACTION AND MERGER

On March 29, 2000, Seagate, Seagate Software Holdings, Inc. ("Seagate Software"), a subsidiary of Seagate, and Suez Acquisition Company (Cayman) Limited ("SAC"), an entity affiliated with, among others, Silver Lake Partners and Texas Pacific Group, entered into a Stock Purchase Agreement (the "Stock Purchase Agreement"), and Seagate, VERITAS Software Corporation ("VERITAS") and a wholly owned subsidiary of VERITAS entered into an Agreement and Plan of Merger and Reorganization (the "Merger Agreement").

Under the Stock Purchase Agreement, SAC has agreed to purchase for cash, all of the operating assets of Seagate and its consolidated subsidiaries, including Seagate's disc drive, tape drive and software businesses and operations and certain cash reserves, but excluding the approximately 128 million shares of VERITAS common stock currently held by Seagate Software and Seagate's equity investments in Gadzoox Networks, Inc., SanDisk Corporation, Veeco Instruments, Inc. and Lernout & Hauspie Speech Products N.V., to the extent held at the closing. In addition, under the Stock Purchase Agreement, SAC has agreed to assume substantially all of the operating liabilities of Seagate and its consolidated subsidiaries. This transaction is referred to herein as the SAC transaction.

Under the Merger Agreement, immediately following and contingent upon the consummation of the SAC transaction, a wholly-owned subsidiary of VERITAS will merge with and into Seagate, with Seagate to survive the merger and to become a wholly-owned subsidiary of VERITAS. This transaction is referred to herein as the Merger. VERITAS is not acquiring Seagate's disc drive business or any other Seagate operating business. In the Merger, the Seagate stockholders will receive merger consideration consisting of VERITAS common stock and cash. The Merger is intended to qualify as a tax-free reorganization.

On March 29, 2000, Seagate, VERITAS and SAC entered into an Indemnification Agreement, pursuant to which these entities and certain other subsidiaries of Seagate have agreed to certain indemnification provisions regarding tax and other matters that may arise in connection with the SAC transaction and the Merger. Also on March 29, 2000, VERITAS and SAC entered into a letter agreement, pursuant to which VERITAS agreed to a no-shop provision and an alternative termination fee provision.

All of the transactions contemplated by the SAC transaction and the Merger are herein referred to as the VERITAS/Silver Lake transaction. The VERITAS/Silver Lake transaction is expected to close in the second quarter of fiscal year 2001, subject to the approval of the VERITAS stockholders and Seagate stockholders, funding of the debt commitments and clearance by the United States Securities and Exchange Commission, as well as other customary closing conditions. Seagate expects that while the VERITAS/Silver Lake transaction is pending, the value of Seagate common stock will depend primarily on the value of VERITAS common stock.

The amount of data stored and accessed electronically has been growing due to the increased amount of data created as a result of the growth of the Internet, the increased volume of shared information made possible by the growth of high speed broadband communications, the development of sophisticated software applications to generate and manage increasing volumes of data, and the development of new consumer applications incorporating high quality audio and video, which require much greater storage capacity than text data. We believe that rigid disc drives are used as the primary devices for storing electronic data.

- The Internet. The Internet has had a substantial impact on businesses worldwide. Its expansion has created access to information at accelerated rates. Numerous companies have installed sophisticated web sites, corporate intranets and e-mail systems as critical parts of their information technology systems, all of which require substantial storage capacity. In the emerging field of electronic commerce, the volume of data packets distributed over the Internet among businesses' networked computer systems is expected to grow rapidly to handle interactive, simultaneous exchanges of information between and among businesses, customers and suppliers.
- Broadband Communications. The proliferation of high-speed, worldwide communications networks between businesses and consumers has substantially increased the amount of electronic information delivered and stored. New Internet-based businesses such as application service providers and web hosting providers have emerged to deliver high performance applications over the Internet using broadband communications. Broadband connectivity will also facilitate the proliferation of highly data intensive applications such as video conferencing. High-speed communications enhances the need for high performance information storage.
- High-end Software Applications. Businesses have implemented high-end software such as enterprise resource planning, supply chain management and groupware or electronic mail as mission-critical applications that help run day-to-day operations. These applications generate voluminous amounts of data, and storing and backing-up this mission-critical information is becoming one of the largest components of corporate information technology budgets.
- New Consumer Applications. New types of data such as graphic images and high-fidelity audio and video are being converted into digital format and create a need for greater storage capacity. Emerging consumer devices such as MP3 players, digital video recorders, and next-generation television set top boxes retrieve audio and video data through an Internet connection and store the data locally on the device for playback. These devices and other emerging applications, such as video conferencing, voice recognition and natural language processing, are highly data intensive. Storing, managing and protecting mission-critical data has become increasingly important to the success of virtually all businesses and large organizations. The market for information storage devices is characterized by changing technology and evolving industry standards, and is highly competitive with respect to timely innovation.

We compete in five major sectors of the information technology industry: rigid disc drives, intelligent storage solutions, consumer information storage devices, tape drives and business intelligence software.

RIGID DISC DRIVES

Rigid disc drives comprise the largest sector of the information storage industry and are the leading medium for storing electronic data. Rigid disc drives are integrated in various products in three main markets:

- Enterprise. The enterprise market includes high performance workstations, servers, minicomputers, mainframes and redundant array of inexpensive drives ("RAID") subsystems. Applications that run on enterprise systems are characterized by compute-intensive and data-intensive solutions, such as network management, large database management systems, scientific applications and small to medium-sized business applications such as materials requirement planning, payroll, general ledger systems and related management reports. Enterprise systems typically require rigid disc drive storage capacities of 9 GB and greater per drive, average seek times of 8 milliseconds ("msec") or less and

rotation speeds of 7,200 rpm to 15,000 rpm. Due to the leading edge characteristics required by end-users of enterprise systems, manufacturers of these systems emphasize performance as well as price as the key selling points. The enterprise market is characterized by higher value-added products than those that prevail in the desktop market. Users

of these systems may also utilize a RAID. A RAID combines multiple small drives into an array of disc drives which yield performance equal to or exceeding a single high performance drive. The array of drives appears to the computer as a single storage drive.

- Desktop. The desktop market includes all desktop or desktside personal computers, which are used in a number of environments, ranging from homes to small and large businesses. The personal computer is in the process of evolving from a traditional computing device into a computing and communications appliance. In addition to being the primary storage device in virtually all desktop personal computers, desktop rigid disc drives will increasingly be used in non-personal computer environments, such as new consumer audio and video applications.
- Mobile. The mobile market includes portable notebook personal computers, hand-held computers and personal digital assistants, which may use 1.0 inch, 1.8 inch or 2.5 inch rigid disc drives, and require rigid disc drives with low power consumption and high durability. Although we do not currently manufacture products for the mobile computing market, we will continue our research and development in this area, and may reenter the market at a future date.

The rigid disc drive industry is characterized by continuous technological change and low-cost, high-volume manufacturing. While technological change is frequent and product cycles in rigid disc drives have been as short as six months, innovation in rigid disc drive technology is primarily incremental in nature. Much of the fundamental innovation in rigid disc drives today centers around increasing their storage capacity by increasing areal density through refinements in certain key component technologies, such as those related to read/write heads, recording media and motors.

In addition to requiring advanced technology, the rigid disc drive industry is capital intensive, thereby forcing major suppliers to have the cost advantages of large, global manufacturing facilities to be competitive. The major customers in the rigid disc drive industry rely on rigid disc drives as critical subsystems within computer and data communications equipment. Customers are extremely cost-sensitive and require high production volumes, with high quality and reliability standards. All of these factors present significant competitive barriers for smaller suppliers and potential new entrants.

INTELLIGENT STORAGE SOLUTIONS

The growth of e-commerce, data and the need for complex storage solutions have spurred the evolution of new storage and data management technologies. These new solutions combine high performance storage products comprised principally of rigid disc drives and tape drives with sophisticated software and communications technologies. The markets for these solutions are expected to grow rapidly. Intelligent storage solutions include:

- Storage Area Networks. Increasingly, businesses require large volumes of information stored on networks to be transferred at extremely high speeds either for use with high performance software applications or for back-up purposes. To achieve this higher performance, businesses are offloading some network traffic to dedicated storage area networks, or SANs. A SAN is a networking architecture which allows data to move efficiently and reliably between multiple storage devices and servers through a local area network, or LAN. This technology connects a network of servers to a network of storage servers, reducing bottlenecks and increasing users' access to storage. SANs require new generations of data communications equipment and data storage devices to service the high data availability needs of enterprises.
- Network Attached Storage. An evolution has begun toward network attached storage, or NAS, and away from server attached storage. In server attached storage corporate network, information is primarily stored on rigid disc drives attached to general purpose servers. NAS appliances are intelligent

storage devices that combine an array of rigid disc drives with certain basic server functions that are specialized for storing and serving data files. NAS is a storage architecture featuring a device that allows users to plug storage devices directly into a network without increasing demands on the file server or requiring a separate file server. NAS devices reduce demands on servers and are often a lower-cost alternative to buying general purpose servers or adding rigid disc drives to existing servers.

CONSUMER INFORMATION STORAGE DEVICES

High performance computing and communications functions and, increasingly,

rigid disc drives are being incorporated into consumer appliances such as video games, digital video recorders and advanced television set-top boxes. In addition, faster Internet connectivity has stimulated consumers to download greater amounts of data, images, video and sound. These trends have expanded the market for rigid disc drives from personal and laptop computers to new consumer and entertainment appliances.

TAPE DRIVES

Tape drives use removable tape cartridges that store and protect large volumes of data inexpensively and reliably. Less frequently used data is often migrated from rigid disc drives to tape drives. Tape drives are used in both enterprise and desktop computer systems needing dedicated backup storage that combines high capacity, portability, low cost and reliability.

BUSINESS INTELLIGENCE SOFTWARE

Business intelligence software provides users with the ability to access and analyze information, which is typically contained in a data warehouse, by using technologies such as enterprise reporting, online analytical processing, statistical analysis, forecasting and data searching. The business intelligence software sector is one of the fastest growing in the software industry.

RIGID DISC DRIVE TECHNOLOGY OVERVIEW

Magnetic disc drives are used in computer systems to record, store and retrieve digital information. Most computer applications require access to a greater volume of data than can economically be stored in the random access memory of the computer's central processing unit (commonly known as "semiconductor" memory). This information can be stored on a variety of storage devices, including rigid disc drives, both fixed and removable, flexible disc drives, magnetic tape drives, optical disc drives and semiconductor memory. Rigid disc drives provide access to large volumes of information faster than optical disc drives, flexible disc drives or magnetic tape drives and at substantially lower cost than high-speed semiconductor memory.

Although products vary, all rigid disc drives incorporate the same basic technology. One or more rigid discs are attached to a spindle assembly that rotates the discs at a high constant speed around a hub. The discs (also known as recording media or disc media) are the components on which data is stored and from which it is retrieved. Each disc typically consists of a substrate of finely machined aluminum or glass with a magnetic layer of a "thin-film" metallic material.

Rigid disc drive performance is commonly assessed by five key characteristics:

- average seek time, commonly expressed in milliseconds, which is the time needed to position the heads over a selected track on the disc surface;
- media data transfer rate, commonly expressed in megabytes per second, which is the rate at which data is transferred to and from the disc;
- storage capacity, commonly expressed in megabytes or gigabytes, which is the amount of data that can be stored on the disc;
- spindle rotation speed, commonly expressed in revolutions per minute, which has an effect on speed of access to data; and

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- interface transfer rate, commonly expressed in megabytes per second, which is the rate at which data moves between the disc drive and the computer controller.

Read/write heads, mounted on an arm assembly similar in concept to that of a record player, fly extremely close to each disc surface and record data on and retrieve it from concentric tracks in the magnetic layers of the rotating discs.

Upon instructions from the drive's electronic circuitry, a head positioning mechanism (an "actuator") guides the heads to the selected track of a disc where the data will be recorded or retrieved. The disc drive communicates with the host computer through an internal controller. Disc drive manufacturers may use one or more of several industry standard interfaces, such as Small Computer System Interface ("SCSI"), Advanced Technology Architecture ("ATA") and Fibre Channel -- Arbitrated Loop ("FC-AL").

Areal density is a measure of storage capacity per square inch on the recording surface of a disc. It represents the number of bits of information on a linear inch of the recording track (specified in bits per inch or bpi) multiplied by the number of recording tracks on a radial inch of the disc. Current areal densities are sufficient to meet the requirements of most

applications today. However, the long-term demand for increased drive capacities is expected to increase at an accelerating rate, since sound and moving pictures require many times the storage capacity of simple text. Seagate has and continues to aggressively pursue a range of technologies to increase areal densities across the entire range of its products not only to increase drive capacities, but also to allow the elimination of components at a stated capacity as areal density increases, thus reducing costs. As a result, Seagate drives today use advanced signal processing techniques such as Partial Response Maximum Likelihood ("PRML"), read/write channels, advanced servo systems, higher precision mechanics and advanced head technologies. To attain greater areal densities, Seagate incorporates giant magneto-resistive ("GMR") heads into its disc drives. GMR heads have discrete read and write structures which take advantage of special magnetic properties in certain metals to achieve significantly higher storage capacities. There can be no assurance that Seagate's GMR head development effort will continue to be successful. See "Product Development."

PRODUCTS

RIGID DISC DRIVES

Seagate produces a broad line of rigid disc drives in the 3.5 inch form factor with capacities ranging from 4.3 GB to 73 GB. Seagate provides more than one product at some capacity points and differentiates products on a price/performance basis. Seagate believes that its broad range of rigid disc drives is particularly appealing to customers, such as large OEMs, which require a wide variety of drive capacities, performance levels and interfaces. Producing for several market sectors also broadens Seagate's customer base and reduces Seagate's reliance on any one sector of the computer market. Seagate continues to devote its resources to developing products with industry leading performance characteristics and to being among the first to introduce such products to market. Seagate continuously seeks to enhance its market presence in emerging sectors of the rigid disc drive market by drawing on its established capabilities in high-volume, low-cost production. Seagate believes it offers the broadest range of rigid disc storage products available. In addition, Seagate offers warranty and out-of-warranty repair service to users of its disc drives.

Enterprise

Users of Enterprise disc drives for use in server and multi-user systems generally require capacities of 9 GB and greater per drive with average seek times of 8 msec or less and rotation speeds of 7,200 rpm to 15,000 rpm. Workstation systems typically require rigid disc drive storage capacities of 9 GB and greater per drive, average seek times of 8 msec or less and rotation speeds of 7,200 rpm to 15,000 rpm. For the server, multi-user, workstation and RAID applications, disc drive products are typically designed into these systems by the OEM with emphasis on performance, reliability and capacity. Server, multi-user and RAID applications incorporate data storage subsystems that contain large numbers of disc drives. Because data integrity is paramount, high device reliability and maintainability are key features. Internet, intranet,

mainframe and supercomputer systems also benefit from very high data transfer rates (up to ten times that in small computer systems).

ENTERPRISE PRODUCTS

<TABLE>
<CAPTION>

PRODUCT NAME	FISCAL QUARTER INTRODUCED	STORAGE CAPACITY	FEATURES
<S>	<C>	<C>	<C>
Barracuda 18LP	3rd Qtr. 1999	18 GB	7,200 rpm, Ultra SCSI/Fibre Channel
Barracuda 18XL	2nd Qtr. 2000	18 GB	interface, read seek times ranging from 5.9
Barracuda 36	4th Qtr. 1999	36 GB	to 7.4 msecs
Barracuda 50	4th Qtr. 1999	50 GB	
Cheetah 18LP	4th Qtr. 1999	18 GB	10,000 rpm, Ultra SCSI/Fibre Channel
Cheetah 18XL	4th Qtr. 2000	18 GB	interface, read seek times ranging from 5.2
Cheetah 36	1st Qtr. 2000	36 GB	to 5.7 msecs
Cheetah 36LP	3rd Qtr. 2000	36 GB	
Cheetah X15	4th Qtr. 2000	18 GB	15,000 rpm
Cheetah 73	3rd Qtr. 2000	73 GB	10,000 rpm, Ultra SCSI/Fibre Channel interface, high-end file servers, mainframe-attached storage and SAN systems

</TABLE>

Seagate believes the minimum storage requirements in the past year for entry-level personal computers were generally 4.3 GB of formatted capacity with seek times in the sub-11 msec range. The entry level capacities continue to increase. In addition, users of personal computers have become increasingly price sensitive. Seagate's objective for the personal computer market is to design drives for high-volume, low-cost manufacturing. Seagate divides the desktop market into three sectors: entry-level, mainstream and value performance.

DESKTOP PRODUCTS

<TABLE>
<CAPTION>

PRODUCT NAME	FISCAL QUARTER INTRODUCED	STORAGE CAPACITY	FEATURES
<S>	<C>	<C>	<C>
U4 Product Family (entry-class and mainstream desktop)	4th Qtr. 1999	8.4 GB 6.4 GB 4.3 GB 2.1 GB	5,400 rpm, Ultra ATA/66 interface, low acoustics, and Seagate's soft SeaShield cover for additional handling protection
Barracuda ATA products:			
Barracuda ATA 28040	1st Qtr. 2000	28 GB	7,200 rpm, Ultra ATA/66 interface,
Barracuda ATA 20430		20.4 GB	SeaShield, G-Force Protection for Desktop
Barracuda ATA 13620		13.6 GB	enhancements to increase durability, and
Barracuda ATA 10220		10.2 GB	Drive Self Test in the firmware
Barracuda ATA 6810		6.8 GB	
U8	2nd Qtr. 2000	4.3 GB 8.4 GB 13 GB 17.2 GB	ATA 66 and the 3D Defense System that offers disc, data and diagnostic protection for all Desktop disc drives
U10	3rd Qtr. 2000	10.1 GB 15.2 GB 20.3 GB	ATA 66 and the 3D Defense System that offers disc, data and diagnostic protection for all Desktop disc drives
U5	1st Qtr. 2001	10 GB 15 GB 20 GB 30 GB 40 GB	ATA/100 and the "sound barrier technology," SBT, that lowers acoustic emissions to almost imperceptible levels

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Intelligent Storage

Products in this area will combine hardware consisting of a boxed array of high performance Enterprise disc drives with software and communications interfaces. The Company's initial products derive from its recent acquisition of XIOTech and a collaboration with Cobalt Networks, Inc.

INTELLIGENT STORAGE PRODUCTS

<TABLE>
<CAPTION>

PRODUCT NAME	FISCAL QUARTER INTRODUCED	STORAGE CAPACITY	FEATURES
<S>	<C>	<C>	<C>
STORAGE AREA NETWORK			
XIOTech -- MAGNITUDE	3rd Qtr. 1998	Up to 4.6TB	Based on XIOTech's Real-Time Data Intelligence (REDI) Storage Architecture, which implements storage virtualization
NETWORK ATTACHED STORAGE			
NasRaq:			
ST5620NTS	4th Qtr. 2000	56 GB	Rack mounted server appliance that
ST6020NTS	1st Qtr. 2001	60 GB	provides entry level network attached storage; OEM product with Cobalt Networks, Inc.

</TABLE>

TAPE DRIVES

Tape drives are peripheral hardware devices which enable low cost storage and protection of large volumes of data through the use of small tape cartridges. Computer systems of all types increasingly need dedicated backup storage peripherals that combine high capacity, high performance, low cost and reliability. Seagate markets a broad line of Travan, Digital Audio Tape ("DAT"), and Linear Tape Open drives ("LTO") with capacities of up to 240 GB for a wide range of backup and removable storage needs. Seagate currently produces backup solutions for market segments from high performance workstations and midrange servers to enterprise-class servers and complete tape library systems. Seagate offers tape products through a variety of channels including OEMs, distributors, value added resellers ("VARs"), resellers and system integrators. Seagate works closely with OEMs to customize storage solutions that meet their customers' needs. The Scorpion DAT drives are manufactured for Seagate by Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE") in Japan. In addition, Seagate offers warranty and out-of warranty repair service to users of its tape drives.

TAPE PRODUCTS

<TABLE>
<CAPTION>

PRODUCT NAME	STORAGE CAPACITY	FEATURES
TRAVAN DRIVES		
Hornet (R) Travan	up to 20 GB	Drives for workstations and small servers. SCSI or IDE interfaces
Hornet Travan Network Series (NS)	up to 20 GB	Drives for small servers; read-while-write technology and hardware data compression
DAT DRIVES		
Scorpion (R) DAT	up to 240 GB	Drives and autoloaders for servers and workstations; 40 GB per cartridge
LINEAR TAPE OPEN (LTO) DRIVES		
Ultrium format: Viper (R)	up to 2 TB	Drives and autoloaders for midrange and enterprise servers; ideal for tape libraries; 200 GB per cartridge; anticipate shipping in fiscal 2001

</TABLE>

Linear Tape Open (LTO)

Seagate, Hewlett-Packard Company and International Business Machines Corporation ("IBM"), created LTO technology, a powerful, scaleable, open tape architecture that is expected to meet the growing storage demands of midrange to enterprise-class servers with up to 200 GB of data per cartridge. Seagate anticipates shipping the Ultrium format in fiscal 2001.

SOFTWARE

Seagate Software Information Management Group, Inc., a subsidiary of Seagate ("IMG"), develops, markets and supports end user and enterprise software, which enables business users, developers and information technology professionals to access, analyze, report on and distribute enterprise information. Headquartered in Scotts Valley, California, IMG has 28 offices and operates in 14 countries worldwide.

IMG's product family is designed as one integrated platform that enables access, analysis, interpretation and distribution of data in order to make effective business decisions. The products are used for creating, implementing and deploying enterprise information solutions in an application, on a desktop or across an organization. IMG's products are designed to work in the most current "e-Business" architectures and for flexible deployment using the Web. They support most data sources, including operational or legacy data stores, data marts, data warehouses, e-commerce systems, enterprise resource planning ("ERP") systems, customer relationship management ("CRM") systems, business

intelligence ("BI") systems and many other computer software applications. IMG's product family includes:

Enterprise Products

- Seagate Info(R) -- Seagate Info is delivered as a complete suite of reporting and analysis tools built upon a scalable and extensible infrastructure that allows Internet, intranet, extranet and traditional client-server deployment. Seagate Info integrates all of IMG's software products and delivers the appropriate information across the enterprise. Seagate Info provides decision-makers with shared access on demand, ad-hoc or managed reporting and analysis capabilities. As a result users have fast and easy access to information.
- Partner Solution Kits -- A series of toolkits and packages that enable closer integration with IMG's partners' products. Most kits include data access drivers, sample reports and data structures, and may include special documentation, support and services. Current packages are available for Microsoft BackOffice, SAP R/3 and Baan ERP.

Desktop Products

- Seagate Crystal Reports(R) -- Crystal Reports provides query, report design, application development and web report publishing functions. Provided in a range of versions for both developers and end-users, Crystal Reports allows users to access most types of structured data, format, design, and process a variety of reports, integrate these reports into web, windows and enterprise applications and distribute reports to end users.
- Seagate Crystal Analysis(TM) -- Based on Crystal Reports, Crystal Analysis combines end user ad hoc query, analytic reporting and on-line analytical processing ("OLAP") analysis, as well as Microsoft Excel integration, all in one simple end user focused interface. Crystal Analysis is a family of client tools that can be used as an extension to any other piece of the IMG product family.

Analytic Applications Products

- Seagate Holos(R) -- Seagate Hs is an advanced analytic application development and deployment environment, designed to handle very large amounts of relational and multi-dimensional data. Seagate Holos enables the modeling of large amounts of data with complex business logic and then provides multiple views of the data to enable analysis, expose trends, and accelerate the process of decision-making. Seagate Holos integrates with and extends the Enterprise product family.

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- Analytic Application Templates -- A collection of templates built for the Enterprise product family that accelerate customer adoption and success with IMG products. Designed to address common enterprise needs and current market demand, the current templates include applications for customer profiling, balanced scorecard, budgeting, and telecommunications billing analysis. These packages include reports, OLAP data structures and a framework of business logic to begin a successful implementation.

MARKETING AND CUSTOMERS

Seagate sells its products primarily to OEMs and distributors. OEM customers incorporate Seagate drives into computer systems for resale. OEMs either manufacture and assemble computer system components into computer systems, purchase components to build their systems, or purchase complete computer systems and integrate the drives and other hardware and software. Distributors typically sell Seagate disc drives to small OEMs, dealers, system integrators and other resellers. Certain resellers to which Seagate directly sells its products also resell Seagate drives as part of enhanced packages (e.g., an add-on kit for a computer or as part of their own computers). Shipments to OEMs were 67% of disc drive revenue in the fiscal year ending June 30, 2000 ("fiscal 2000") and 65% of disc drive revenue in each of the fiscal years ending July 2, 1999 ("fiscal 1999") and July 3, 1998 ("fiscal 1998"). Sales to Compaq Computer Corporation accounted for approximately 17%, 17% and 13% of Seagate's consolidated revenue in fiscal 2000, 1999 and 1998, respectively. No other customer accounted for 10% or more of consolidated revenue in fiscal 2000, 1999 or 1998.

OEMS

OEM customers typically enter into purchase agreements with Seagate. These agreements provide for pricing, volume discounts, order lead times, product support obligations and other terms and conditions, usually for periods of 12 to 24 months, although product support obligations generally extend substantially beyond this period. These master agreements typically do not commit the customer

to buy any minimum quantity of products. Deliveries are scheduled only after receipt of purchase orders. In addition, with limited lead time, customers may cancel or defer most purchase orders without significant penalty. Anticipated orders from many of Seagate's customers have in the past failed to materialize or OEM delivery schedules have been deferred or altered as a result of changes in their business needs, such as extensive use of just-in-time warehouse locations. Such order fluctuations and deferrals have had a material adverse effect on Seagate's operations in the past, and there can be no assurance that Seagate will not experience such adverse effects in the future.

DISTRIBUTORS

In fiscal 1999, Seagate launched its Distribution Partnership Program. Under this program, Seagate has selected a limited number of key distributors, predominately in North America with which it jointly develops marketing programs targeted at VAR, resellers and systems integrators. Shipments to these key distributors are on a consignment basis whereby Seagate's inventory held by these distributors is still owned by Seagate and Seagate's revenue recognition is delayed until the product is utilized by the distributor to fill an end-user order.

Seagate's distributors outside of North America generally enter into non-exclusive agreements for the redistribution of Seagate's products. They typically furnish Seagate with a non-binding indication of their near-term requirements and product deliveries are generally scheduled based on a weekly confirmation by the distributor of its requirements for that week. The agreements typically provide the distributors with price protection with respect to their inventory of Seagate drives at the time of a reduction by Seagate in its selling price for the drives, and also provide limited rights to return the product.

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SERVICE AND WARRANTY

Seagate warrants its products against defects in design, materials and workmanship by Seagate generally for one to five years depending upon the capacity category of the drive, with the higher capacity products being warranted for the longer periods. Seagate's products are refurbished or repaired at its facilities located in Oklahoma City, Singapore, Malaysia and Mexico.

SALES OFFICES

Seagate maintains sales offices throughout the United States and in Australia, China, England, France, Germany, Ireland, Japan, Singapore, Spain, Sweden, and Taiwan. Foreign sales are subject to certain controls and restrictions, including, in the case of certain countries, approval by the office of Export Administration of the United States Department of Commerce and other United States governmental agencies.

BACKLOG

In view of customers' rights to cancel or defer orders with little or no penalty, Seagate believes backlog in the disc drive industry may be misleading. Seagate's backlog includes only those orders for which a delivery schedule has been specified by the customer. Because many customers place large orders for delivery throughout the year, and because of the possibility of customer cancellation of orders or changes in delivery schedules, Seagate's backlog as of any particular date is not indicative of Seagate's potential sales for any succeeding fiscal period. Seagate's order backlog at June 30, 2000 was approximately \$1.210 billion compared with approximately \$862 million at July 2, 1999.

MANUFACTURING

Seagate's business objectives require it to establish manufacturing capacity in anticipation of market demand. The key elements of Seagate's manufacturing strategy are: high-volume, low-cost assembly and test; vertical integration in the manufacture of selected components; and establishment and maintenance of key vendor relationships. The highly competitive disc drive industry requires that Seagate manufacture significant volumes of high-quality drives at low per unit cost. To do this, Seagate must rapidly achieve high manufacturing yields and obtain uninterrupted access to high-quality components in required volumes at competitive prices.

OVERVIEW OF DISC DRIVE MANUFACTURING

Manufacturing of Seagate's rigid disc drives is a complex process, requiring a "clean room" environment, the assembly of precision components within narrow tolerances and extensive testing to ensure reliability. The first step in the manufacturing of a rigid disc drive is the assembly of the actuator mechanism, heads, discs, and spindle motor in a housing to form the head-disc

assembly (the "HDA").

Seagate believes that it must continue to develop automated manufacturing processes in order to remain competitive. Seagate has undertaken an extensive process to centralize and rationalize its manufacturing operations over the past three years, which has included, among other things, closure of some manufacturing facilities and reductions in force. Seagate intends to continue to evaluate those steps in the manufacturing process that would benefit from automation. There can be no assurance that Seagate's efforts to develop and improve its automated manufacturing processes will be successful. Any failure of Seagate to continue to develop and improve its automated manufacturing processes could have a material adverse effect on Seagate's business.

The cost, quality and availability of certain components including recording heads, media, application specific integrated circuits ("ASICs"), spindle motors, actuator motors, printed circuit boards and custom semiconductors are critical to the successful production of disc drives. Seagate's design and vertical integration have allowed it to internally manufacture substantial percentages of its critical components other than ASICs and motors. Seagate's objectives of vertical integration are to maintain control over component technology, quality and availability, and to reduce costs. Seagate believes that its strategy of vertical integration gives it an

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advantage over other disc drive manufacturers. However, this strategy entails a high level of fixed costs and requires a high volume of production to be successful. During periods of decreased production, these high fixed costs in the past have had and in the future could have a material adverse effect on Seagate's results of operations.

Seagate evaluates the need for second sources for all of its components on a case-by-case basis and, where it is deemed desirable and feasible to do so, secures multiple sources. Seagate has experienced production delays when unable to obtain sufficient quantities of certain components or assembly capacity. For example, Seagate has recently experienced difficulty in obtaining a sufficient supply of ASICs to meet production demands. Seagate attempts to maintain component inventory levels adequate for its short-term needs. However, an inability to obtain essential components, if prolonged, would adversely affect Seagate's business.

HEADS

Assembly of the HDA involves a combination of manual and semiautomated processes. After the HDA is assembled, a servo pattern is magnetically recorded on the disc surfaces. Upon completion, circuit boards are mated to the HDA and the completed unit is thoroughly tested prior to packaging and shipment. Final assembly and test operations of Seagate's disc drives take place primarily at facilities located in Singapore, Malaysia, China, Minnesota and Oklahoma. Subassembly and component operations are performed at Seagate's facilities in Singapore, Malaysia, Thailand, Minnesota, California, Northern Ireland, and Mexico. In addition, independent entities manufacture or assemble components for Seagate in the United States, Europe and various Asian countries including Japan, Korea, China, the Philippines, Singapore, Malaysia, Taiwan and Thailand.

All three primary stages of manufacturing for GMR recording heads are carried out at Seagate's facilities. These three stages are wafer production, slider fabrication and head gimbal assembly. While the majority of its requirements for magnetic recording heads are produced internally, Seagate may purchase up to 20% of its heads from third party suppliers to afford it access to the widest possible head technology available. However, Seagate plans to continue to manufacture the majority of its head requirements internally.

DISCS

For disc, or media, production Seagate purchases aluminum substrate blanks from third parties mainly in Japan. These blanks are machined, plated and polished to produce finished substrates at Seagate's plants in Mexico and Northern Ireland. Seagate's media manufacturing plants in California and Singapore put these substrates through the manufacturing processes necessary to deposit the magnetic storage layer, the protective carbon overcoat and the lubricant as well as to achieve the proper degree of final surface smoothness and also carry out the quality assurance activities necessary to deliver finished media to Seagate's disc drive manufacturing plants. Seagate's internal media manufacturing operations supply the majority of its needs for media but media is also purchased from third party suppliers located in the United States and Asia.

MOTORS, ASICs AND PCBs

Spindle motors are sourced principally from outside vendors in Asia. Seagate participates in the design of all of its ASICs for motor and actuator

control. It designs all or part of many of the other ASICs in the drive such as interface controllers, read/write channels and pre-amplifiers, and procures these from third parties. The vast majority of the high-volume surface-mount printed circuit assemblies are assembled internally.

PRODUCTION OUTSIDE OF THE UNITED STATES

Because of the significant fixed costs associated with the manufacture of its products and components and the industry's history of declining prices, Seagate must continue to produce and sell its disc drives in significant volume, continue to lower manufacturing costs and carefully monitor inventory levels. Toward these ends, Seagate continually evaluates its components and manufacturing processes as well as the desirability of transferring volume production of disc drives and related components between facilities,

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including transfer overseas to countries where labor costs and other manufacturing costs are significantly lower than in the United States, principally Singapore, Thailand, Malaysia and China. Frequently, transfer of production of a product to a different facility requires qualification of such new facility by certain of Seagate's OEM customers. There can be no certainty that such changes and transfers will be implemented on a cost-effective basis without delays or disruption in Seagate's production and without adversely affecting Seagate's results of operations.

Offshore operations are subject to certain inherent risks, including delays in transportation, changes in governmental policies, tariffs, import/export regulations, and fluctuations in currency exchange rates in addition to geographic limitations on management controls and reporting. There can be no assurance that the inherent risks of offshore operations will not adversely affect Seagate's future operating results. During fiscal 1998, several Asian currencies significantly declined in value relative to the United States dollar. As a result during fiscal 1998, Seagate was required to mark-to-market a portion of its foreign currency forward exchange contracts that it had taken out as a hedge of these currencies and recorded a \$76 million charge against income. As of June 30, 2000, Seagate had no outstanding foreign currency forward exchange or purchased currency option contracts. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Disclosures about Market Risk." Certain of Asian countries, as well as Mexico and Northern Ireland, in which Seagate operates have experienced political unrest and Seagate's operations have been adversely affected for short periods of time.

PRODUCT DEVELOPMENT

Seagate's strategy for new products emphasizes developing and introducing on a timely and cost effective basis products that offer functionality and performance equal to or better than competitive product offerings. The rigid disc drive industry is characterized by ongoing, rapid technological change, relatively short product life cycles and rapidly changing user needs. Seagate believes that its future success will depend upon its ability to develop, manufacture and market products which meet changing user needs, and to successfully anticipate or respond to changes in technology and standards on a cost-effective and timely basis. Accordingly, Seagate is committed to the development of new component technologies, new products, and the continuing evaluation of alternative technologies.

No assurance can be given that Seagate will be able to successfully complete the design or introduction of new products in a timely manner, that Seagate will be able to manufacture new products in volume with acceptable manufacturing yields, or successfully market these products, or that these products will perform to specifications on a long-term basis. Failure to meet any of the above objectives in a timely manner has in the past and may in the future have a material adverse effect on Seagate's business and results of operations.

During the fiscal years ended June 30, 2000, July 2, 1999 and July 3, 1998, Seagate's product development expenses were \$587 million, \$581 million and \$585 million, respectively.

DISC DRIVES

Seagate develops new disc drive products and the processes to produce them at four locations: Longmont, Colorado; Oklahoma City; Shakopee, Minnesota and Singapore. Generally speaking, Longmont and Singapore are responsible for development of 3.5 inch form factor drives intended for desktop personal computer systems; Oklahoma City is responsible for development of 3.5 inch disc drives with capacities and interfaces intended for use in minicomputers, supermicrocomputers, workstations and file servers; and Shakopee is responsible for 3.5 inch products principally intended for use in systems ranging from workstations and superminicomputers to mainframe and supercomputers.

Seagate is increasing its focus on research and development and has

realigned its disc drive development process. This structured new product development process is designed to speed new products to market through predictable and repeatable methodologies.

Seagate believes that vertical integration in strategic technologies is a key competitive advantage to maintaining a leadership position in today's rapidly changing markets. Seagate has focused its component

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research and development efforts in four main areas: heads, media, motors and ASICs. The major emphasis of this research and development effort is higher capacity, reduced size and power consumption, improved performance and reliability, and reduced cost.

Seagate Research. In 1998 Seagate established a research facility based in Pittsburgh, Pennsylvania. The vision of Seagate Research is dedicated to extending the limits of magnetic and optical recording and exploring alternative data storage technologies.

Advanced Concepts Group. Seagate also has an Advanced Concepts program which focuses Seagate's disc drive and component research efforts into three areas that specialize in developing and staging advanced technologies for future data storage products. The three areas are recording subsystems including heads and media, market specific product technology, and technology focused towards new business opportunities. The primary charter of Advanced Concepts is to ensure timely availability of mature component and subsystem technologies to Seagate's product development teams and allow Seagate to leverage and coordinate those technologies across products.

Advanced Manufacturing Group. Seagate has embarked on a significant change in its approach to process development. Consistent with the formation of the Advanced Concepts group in Development Engineering, Seagate has formed an Advanced Manufacturing group in Manufacturing Engineering. The primary focus is best-in-class operational performance. This group focuses the efforts of the process development groups within Seagate on one process capable of building all of Seagate's drives on any of Seagate's disc drive assembly lines. In addition, the group focuses on benchmarking best-in-class performance, evaluation of new materials and state of the art process control systems. Seagate believes that its future success is linked to its ability to reduce supply lines, respond to demand changes, and ultimately provide the highest quality products to its customers.

Recording Heads

Seagate's head research and development efforts are focused on increasing recording densities, reducing the size and mass of the slider, developing microactuator suspensions and assembly technology for reduced head size, reducing cost and increasing reliability. This research and development includes substantial effort to develop and manufacture GMR heads and advanced air bearing sliders for high areal density and small form factor products. There can be no assurance that Seagate's head development efforts will be successful and a failure of Seagate to successfully manufacture and market products incorporating its advanced head technology in a timely manner could have a material adverse effect on Seagate's business and results of operations.

Disc Drive Media

Media research and development is primarily related to achieving higher areal densities consistent with the efforts undertaken in the head operations of Seagate as well as developing the capability to produce media of reduced dimensions from those of current main-stream products. These media research and development efforts are subdivided into several main approaches to achieving these goals: developing smoother, flatter substrates that permit lower head flying heights; developing thinner, smaller-diameter substrates to support development of physically smaller disc drives; developing improved magnetic storage alloys, overcoat materials and surface lubricants that permit higher coercivities and improved electromagnetic performance while providing enhanced wear and reliability performance; and, finally, developing enhanced substrate and media manufacturing processes that allow Seagate to implement the results of its other developments while increasing the consistency and reducing the cost of producing high performance magnetic storage media. As a consequence of these efforts, Seagate reviews, on an on-going basis, not only new versions and smaller size versions of the industry-standard aluminum and glass substrates but also substrates of alternative materials. Seagate experiments with the elemental content of the storage alloys and overcoat materials and the sputtering processes used to deposit them. Seagate evaluates different lubricants and pursues variations in the techniques used to obtain the proper degree of surface smoothness including both mechanical and other processes. There can be no assurance that Seagate's media development efforts will be successful.

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Motor and Controllers

The disc drive spindle motor is becoming an increasingly critical component as disc drive technology continues to increase track density at an accelerating rate and spindle speeds approach the reliability limits of ball bearings. Seagate's research and development investment in motor technology has made it a leader in the design of fluid dynamic bearing motors for disc drives. Seagate believes that it remains the only disc drive company shipping significant volumes of these advanced spindle motors. The principal areas of research and development relating to spindle motors are lower power requirements, reduced noise level, improved reliability and reduced cost. The motor design and development center is located in Scotts Valley, California.

ASIC development has been and will continue to be focused on optimizing the product architecture for system performance, cost and reliability. Some specific areas of focus are reducing the number of parts, reducing power consumption and increasing areal densities by use of advanced signal processing techniques.

INTERNET SOLUTIONS

The Internet Solutions group leverages Seagate's expertise in network and server storage to develop products for new network devices, the Internet, high performance servers and other information-centric computing applications. These solutions combine hardware, software and services to provide new products for Seagate's existing OEM and strategic distributor customer base and address the needs of emerging markets for storage and storage-related applications.

Seagate's XIOTech Corporation subsidiary is part of its Internet Solutions group and operates a 30 person product development center in Minneapolis, Minnesota. This development center is focused on designing solutions for information appliances, application-based servers and storage services to benefit users by delivering a greater range of online services, higher networked-computing performance and a reduced information technology cost structure.

PATENTS AND LICENSES

Seagate has approximately 1,272 United States patents and 703 foreign patents and has approximately 1,091 United States and 902 foreign patent applications pending. Due to the rapid technological change that characterizes the rigid disc drive industry, Seagate believes that the improvement of existing products, reliance upon trade secrets and unpatented proprietary know-how and development of new products are generally more important than patent protection in establishing and maintaining a competitive advantage. Nevertheless, Seagate believes that patents are of value to its business and intends to continue its efforts to obtain patents, when available, in connection with its research and development program. There can be no assurance that any patents obtained will provide substantial protection or be of commercial benefit to Seagate, or that their validity will not be challenged.

Because of rapid technological development in the disc drive industry, certain of Seagate's products have been and it is possible other products could be accused of infringement of existing patents. The rigid disc drive industry has been characterized by significant litigation relating to patent and other intellectual property rights. From time to time, Seagate receives claims that certain of its products infringe patents of third parties. Although Seagate has been able to resolve some such claims or potential claims by obtaining licenses or rights under the patents in question without a material adverse affect on Seagate, other such claims have resulted in adverse decisions or settlements. See Note 13, Litigation, of notes to the consolidated financial statements. In addition, other claims are pending which if resolved unfavorably to Seagate could have a material adverse effect on Seagate's business. For a description of current disputes see Part I, Item 3 of this Report. In addition, the costs of engaging in intellectual property litigation may be substantial regardless of outcome. Seagate has patent cross licenses with a number of companies in the computer industry. Additionally, Seagate has agreements in principle with other major disc drive companies.

COMPETITION

The rigid disc drive industry is intensely competitive, with manufacturers competing for a limited number of major customers. The principal competitive factors in the rigid disc drive market include product quality and reliability, form factor, storage capacity, price per unit, price per megabyte, product performance, production volume capability and responsiveness to customers. The relative importance of these factors varies with different customers and for different products. Seagate believes that it is generally competitive as to these factors.

Seagate has experienced and expects to continue to experience intense competition from a number of domestic and foreign companies, some of which have far greater resources than Seagate. Seagate competes with other independent disc drive manufacturers in the market for disc drive products. In addition to independent rigid disc drive manufacturers, Seagate also faces competition from present and potential customers, including IBM, Toshiba Corporation, NEC Corporation, Fujitsu Limited and Samsung Electronics Co. Ltd., which continually evaluate whether to manufacture their own drives or purchase them from outside sources. These manufacturers also sell drives to third parties, which results in direct competition with Seagate.

Product life cycles are relatively short in the disc drive industry. Seagate expects its competitors to offer new and existing products at prices necessary to gain or retain market share and customers. To remain competitive, Seagate believes it will be necessary to continue to reduce its prices and aggressively enhance its product offerings. In addition to the foregoing, the ability of Seagate to compete successfully will also depend on its ability to provide timely product introductions and to continue to reduce production costs. Seagate's establishment of production facilities in Singapore, Thailand, Malaysia and China and its development of automated manufacturing processes are directed toward such cost reductions. Seagate believes that its future success will depend upon its ability to develop, manufacture and market products of high quality and reliability which meet changing user needs, and which successfully anticipate or respond to changes in technology and standards on a cost-effective and timely basis, of which there can be no assurance.

The introduction of products using alternative technologies could be a significant source of competition. For example, high-speed semiconductor memory could compete with Seagate's products in the future. Semiconductor memory (SRAM and DRAM) is much faster than magnetic disc drives, but currently is volatile (i.e., subject to loss of data in the event of power failure) and much more costly. Flash EE prom, a nonvolatile semiconductor memory, is currently much more costly and, while it has higher read performance than disc drives, it has lower write performance. Flash EE prom could become competitive in the near future for applications requiring less storage capacity (i.e., less than 200 MB) than is required in Seagate's more traditional computer related market place.

EMPLOYEES

At June 30, 2000, the number of persons employed worldwide by Seagate was approximately 60,000 of which approximately 44,000 were located in Seagate's Asia Pacific operations. In addition, Seagate makes use of supplemental employees, principally in manufacturing, who are hired on an as-needed basis. Management believes that the future success of Seagate will depend in part on its ability to attract and retain qualified employees at all levels, of which there can be no assurance. Seagate believes that its employee relations are good.

EXECUTIVE OFFICERS OF THE COMPANY

The present executive officers of the Company are as follows:

<TABLE>
<CAPTION>

NAME	AGE	POSITION	EXECUTIVE OFFICER SINCE
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<S>	<C>	<C>	<C>
Stephen J. Luczo.....	43	Chief Executive Officer, Director of the Company and Chairman of the Board of Directors, Seagate Software, Inc.	1993
William D. Watkins.....	47	President and Chief Operating Officer	1996
Charles C. Pope.....	45	Executive Vice President, Finance and Chief Financial Officer	1998
Townsend H. Porter, Jr.	54	Executive Vice President, Product Technology Development and Chief Technical Officer	1997
Donald L. Waite.....	67	Executive Vice President, Chief Administrative Officer and Assistant Secretary	1983
Brian S. Dexheimer.....	37	Executive Vice President, Worldwide Sale, Marketing, Product Line Management and Customer Service Operations	2000
David A. Wickersham.....	44	Executive Vice President, Global Disc Storage Operations	2000
William L. Hudson.....	48	Senior Vice President, General Counsel, and Corporate Secretary	2000
Thomas F. Mulvaney.....	51	Senior Vice President, Internet Solutions Group	1996

</TABLE>

Officers are elected annually by the Board of Directors and serve at the discretion of the Board.

Mr. Luczo joined the Company in October 1993 as Senior Vice President, Corporate Development. In March 1995, he was appointed Executive Vice President, Corporate Development and Chief Operating Officer of the Software Group. In July 1997, he was appointed Chairman of the Board of the Software Group. Mr. Luczo held the position of President of the Company from September 1997 to May 2000. He held the position of Chief Operating Officer of the Company from September 1997 to August 1998. Mr. Luczo was promoted to Chief Executive Officer and appointed to the Board of Directors in July 1998. Prior to joining the Company he was Senior Managing Director of the Global Technology Group of Bear, Stearns & Co. Inc., an investment banking firm, from February 1992 to October 1993. He serves as a Director of VERITAS Software Corporation, Cobalt Networks and Gadzoox Networks, Inc.

Mr. Watkins joined the Company in February 1996 with the Company's merger with Conner Peripherals as Executive Vice President, Recording Media Group. In October 1997, Mr. Watkins took on additional responsibility as Executive Vice President of the Disc Drive Operations, and in August 1998 was appointed to the position of Chief Operating Officer, with responsibility for the Company's disc drive manufacturing, recording media, and recording head operations. Mr. Watkins was promoted to President of the Company in May 2000 with additional responsibility of product research and development. Prior to joining the Company he was President and General manager of the Conner Peripherals Disk Division from January 1990 until December 1992. In January 1993, Mr. Watkins was promoted to Senior Vice President, Manufacturing Operations.

Mr. Pope was promoted to Executive Vice President in April 1999 and Chief Financial Officer in February 1998. Mr. Pope held the position of Senior Vice President, Finance from January 1997 to April 1999. Mr. Pope joined Seagate as director of Budgets and Analysis with the Company's acquisition of Grenex in 1985. He has held a variety of positions in his 14 year executive experience with Seagate including Director of Finance for Thailand operations; Vice President, Finance, Asia Pacific operations; Vice President, Finance and Treasurer; Vice President and General Manager, Seagate Magnetics; and most recently, Senior Vice President Finance, Storage Products.

Mr. Porter joined the Company on June 2, 1997 as Chief Technology Officer, Storage Products Group. In September 1997 he was promoted to Executive Vice President. Mr. Porter was Vice President of Research

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and Development, Enterprise Storage Group at Western Digital from November 1994 to May 1997. From 1968 to 1994, Mr. Porter held engineering, program management, and executive positions at IBM.

Mr. Waite was Chief Financial Officer of the Company from October 1983 until February 1998. Mr. Waite was Secretary of the Company from October 1983 until July 1998. Mr. Waite joined the Company in 1983 as Vice President of Finance and Chief Financial Officer, and was promoted to Senior Vice President, Finance in 1984. In March 1995 he was promoted to Executive Vice President, Chief Administrative Officer and Chief Financial Officer. He serves as a Director of California Micro Devices and Seagate Software, Inc., a subsidiary of the Company.

Mr. Dexheimer came to Seagate with the Company's acquisition of Imprimis in 1989. His career includes more than 15 years of experience in data storage, holding various sales, sales management and marketing positions with the Company. Mr. Dexheimer held the position of Vice President, Marketing and Product Line Management in the Removable Storage Solutions group from 1996 to July 1997. In July 1997, he was promoted to Vice President and General Manager of Removable Storage Solutions until August 1998 when he was promoted to Senior Vice President, Product Marketing and Product Line Management for Desktop disc drives. In August 1999, he was promoted to Senior Vice President, Worldwide Sales and Marketing. He was promoted to Executive Vice President Worldwide Sales, Marketing and Product Line Management and Customer Service Operations in May 2000.

Mr. Wickersham joined the Company on May 18, 1998 as Senior Vice President, Worldwide Materials. He assumed responsibilities for Worldwide Product Line Management in August 1999. In May 2000, he was promoted to Executive Vice President. Mr. Wickersham was Vice President, Worldwide Materials at Maxtor Corporation from 1996 to May 1998. From 1993 to 1996, Mr. Wickersham was Director of Corporate Materials at Exabyte Corporation. From 1978 to 1993, he held various management positions at IBM Corporation.

Mr. Hudson joined the Company on January 3, 2000 as Senior Vice President, General Counsel and Corporate Secretary. From 1984 until August 1997, Mr. Hudson was a partner with Brobeck, Phleger & Harrison LLP, where he was a member of the Business & Technology Practice Group. Mr. Hudson was a partner at Gibson, Dunn &

Crutcher LLP from August 1997 to December 1999. Mr. Hudson has 21 years experience in general corporate and securities matters.

Mr. Mulvaney joined the Company in February 1996 with the Company's merger with Conner Peripherals as Senior Vice President, General Counsel, and Assistant Secretary. In September 1999, Mr. Mulvaney was promoted to Senior Vice President, Internet Solutions Group. In July 1998, Mr. Mulvaney was appointed Corporate Secretary. Mr. Mulvaney was Vice President, General Counsel and Secretary at Conner Peripherals from May 1995 until February 1996. Prior to joining Conner Peripherals, Mr. Mulvaney was with VLSI Technology, Inc. from May 1990 to May 1995 where he served as Vice President, General Counsel and Secretary, and held departmental responsibility for legal, human resources, corporate communications and facilities.

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ITEM 2. PROPERTIES

Seagate's executive offices are located in Scotts Valley, California. Principal manufacturing facilities are located in Singapore, Thailand, Malaysia, Minnesota, California, Oklahoma, China and Northern Ireland. A portion of the Company's facilities are occupied under leases which expire at various times through 2015. The following is a summary of square footage owned or leased by the Company as of June 30, 2000:

FACILITIES (SQUARE FEET)

<TABLE>
<CAPTION>

LOCATION -----	ADMINISTRATIVE -----	PRODUCT DEVELOPMENT -----	MANUFACTURING & WAREHOUSE -----	TOTAL -----
<S>	<C>	<C>	<C>	<C>
NORTH AMERICA				
California				
Central California.....	12,800	1,030	16,768	30,598
Northern California.....	387,319	284,521	228,136	899,976
Southern California.....	33,700	--	347,890	381,590
Colorado.....	11,608	333,774	--	345,382
Minnesota.....	142,340	414,644	773,675	1,330,659
Oklahoma.....	87,082	110,097	240,841	438,020
Northeast USA.....	8,881	226	--	9,107
Southeast USA.....	26,773	--	--	26,773
Other USA.....	13,797	65,584	11,427	90,808
Canada/Mexico.....	114,963	59,879	417,126	591,968
TOTAL NORTH AMERICA.....	839,263	1,269,755	2,035,863	4,144,881
EUROPE				
England.....	28,602	18,444	3,972	51,018
Ireland.....	1,200	--	--	1,200
Northern Ireland.....	68,200	4,900	494,900	568,000
Netherlands.....	28,955	--	92,234	121,189
Scotland.....	--	--	42,824	42,824
Other.....	44,578	--	--	44,578
TOTAL EUROPE.....	171,535	23,344	633,930	828,809
ASIA				
China.....	25,972	--	197,476	223,448
Malaysia.....	183,486	--	1,257,796	1,441,282
Singapore.....	273,317	35,519	1,126,769	1,435,605
Thailand.....	145,888	--	1,059,174	1,205,062
Other.....	47,495	--	48,047	95,542
TOTAL ASIA.....	676,158	35,519	3,689,262	4,400,939
TOTAL.....	1,686,956	1,328,618	6,359,055	9,374,629 (1)

</TABLE>

(1) Includes 7,273,780 square feet owned by the Company and 5,037,364 square feet leased by the Company. Excludes space that is unoccupied, subleased or under construction.

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ITEM 3. LEGAL PROCEEDINGS

The following discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to the Company's legal proceedings described below. Litigation is inherently uncertain and may result in adverse rulings or decisions. Additionally, the Company may enter into settlements or be subject to judgments that may, individually or in the aggregate, have a material adverse effect on the Company's results of operations. Accordingly, actual results could differ materially from those projected in the forward-looking statements.

CLASS ACTIONS

VERITAS/Silver Lake -- Following the Company's announcement of the VERITAS/Silver Lake transaction, a number of stockholders filed lawsuits in both Delaware and California against the Company, the individual members of the Board of Directors and certain executive officers, VERITAS and Silver Lake. Following the announcement, 17 complaints were filed in the Chancery Court of Delaware. On April 18, 2000, those 17 lawsuits were consolidated into one action by the Delaware Chancery Court. On April 19, 2000, plaintiffs filed an amended consolidated complaint. On May 22, 2000, the Delaware Chancery Court certified the Delaware action as a class action. In California, three complaints were filed in Santa Clara County Superior Court and two complaints were filed in Santa Cruz County Superior Court. On June 8, 2000, the defendants filed a Petition for Coordination seeking coordination of the five California actions in a single forum. The complaints in both jurisdictions all essentially allege that the members of the Company's Board of Directors breached their fiduciary duties to the Company's shareholders by entering into the transaction with VERITAS/Silver Lake. The complaints also allege that the directors and executive officers have conflicting financial interests and did not secure the highest possible price for the Company's shares. All the complaints are styled as class actions, and seek to enjoin the transaction with VERITAS/Silver Lake and secure damages from all defendants. None of the defendants has yet responded to the complaints. The Delaware plaintiffs have initiated discovery in preparation for filing a motion for a preliminary injunction. The Company and the individual defendants believe that none of the lawsuits has any merit and intend to defend all these claims vigorously.

INTELLECTUAL PROPERTY LITIGATION

Papst Licensing, GmbH -- Papst has given the Company notice that it believes certain former Conner Peripherals, Inc. disc drives infringe several of its patents covering the use of spindle motors in disc drives. Papst further claims that, post merger, Seagate disc drives designed at the Longmont design center infringe Papst patents. It is the opinion of the Company's patent counsel that the former Conner disc drives do not infringe any valid claims of the patents. The Company also believes that subsequent to the merger with Conner, the Company's earlier paid-up license under Papst's patents extinguishes any ongoing liability. The Company also believes it enjoys the benefit of a license under Papst's patents since Papst Licensing had granted a license to motor vendors of Conner. Papst is currently involved in litigation with other disc drive and disc drive motor manufacturers. The Company believes this matter is without merit and intends to defend it vigorously.

TeraStor/Maxoptix -- In November 1997, TeraStor Corporation ("TeraStor") filed a cross-complaint against the Company in an action pending in the Superior Court of California, County of Santa Clara entitled Maxoptix Corporation v. TeraStor Corporation and Gordon Knight. The cross-complaint alleges causes of action against the Company for unfair business practices, misappropriation of trade secrets, attempted monopolization, refusal to deal, breach of contract, specific performance, breach of the covenant of good faith and fair dealing, fraud, negligent misrepresentation, intentional interference with prospective economic advantage and negligent interference with prospective economic advantage. The allegations against the Company arose out of the Company's dealings with TeraStor pursuant to a joint development agreement concerning the development of magneto optical recording heads. In December 1997 TeraStor sought a preliminary injunction against the Company seeking to prevent certain Company employees who formerly worked with TeraStor under the joint development agreement from engaging in work related to the Company's Quinta subsidiary. In January 1998 the Court denied TeraStor's motion for injunctive relief. The

Company has asserted cross-claims against TeraStor for trade secret misappropriation, fraud, negligent misrepresentation, breach of contract, declaratory relief, rescission, violation of Business & Professions Code Section 17200, common law unfair competition, intentional interference with contractual relations, negligent interference with contractual relations, and inducing breach of fiduciary duty. The Company also filed claims against Rick Wilmer and Amyl Ahola, two former Seagate employees employed by TeraStor, for breach of contract and breach of fiduciary duty. Trial is currently set to begin on September 18, 2000. On June 28, 2000, the parties reached agreements during settlement mediation that would resolve the litigation. Related settlement costs

were recorded as of June 30, 2000.

Convolve, Inc. -- On July 13, 2000, Convolve, Inc. ("Convolve"), and Massachusetts Institute of Technology filed suit against Compaq Computer Corporation and the Company in federal court in New York, alleging patent infringement, misappropriation of trade secrets, breach of contract, tortious interference with contract and fraud, relating to Convolve's Input Shaping(R) and Quick and Quiet(TM) technology. Plaintiffs claim their technology is incorporated in the Company's sound barrier technology, which was announced on June 7, 2000. The complaint seeks injunctive relief and \$800 million in damages. Plaintiffs moved for expedited discovery, which was denied by the court. The court ordered plaintiffs to identify their trade secrets to defendants before discovery can begin. The Company answered the complaint on August 2, 2000 and filed cross-claims for declaratory judgment that two Convolve patents are invalid and not infringed and that the Company owns any intellectual property based upon any information the Company disclosed to Convolve. Convolve served a trade secrets disclosure on August 4, 2000. The Company believes this matter is without merit and intends to defend it vigorously.

OTHER MATTERS

The Company is involved in a number of other judicial and administrative proceedings incidental to its business. Although occasional adverse decisions (or settlements) may occur, the Company believes that the final disposition of such matters will not have a material adverse effect on the Company's financial position or results of operations.

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

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock trades on the New York Stock Exchange under the symbol "SEG." The price range per share, included in Part II, Item 6 of this Report, is the highest and lowest sale prices for the Company's common stock as reported by the New York Stock Exchange during each quarter. The Company's present policy is to retain its earnings to finance future growth. The Company has never paid cash dividends and has no present intention to pay cash dividends. At June 30, 2000, there were approximately 5,700 stockholders of record of the Company's common stock. As of August 14, 2000, the closing price of the Company's common stock as reported on the New York Stock Exchange was \$49 13/16 per share.

ITEM 6. SELECTED FINANCIAL DATA

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED				
	JUNE 30, 2000	JULY 2, 1999	JULY 3, 1998	JUNE 27, 1997	JUNE 28, 1996
	(IN MILLIONS, EXCEPT PER SHARE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
Revenue.....	\$6,448	\$6,802	\$6,819	\$8,940	\$8,588
Gross margin.....	1,254	1,552	989	2,022	1,581
Income (loss) from operations.....	(561)	258	(686)	858	287
Gain on contribution of NSMG to VERITAS, net.....	--	1,670	--	--	--
Gain on sale of VERITAS common stock.....	537	--	--	--	--
Gain on sale of SanDisk common stock.....	679	--	--	--	--
Gain on exchange of certain investments in equity securities.....	231	--	--	--	--
Net income (loss).....	310	1,176	(530)	658	213
Net income (loss) per share:*					
Basic.....	1.41	4.99	(2.20)	2.84	1.07
Diluted.....	1.35	4.54	(2.20)	2.62	.96
Total assets.....	7,167	7,072	5,645	6,723	5,240
Long-term debt, less current portion.....	703	703	704	702	798
Stockholders' equity.....	\$3,847	\$3,563	\$2,937	\$3,476	\$2,466
Number of shares used in per share computations:*					
Basic.....	219.4	235.8	241.3	231.5	198.7
Diluted.....	229.5	242.5	241.3	257.3	237.4

</TABLE>

* See (1) in Note 2, Net Income Per Share, of notes to consolidated financial statements.

Year Ended in 2000

Includes a \$207 million net restructuring charge, a \$326 million charge related to the Company's equity interest in VERITAS, a \$105 million write-off of in-process research and development incurred primarily in connection with the acquisition of XIOTech Corporation ("XIOTech"), a \$64 million charge for various legal settlements, a \$286 million compensation charge for the reorganization of Seagate Software, and a \$28 million charge related to employee separations.

Year Ended in 1999

Includes a \$119 million charge related to the Company's equity investment in VERITAS, a \$78 million charge for an amendment to the purchase agreement for the August 1997 acquisition of Quinta Corporation ("Quinta"), and a \$60 million net restructuring charge.

Year Ended in 1998

Includes a \$347 million restructuring charge, a \$223 million write-off of in-process research and development costs, a \$76 million charge for mark-to-market adjustments on certain of the Company's foreign

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currency forward exchange contracts and a \$22 million reduction in the charge recorded in 1997 as a result of the adverse judgment in the Amstrad PLC.

Year Ended in 1997

Includes a \$153 million charge as a result of the adverse judgment in the Amstrad PLC litigation.

Year Ended in 1996

Includes a \$242 million restructuring charge and a \$99 million write-off of in-process research and development costs.

Prior periods have been restated to reflect the adoption of Statement of Financial Accounting Standards No. 128 "Earnings Per Share," adopted in the second quarter of fiscal 1998.

<TABLE>
<CAPTION>

	QUARTERLY/FISCAL 2000			
	1ST	2ND	3RD	4TH
	(UNAUDITED)			
	(IN MILLIONS EXCEPT PER SHARE DATA)			
<S>	<C>	<C>	<C>	<C>
Revenue.....	\$1,682	\$ 1,645	\$ 1,573	\$1,548
Gross margin.....	278	311	328	337
Loss from operations.....	(101)	(316)	(108)	(36)
Net income (loss).....	2	(58)	136	230
Net income (loss) per share:				
Basic.....	0.01	(0.27)	0.61	1.02
Diluted.....	0.01	(0.27)	0.58	0.96
Price range per share:				
Low.....	\$25 1/8	\$26 9/16	\$38 7/8	\$35 3/4
High.....	\$36 7/8	\$48 13/16	\$ 76	\$66 1/2

</TABLE>

The results for the first quarter include a \$193 million net gain on the sale of VERITAS common stock, a \$112 million restructuring charge, and a \$99 million charge related to the Company's equity interest in VERITAS.

The results for the second quarter include a \$344 million net gain on the sale of VERITAS common stock, a \$62 million net gain on the sale of SanDisk Corporation ("SanDisk") common stock, a \$286 million compensation charge related to the reorganization of Seagate Software, a \$39 million charge related to legal settlements, a \$23 million restructuring charge, and a \$84 million charge related to the Company's equity interest in VERITAS.

The results for the third quarter include a \$453 million net gain on the sale of SanDisk common stock, a \$49 million restructuring charge, a \$105 million write-off of in-process research and development in connection with the acquisition of XIOTech, and a \$74 million charge related to the Company's equity interest in VERITAS.

The results for the fourth quarter include a \$164 million net gain on the sale of SanDisk common stock, \$231 million in gains on the exchange of certain investments in equity securities, a \$23 million restructuring

charge, a \$26 million charge related to employee separations, a \$25 million charge related to legal settlements, and a \$69 million charge related to the Company's equity interest in VERITAS.

<TABLE>
<CAPTION>

	QUARTERLY/FISCAL 1999			
	1ST	2ND	3RD	4TH
	(UNAUDITED)			
	(IN MILLIONS EXCEPT PER SHARE DATA)			
<S>	<C>	<C>	<C>	<C>
Revenue.....	\$1,553	\$ 1,801	\$1,805	\$1,643
Gross margin.....	321	428	434	369
Income (loss) from operations.....	(37)	126	87	84
Net income (loss).....	(30)	104	82	1,020
Net income (loss) per share:*				
Basic.....	(.12)	.43	.35	4.57
Diluted.....	(.12)	.42	.34	4.11
Price range per share:				
Low.....	\$ 16 1/8	\$ 19 13/16	\$25 5/8	\$25 5/8
High.....	\$ 27 3/8	\$ 34 1/2	\$44 1/4	\$33 1/2

</TABLE>

* See (1) in Note 2, Net Income Per Share, of notes to consolidated financial statements.

The results for the first quarter include a \$78 million charge in connection with an amendment to the purchase agreement for the August 1997 acquisition of Quinta Corporation and a \$7 million charge in connection with the separation agreement with the Company's former Chief Executive Officer.

The results for the third quarter include a \$72 million restructuring charge and the reversal of fiscal 1998 restructuring charges of \$12 million.

The results for the fourth quarter include a \$1.670 billion net gain on the contribution of NSMG to VERITAS, and a \$119 million charge related to the Company's equity investment in VERITAS.

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

The following discussion should be read in conjunction with the five-year summary of selected financial data in Item 6 of this Report and the Company's consolidated financial statements and the notes thereto in Item 8 of this Report. All references to years represent fiscal years unless otherwise noted.

CERTAIN FORWARD-LOOKING INFORMATION

Certain statements in this Management's Discussion and Analysis ("MD&A"), and elsewhere in this Annual Report on Form 10-K for the fiscal year ended June 30, 2000 are forward-looking statements based on current expectations, and entail various risks and uncertainties that could cause actual results to differ materially from those projected in such forward-looking statements. Certain of these risks and uncertainties are set forth below under "Factors Affecting Future Operating Results," elsewhere in this MD&A and elsewhere in this Annual Report on Form 10-K. These forward-looking statements include the statements relating to users' increasing reliance upon client/server network computing environments and their demands for software that more efficiently stores and manages data in the third paragraph under "Overview", the statements regarding the release dates of next generation products of XIOTech in the seventh paragraph under "Overview", the statements relating to the Stock Purchase Agreement and the Merger Agreement under "Overview", the statements regarding the timing of the closing of the VERITAS/Silver Lake transaction and the dependence of the future value of Seagate common stock on the value of VERITAS common stock in the final paragraph of "Overview", the statements relating to continued price erosion in the first paragraph under "Results of Operations -- 2000 vs 1999," the statements relating to amortization charges for goodwill and other intangibles associated with the acquisition of XIOTech in the sixth paragraph under "Results of Operations -- 2000 vs 1999," the statements relating to restructuring activities in the seventh paragraph under "Results of Operations -- 2000 vs 1999," the statements regarding capital expenditures in the third paragraph under "Liquidity and Capital Resources," the statements regarding the sufficiency of the Company's resources

in the fifth paragraph under "Liquidity and Capital Resources," and the statements under "Factors Affecting Future Operating Results," among others.

OVERVIEW

Seagate designs, manufactures and markets products for storage, retrieval and management of data on computer and data communications systems. These products include disc drives, tape drives and software. Seagate designs, manufactures and markets a broad line of rigid magnetic disc drives for use in computer systems ranging from desktop personal computers to workstations and supercomputers, as well as in multimedia applications. The Company sells its products to original equipment manufacturers for inclusion in their computer systems or subsystems, and to distributors who typically sell to small OEMs, dealers, system integrators and other resellers. In addition, the Company markets a broad line of Travan and Digital Audio Tape ("DAT") products. These products are dedicated back-up storage peripherals designed to meet the needs of market sectors ranging from desktop PCs to midrange servers.

The Company has pursued a strategy of vertical integration and accordingly designs and manufactures rigid disc drive components including recording heads, discs, disc substrates and motors. It also assembles certain of the key subassemblies for use in its products including printed circuit board and head stack assemblies.

As an extension of our core rigid disc drive business and to address Internet and e-commerce driven growth opportunities, we announced the formation of our Intelligent Storage Platforms group in May 1999. The Intelligent Storage Platforms group develops products for new network devices, the Internet, high performance servers and other information-centric computing applications. These solutions combine hardware, software and services to provide new products for Seagate's existing OEM and strategic distributor customer base and address the needs of emerging markets for storage and storage-related applications. In fiscal year 2000, the Intelligent Storage Platforms group was renamed and consolidated with some other business units of Seagate to form the Internet Solutions Group. In January 2000, Seagate strengthened its capabilities in intelligent storage solutions by acquiring XIOTech Corporation, a privately-held provider of storage area network products.

The Company has also identified an opportunity for use of its products in consumer applications and in fiscal 2000 began developing products for storage intensive consumer applications by combining Seagate's expertise in storage technology with the development of core competencies in audio/visual ("A/V") recording, home networking, satellite and cable communications. Seagate has shipped more than 200,000 rigid disc drives for personal video recorder products. In July 2000, Seagate and Thomson Multimedia formed an independent company called CacheVision. CacheVision brings together the Company's product development activities and Thomson Multimedia's A/V technologies expertise and marketing presence to develop cost-optimized, time-to-market integrated systems to be incorporated into consumer electronic products such as televisions, set-top boxes, personal video recorders and DVD players. The Company expects to sell rigid disc drive products to CacheVision as an OEM customer.

The Company has also invested in, and intends to continue investigating opportunities to invest in software activities. The Company anticipates that users of computer systems will increasingly rely upon client/server network computing environments and believes that as this reliance increases, users will demand software that more efficiently and securely stores, manages, and accesses data and transforms it into usable information. As such, the Company has broadened its core competencies to include software products and technologies to meet these requirements.

On May 28, 1999, the Company completed the contribution of its Network and Storage Management Group ("NSMG") software business to VERITAS. As part of the NSMG contribution to VERITAS, the Company received an equity position in VERITAS. The Company retained ownership of its Seagate Software Information Management Group, Inc. ("IMG") subsidiary. IMG includes Crystal Services, Inc., and Holistic Systems, Ltd. and offers business intelligence software solutions. IMG's products include features such as query and reporting, automated report scheduling and distribution, information delivery across the World Wide Web, OLAP, forecasting, statistical analysis, discovery and data mining. IMG's primary products are Seagate Crystal Reports, Seagate Crystal Info and Seagate Holos.

BUSINESS COMBINATIONS

The Company has a history of business combinations and during the three most recent fiscal years these included the acquisition of XIOTech in fiscal 2000, the contribution of NSMG to VERITAS in fiscal 1999 and the acquisitions of Quinta Corporation and Eastman Storage Software Management Group in fiscal 1998.

In connection with certain business combinations, the Company has recognized significant write-offs of in-process research and development. The completion of the underlying in-process projects acquired within each business combination was the most significant and uncertain assumption utilized in the valuation analysis of the in-process research and development. Such uncertainties could give rise to unforeseen budget over runs and/or revenue shortfalls in the event that the Company is unable to successfully complete a certain R&D project. The Company is primarily responsible for estimating the fair value of the purchased R&D in all business combinations accounted for under the purchase method. The nature of research and development projects acquired, the estimated time and costs to complete the projects and significant risks associated with the projects are described below.

XIOtech Corporation

XIOtech was acquired in January 2000. XIOtech designs, manufactures and markets a centralized data storage system. This system is based on an exclusive set of sophisticated data management and data movement tools. It offers storage virtualization, multi-node server clustering, and zero backup window solutions. The main component of the system is MAGNITUDE, a fully implemented SAN. MAGNITUDE is sold in a cabinet containing software-based architecture that allows the incorporation of all of the components of a SAN in one centralized configuration. XIOtech also designs, develops and produces software, namely the REDI suite of software, which runs MAGNITUDE's software based architecture. The REDI software suite is application specific and gives customers the capability of better managing their data. XIOtech is currently developing the next generation technologies for both products, named Thunderbolt and REDI 7.0, respectively.

At the time of completing the XIOtech acquisition, the Company estimated the cost to complete both Thunderbolt and REDI 7.0 at approximately \$1 million. The anticipated release date for the Thunderbolt is the first half of fiscal 2001 and the third quarter of fiscal 2001 for the REDI 7.0.

Contribution of NSMG to VERITAS

On May 28, 1999, Seagate and Seagate Software Holdings, Inc. ("Seagate Software") closed and consummated an Agreement and Plan of Reorganization dated as of October 5, 1998 with VERITAS and VERITAS Operating Corporation. The transaction provided for the contribution by Seagate, Seagate Software, and certain of their respective subsidiaries to VERITAS of (a) the outstanding stock of NSMG and certain other subsidiaries of Seagate Software and (b) those assets used primarily in the NSMG business of Seagate Software, in consideration for the issuance of shares of common stock of VERITAS to Seagate Software and the offer by VERITAS to grant options to purchase common stock of VERITAS to certain of Seagate Software's employees who become employees of VERITAS or its subsidiaries. As part of the transaction, VERITAS assumed certain liabilities of the NSMG business. The transaction was structured to qualify as a tax-free exchange.

Subsequent to the transaction, all outstanding securities of VERITAS Operating Corporation were assumed and converted into common stock of VERITAS with identical rights, preferences and privileges, on a share for share basis. As a result of the contribution of the NSMG business to VERITAS, Seagate Software received a total of 155,583,468 shares of VERITAS common stock and former employees of the NSMG business received options to purchase an aggregate of 15,626,358 shares of VERITAS common stock. Share and option amounts for VERITAS have been adjusted to reflect the two-for-one stock split effective July 9, 1999 by VERITAS, and the subsequent three-for-two stock splits on November 22, 1999 and March 6, 2000.

Seagate accounted for the contribution of NSMG to VERITAS as a non-monetary transaction using the fair value of the assets and liabilities exchanged. Immediately after the transaction, Seagate Software owned approximately 41.63% (155,583,468) of the outstanding shares of VERITAS. Because Seagate still owns a

portion of the NSMG business through its ownership of VERITAS, Seagate did not recognize 100% of the gain on the exchange. The gain recorded is equal to the difference between 58.37% of the fair value of the VERITAS common stock received and 58.37% of Seagate's basis in the NSMG assets and liabilities exchanged. Seagate is accounting for its ongoing investment in VERITAS using the equity method. The difference between the recorded amount of Seagate's investment in VERITAS and the amount of its underlying equity in the net assets of VERITAS was allocated based upon the fair value of the underlying tangible and intangible assets and liabilities of VERITAS. The intangible assets included amounts allocated to in-process research and development and resulted in a \$85 million write-off in 1999 included in activity related to equity interest in VERITAS in the accompanying statement of operations. Intangible assets including goodwill are being amortized over four years.

Seagate includes in its financial results its share of the net income or loss of VERITAS, excluding certain NSMG purchase accounting related amounts recorded by VERITAS, but including Seagate's amortization of the difference between its recorded investment and the underlying assets and liabilities of VERITAS. Because of practicality considerations, the net income or loss of VERITAS is included in the results of Seagate on a one quarter lag basis. Thus, the results of VERITAS for the period from May 29, 1999 to June 30, 1999, the period subsequent to the contribution of NSMG to VERITAS, and for the period from July 1, 1999 through March 31, 2000 were included in the Company's results for the fiscal year ended June 30, 2000. The Company eliminates from VERITAS' income (loss) the effect of VERITAS' accounting for the NSMG business contribution, including VERITAS' amortization expenses related to intangible assets. Excluding amortization of intangibles, the total equity income recorded by Seagate related to VERITAS in fiscal 2000 was \$30 million.

In a separate but related transaction to the NSMG contribution to VERITAS, on June 9, 1999, the Company exchanged 5,275,772 shares of its common stock for 3,267,255 of the outstanding shares of Seagate Software common stock owned by employees, directors and consultants of Seagate Software. The exchange ratio was determined based on the estimated value of Seagate Software common stock divided by the fair market value of Seagate common stock.

The estimated value of Seagate Software common stock exchanged into Seagate common stock was determined based upon the sum of the fair value of the NSMG business, as measured by the fair value of the shares received from VERITAS, plus the estimated fair value of the Information Management Group of Seagate Software as determined by the Seagate Board of Directors, plus the assumed proceeds from the exercise of all outstanding Seagate Software stock options, divided by the number of fully converted shares of Seagate Software. The Board of Directors of Seagate considered a number of factors in determining the estimated fair value of the IMG business, including historical and projected revenues, earnings and cash flows, as well as other factors and consultations with financial advisors.

The fair value of the Seagate Software shares acquired less the original purchase price paid by the employees was recorded as compensation expense for those shares outstanding and vested less than six months. The purchase of Seagate Software shares outstanding and vested more than six months was accounted for as the purchase of a minority interest and, accordingly, the fair value of the shares exchanged has been allocated to all of the identifiable tangible and intangible assets and liabilities of Seagate Software. In connection with the acquisition, Seagate Software recorded the acquisition of the minority interest, Seagate recorded compensation expense amounting to approximately \$124 million and wrote off purchased research and development amounting to \$2 million in the fourth quarter of fiscal 1999. Associated intangible assets and goodwill are being amortized to operations over three to four years.

The value allocated to projects identified as in-process technology at VERITAS and Seagate Software, for the minority interest acquired, were charged to expense in the fourth quarter of fiscal 1999. These write-offs were necessary because the acquired technologies had not reached technological feasibility at the date of purchase and have no future alternative uses. Seagate Software expects that the acquired in-process research and development will be successfully developed, but there can be no assurance that commercial viability of these products will be achieved.

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The nature of the efforts required to develop the purchased in-process technology into commercially viable products principally relate to the completion of all planning, designing, prototyping, verification and testing activities that are necessary to establish that the product can be produced to meet its design specifications, including functions, features and technical performance requirements. The value of the purchased in-process technology for VERITAS was estimated as the projected net cash flows related to such products, including costs to complete the development of the technology and the future revenues to be earned upon commercialization of the products, excluding revenues attributable to future development efforts. These cash flows were then discounted back to their net present value. The projected net cash flows from such projects were based on management's estimates of revenues and operating profits related to such projects.

As of the date of the contribution of NSMG to VERITAS, Seagate Software's management and VERITAS' management anticipated the costs to complete the in-process technologies at approximately \$5.8 million and \$44.2 million, respectively.

Quinta

Quinta's research and development efforts revolve around Optically Assisted Winchester ("OAW") technology. OAW refers to Quinta's newly designed recording

technology that, upon completion, would be implemented into Winchester hard disc drives. OAW combines traditional magnetic recording technology with Winchester hard disc drives and optical recording capabilities; optical recording technology enables greater data storage capacity. By integrating advanced optical features along with a highly fine and sophisticated tracking and delivery system within the head design, OAW would multiply the areal density of disc drives.

Through August 8, 1997, the acquisition date, Quinta had demonstrated significant achievements in developing its technology. However, further technological milestones were required before technological feasibility could be achieved. Quinta's development process consists of the following development milestones: (i) route light (optical fiber), (ii) flying head use, (iii) recording media, (iv) mirror creation and demonstration (two stage servo), (v) complete assembly, (vi) form factor containment, (vii) design verification test, (viii) customer qualification, and (ix) delivery. Future products were expected to include fixed and removable drives and cartridges. Seagate expected to introduce products incorporating Quinta's OAW technology within 12 months of the acquisition date.

At the time of completing the Quinta acquisition, the Company estimated that additional R&D spending of \$9.4 million and \$3.9 million in fiscal 1998 and 1999, respectively, would be required to complete the project. Since that time, Seagate has redirected its efforts so that the Company is focused less on the development of a specific product and more on the advancement of optical technology in general. As such, the spending elements associated with the development of optical technology are embedded in the R&D budgets of the Company's product design centers and component technology organizations.

At the present time the Company has no immediate plans to release a storage device which makes specific use of Quinta's OAW technology. Delay in releasing such a storage device is not expected to materially affect the Company's future earnings.

SEAGATE SOFTWARE REORGANIZATION

On October 20, 1999, the stockholders of Seagate Software, then a majority-owned subsidiary of the Company, approved the merger of Seagate Daylight Merger Corp., a wholly-owned subsidiary of the Company, with and into Seagate Software. Seagate Software's assets consisted of the assets of IMG and its investment in the common stock of VERITAS. The merger was effected on October 20, 1999. As a result of the merger, Seagate Software became a wholly-owned subsidiary of the Company. In connection with the merger, Seagate Software's stockholders and optionees received payment in the form of 3.23 shares of the Company's common stock per share of Seagate Software common stock less any amounts due for the payment of the exercise price for such options. All outstanding Seagate Software stock options were accelerated immediately prior to the merger. Seagate issued 9,124,046 shares of its common stock from treasury shares to optionees and minority stockholders of Seagate Software.

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In connection with the reorganization, Seagate Software also formed IMG, a wholly-owned subsidiary. Seagate Software transferred the IMG assets into IMG. This new company, IMG, is now the operating entity for the IMG business. IMG has established stock option plans. Total shares available for issuance under these plans are 22,700,000. As of June 30, 2000, IMG had granted 9,501,899 options to purchase common stock to employees of IMG at an average exercise price of \$4 per share, and 1,050 shares had been exercised.

Seagate Software accounted for the exchange of shares of its common stock as the acquisition of a minority interest for Seagate Software common stock outstanding and vested more than six months held by employees and all stock held by former employees and consultants. The fair value of the shares of Seagate issued was \$19 million and was recorded as purchase price and allocated to the assets and liabilities received. The Company accounted for the exchange of shares of its common stock for stock options in Seagate Software held by employees and stock held and vested by employees less than six months as the settlement of an earlier stock award. During the quarter ended December 31, 1999, the Company recorded compensation expense of \$284 million, plus \$2 million in payroll taxes, related to the purchase of minority interest in Seagate Software.

PENDING GOING PRIVATE TRANSACTION AND MERGER

On March 29, 2000, Seagate, Seagate Software, a subsidiary of Seagate, and Suez Acquisition Company (Cayman) Limited ("SAC"), an entity affiliated with, among others, Silver Lake Partners and Texas Pacific Group, entered into a Stock Purchase Agreement (the "Stock Purchase Agreement"), and Seagate, VERITAS Software Corporation ("VERITAS") and a wholly owned subsidiary of VERITAS entered into an Agreement and Plan of Merger and Reorganization (the "Merger Agreement").

Under the Stock Purchase Agreement, SAC has agreed to purchase for cash, all of the operating assets of Seagate and its consolidated subsidiaries, including Seagate's disc drive, tape drive and software businesses and operations and certain cash reserves, but excluding the approximately 128 million shares of VERITAS common stock currently held by Seagate Software and Seagate's equity investments in Gadzoox Networks, Inc., SanDisk Corporation, Veeco Instruments, Inc. and Lernout & Hauspie Speech Products N.V., to the extent held at the closing. In addition, under the Stock Purchase Agreement, SAC has agreed to assume substantially all of the operating liabilities of Seagate and its consolidated subsidiaries. This transaction is referred to herein as the SAC transaction.

Under the Merger Agreement, immediately following and contingent upon the consummation of the SAC transaction, a wholly-owned subsidiary of VERITAS will merge with and into Seagate, with Seagate to survive the merger and to become a wholly-owned subsidiary of VERITAS. This transaction is referred to herein as the Merger. VERITAS is not acquiring Seagate's disc drive business or any other Seagate operating business. In the Merger, the Seagate stockholders will receive merger consideration consisting of VERITAS common stock and cash. The Merger is intended to qualify as a tax-free reorganization.

On March 29, 2000, Seagate, VERITAS and SAC entered into an Indemnification Agreement, pursuant to which these entities and certain other subsidiaries of Seagate have agreed to certain indemnification provisions regarding tax and other matters that may arise in connection with the SAC transaction and the Merger. Also on March 29, 2000, VERITAS and SAC entered into a letter agreement, pursuant to which VERITAS agreed to a no-shop provision and an alternative termination fee provision.

All of the transactions contemplated by the SAC transaction and the Merger are herein referred to as the VERITAS/Silver Lake transaction. The VERITAS/Silver Lake transaction is expected to close in the second quarter of fiscal 2001, subject to the approval of the VERITAS stockholders and Seagate stockholders, funding of the debt commitments and clearance by the United States Securities and Exchange Commission, as well as other customary closing conditions. Seagate expects that while the VERITAS/Silver Lake transaction is pending, the value of Seagate common stock will depend primarily on the value of VERITAS common stock.

RESULTS OF OPERATIONS

The following table sets forth certain items in the Company's Consolidated Statements of Operations as a percentage of revenue for each of the three years in the period ended June 30, 2000.

<TABLE>
<CAPTION>

	PERCENTAGE OF REVENUE		
	2000	1999	1998
<S>	<C>	<C>	<C>
Revenue.....	100%	100%	100%
Cost of sales.....	81	77	85
Gross margin.....	19	23	15
Product development.....	9	9	9
Marketing and administrative.....	8	8	7
Amortization of goodwill and other intangibles.....	1	--	1
In-process research and development.....	2	--	3
Restructuring.....	3	1	5
Unusual items.....	5	1	--
Income (loss) from operations.....	(9)	4	(10)
Other income, net.....	18	23	--
Income (loss) before income taxes.....	9	27	(10)
Benefit (provision) for income taxes.....	(4)	(10)	2
Net income (loss).....	5%	17%	(8)%

</TABLE>

2000 vs 1999 -- Revenue in fiscal 2000 was \$6.448 billion, 5% lower than revenue in fiscal 1999. The decrease in revenue from the prior year was due primarily to a continuing decline in the average unit sales prices of the Company's products as a result of intensely competitive market conditions and a shift in mix away from the Company's higher priced products. The decrease in average unit sales price and effect of mix on revenue was partially offset by a

higher level of unit shipments, an increase of 28% as compared to fiscal 1999. The Company's overall average unit sales price on its disc drive products was \$160, \$148, \$140, and \$140 for the four quarters of fiscal 2000, respectively. Average price erosion from fiscal 1999 to fiscal 2000 was approximately 23%. The Company expects that price erosion in the data storage industry will continue for the foreseeable future. This competition and continuing price erosion may adversely affect the Company's results of operations in any given quarter and such an adverse effect often cannot be anticipated until late in any given quarter.

The decrease in gross margin as a percentage of revenue from the prior year was primarily due to the Company's contribution of NSMG to VERITAS on May 28, 1999. Excluding NSMG, the Company's gross margin would have been 21% for fiscal 1999. In addition, the decrease in gross margin as a percentage of revenue from the prior year was a result of price erosion due to intense price competition, as discussed in the paragraph above. This decrease was partially offset by cost savings as a result of the Company's restructuring activities and its program to implement operational efficiencies. These efficiencies include implementation of advanced manufacturing processes resulting in lower average unit costs per disc drive produced.

Product development expenses increased by \$6 million (1%) compared with fiscal 1999, primarily due to increases of \$22 million in salaries and related costs, \$12 million in depreciation and \$11 million in occupancy costs. These expenses were substantially offset by decreases of \$33 million in product development expenses related to the NSMG business, \$4 million in equipment expense and \$3 million in recruitment and relocation costs.

Marketing and administrative expenses decreased by \$19 million (4%) compared with fiscal 1999, primarily due to decreases of \$96 million in marketing and administrative expenses related to the NSMG business and \$23 million in advertising and promotion expenses. These decreases were partially offset by increases of \$36 million in salaries and related costs, \$30 million in outside services, \$23 million in the provision for bad debts, and \$11 million in marketing and administrative expenses related to the Company's IMG business software products and services.

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Amortization of goodwill and other intangibles increased by \$12 million (31%) compared with fiscal 1999, primarily due to additional amortization of \$15 million related to goodwill and intangibles arising from the acquisition of XIOTech partially offset by \$3 million in write-offs, in fiscal 1999, of certain intangible assets, related to past acquisitions of companies, whose value had become permanently impaired.

On January 28, 2000, the Company acquired XIOTech, a provider of virtual storage and SAN solutions, for 8,031,804 shares of Seagate common stock, issued from treasury shares, and options, with a combined fair value of \$359 million. This acquisition was accounted for as a purchase and, accordingly, the results of operations of XIOTech have been included in the consolidated financial statements from the date of acquisition. The purchase price has been allocated based on the estimated fair value of net tangible and intangible assets acquired as well as in-process research and development costs. As a result of the acquisition, the Company incurred a one-time write-off of in-process research and development of \$105 million. Goodwill and other intangibles arising from the acquisition are being amortized on a straight-line basis over periods ranging from four months to seven years. Amortization of goodwill and other intangibles was \$20 million in fiscal 2000 (including \$4 million for developed technology included in cost of sales) and is expected to be approximately \$40 million per year in subsequent years (including \$8 million for developed technology included in cost of sales). XIOTech's revenue and expenses are immaterial to the Company's consolidated revenue and expenses.

In fiscal 2000, the Company recorded restructuring charges of \$218 million, net of \$2 million of reversals of amounts recorded in the same period, \$5 million of restructuring accruals recorded in fiscal 1999 and \$4 million of restructuring accruals recorded in fiscal 1998, resulting in a net restructuring charge of \$207 million. The \$218 million restructuring charge was a result of a restructuring plan established to align the Company's global workforce and manufacturing capacity with existing and anticipated future market requirements and necessitated by the Company's improved productivity and operating efficiencies (the "fiscal 2000 restructuring plan"). These actions include workforce reductions, capacity reductions including closure of facilities or portions of facilities, write-off of excess equipment and consolidation of operations in the Company's recording media operations, disc drive assembly and test facilities, printed circuit board assembly manufacturing, recording head operations, software operations, customer service operations, sales and marketing activities, and research and development activities. In connection with the fiscal 2000 restructuring plan, the Company plans to reduce its workforce by approximately 23,000 employees primarily in manufacturing. Approximately 18,300 of the 23,000 employees had been terminated as of June 30,

2000. As a result of employee terminations and the write-off of equipment and facilities in connection with the restructuring charges recorded during the year ended June 30, 2000 related to the fiscal 2000 restructuring plan, the Company estimates that after the completion of these restructuring activities, annual salary and depreciation expense will be reduced by approximately \$151 million and \$88 million, respectively. The Company anticipates that the implementation of the fiscal 2000 restructuring plan will be substantially complete by December 29, 2000. In connection with the restructuring plan implemented in fiscal 1999, the Company's planned workforce reduction had been completed as of March 31, 2000 and the other restructuring activities were substantially complete as of March 31, 2000.

The \$350 million charge to unusual items in fiscal 2000 consisted of the \$286 million compensation charge related to the reorganization of Seagate Software and the \$64 million charge related to various legal settlements. See Note 6, Seagate Software Reorganization and Note 13, Litigation, of notes to the consolidated financial statements.

Net other income in fiscal 2000 decreased by \$445 million compared with fiscal 1999. The decrease in net other income was primarily due to a gain of \$1.670 billion in fiscal 1999 on the contribution of the Company's NSMG business to VERITAS and an increase of \$207 million in activity related to the Company's equity interest in VERITAS. These decreases were partially offset by gains on the sale of portions of the Company's investments in VERITAS and SanDisk of \$537 million and \$679 million, respectively, in fiscal 2000. Additionally, the Company realized gains on the exchange of certain investments in equity securities totaling \$231 million in the fourth quarter of fiscal 2000.

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The Company recorded a \$299 million provision for income taxes at an effective rate of 49% in fiscal 2000 compared with a \$697 million provision for income taxes at an effective rate of 37% in fiscal 1999. The reduction in the provision for income taxes was primarily due to the loss from operations in fiscal 2000 and a reduction in 2000 in the level of recorded net gains attributable to SanDisk, VERITAS and other equity securities. Excluding the tax effects of net non-deductible charges associated with the acquisition of the minority interest in Seagate Software, the acquisition of XIOTECH, the net gain from the sales of SanDisk and VERITAS common stock and activity related to the Company's equity investment in VERITAS, certain non-recurring restructuring costs, and the effects of the Company's settlement of litigation with Rodime PLC (the "Rodime Settlement"), the pro forma effective tax rate used to record the provision for income taxes for the year ended June 30, 2000 was 28%.

The Company provided income taxes at the U.S. statutory rate of 35% on substantially all of its current year foreign earnings in fiscal 2000 compared with approximately 55% of such earnings in fiscal 1999 due to dividends received by the Company from its foreign subsidiaries. A substantial portion of the Company's Asia Pacific manufacturing operations at plant locations in Singapore, Thailand, Malaysia and China operate under various tax holidays which expire in whole or in part during fiscal 2001 through 2010. The tax holidays had no impact on net income in fiscal 2000. The net impact of these tax holidays was to increase net income by approximately \$35 million (\$.14 per share, diluted) in fiscal 1999.

During fiscal 2000, the Company settled a number of the disputed tax matters reflected in the statutory notices of deficiencies dated June 27, 1997 and June 12, 1998 that were received from the Internal Revenue Service relative to Seagate Technology, Inc.'s taxable years 1991 through 1993 and Conner Peripherals, Inc.'s taxable years 1991 and 1992, respectively. The Company believes that it has meritorious defenses against the remaining asserted deficiencies and that the likely outcome of a re-determination of these asserted deficiencies by the United States Tax Court will not result in an additional provision for income taxes.

1999 vs 1998 -- Revenue in fiscal 1999 was flat when compared to fiscal 1998. A higher level of unit shipments, an increase of 9% as compared to fiscal 1998, combined with a shift in mix to the Company's higher priced products was offset by a continuing decline in the average unit sales prices of the Company's products as a result of intensely competitive market conditions. Revenue decreased to \$1.643 billion in the fourth quarter of fiscal 1999 from \$1.805 billion in the third quarter of fiscal 1999 as a result of price erosion. The Company's overall average unit sales price on its disc drive products was \$194, \$194, \$196 and \$177 for the four quarters of fiscal 1999, respectively. Average price erosion from fiscal 1998 to fiscal 1999 was 9%.

The increase in gross margin as a percentage of revenue from the prior year was primarily due to cost savings as a result of the Company's restructuring activities and an intensive program of cost reduction resulting in lower average unit costs per disc produced. Excluding the gross margin of Seagate Software which subsidiary's products generally have higher gross margins, the Company's gross margins would have been 19% and 11% in fiscal 1999 and fiscal 1998,

respectively.

Product development expenses decreased by \$4 million (1%) compared with fiscal 1998, primarily due to a decrease of \$23 million in occupancy costs, and a \$19 million accrual in fiscal year 1998 for payments to former shareholders of Quinta for achievement of certain product development milestones. These decreases were substantially offset by increases of \$12 million in salaries and related costs, \$12 million in profit sharing accruals and \$11 million in depreciation. The decrease of \$23 million in occupancy costs from the comparable year-ago period was primarily due to the closure of certain of the Company's product design centers pursuant to its January 1998 restructuring plan.

Marketing and administrative expenses increased by \$32 million (6%) compared with fiscal 1998, primarily due to increases of \$28 million related to the Company's software products and services, particularly those of IMG, \$17 million in salaries and related costs, \$8 million in legal settlement expenses, \$7 million in profit sharing accruals and \$6 million in depreciation. These expenses were partially offset by decreases of \$27 million in occupancy costs and \$13 million in advertising and promotion expenses. The decrease of \$27 million in occupancy costs from the comparable year-ago period was primarily due to the closure of certain of the Company's facilities pursuant to its January 1998 restructuring plan.

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Of the \$223 million charge for the write-off of in-process research and development in fiscal 1998, \$214 million was a result of the August 1997 acquisition of Quinta and \$7 million was a result of the June 1998 acquisition of Eastman Storage Software Management Group. See Note 5, Business Combinations, of notes to the consolidated financial statements.

In fiscal 1999, the Company recorded restructuring charges of \$72 million and reversed \$12 million of restructuring accruals recorded in fiscal 1998, resulting in a net restructuring charge of \$60 million. The \$12 million reversal was a result of the Company abandoning its plan to seek an agreement with an external vendor to supply parts currently manufactured at a facility in Thailand. The \$72 million restructuring charge was a result of steps the Company is taking to further improve the efficiency of its operations. These actions included closure of the Company's microchip manufacturing facility in Scotland; discontinuance of the Company's recording head suspension business located in Malaysia and Minnesota; consolidation of global customer service operations by relocating such operations in Singapore, Scotland and Costa Mesa, California to Mexico; and closure of the Company's recording media substrate facility in Mexico. In connection with this restructuring, the Company's workforce was reduced by approximately 1,250 employees. The Company's implementation of the restructuring plan was substantially complete as of March 31, 2000.

The \$78 million charge to unusual items in fiscal 1999 was in connection with an amendment to the purchase agreement for the August 1997 acquisition of Quinta. See Note 5, Business Combinations, of notes to the consolidated financial statements. The \$22 million in income in unusual items in 1998 represents a \$22 million reduction of the \$153 million charge recorded in 1997 to settle a lawsuit against the Company by Amstrad PLC.

Net other income in fiscal 1999 increased by \$1.633 billion compared with fiscal 1998. The increase in net other income was primarily due to the net gain of \$1.670 billion on the contribution of the Company's NSMG business to VERITAS partially offset by the charge related to the Company's equity investment in VERITAS of \$119 million in the fourth quarter of fiscal 1999. The net gain of \$1.670 billion consisted of a gain of \$1.806 billion net of compensation expense of \$124 million and merger-related expenses of \$12 million. In addition, the increase in net other income was due to \$76 million of expenses related to mark-to-market adjustments in fiscal 1998 on certain of the Company's foreign currency forward exchange contracts for the Thai baht and the Malaysian ringgit.

The Company recorded a \$697 million provision for income taxes at an effective rate of 37% in fiscal 1999 compared with a \$174 million benefit for income taxes at an effective rate of 25% in fiscal 1998. The increase in the provision for income taxes was primarily due to income from operations in fiscal 1999 and to income taxes provided on the pre-tax gain of \$1.670 billion recorded on the contribution of the Company's NSMG business to VERITAS. Excluding the effects of the NSMG contribution, the non-deductible charges from the Quinta acquisition and certain non-recurring restructuring costs, the pro forma effective tax rate used to record the provision for income taxes was approximately 28% in fiscal 1999.

The Company provided income taxes at the U.S. statutory rate on approximately 55% of its fiscal 1999 foreign earnings compared with approximately all of such earnings in fiscal 1998. A substantial portion of the Company's Asia Pacific manufacturing operations at plant locations in Singapore, Thailand, Malaysia and China operate under various tax holidays which expire in whole or in part during fiscal 2001 through 2010. The net impact of these tax

holidays was to increase net income by approximately \$35 million (\$.14 per share, diluted) in fiscal 1999. The tax holidays had no impact on the net loss in fiscal 1998.

OTHER

For fiscal 2000, the net gain resulting from the remeasurement of foreign financial statements into U.S. dollars was \$4 million. Such net gains (losses) did not have a significant effect on the results of operations for fiscal 1999 or fiscal 1998. The effect of inflation on operating results for fiscal 2000, 1999 and 1998 has been insignificant. The Company believes this is due to the absence of any significant inflation factors in the industry in which the Company participates.

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Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" is effective for all fiscal quarters beginning after June 15, 2000. This statement establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that derivatives be recognized in the balance sheet at fair value and specifies the accounting for changes in fair value. The Company is in the process of assessing the impact of this pronouncement on its financial statements.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. All registrants are expected to apply the accounting and disclosures described in SAB 101. The Company is still assessing the impact of SAB 101 on its consolidated results of operations, financial position and cash flows. The Company is required to adopt SAB 101 in the fourth quarter of fiscal 2001.

In March 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation -- an Interpretation of APB Opinion No. 25." FIN 44 clarifies the application of APB Opinion No. 25 and, among other issues, clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a noncompensatory plan; the accounting consequence of various modifications to the terms of the previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000. The Company is still assessing the impact of FIN 44 on its consolidated results of operations, financial position, and cash flows.

The Company records unrealized gains and losses on the mark-to-market of its investments as a component of accumulated other comprehensive income. As of June 30, 2000 and July 2, 1999, total accumulated other comprehensive income (loss) was \$86 million and \$(7) million, respectively. During fiscal 2000, several marketable equity securities held by the Company including SanDisk Corporation, Gadzoox Networks, Inc., Veeco Instruments, Inc., and Lernout & Hauspie Speech Products N.V. were included in this mark-to-market calculation resulting in a \$95 million unrealized gain, net of taxes. No such similar amounts were recorded in fiscal 1999. Such investments are subject to changes in valuation based upon the market price of their common stock. Between June 30, 2000 and August 9, 2000, these investments, excluding the investment in SanDisk which was sold during the same period, had temporarily decreased in fair value by \$56 million, net of taxes. In July 2000, the Company sold its remaining investment in SanDisk for net proceeds of approximately \$105 million.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2000, the Company's cash, cash equivalents and short-term investments totaled \$2.015 billion, an increase of \$392 million from the prior year-end balances. This increase was primarily a result of proceeds from sales of VERITAS and SanDisk common stock of \$834 million and \$680 million, respectively, \$192 million from sales of the Company's common stock, and net cash provided by operating activities. However, this increase was partially offset by expenditures of \$580 million for property, equipment and leasehold improvements and the repurchase of approximately 25 million shares of the Company's common stock for \$776 million. The Company's cash and cash equivalents are maintained in highly liquid investments with remaining maturities of 90 days or less at the time of purchase, while its short-term investments primarily consist of readily marketable debt securities with remaining maturities of more than 90 days at the time of purchase.

As of June 30, 2000, the Company had committed lines of credit of \$86 million that can be used for standby letters of credit or bankers' guarantees. At June 30, 2000, \$57 million of these lines of credit were utilized. In addition, the Company has a \$300 million credit facility that can be used for borrowings. As of June 30, 2000 this facility was unutilized.

The Company made investments in property and equipment in fiscal 2000 totaling \$623 million. This amount comprised \$241 million for manufacturing facilities and equipment for the recording head operations in the United States, Northern Ireland, Thailand and Malaysia; \$289 million for manufacturing facilities and

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equipment related to the Company's subassembly and disc drive final assembly and test facilities in the United States, Asia Pacific and the United Kingdom; \$86 million for expansion of the Company's thin-film media operations in the United States, Singapore, Northern Ireland and Mexico; and \$7 million for other purposes. The Company presently anticipates investments of approximately \$632 million in property and equipment in 2001. The Company plans to finance these investments from existing cash balances and future cash flows from operations.

During the year ended June 30, 2000, the Company acquired approximately 25 million shares of its common stock for approximately \$776 million. The repurchase of a portion of these shares completed the June 1997 stock repurchase program as amended in February 1999. The remainder of the shares were repurchased under an April 1999 amendment to the program in which up to an additional 25 million shares of the Company's common stock was authorized to be acquired in the open market. In November 1999, the Company's Board of Directors authorized an increase to its existing stock repurchase program pursuant to which up to an additional 50 million shares of the Company's common stock may be acquired in the open market. The Company effected no repurchases in the quarters ended March 31, 2000 or June 30, 2000, and has no present intention to repurchase additional shares.

The Company believes that its cash balances together with cash flows from operations and its borrowing capacity will be sufficient to meet its working capital needs for the foreseeable future.

FACTORS AFFECTING FUTURE OPERATING RESULTS

WE FACE RISKS FROM THE VERITAS/SILVER LAKE TRANSACTION

Holder of Seagate common stock face a number of risks in connection with their investment in Seagate common stock as a result of the pending VERITAS/Silver Lake transaction, including the following:

- the transaction may not close for many reasons including but not limited to: the fact that our stockholders or VERITAS' stockholders may not approve it, SAC may not be able to obtain the funding necessary to finance the transaction, we may fail to obtain regulatory approval for the transaction, the transaction may not close due to pending litigation, or other reasons;
- the price of VERITAS' common stock may decline and we may be unable to exert meaningful control over the management of VERITAS, although currently we have two representatives on its board of directors;
- our management personnel may be distracted from our day to day operations by the time demands associated with closing the transactions, and therefore may be unable to timely identify and address business issues as they arise;
- our customers and vendors may discontinue their relationship with us, or delay or cancel orders as a result of uncertainty about our business after the transaction; and
- our employees may be distracted by concerns about the VERITAS/Silver Lake transaction, and therefore may not meet critical deadlines in their assigned tasks or otherwise perform effectively.

If we do not close the VERITAS/Silver Lake transaction, we face a number of additional risks resulting from the announcement and pendency of the VERITAS/Silver Lake transaction which could negatively affect our business, financial condition, results of operations, and ultimately, the market price of our common stock including:

- our earnings will be impacted because our income statement will reflect the fees, costs and expenses we incurred in connection with the transaction, such as legal, accounting and financial advisor fees, costs and expenses, even if the transaction is not completed;
- we may be required to pay a substantial termination fee if the VERITAS/Silver Lake transaction is terminated for certain reasons;

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- our stockholders may be unable to realize the value of the VERITAS common stock we hold and the price of our common stock may not reflect the full value of the VERITAS shares; and
- the market price of our common stock may decline to the extent that the current market price of our common stock reflects a market assumption that the transaction will be completed.

IF THE MARKET PRICE OF VERITAS COMMON STOCK DECLINES, SEAGATE AND VERITAS MAY BE UNABLE TO TERMINATE THE MERGER AGREEMENT AND SEAGATE STOCKHOLDERS WILL RECEIVE SHARES WITH A LOWER MARKET VALUE IN CONNECTION WITH THE MERGER

A significant portion of the consideration to be issued to Seagate's stockholders in connection with the merger will consist of a fixed number of shares of VERITAS common stock. There will be no adjustment to the fixed number of shares of VERITAS common stock issued to Seagate's stockholders in connection with the merger based upon changes in the market price of VERITAS common stock. In addition, neither Seagate nor VERITAS may terminate the merger agreement or "walk away" from the merger solely due to changes in the market price of VERITAS common stock. Accordingly, the specific dollar value of the consideration that Seagate's stockholders will receive in connection with the merger will depend, in part, on the market value of VERITAS common stock, and may decrease from the date Seagate's stockholders submit their proxies. The market price of VERITAS common stock is subject to fluctuations in the market for publicly traded equity securities generally and has experienced significant volatility.

VERITAS cannot predict or give any assurances as to the market price of its common stock at any time before or after the completion of the merger. Seagate stockholders should obtain recent market quotations for VERITAS common stock in making a determination on how to vote on the merger agreement and the merger. In addition, you should call the toll free telephone number that Seagate and VERITAS have established in order to find out the most recent estimate as to the amount of cash payable and the number of shares of VERITAS common stock issuable in exchange for each share of Seagate common stock in connection with the merger.

SEAGATE WILL REMAIN LIABLE TO THIRD PARTIES AFTER THE LEVERAGED BUYOUT AND THE MERGER

In the leveraged buyout, Seagate will sell all of its operating assets to SAC, and SAC has agreed to assume and indemnify VERITAS and Seagate for substantially all liabilities arising in connection with Seagate's operating assets. However, third parties may nevertheless try to seek recourse against Seagate for these liabilities. Seagate currently is a large, multinational enterprise that owns or leases facilities and offices in numerous states and foreign countries and employs over 59,000 persons worldwide. As a result, Seagate could continue to face a wide range of possible liabilities after the leveraged buyout and the merger are completed, both for actions, events or circumstances arising or occurring before the leveraged buyout and the merger as well as after. Some areas of potential liability include:

- environmental cleanup costs and liabilities for claims made under federal, state or foreign environmental laws;
- tax liabilities;
- obligations under federal, state and foreign pension and retirement benefit laws;
- existing and future litigation arising from the restructuring that Seagate commenced last year, including litigation initiated by terminated employees; and
- existing and future patent litigation.

If SAC fails to indemnify VERITAS or Seagate under the indemnification agreement for any of these liabilities, VERITAS could experience a material adverse effect on its business and financial performance.

THE LEVERAGED BUYOUT AND THE MERGER MAY BE DELAYED IF SEAGATE AND VERITAS ARE UNABLE TO TIMELY OBTAIN ALL NECESSARY CONSENTS FROM GOVERNMENT

In order to complete the leveraged buyout and the merger, Seagate and VERITAS have each filed notifications under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and Seagate has made various filings with state and foreign governmental authorities with jurisdiction over applicable antitrust laws. In addition, Mr. Stephen Luczo, a director and executive officer of Seagate and a member of Seagate's senior management team who will participate

in the ownership of SAC, is required to file a notification under the Hart-Scott-Rodino Antitrust Improvements Act. The waiting period under the Hart-Scott-Rodino Antitrust Improvements Act for Seagate's and VERITAS' filings was terminated early by the Federal Trade Commission in July 2000. Although Seagate, VERITAS and SAC do not currently anticipate any challenges to the leveraged buyout or the merger based upon antitrust grounds, any state or foreign governmental authorities could still take action under various antitrust laws against the leveraged buyout or the merger as they deem necessary in the public interest. Private parties may also seek to take action under various antitrust laws against the leveraged buyout and/or the merger. If any of these events occur, the leveraged buyout and the merger may be delayed. Based upon available information, Seagate, VERITAS and SAC believe that the leveraged buyout and the merger comply with all significant federal, state and foreign antitrust laws. We cannot assure you, however, that there will not be a challenge to the leveraged buyout and/or the merger based on antitrust grounds, or that if so challenged, Seagate, VERITAS and SAC will prevail.

WE FACE RISKS FROM OUR ONGOING OPERATIONS

In addition to the risks related to the VERITAS/Silver Lake transaction, we face other risks related to our ongoing business operations. We compete in the data storage industry, and there are a number of factors that, in the past, have affected all of the companies in our industry, including Seagate. Many of these factors may also impact our business in the future. These risks include the following:

SLOWDOWN IN DEMAND FOR COMPUTER SYSTEMS MAY CAUSE A DECLINE IN DEMAND FOR OUR PRODUCTS

Our products are components in computer systems. The demand for computer systems has been volatile in the past and often has had an exaggerated effect on the demand for our disc drive and tape drive products, in any given period. In the past, unexpected slowdowns in demand for computer systems have generally caused sharp declines in demand for disc drives and tape drive products. We expect that this situation will occur again in the future and that at such time demand for our disc drive and tape drive products may be reduced.

In the data storage industry, the supply of drives periodically exceeds demand. When this happens, the over supply of available products causes the Company to have higher than anticipated inventory levels and it experiences intense price competition from other disc drive and/or tape drive manufacturers.

OUR FINANCIAL RESULTS WILL VARY

We often experience a high volume of sales at the end of a quarter, so we may be unable to determine whether our fixed costs are too high relative to sales until late in any given quarter. As a result, we often do not have enough time to reduce these fixed costs. Consequently, our net income would be reduced or we may even incur a loss. In addition, our operating results have been and may in the future be subject to significant quarterly fluctuations as a result of a number of other factors including:

- the timing of orders from and shipment of products to major customers;
- our product mix, and the related margins of the various products;
- accelerated reduction in the price of our disc drive products due to an oversupply of disc drives in the world market;
- manufacturing delays or interruptions, particularly at our major manufacturing facilities in Malaysia, Thailand, China and Singapore;
- acceptance by customers of competing technologies in lieu of our products;

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- variations in the cost of components used in manufacturing our products;
- limited access to components that we obtain from a single or a limited number of suppliers;
- our inability to reduce our fixed costs to match revenue in any quarter because of our vertical manufacturing strategy;
- our ability to develop, introduce and market new products and product enhancements in a timely fashion;
- the impact of changes in foreign currency exchange rates on the cost of our products and the effective price of such products to foreign consumers; and

- competition and consolidation in the data storage industry.

In addition, our future operating results may also be adversely affected if we receive an adverse judgment or settlement in any of the legal proceedings to which we are a party. For example, in fiscal 2000 we recorded \$64 million in litigation settlement costs.

WE FACE INTENSE COMPETITION AND MAY NOT BE ABLE TO COMPETE EFFECTIVELY

Even during periods when demand is stable, the data storage industry is intensely competitive and vendors experience price erosion over the life of a product. Historically our competitors have offered new or existing products at lower prices as part of a strategy to gain or retain market share and customers. We expect these practices to continue in the future. We also expect that price erosion in our industry will continue for the foreseeable future. Because we may need to reduce our prices to retain our market share, the competition could adversely affect our results of operations in any given quarter. We have experienced and expect to continue to experience intense competition from a number of domestic and foreign companies including other independent disc drive manufacturers, and large integrated multinational manufacturers such as:

INTEGRATED -----	INDEPENDENT -----
<S> Fujitsu Limited International Business Machines Corporation NEC Corporation Samsung Electronics Co. Ltd. Toshiba Corporation </TABLE>	<C> Maxtor Corporation Quantum Corporation Western Digital Corporation

Integrated multinational manufacturers are formidable competitors because they possess greater resources and are able to access their customers without having to consider the profitability of the disc drive business in pricing their components.

We also face indirect competition from present and potential customers, including several of the computer manufacturers listed above, who are continuously evaluating whether to manufacture their own drives or whether to purchase their drives from outside sources. If our customers manufacture their own drives, it could have a material adverse effect on our business, results of operations and financial condition.

We also compete with manufacturers of products that use alternative data storage and retrieval technologies. Products based upon such alternative technologies, including optical recording technology and semiconductor memory (flash memory, SRAM and DRAM), may become competition for our products.

We may not be able to compete successfully against current or future competitors. If we fail to compete successfully, our business, operating results and financial condition may be materially adversely affected.

WE HAVE EXPERIENCED DELAYS IN THE INTRODUCTION OF PRODUCTS DUE TO SUPPLY OF COMPONENTS

Seagate evaluates the need for second sources for all of its components on a case-by-case basis and, where it is deemed desirable and feasible to do so, secures multiple sources. Seagate has experienced production delays when unable to obtain sufficient quantities of certain components or assembly capacity. For example, Seagate has recently experienced difficulty in obtaining a sufficient supply of ASICs to meet

production demands. Seagate attempts to maintain component inventory levels adequate for its short-term needs. However, an inability to obtain essential components, if prolonged, would adversely affect Seagate's business.

WE MAY NOT DEVELOP PRODUCTS IN TIME TO MEET CHANGING TECHNOLOGIES

Our customers have demanded new generations of drive products as advances in other hardware components and software have created the need for improved storage products with features such as increased storage capacity or improved performance and reliability. As a result, the life cycles of our products have been shortened, and we have been required to constantly develop and introduce new cost-effective drive products quickly in order to meet market windows that become progressively shorter. We had product development expenses of \$587 million, \$581 million and \$585 million in fiscal 2000, fiscal 1999, and fiscal 1998, respectively.

When we develop new disc and tape drive products with higher capacity and more advanced technology, our operating results may decline because the increased difficulty and complexity associated with producing such disc drives increases the likelihood of reliability, quality or operability problems. If our products suffer increased failure rates, are of low quality or are not reliable, customers may reduce their purchases of our products. Our manufacturing rework and scrap costs and our service and warranty costs may also increase. In addition, a decline in the reliability of our products may reduce our competitiveness in the data storage industry.

Our products are used in combination with other hardware, such as microprocessors, and other software. The Company's future success will also require strong demand by consumers and businesses for computer systems, storage upgrades to computer systems and multimedia applications. If delivery of our products is delayed, our OEM customers may use our competitors' products in order to meet their production requirements. In addition, if delivery of those OEMs' computer systems into which our products are integrated is delayed, consumers and businesses may purchase comparable products from the OEMs' competitors. If customers elect to wait to make their purchases in anticipation of a new product, or buy from a competitor instead, our operating results may be significantly adversely impacted.

Consumers have shown that they want to purchase personal computers costing less than \$1,000. We are producing and selling low cost disc drives to meet the demand for disc drives that are components of low cost personal computers. However, we may not be able to produce disc drives that meet our quality and performance standards at a cost low enough to yield gross margins at acceptable levels to sustain the development efforts for our future products.

The Company discontinued production of disc drives that use media that is 2.5 inches or smaller in January 1998. We are continuing research and development of smaller drives, because we believe that to successfully compete in the supply of components for mobile, laptop, notebook and ultraportable computers, we must produce a smaller product. We intend to re-enter this market with a durable, low power application in the future, although there can be no assurance that we will be able to do so successfully.

OUR VERTICAL INTEGRATION STRATEGY ENTAILS A HIGH LEVEL OF FIXED COSTS

The cost, quality and availability of certain components, including heads, media, application specific integrated circuits, motors, printed circuit boards and custom semiconductors are critical to the successful production of disc drives. Our strategy of vertical integration has allowed us to internally manufacture many of the critical components used in our products. We have pursued a strategy of vertical integration of our manufacturing processes in order to reduce costs, control quality and assure availability and quality of certain components.

The Company's vertical integration strategy entails a high level of fixed costs and requires a high volume of production and sales to be successful. During periods of decreased production, these high fixed costs have had, and could in the future have, a material adverse effect on our operating results and our financial condition. In addition, a strategy of vertical integration has delayed in the past and could continue to delay in

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the future our ability to introduce products containing market-leading technology. Such delays may be due to the fact that we may not have developed the technology in-house or because we do not have access to inexpensive external sources of supply. For example, over the past two years we have experienced delays in product launches due to delays in production of certain components as a result of slower than anticipated internal development and manufacturing scale-up of new designs.

IF OUR CUSTOMERS DELAY OR CANCEL ORDERS, OUR REVENUE WILL BE ADVERSELY AFFECTED

The data storage industry has been characterized by large volume OEM purchase agreements and large distributor orders. Typically, our OEM purchase agreements permit the OEMs to cancel orders and reschedule delivery dates without significant penalties. In the past, orders from many of our OEMs were cancelled or delivery schedules were delayed as a result of changes in the requirements of the OEMs' customers. These order cancellations and delays in delivery schedules have had a material adverse effect on our results of operations in the past, and may again in the future. Our OEMs and foreign distributors typically furnish us with non-binding indications of their near-term requirements, with their product deliveries based on weekly confirmations. To the extent actual orders from foreign distributors and OEMs are reduced from their non-binding forecasts, the Company's business, results of operations and financial condition could be adversely effected.

WE FACE RISKS FROM OUR INTERNATIONAL OPERATIONS

The Company has significant offshore operations including manufacturing facilities, sales personnel and customer support operations. We have manufacturing facilities in Singapore, Thailand, China, Northern Ireland, Malaysia, and Mexico, in addition to those in the United States. Our offshore operations are subject to certain inherent risks including:

- fluctuations in currency exchange rates;
- longer payment cycles for sales in foreign countries;
- difficulties in staffing and managing international manufacturing operations;
- seasonal reductions in business activity in the summer months in Europe and certain other countries;
- increases in tariffs and duties, price controls, restrictions on foreign currencies and trade barriers imposed by foreign countries; and
- political unrest, particularly in areas in which we have manufacturing facilities.

These factors could have a material adverse effect on our business, operating results and financial condition in the future.

IN ADDITION TO THE RISKS WE FACE FROM THE VERITAS/SILVER LAKE TRANSACTION, WE FACE RISKS FROM OUR INVESTMENT IN VERITAS

We contributed our NSMG business to VERITAS on May 28, 1999 and received a 42% interest in VERITAS. As of June 30, 2000, the Company held approximately 32% of the outstanding common stock of VERITAS.

In addition to the risks we face from the VERITAS/Silver Lake transaction, we face a number of risks from our investment in VERITAS including the fact that:

- we do not have significant control over the management of VERITAS, although currently we have two representatives on its board of directors; and
- our financial statements and results of operations reflect our ownership of approximately 32% of VERITAS which impacts our stock price.

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ACQUISITION RELATED ACCOUNTING CHARGES WILL REDUCE OUR PROFITS

We intend to continue our expansion into complementary data technology businesses through internal growth as well as acquisitions. Acquisitions involve numerous risks, including difficulties in the assimilation of the operations and products of the acquired businesses and the potential loss of key employees or customers of the acquired businesses. We expect that we will continue to incur substantial expenses as we acquire other businesses including charges for the write-off of in-process research and development. Our operating results have fluctuated in the past and may fluctuate in the future because of the timing of such write-offs. For example, we incurred a charge to operations in the third quarter of fiscal 2000 of \$105 million for the write-off of in-process research and development related to our acquisition of XIOTech and we will experience ongoing charges related to that acquisition for amortization of purchased intangibles currently amounting to approximately \$10 million per quarter. We also incurred a charge to operations in the fourth quarter of fiscal 1999 related to the contribution of NSMG to VERITAS of approximately \$85 million for the write-off of in-process research and development, and we will experience ongoing charges related to that contribution for amortization of purchased intangibles currently amounting to approximately \$80 million per quarter. In addition, in the second quarter of fiscal 2000, we incurred a charge to operations of \$284 million plus \$2 million in payroll taxes, related to the purchase of the minority interest in Seagate Software.

SYSTEMS FAILURES COULD ADVERSELY AFFECT OUR BUSINESS

The Company's operations are dependent on our ability to protect our computer equipment and the information stored in our databases from damage by fire, natural disaster, power loss, telecommunications failures, unauthorized intrusion and other catastrophic events. We believe that we have taken prudent measures to reduce the risk of interruption in our operations. However, we cannot be sure that these measures are sufficient. Any damage or failure that causes interruptions in our operations could have a material adverse effect on our business, results of operations and financial condition.

Our future performance depends to a significant degree upon the continued service of our key members of management as well as marketing, sales, and product development personnel. The loss of one or more of our key personnel would have a material adverse effect on our business, operating results, and financial condition. We believe our future success will also depend in large part upon our ability to attract and retain highly skilled management, marketing, sales, and product development personnel. We have experienced intense competition for such personnel and there can be no assurance that we will be able to retain our key employees or that we will be successful in attracting, assimilating and retaining them in the future.

OUR STOCK PRICE WILL FLUCTUATE

Our stock price has varied greatly as has the volume of shares of our common stock that are traded. We expect that while the VERITAS/Silver Lake transaction is pending, the value of our common stock will depend primarily on the value of VERITAS' common stock. In the event that the VERITAS/Silver Lake transaction does not occur, we expect these fluctuations to continue due to factors such as:

- changes in the price of VERITAS' common stock and the resulting impact on investors and analysts perceptions of the change in our valuation as a result of our holdings of approximately 32% of VERITAS' outstanding common stock;
- announcements of new products, services or technological innovations by the Company or its competitors;
- announcements of major restructurings by the Company or its competitors;
- quarterly variations in our results of operations as a result of our fixed short-term cost structure and volatility in the demand for our products;

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- changes in revenue or earnings estimates by the investment community and speculation in the press or investment community stemming from our past performance, concerns about demand for our products, or announcements by our competitors;
- general conditions in the data storage industry or the personal computer industry such as the substantial decline in demand for disc drive products that occurred during fiscal 1998;
- changes in our revenue growth rates or the growth rates of our competitors;
- sales of large blocks of our stock that may lead to investors' concerns that our performance will falter and leading those investors to liquidate their holdings of our shares;
- adverse impacts on our operating results if we receive an adverse judgment or settlement in any of the legal proceedings to which we are a party; and
- price erosion.

The stock market may from time to time experience extreme price and volume fluctuations. Many technology companies have experienced such fluctuations. In addition, our stock price may be affected by general market conditions and domestic and international macroeconomic factors unrelated to our performance. Often such fluctuations have been unrelated to the operating performance of the specific companies. The market price of our common stock may experience significant fluctuations in the future. For example, our stock price fluctuated from a high of \$76 to a low of \$25 1/8 during fiscal 2000.

ITEM 7a. DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk -- The Company's exposure to market risk for changes in interest rates relates primarily to the Company's investment portfolio and long-term debt obligations. The Company does not use derivative financial instruments in its investment portfolio. The Company places its investments with high credit quality issuers and, by policy, limits the amount of credit exposure to any one issuer. As stated in its policy, the Company is averse to principal loss and ensures the safety and preservation of its invested funds by limiting default risk, market risk and reinvestment risk.

The Company mitigates default risk by investing in only the safest and highest credit quality securities and by constantly positioning its portfolio to

respond appropriately to a significant reduction in a credit rating of any investment issuer, guarantor or depository. The portfolio includes only marketable securities with active secondary or resale markets to ensure portfolio liquidity.

The Company has no cash flow exposure due to rate changes for long-term debt obligations. The Company primarily enters into debt obligations to support general corporate purposes including capital expenditures and working capital needs.

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The tables below present principal (or notional) amounts and related weighted average interest rates by year of maturity for the Company's investment portfolio and debt obligations as of June 30, 2000 and July 2, 1999.

All investments mature, by policy, in three years or less, except for certain types of investments that may mature in more than three years but whose weighted average maturity is three years or less.

<TABLE>
<CAPTION>

	2001	2002	2003	2004	2005	THEREAFTER	TOTAL	FAIR VALUE JUNE 30, 2000
	-----	-----	-----	-----	-----	-----	-----	-----
	(DOLLARS IN MILLIONS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS								
Cash equivalents								
Fixed rate.....	\$ 795	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 795	\$ 791
Average interest rate.....	5.73%	--	--	--	--	--	5.73%	
Short-term investments								
Fixed rate.....	281	310	184	--	--	--	775	745
Average interest rate.....	6.21%	5.72%	6.80%	--	--	--	6.15%	
Variable rate.....	395	--	--	--	--	--	395	395
Average interest rate.....	6.61%	--	--	--	--	--	6.61%	
Total investment securities....	1,471	310	184	--	--	--	1,965	1,931
Average interest rate.....	6.06%	5.72%	6.80%	--	--	--	6.07%	
LONG-TERM DEBT								
Fixed rate.....	--	--	--	200	--	500	700	630
Average interest rate.....	--	--	--	7.13%	--	7.50%	7.40%	

</TABLE>

<TABLE>
<CAPTION>

	2000	2001	2002	2003	2004	THEREAFTER	TOTAL	FAIR VALUE JULY 2, 1999
	-----	-----	-----	-----	-----	-----	-----	-----
	(DOLLARS IN MILLIONS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS								
Cash equivalents								
Fixed rate.....	\$ 350	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 350	\$ 350
Average interest rate.....	5.29%	--	--	--	--	--	5.29%	
Short-term investments								
Fixed rate.....	202	364	432	--	--	--	998	994
Average interest rate.....	5.48%	6.02%	6.61%	--	--	--	6.17%	
Variable rate.....	233	--	--	--	--	--	233	233
Average interest rate.....	5.03%	--	--	--	--	--	5.03%	
Total investment securities.....	785	364	432	--	--	--	1,581*	1,577
Average interest rate.....	5.26%	6.02%	6.61%	--	--	--	5.80%	
LONG-TERM DEBT								
Fixed rate.....	--	--	--	--	200	500	700	663
Average interest rate.....	--	--	--	--	7.03%	7.45%	7.33%	--

</TABLE>

* Includes \$4 million of accreted interest to be received at maturity.

Foreign Currency Risk -- The Company transacts business in various foreign countries. Its primary foreign currency cash flows are in emerging market countries in Asia and in certain European countries. During fiscal 1998, the Company employed a foreign currency hedging program utilizing foreign currency forward exchange contracts and purchased currency options to hedge local currency cash flows from payroll, inventory, other operating expenditures and fixed asset purchases in Singapore, Thailand, Malaysia, and Ireland. Under this program, increases or decreases in the Company's local currency operating expenses and other cash outflows, as measured in U.S. dollars, partially offset realized gains and losses on the hedging instruments. The goal of this hedging program was to economically guarantee or lock in the exchange rates on the

Company's foreign currency cash outflows rather than to eliminate the possibility of short-term earnings volatility. Based on uncertainty in the Southeast Asian foreign currency markets, the Company has

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temporarily suspended purchasing foreign currency forward exchange and option contracts for the Thai baht, Malaysian ringgit and Singapore dollar. The Company does not use foreign currency forward exchange contracts or purchased currency options for trading purposes. As of July 3, 1998, the Company had effectively closed out all of its foreign currency forward exchange contracts by purchasing offsetting contracts. As of June 30, 2000, the Company had no outstanding foreign currency forward exchange or purchased currency option contracts.

Under the Company's foreign currency hedging program, gains and losses related to qualified hedges of firm commitments and anticipated transactions were deferred and recognized in income or as adjustments of carrying amounts when the hedged transaction occurred. All other foreign currency hedge contracts were marked-to-market and unrealized gains and losses were included in current period net income. Because not all economic hedges qualified as accounting hedges, certain unrealized gains and losses were recognized in income in advance of the actual foreign currency cash flows. This mismatch of accounting gains and losses and foreign currency cash flows was especially pronounced during the first and second quarters of fiscal 1998 as a result of the declines in value of the Thai baht and Malaysian ringgit, relative to the U.S. dollar. This mismatch resulted in a pre-tax charge of \$76 million for the year ended July 3, 1998.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SEAGATE TECHNOLOGY

CONSOLIDATED BALANCE SHEETS
(IN MILLIONS, EXCEPT SHARE DATA)

ASSETS

<TABLE>
<CAPTION>

	JUNE 30, 2000	JULY 2, 1999
	-----	-----
<S>	<C>	<C>
Cash and cash equivalents.....	\$ 875	\$ 396
Short-term investments.....	1,140	1,227
Accounts receivable, net.....	678	872
Inventories.....	430	451
Deferred income taxes.....	219	252
Other current assets.....	167	114
	-----	-----
Total Current Assets.....	3,509	3,312
	-----	-----
Property, equipment and leasehold improvements, net.....	1,608	1,687
Investment in VERITAS Software, net.....	1,122	1,745
Goodwill and other intangibles, net.....	353	144
Other assets.....	575	184
	-----	-----
Total Assets.....	\$7,167	\$7,072
	=====	=====
LIABILITIES		
Accounts payable.....	\$ 707	\$ 714
Accrued employee compensation.....	195	205
Accrued expenses.....	365	414
Accrued warranty.....	129	163
Accrued income taxes.....	81	43
Current portion of long-term debt.....	1	1
	-----	-----
Total Current Liabilities.....	1,478	1,540
	-----	-----
Deferred income taxes.....	1,020	1,103
Accrued warranty.....	109	126
Other liabilities.....	10	37
Long-term debt, less current portion.....	703	703
	-----	-----
Total Liabilities.....	3,320	3,509
	-----	-----

Commitments and Contingencies

STOCKHOLDERS' EQUITY

Preferred stock, \$.01 par value -- 1,000,000 shares

authorized; none issued or outstanding.....	--	--
Common stock, \$.01 par value -- 600,000,000 shares authorized; shares issued -- 251,890,019 in 2000 and 1999.....	3	3
Additional paid-in capital.....	1,960	1,991
Retained earnings.....	2,539	2,355
Accumulated other comprehensive income (loss).....	86	(7)
Deferred compensation.....	(33)	(43)
Treasury common stock at cost; 22,638,025 shares in 2000 and 23,172,130 shares in 1999.....	(708)	(736)
	-----	-----
Total Stockholders' Equity.....	3,847	3,563
	-----	-----
Total Liabilities and Stockholders' Equity.....	\$7,167	\$7,072
	=====	=====

</TABLE>

See notes to consolidated financial statements.

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SEAGATE TECHNOLOGY

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN MILLIONS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED		
	JUNE 30, 2000	JULY 2, 1999	JULY 3, 1998
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenue.....	\$6,448	\$6,802	\$6,819
Cost of sales.....	5,194	5,250	5,830
Product development.....	587	581	585
Marketing and administrative.....	515	534	502
Amortization of goodwill and other intangibles.....	51	39	40
In-process research and development.....	105	2	223
Restructuring.....	207	60	347
Unusual items.....	350	78	(22)
	-----	-----	-----
Total Operating Expenses.....	7,009	6,544	7,505
	-----	-----	-----
Income (Loss) from Operations.....	(561)	258	(686)
Interest income.....	101	102	98
Interest expense.....	(52)	(48)	(51)
Gain on contribution of NSMG to VERITAS, net.....	--	1,670	--
Activity related to equity interest in VERITAS.....	(326)	(119)	--
Gain on sale of VERITAS stock.....	537	--	--
Gain on sale of SanDisk stock.....	679	--	--
Gain on exchange of certain investments in equity securities.....	231	--	--
Other, net.....	--	10	(65)
	-----	-----	-----
Other Income (Expense), net.....	1,170	1,615	(18)
Income (loss) before income taxes.....	609	1,873	(704)
Benefit (provision) for income taxes.....	(299)	(697)	174
	-----	-----	-----
Net Income (Loss).....	\$ 310	\$1,176	\$ (530)
	=====	=====	=====
Net income (loss) per share:*			
Basic.....	\$ 1.41	\$ 4.99	\$(2.20)
Diluted.....	1.35	4.54	(2.20)
Number of shares used in per share computations:*			
Basic.....	219.4	235.8	241.3
Diluted.....	229.5	242.5	241.3

</TABLE>

* See (1) in Note 2, Net Income Per Share, of notes to consolidated financial statements.

See notes to consolidated financial statements.

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SEAGATE TECHNOLOGY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN MILLIONS)

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED		
	JUNE 30, 2000	JULY 2, 1999	JULY 3, 1998
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES			
Net income (loss).....	\$ 310	\$1,176	\$ (530)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization.....	693	696	664
Deferred income taxes.....	(121)	661	(33)
In-process research and development.....	105	2	223
Non-cash portion of restructuring charge.....	109	35	203
Gain on contribution of NSMG to VERITAS, net.....	--	(1,670)	--
Activity related to equity interest in VERITAS.....	326	119	--
Gain on sale of VERITAS stock.....	(537)	--	--
Gain on sale of SanDisk stock.....	(679)	--	--
Gain on exchange of certain investments in equity securities.....	(231)	--	--
Compensation expense related to SSI exchange offer....	284	--	--
Other, net.....	55	36	41
Changes in operating assets and liabilities:			
Accounts receivable.....	190	(114)	242
Inventories.....	(15)	29	213
Accounts payable.....	(54)	104	(278)
Accrued expenses, employee compensation and warranty...	(222)	(124)	(262)
Accrued income taxes.....	(154)	52	(37)
Other assets and liabilities.....	14	198	54
Net cash provided by operating activities.....	73	1,200	500
INVESTING ACTIVITIES			
Acquisition of property, equipment and leasehold improvements.....	(580)	(603)	(709)
Purchases of short-term investments.....	(3,352)	(6,596)	(4,810)
Maturities and sales of short-term investments.....	3,429	6,519	4,889
Proceeds from sale of VERITAS stock.....	834	--	--
Proceeds from sale of SanDisk stock.....	680	--	--
Acquisitions of businesses, net of cash acquired.....	--	--	(204)
Other, net.....	(18)	(26)	(14)
Net cash provided by (used in) investing activities....	993	(706)	(848)
FINANCING ACTIVITIES			
Sale of common stock.....	191	98	67
Purchase of treasury stock.....	(776)	(859)	(105)
Other, net.....	--	--	(1)
Net cash used in financing activities.....	(585)	(761)	(39)
Effect of exchange rate changes on cash and cash equivalents.....	(2)	(3)	6
Increase (decrease) in cash and cash equivalents.....	479	(270)	(381)
Cash and cash equivalents at the beginning of the year.....	396	666	1,047
Cash and cash equivalents at the end of the year.....	\$ 875	\$ 396	\$ 666

</TABLE>

See notes to consolidated financial statements.

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SEAGATE TECHNOLOGY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 2000, JULY 2, 1999, AND JULY 3, 1998

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE	DEFERRED COMPENSATION	TREASURY COMMON STOCK	TOTAL
	SHARES	AMOUNT			INCOME			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at June 27, 1997.....	252	\$3	\$1,903	\$1,946	\$--	\$ (57)	\$ (319)	\$3,476
Comprehensive income								
Net loss.....				(530)				(530)

Unrealized gain on marketable securities.....					1			1
Foreign currency translation.....					(1)			(1)

Comprehensive income (loss).....								(530)
Purchase of treasury stock at cost...							(105)	(105)
Stock options exercised and employee stock purchase plan.....				(98)			166	68
Issuance of restricted stock, net of cancellations.....	6			(20)		(6)	20	--
Amortization of deferred compensation.....						8		8
Income tax benefit from stock options exercised.....		12						12
Other stock-based compensation.....		8						8
	---	--	-----	-----	---	----	-----	-----
Balance at July 3, 1998.....	252	3	1,929	1,298	--	(55)	(238)	2,937
Comprehensive income								
Net income.....				1,176				1,176
Unrealized gain on marketable securities.....					(6)			(6)
Foreign currency translation.....					(1)			(1)

Comprehensive income.....								1,169
Purchase of treasury stock at cost...							(859)	(859)
Stock options exercised and employee stock purchase plan.....				(106)			204	98
Issuance of restricted stock, net of cancellations.....	(2)			(6)		2	6	--
Amortization of deferred compensation.....						10		10
Income tax benefit from stock options exercised.....		26						26
Other stock-based compensation.....		38		(7)			151	182
	---	--	-----	-----	---	----	-----	-----
Balance at July 2, 1999.....	252	3	1,991	2,355	(7)	(43)	(736)	3,563
Comprehensive income								
Net income.....				310				310
Unrealized gain on marketable securities.....					93			93

Comprehensive income.....								403
Purchase of treasury stock at cost...							(776)	(776)
Stock options exercised and employee stock purchase plan.....				(5)	(62)		258	191
Exchange of SSI stock for SEG stock.....			(249)	(64)			324	11
Acquisition of XIOtech.....			137				222	359
Issuance of restricted stock, net of cancellations.....			(4)			4		--
Amortization of deferred compensation.....						6		6
Compensation expense related to employee separations.....			28					28
Income tax benefit from stock options exercised.....			57					57
Other stock-based compensation.....			5					5
	---	--	-----	-----	---	----	-----	-----
Balance at June 30, 2000.....	252	\$3	\$1,960	\$2,539	\$86	\$(33)	\$(708)	\$3,847
	===	==	=====	=====	===	====	=====	=====

</TABLE>

See notes to consolidated financial statements.

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SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations -- Seagate Technology, Inc. (the "Company" or "Seagate") designs, manufactures and markets products for storage, retrieval and management of data on computer and data communications systems. The Company has three operating segments, disc drives, software and tape drives, however, only the disc drive and software businesses are reportable segments under the criteria of SFAS No. 131. The Company sells its products to original equipment manufacturers ("OEM") for inclusion in their computer systems or subsystems, and to distributors who typically sell to small OEMs, dealers, system integrators and other resellers.

Accounting Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates.

The actual results with regard to warranty expenditures could have a material unfavorable impact on the Company if the actual rate of unit failure or the cost to repair a unit is greater than what the Company has used in estimating the warranty expense accrual.

The actual results with regard to restructuring charges could have a material unfavorable impact on the Company if the actual expenditures to implement the restructuring plan are greater than what the Company estimated when establishing the restructuring accrual.

Given the volatility of the markets in which the Company participates, the Company makes adjustments to the value of inventory based on estimates of potentially excess and obsolete inventory after considering forecasted demand and forecasted average selling prices. However, forecasts are subject to revisions, cancellations, and rescheduling. Actual demand will inevitably differ from such anticipated demand, and such differences may have a material effect on the financial statements.

Basis of Consolidation -- The consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries after eliminations. Total outstanding minority interests are not material for any period presented.

The Company operates and reports financial results on a fiscal year of 52 or 53 weeks ending on the Friday closest to June 30. Accordingly, fiscal 2000 ended on June 30, 2000, fiscal 1999 ended on July 2, 1999, and fiscal 1998 ended on July 3, 1998. Fiscal year 2000 comprised 52 weeks, fiscal year 1999 comprised 52 weeks and fiscal year 1998 comprised 53 weeks. All references to years in these notes to consolidated financial statements represent fiscal years unless otherwise noted.

Reclassifications -- Certain amounts in prior year financial statements and notes thereto have been reclassified to conform to current year presentation.

Foreign Currency Translation -- The U.S. dollar is the functional currency for most of the Company's foreign operations. Gains and losses on the translation into U.S. dollars of amounts denominated in foreign currencies are included in net income for those operations whose functional currency is the U.S. dollar and as a separate component of stockholders' equity for those operations whose functional currency is the local currency.

Derivative Financial Instruments -- Seagate transacts business in various foreign countries. Its primary currency cash flows are in emerging market countries in Asia and in certain European countries. During 1998 and 1997, Seagate employed a foreign currency hedging program utilizing foreign currency forward exchange contracts and purchased currency options to hedge local currency cash flows for payroll, inventory, other operating expenditures and fixed asset purchases in Singapore, Thailand, Malaysia and Northern Ireland. These local currency cash flows were designated as either firm commitments or as anticipated transactions

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

depending upon the contractual or legal nature of local currency commitments in Singapore, Thailand, Malaysia and Northern Ireland. Anticipated transactions were hedged with purchased currency options and with foreign currency forward exchange contracts; firm commitments were hedged with foreign currency forward exchange contracts.

The Company may enter into foreign currency forward exchange and option contracts to manage exposure related to certain foreign currency commitments, certain foreign currency denominated balance sheet positions and anticipated foreign currency denominated expenditures. The Company does not enter into derivative financial instruments for trading purposes. Foreign currency forward exchange contracts designated and effective as hedges of firm commitments and option contracts designated and effective as hedges of firm commitments or anticipated transactions are treated as hedges for accounting purposes. Gains and losses related to qualified accounting hedges of firm commitments or anticipated transactions are deferred and are recognized in income or as adjustments to the carrying amounts when the hedged transaction occurs. All other foreign currency forward exchange contracts are marked-to-market and unrealized gains and losses are included in current period net income as a component of other income (expense).

Premiums on foreign currency option contracts used to hedge firm commitments and anticipated transactions are amortized on a straight-line basis over the life of the contract. Forward points on foreign currency forward exchange contracts which qualify as hedges of firm commitments are recognized in income as adjustments to the carrying amount when the hedged transaction occurs.

The Company may, from time to time, adjust its foreign currency hedging position by taking out additional contracts or by terminating or offsetting existing foreign currency forward exchange and option contracts. These adjustments may result from changes in the Company's underlying foreign currency exposures or from fundamental shifts in the economics of particular exchange rates, as occurred in the first and second quarters of fiscal 1998 with respect to the Thai baht, Malaysian ringgit and Singapore dollar. For foreign currency forward exchange and option contracts qualifying as accounting hedges, gains or losses on terminated contracts and offsetting contracts are deferred and are recognized in income as adjustments to the carrying amount of the hedged item in the period the hedged transaction occurs. For foreign currency forward exchange and option contracts not qualifying as accounting hedges, gains and losses on terminated contracts, or on contracts that are offset, are recognized in income in the period of contract termination or offset.

Revenue Recognition and Product Warranty -- Revenue from sales of products is recognized when persuasive evidence of an arrangement exists including a fixed price to the buyer, delivery has occurred, and collectibility is reasonably assured. Estimated product returns are provided for in accordance with SFAS 48. The Company warrants its products against defects in design, materials and workmanship generally for two to five years depending upon the capacity category of the disc drive, with the higher capacity products being warranted for the longer periods. A provision for estimated future costs relating to warranty expense is recorded when revenue is recorded.

The Company's software revenue is primarily derived from the sale of product licenses, software maintenance, technical support, training and consulting. During the first quarter of fiscal 1999, the Company began recognizing license revenue in accordance with the American Institute of Certified Public Accountant's Statement of Position 97-2, "Software Revenue Recognition." Revenue from software license agreements is primarily recognized at the time of product delivery, provided that fees are fixed or determinable, evidence of an arrangement exists, collectibility is probable and the Company has vendor-specific objective evidence of fair value. Revenue from resellers, including VARs, OEMs and distributors, are primarily recognized at the time of product delivery to the reseller. The Company's policy is to defer such revenue if resale contingencies exist. Some of the factors that are considered to determine the existence of such contingencies include payment terms, collectibility and past history with the customer. Product returns are reserved for in accordance with SFAS 48. Such returns are estimated based on historical return rates. The Company considers other factors such as fixed and determinable fees, resale contingencies, arms length contract terms

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SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

and the ability to reasonably estimate returns to ensure compliance with SFAS 48. Service revenue from customer maintenance fees for ongoing customer support and product updates is recognized ratably over the maintenance term, which is typically 12 months. Service revenue from training and consulting is recognized when such services are performed.

In December 1998, the AICPA issued SOP 98-9, Modification of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions. SOP 98-9 amends SOP 97-2 Software Revenue Recognition to require recognition of revenue using the "residual method" when certain criteria are met. The Company implemented the provisions of SOP 98-9 during its fiscal year ending June 30, 2000. The adoption of this pronouncement did not have a material impact on the Company's financial statements and results of operations.

Inventory -- Inventories are valued at the lower of standard cost (which approximates actual cost using the first-in, first-out method) or market. Market value is based upon an estimated average selling price reduced by normal gross margins.

Property, Equipment, and Leasehold Improvements -- Land, equipment, buildings and leasehold improvements are stated at cost. Equipment and buildings are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated life of the asset or the remaining term of the lease.

Advertising Expense -- The cost of advertising is expensed as incurred.

Advertising costs were \$21 million, \$56 million and \$68 million in 2000, 1999 and 1998, respectively.

Stock-Based Compensation -- The Company accounts for employee stock-based compensation under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APBO 25") and related interpretations. Pro forma net income and net income per share are disclosures required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") and are included in the Stock-Based Benefit Plans -- Pro Forma Information note to the consolidated financial statements.

Impact of Recently Issued Accounting Standards -- Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") is effective for all fiscal quarters beginning after June 15, 2000 and will be adopted by the Company in its fiscal year 2001. This statement establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that derivatives be recognized in the balance sheet at fair value and specifies the accounting for changes in fair value. The Company is still assessing the impact of the adoption of SFAS 133 on its financial statements and related results.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. All registrants are expected to apply the accounting and disclosures described in SAB 101. The Company is still assessing the impact of SAB 101 on its consolidated results of operations, financial position and cash flows. The Company is required to adopt SAB 101 in the fourth quarter of fiscal 2001, retroactive to the beginning of the year.

In March 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation -- an Interpretation of APB Opinion No. 25." FIN 44 clarifies the application of APB Opinion No. 25 and, among other issues, clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a noncompensatory plan; the accounting consequence of various modifications to the terms of the previously fixed stock options or awards; and the accounting for an exchange

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000. The Company is still assessing the impact of FIN 44 on its consolidated results of operations, financial position, and cash flows.

Cash, Cash Equivalents and Short-Term Investments -- The Company considers all highly liquid investments with a remaining maturity of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value. The Company's short-term investments primarily comprise readily marketable debt securities with remaining maturities of more than 90 days at the time of purchase. The Company has classified its entire investment portfolio as available-for-sale. Available-for-sale securities are classified as cash equivalents or short-term investments and are stated at fair value with unrealized gains and losses included in accumulated other comprehensive income which is a component of stockholders' equity. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion are included in interest income. Realized gains and losses are included in other income (expense). The cost of securities sold is based on the specific identification method.

Equity Investments -- The Company enters into certain equity investments for the promotion of business and strategic objectives, and typically does not attempt to reduce or eliminate the inherent market risks on these investments. Both marketable and non-marketable investments are included in other assets. A substantial majority of the Company's marketable investments are classified as available-for-sale as of the balance sheet date and are reported at fair value, with unrealized gains and losses, net of tax, recorded in stockholders' equity. The cost of securities sold is based on the specific identification method. Realized gains or losses and declines in value, if any, judged to be other than temporary on available-for-sale securities are reported in other income or expense. Non-marketable investments are recorded at cost.

Concentration of Credit Risk -- The Company's customer base for disc drive products is concentrated with a small number of systems manufacturers and distributors. Financial instruments which potentially subject the Company to concentrations of credit risk are primarily accounts receivable, cash equivalents and short-term investments. The Company performs ongoing credit

evaluations of its customers' financial condition and, generally, requires no collateral from its customers. The allowance for noncollection of accounts receivable is based upon the expected collectibility of all accounts receivable. The Company places its cash equivalents and short-term investments in investment grade, short-term debt instruments and limits the amount of credit exposure to any one commercial issuer.

Supplier Concentration -- Certain of the raw materials used by the Company in the manufacture of its products are available from a limited number of suppliers. Shortages could occur in these essential materials due to an interruption of supply or increased demand in the industry. For example, all of the Company's disc drive products require ASIC chips which are produced by a limited number of manufacturers. During the fourth quarter of fiscal 2000 the Company experienced shortages and delays with regards to receipt of such chips and expects similar delays and shortages to continue in fiscal 2001. If the Company were unable to procure certain of such materials, it would be required to reduce its manufacturing operations which could have a material adverse effect upon its results of operations.

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SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. BALANCE SHEET INFORMATION

FINANCIAL INSTRUMENTS

The following is a summary of the fair value of available-for-sale securities at June 30, 2000:

<TABLE>
<CAPTION>

	AMORTIZED COST	GROSS UNREALIZED GAIN	GROSS UNREALIZED LOSS	FAIR VALUE
	(IN MILLIONS)			
<S>	<C>	<C>	<C>	<C>
Money market mutual funds.....	\$ 266	\$ --	\$ --	\$ 266
U.S. government and agency obligations.....	323	--	(6)	317
Repurchase agreements.....	16	--	--	16
Auction rate preferred stock.....	374	--	--	374
Municipal bonds.....	1	--	--	1
Corporate securities.....	733	--	(2)	731
Mortgage-backed and asset-backed securities.....	218	--	(4)	214
Euro/Yankee time deposits.....	12	--	--	12
Subtotal.....	1,943	--	(12)	1,931
Marketable equity securities*.....	334	471	(376)	429
Total available-for-sale securities.....	\$2,277	\$471	\$ (388)	\$2,360
Included in other assets.....				\$ 429
Included in cash and cash equivalents...				791
Included in short-term investments.....				1,140
				\$2,360

</TABLE>

* No such similar amounts were recorded in fiscal 1999.

The following is a summary of the fair value of available-for-sale securities at July 2, 1999:

<TABLE>
<CAPTION>

	AMORTIZED COST	GROSS UNREALIZED LOSS	FAIR VALUE
	(IN MILLIONS)		
<S>	<C>	<C>	<C>
Money market mutual funds.....	\$ 74	\$--	\$ 74
U.S. government and agency obligations.....	314	(4)	310
Repurchase agreements.....	--	--	--
Auction rate preferred stock.....	222	--	222
Municipal bonds.....	109	--	109
Corporate securities.....	515	(1)	514

Mortgage-backed and asset-backed securities.....	302	(2)	300
Euro/Yankee time deposits.....	48	--	48
	-----	---	-----
	\$1,584	\$(7)	\$1,577
	=====	===	=====
Included in cash and cash equivalents.....			\$ 350
Included in short-term investments.....			1,227

			\$1,577
			=====

</TABLE>

The fair value of the Company's investment in debt securities, by contractual maturity, is as follows:

<TABLE>
<CAPTION>

	JUNE 30, 2000	JULY 2, 1999
	-----	-----
	(IN MILLIONS)	
<S>	<C>	<C>
Due in less than 1 year.....	\$ 939	\$ 486
Due in 1 to 3 years.....	352	794
	-----	-----
	\$1,291	\$1,280
	=====	=====

</TABLE>

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SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Fair Value Disclosures -- The carrying value of cash and cash equivalents approximates fair value. The fair values of short-term investments, notes, debentures (see Long-Term Debt and Lines of Credit footnote) and foreign currency forward exchange and option contracts are estimated based on quoted market prices.

The carrying values and fair values of the Company's financial instruments are as follows:

<TABLE>
<CAPTION>

	JUNE 30, 2000		JULY 2, 1999	
	-----	-----	-----	-----
	CARRYING	ESTIMATED	CARRYING	ESTIMATED
	AMOUNT	FAIR VALUE	AMOUNT	FAIR VALUE
	-----	-----	-----	-----
	(IN MILLIONS)			
<S>	<C>	<C>	<C>	<C>
Cash equivalents.....	\$ 791	\$ 791	\$ 350	\$ 350
Short-term investments.....	1,140	1,140	1,227	1,227
Marketable equity securities.....	429	429	--	--
7.125% senior notes, due 2004.....	(200)	(187)	(200)	(194)
7.37% senior notes, due 2007.....	(200)	(180)	(200)	(189)
7.45% senior debentures, due 2037.....	(200)	(177)	(200)	(188)
7.875% senior debentures, due 2017.....	(100)	(85)	(100)	(92)

</TABLE>

Derivative Financial Instruments -- The Company may enter into foreign currency forward exchange and option contracts to manage exposure related to certain foreign currency commitments, certain foreign currency denominated balance sheet positions and anticipated foreign currency denominated expenditures. The Company does not enter into derivative financial instruments for trading purposes. Based on uncertainty in the Southeast Asian foreign currency markets, beginning in the second quarter of 1998 the Company temporarily suspended its hedging program. At July 3, 1998, the Company had effectively closed out all of its foreign currency forward exchange contracts by purchasing offsetting contracts. As of June 30, 2000, the Company had no outstanding foreign currency forward exchange or purchased currency option contracts.

Net foreign currency transaction gains and losses included in the determination of net income (loss) were a gain of \$1 million for fiscal 2000 and losses of \$1 million and \$252 million for fiscal 1999, and fiscal 1998, respectively. The Company transacts business in various foreign countries. Its primary foreign currency cash flows are in emerging market countries in Asia and in certain European countries. During fiscal 1998, the Company employed a foreign currency hedging program utilizing foreign currency forward exchange contracts and purchased currency options to hedge local currency cash flows for

payroll, inventory, other operating expenditures and fixed asset purchases in Singapore, Thailand and Malaysia. During fiscal 1998 the Singapore dollar, Thai baht, and Malaysian ringgit declined in value relative to the U.S. dollar. The transaction loss of \$252 million for fiscal 1998 primarily included losses incurred on closing out these foreign currency forward exchange contracts.

ACCOUNTS RECEIVABLE

Accounts receivable are summarized below:

	2000	1999
	-----	-----
	(IN MILLIONS)	
	<C>	<C>
Accounts receivable.....	\$752	\$925
Less allowance for noncollection.....	(74)	(53)
	-----	-----
	\$678	\$872
	=====	=====

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SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

INVENTORIES

Inventories are summarized below:

	2000	1999
	-----	-----
	(IN MILLIONS)	
	<C>	<C>
Components.....	\$142	\$143
Work-in-process.....	51	54
Finished goods.....	237	254
	-----	-----
	\$430	\$451
	=====	=====

PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements consisted of the following:

	ESTIMATED USEFUL LIFE	2000	1999
	-----	-----	-----
		(IN MILLIONS)	
	<C>	<C>	<C>
Land.....		\$ 48	\$ 40
Equipment.....	3 - 4 years	2,472	2,365
Building and leasehold improvements.....	Life of lease - 30 years	982	932
Construction in progress.....		252	196
		-----	-----
		3,754	3,533
Less accumulated depreciation and amortization.....		(2,146)	(1,846)
		-----	-----
		\$ 1,608	\$ 1,687
		=====	=====

Equipment and leasehold improvements include assets under capitalized leases. Amortization of leasehold improvements is included in depreciation expense. Depreciation expense was \$597 million, \$574 million and \$549 million in 2000, 1999 and 1998, respectively.

GOODWILL AND OTHER INTANGIBLES

Goodwill represents the excess of the purchase price of acquired companies over the estimated fair value of the tangible and specifically identified intangible net assets acquired. Other intangible assets consist of trademarks, assembled workforces, distribution networks, developed technology, and customer bases related to acquisitions accounted for by the purchase method. Amortization

of purchased intangibles, other than acquired developed technology, is provided on the straight-line basis over the respective useful lives of the assets ranging from 36 to 60 months for trademarks, 24 to 48 months for assembled workforces and distribution networks, and 12 to 36 months for customer bases. In-process research and development without alternative future use is expensed when acquired.

In accordance with SFAS 121, the carrying value of other intangibles and related goodwill is reviewed if the facts and circumstances suggest that they may be permanently impaired. If this review indicates these assets' carrying value will not be recoverable, as determined based on the undiscounted net cash flows of the entity acquired over the remaining amortization period, the Company's carrying value is reduced to its estimated fair value, first by reducing goodwill, and second by reducing long-term assets and other intangibles (generally based on an estimate of discounted future net cash flows). Goodwill and other intangibles are being amortized on a straight-line basis over periods ranging from two to fifteen years. Accumulated amortization was \$205 million and \$177 million as of June 30, 2000 and July 2, 1999, respectively.

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DEVELOPED TECHNOLOGY

The Company applies Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed" ("SFAS 86"), to software technologies developed internally, acquired in business acquisitions, and purchased.

Internal development costs are included in research and development and are expensed as incurred. SFAS 86 requires the capitalization of certain internal development costs once technological feasibility is established, which based on the Company's development process generally occurs upon the completion of a working model. As the time period between the completion of a working model and the general availability of software has been short, capitalization of internal development costs has not been material to date. As of June 30, 2000 there are no capitalized internal development costs remaining on the Company's balance sheet. Capitalized costs are amortized based on the greater of the straight-line basis over the estimated product life or the ratio of current revenue to the total of current and anticipated future revenue.

Purchased developed technology is amortized based on the greater of the straight-line basis over the estimated useful life (30 to 48 months) or the ratio of current revenue to the total of current and anticipated future revenue. The recoverability of the carrying value of purchased developed technology is reviewed periodically. The carrying value of developed technology is compared to the estimated future gross revenue from that product reduced by the estimated future costs of completing and disposing of that product, including the costs of performing maintenance and customer support (net undiscounted cash flows) and to the extent that the carrying value exceeds the undiscounted cash flows the difference is written off.

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 provides guidance on capitalization of the costs incurred for computer software developed or obtained for internal use. It also provides guidance for determining whether computer software is internal-use software and on accounting for the proceeds of computer software originally developed or obtained for internal use and then subsequently sold to the public. SOP 98-1 was adopted by the Company in fiscal 2000 and the adoption of this statement did not have a material impact on its financial statements.

LONG-TERM DEBT AND LINES OF CREDIT

Long-term debt consisted of the following:

<TABLE>
<CAPTION>

	2000	1999
	-----	-----
	(IN MILLIONS)	
<S>	<C>	<C>
7.125% senior notes, due 2004.....	\$200	\$200
7.37% senior notes, due 2007.....	200	200
7.45% senior debentures, due 2037.....	200	200
7.875% senior debentures, due 2017.....	100	100
Capitalized lease obligations with interest at 14% to 19.25% collateralized by certain manufacturing equipment and buildings.....	4	4

	----	----
	704	704
Less current portion.....	1	1
	----	----
	\$703	\$703
	=====	=====

</TABLE>

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At June 30, 2000, future minimum principal payments on long-term debt and capital lease obligations were as follows:

<TABLE>
<CAPTION>

	(IN MILLIONS)

<S>	<C>
2001.....	\$ 1
2002.....	1
2003.....	1
2004.....	201
2005.....	--
After 2005.....	500

	\$704
	=====

</TABLE>

The Company's 7.125% senior notes due 2004, 7.37% senior notes due 2007 and 7.875% senior debentures due 2017 are redeemable at the option of the Company at any time, at a redemption price equal to the greater of (i) 100% of their principal amount plus accrued interest or (ii) the sum of the present values of the remaining scheduled payments of principal and interest discounted to the date of redemption at a discount rate (the "discount rate") as set forth in the indenture governing the notes and debentures plus 10 basis points. The Company's 7.45% senior debentures due 2037 are redeemable at the option of the Company at any time, at a redemption price equal to the greater of (i) 100% of their principal amount plus accrued interest, (ii) the sum of the present values of the remaining scheduled payments of principal and interest discounted to the date of redemption at the discount rate plus 10 basis points, calculated as if the principal amount were payable in full on March 1, 2009, or (iii) the sum of the present values of the remaining scheduled payments of principal and interest discounted to the date of redemption at the discount rate plus 10 basis points. In addition, the Company's 7.45% senior debentures due 2037 will be redeemable on March 1, 2009, at the option of the holders thereof, at 100% of their principal amount, together with interest payable to the date of redemption. The Company's 7.125% senior notes due 2004, 7.37% senior notes due 2007 and 7.875% senior debentures due 2017 will not be redeemable at the option of the holders thereof prior to maturity. These securities were issued in February 1997 in an offering registered under the Securities Act of 1933, as amended.

As of June 30, 2000, the Company had committed lines of credit of \$86 million that can be used for standby letters of credit or bankers' guarantees. At June 30, 2000, \$57 million of these lines of credit were utilized. In addition, the Company has a \$300 million credit facility that can be used for borrowings. As of June 30, 2000, this facility was unutilized.

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted net income (loss) per share.

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED		
	-----	-----	-----
	JUNE 30,	JULY 2,	JULY 3,
	2000	1999	1998
	-----	-----	-----
	(IN MILLIONS, EXCEPT PER SHARE DATA)		
<S>	<C>	<C>	<C>

Basic Net Income (Loss) Per Share Computation			
Numerator:			
Net income (loss).....	\$ 310	\$1,176	\$ (530)
	-----	-----	-----
Denominator:			
Weighted average number of common shares outstanding during the period(1).....	219.4	235.8	241.3
	-----	-----	-----
Basic net income (loss) per share(1).....	\$ 1.41	\$ 4.99	\$(2.20)
	=====	=====	=====
Diluted Net Income (Loss) Per Share Computation			
Numerator:			
Net income (loss).....	\$ 310	\$1,176	\$ (530)
Adjustment to net income for dilutive effect of subsidiary Seagate Software, Inc.'s outstanding stock options.....	--	(75)	--
	-----	-----	-----
Total.....	\$ 310	\$1,101	\$ (530)
	-----	-----	-----
Denominator:			
Weighted average number of common shares outstanding during the period(1).....	219.4	235.8	241.3
Incremental common shares attributable to exercise of outstanding options (assuming proceeds would be used to purchase treasury stock and restricted stock outstanding) (1).....	10.1	6.7	--
	-----	-----	-----
Total.....	229.5	242.5	241.3
	-----	-----	-----
Diluted net income (loss) per share(1).....	\$ 1.35	\$ 4.54	\$(2.20)
	=====	=====	=====

</TABLE>

(1) Prior to fiscal 2000, weighted average outstanding shares used to compute basic net income (loss) per share have been amended to exclude the effects of restricted shares outstanding. The result of doing so was to increase basic net income per share in fiscal 1999 by \$0.05 and basic net loss per share in 1998 by \$(0.03). Prior to fiscal 2000, diluted net income (loss) per share has been amended to include the incremental effects of restricted shares using the modified treasury stock method. The result of doing so was to increase diluted net income per share in fiscal 1999 by \$0.01 and diluted net loss per share in fiscal 1998 by \$(0.03).

Options to purchase 1.3 million, 6.2 million, and 9.7 million shares of common stock were outstanding during fiscal 2000, 1999, and 1998, respectively, but were not included in the computation of diluted net income per share because the options' exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

3. COMPENSATION

TAX-DEFERRED SAVINGS PLAN

The Company has a tax-deferred savings plan, the Seagate Technology, Inc. Savings and Investment Plan ("the 401(k) plan"), for the benefit of qualified employees. The 401(k) plan is designed to provide employees with an accumulation of funds at retirement. Qualified employees may elect to make contributions

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SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

to the 401(k) plan on a monthly basis. The Company may make annual contributions to the 401(k) plan at the discretion of the Board of Directors. During the fiscal years ended June 30, 2000 and July 2, 1999, the Company made contributions totaling approximately \$14 million to the 401(k) plan in each year. No material contributions were made by the Company during fiscal year 1998.

STOCK-BASED BENEFIT PLANS

Stock Option Plans -- Options granted under the Company's stock option plans are granted at fair market value, expire ten years from the date of the grant and generally vest in four equal annual installments, commencing one year from the date of the grant.

Following is a summary of stock option activity for the three years ended June 30, 2000:

<TABLE>

<CAPTION>

	OPTIONS OUTSTANDING	
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
	(SHARES IN MILLIONS)	
<S>	<C>	<C>
Balance June 27, 1997.....	22.0	\$22.92
Granted.....	18.3	27.10
Exercised.....	(2.4)	13.34
Canceled.....	(11.9)	32.62

Balance July 3, 1998.....	26.0	22.30
Granted.....	14.1	23.98
Exercised.....	(4.3)	15.15
Canceled.....	(1.9)	25.49

Balance July 2, 1999.....	33.9	23.73
Granted.....	8.3	30.97
Exercised.....	(7.3)	21.48
Canceled.....	(2.0)	26.12

Balance June 30, 2000.....	32.9	\$25.80
	=====	

</TABLE>

In fiscal 1998, the Company offered to all optionees below the level of Senior Vice President, who held options with an exercise price higher than the prevailing fair market value of the Company's common stock the right to exchange their options for new options exercisable at such fair market value. In connection with this transaction, 8.4 million options were exchanged. The number of options shown as granted and canceled in the above table reflects this exchange of options. Such options had a weighted average exercise price before repricing of \$34.20 and the new options were granted at a weighted average price of \$24.45.

Options available for grant were 13.0 million at June 30, 2000; 5.0 million at July 2, 1999; and 13.6 million at July 3, 1998. On October 30, 1997, the stockholders approved an amendment to the 1991 Incentive Stock Option Plan to increase the number of shares of common stock reserved for issuance thereunder by 15 million.

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table summarizes information about options outstanding at June 30, 2000.

<TABLE>
<CAPTION>

SHARES IN MILLIONS RANGE OF EXERCISE PRICES	OUTSTANDING OPTIONS			EXERCISABLE OPTIONS	
	NUMBER OF SHARES	WEIGHTED AVERAGE CONTRACTUAL LIFE (IN YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
	<C>	<C>	<C>	<C>	<C>
\$.00 - \$ 6.38.....	0.7	4.01	\$ 4.33	0.6	\$ 4.86
6.63 - 20.38.....	5.8	7.02	18.16	1.6	12.17
20.50 - 28.94.....	19.9	7.71	27.74	8.1	24.42
29.00 - 47.75.....	5.9	8.28	35.71	1.8	35.38
47.88 - 71.75.....	0.6	9.61	62.31	--	51.47
	----	----	-----	----	-----
\$.00 - \$71.75.....	32.9	7.64	\$25.78	12.1	\$23.57

</TABLE>

On March 4, 1998, the Board of Directors approved the adoption of the 1998 Nonstatutory Stock Option Plan and the reservation of 3.5 million shares of common stock for issuance thereunder.

Executive Stock Plan -- The Company has an Executive Stock Plan under which senior executives of the Company are granted the right to purchase shares of the Company's common stock at \$.01 per share. The difference between the fair market value of the shares on the measurement date and the exercise price is recorded as deferred compensation and is charged to operations over the vesting period of four to seven years. The Company has the right to repurchase the restricted stock from an executive upon his or her voluntary or involuntary termination of employment with the Company for any reason at the same price paid by the executive. If an executive voluntarily resigns at or above age 65, the Company

may release from the repurchase option, or if his or her employment terminates as a result of death, disability, termination by the Company other than for cause or constructive termination within the two-year period following a change of control, the Company will release from the repurchase option a pro rata number of shares based on the number of months that have passed since the grant date divided by the number of months in the vesting period. The following is a summary of restricted stock activity under the Executive Stock Plan for the three years ended June 30, 2000:

<TABLE>
<CAPTION>

	RESTRICTED SHARES OUTSTANDING
	(SHARES IN THOUSANDS)
<S>	<C>
Balance June 27, 1997.....	2,185
Granted.....	454
Repurchased.....	(254)
Released from restrictions.....	(44)

Balance July 3, 1998.....	2,341
Granted.....	145
Repurchased.....	(216)
Released from restrictions.....	(357)

Balance July 2, 1999.....	1,913
Granted.....	30
Repurchased.....	(135)
Released from restrictions.....	(53)

Balance June 30, 2000.....	1,755
	=====

</TABLE>

At June 30, 2000, 291,000 shares were available for future grants. In addition, the Company has a Restricted Stock Plan which also has a deferred compensation component. Under this plan the deferred compensation is amortized over a period of seven years. There are two employees remaining in the plan and no shares are available for future grant. The aggregate amount charged to operations for amortization of deferred compensation under both plans was \$6 million, \$10 million, and \$8 million in 2000, 1999 and 1998, respectively.

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Stock Purchase Plan -- The Company also maintains an Employee Stock Purchase Plan. A total of 19,600,000 shares of common stock have been authorized for issuance under the Purchase Plan. The Purchase Plan permits eligible employees who have completed thirty days of employment prior to the inception of the offering period to purchase common stock through payroll deductions generally at the lower of 85% of the fair market value of the common stock at the beginning or at the end of each six-month offering period. Under the plan, 1,515,000; 1,604,000; and 1,348,000 shares of common stock were issued from treasury shares in fiscal 2000, 1999, and 1998, respectively.

Common stock reserved for future issuance under the Company's Employee Stock Purchase Plan aggregated 4,307,000 shares at June 30, 2000.

Treasury Shares -- During fiscal 2000, 1999, and 1998, the Company repurchased 25 million, 27 million, and 4 million shares of common stock at an average price of \$30.76, \$31.82, and \$28.31 per share, respectively.

Pro Forma Information -- The Company has elected to follow APBO 25 and related interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under SFAS 123 requires use of option valuation models that were not developed for use in valuing employee stock options. Under APBO 25, the Company generally recognized no compensation expense with respect to such options.

Pro forma information regarding net income and earnings per share is required by SFAS 123 for stock options granted after June 30, 1995 as if the Company had accounted for its stock options under the fair value method of SFAS 123. The fair value of the Company's stock options was estimated using a Black-Scholes option valuation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, the Black-Scholes model requires the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's stock options granted to employees have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially

affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options granted to employees.

The fair value of the Company's stock options granted to employees was estimated assuming no expected dividends and the following weighted average assumptions:

	2000	1999	1998
	----	----	----
<S>	<C>	<C>	<C>
Stock Option Plan Shares			
Expected life (in years).....	3.9	3.8	3.2
Risk-free interest rate.....	6.0%	5.3%	5.5%
Volatility.....	.60	.56	.45
Employee Stock Purchase Plan Shares			
Expected life (in years).....	.5	.5	.6
Risk-free interest rate.....	5.9%	4.6%	5.5%
Volatility.....	.78	.68	.63

The weighted average fair value of stock options granted under the Company's Stock Option Plans was \$16.66, \$11.09, and \$10.05 per share in 2000, 1999, and 1998, respectively. The weighted average fair value of shares granted under the Company's Employee Stock Purchase Plan was \$11.47, \$10.18, and \$12.03 per share in fiscal 2000, 1999, and 1998, respectively. The weighted average purchase price of shares granted under the Company's Employee Stock Purchase Plan was \$23.38, \$22.72, and \$26.99 per share in 2000, 1999, and 1998, respectively.

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For purposes of pro forma disclosures, the estimated fair value of the options is amortized over the options' vesting period (for stock options) and the six month purchase period for stock purchases under the Stock Purchase Plan. The Company's pro forma information follows:

	2000	1999	1998
	-----	-----	-----
<S>	<C>	<C>	<C>
Pro forma net income (loss).....	\$ 217	\$1,018	\$ (600)
Pro forma basic net income (loss) per share....	0.99	4.64	(2.49)
Pro forma diluted net income (loss) per share...	0.96	4.29	(2.49)

The effects on pro forma disclosures of applying SFAS 123 are not likely to be representative of the effects on pro forma disclosures of future years. Because SFAS 123 is applicable only to options granted subsequent to June 30, 1995, the pro forma effect was not fully reflected in fiscal years prior to 1999.

POST-RETIREMENT HEALTH CARE PLAN

In fiscal 2000, the Company adopted a post-retirement health care plan which offers medical coverage to eligible U.S. retirees and their eligible dependents. Substantially all U.S. employees become eligible for these benefits after 15 years of service and attaining age 60 and older.

The following table provides a reconciliation of the changes in the post-retirement health care plan's benefit obligation and a statement of the funded status as of June 30, 2000 (in millions):

	<C>
CHANGE IN BENEFIT OBLIGATION	
Benefit obligation at beginning of year.....	\$ --
Service cost.....	4
Amortization of unrecognized prior service cost.....	2

Benefit obligation at end of year.....	\$ 6
	====
FUNDED STATUS OF THE PLAN	
Fair value of plan assets at end of year.....	\$ --
Unrecognized prior service cost.....	(22)

Accrued benefit liability recognized in the balance sheet at June 30, 2000.....	(6)

Accrued benefit cost.....	\$(28)
	====

</TABLE>

Net periodic benefit cost for the year ended June 30, 2000 was as follows (in millions):

<TABLE>	
<S>	<C>
Service cost.....	\$ 2
Interest cost.....	2
Amortization of prior service cost.....	2

Net periodic benefit cost.....	\$ 6
	====

</TABLE>

Weighted-Average Actuarial Assumptions

A discount rate of 7.0% was used in the determination of the accumulated benefit obligation.

The Company's future medical benefit costs were estimated to increase at an annual rate of 10% during 2000, decreasing to an annual growth rate of 5% in 2010 and thereafter. The Company's cost is capped at 200% of the fiscal 1999 employer cost and, therefore, will not be subject to medical and dental trends after the capped cost is attained. A 1% change in these annual trend rates would not have a significant impact on the accumulated post-retirement benefit obligation at June 30, 2000, or 2000 benefit expense. Claims are paid as incurred.

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SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. INCOME TAXES

The provision for (benefit from) income taxes consisted of the following:

<TABLE>			
<CAPTION>			
	2000	1999	1998
	----	----	----
	(IN MILLIONS)		
<S>	<C>	<C>	<C>
Current Tax Expense (Benefit)			
Federal.....	\$ 367	\$ 20	\$(157)
State.....	50	1	--
Foreign.....	3	15	16
	----	----	----
	420	36	(141)
	----	----	----
Deferred Tax Expense (Benefit)			
Federal.....	(121)	573	(19)
State.....	--	86	(20)
Foreign.....	--	2	6
	----	----	----
	(121)	661	(33)
	----	----	----
Provision for (Benefit from) Income Taxes.....	\$ 299	\$697	\$(174)
	=====	=====	=====

</TABLE>

The income tax benefit related to the exercise of stock options reduces taxes currently payable and is credited to additional paid-in capital. Such amounts approximated \$57 million, \$26 million, and \$12 million for fiscal 2000, 1999, and 1998, respectively.

Income (loss) before income taxes consisted of the following:

<TABLE>			
<CAPTION>			
	2000	1999	1998
	----	----	----
	(IN MILLIONS)		
<S>	<C>	<C>	<C>
Domestic.....	\$526	\$1,547	\$(778)
Foreign.....	83	326	74

----	-----	-----
\$609	\$1,873	\$ (704)
=====	=====	=====

</TABLE>

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax assets and liabilities were as follows:

<TABLE>

<CAPTION>

	JUNE 30, 2000	JULY 2, 1999
	-----	-----
	(IN MILLIONS)	
<S>	<C>	<C>
DEFERRED TAX ASSETS		
Accrued warranty.....	\$ 97	\$ 114
Inventory valuation accounts.....	35	31
Receivable reserves.....	26	28
Accrued compensation and benefits.....	45	31
Depreciation.....	20	32
Restructuring reserves.....	27	17
Other reserves and accruals.....	28	42
Acquisition related items.....	32	38
Net operating loss and tax credit carry-forwards.....	5	69
Other assets.....	13	3
	-----	-----
Total Deferred Tax Assets.....	328	405
Valuation allowance.....	(38)	(56)
	-----	-----
Net Deferred Tax Assets.....	290	349
	-----	-----
DEFERRED TAX LIABILITIES		
Unremitted income of foreign subsidiaries.....	(543)	(558)
Acquisition related items.....	(170)	(14)
Deferred gain on VERITAS.....	(378)	(615)
Other liabilities.....	--	(13)
	-----	-----
Total Deferred Tax Liabilities.....	(1,091)	(1,200)
	-----	-----
Net Deferred Tax Liabilities.....	\$ (801)	\$ (851)
	=====	=====
AS REPORTED ON THE BALANCE SHEET		
Deferred Income Tax Assets.....	\$ 219	\$ 252
Deferred Income Tax Liabilities.....	(1,020)	(1,103)
	-----	-----
Net Deferred Tax Liability.....	\$ (801)	\$ (851)
	=====	=====

</TABLE>

The valuation allowance has been provided for deferred tax assets related to certain foreign net operating loss carry-forwards, foreign tax credit carry-forwards and future tax benefits associated with the acquisition of certain software companies. The valuation allowance decreased by \$18 million and \$26 million in 2000 and 1999, respectively, and increased by \$25 million in 1998.

The Company, as of June 30, 2000, has foreign net operating loss carry-forwards of approximately \$5 million.

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The differences between the provision for (benefit from) income taxes at the U.S. statutory rate and the effective rate are summarized as follows:

<TABLE>

<CAPTION>

2000	1999	1998
----	----	----
(IN MILLIONS)		

<S>	<C>	<C>	<C>
Provision (benefit) at U.S. statutory rate.....	\$213	\$656	\$(246)
State income tax provision (benefit), net of federal income tax benefit.....	33	72	(15)
Benefit from net earnings of foreign subsidiaries considered to be permanently invested in non-U.S. operations.....	--	(68)	--
Write-off of in-process research and development.....	37	21	75
Compensation expense SSI exchange offer.....	62	--	--
VERITAS.....	(6)	(10)	--
Valuation reserve.....	(18)	17	25
Use of R&D credit carryforwards.....	(17)	--	--
Other individually immaterial items.....	(5)	9	(13)
	----	----	----
Provision for (benefit from) income taxes.....	\$299	\$697	\$(174)
	=====	=====	=====

</TABLE>

A substantial portion of the Company's Asia Pacific manufacturing operations in Singapore, Thailand, Malaysia and China operate under various tax holidays which expire in whole or in part during fiscal years 2001 through 2010. Certain tax holidays may be extended if specific conditions are met. The tax holidays had no impact on net income in 2000. The net impact of these tax holidays was to increase net income by approximately \$35 million (\$.14 per share, diluted) in 1999. The tax holidays had no impact on the net loss in 1998. Cumulative undistributed earnings of the Company's Asia Pacific subsidiaries for which no income taxes have been provided aggregated approximately \$1.634 billion at June 30, 2000. These earnings are considered to be permanently invested in non-U.S. operations. Additional federal and state taxes of approximately \$585 million would have to be provided if these earnings were repatriated to the U.S.

During fiscal 2000, the Company settled a number of the disputed tax matters reflected in the statutory notices of deficiencies dated June 27, 1997 and June 12, 1998 that were received from the Internal Revenue Service relative to Seagate Technology, Inc.'s taxable years 1991 through 1993 and Conner Peripherals, Inc.'s taxable years 1991 and 1992, respectively. The Company believes that it has meritorious defenses against the remaining asserted deficiencies and that the likely outcome of a re-determination of these asserted deficiencies by the United States Tax Court will not result in an additional provision for income taxes.

Certain of the Company's foreign and state tax returns for various fiscal years are under examination by taxing authorities. The Company believes that adequate amounts of tax have been provided for any final assessments which may result from these examinations.

5. BUSINESS COMBINATIONS

The Company has a history of business combinations and during the three most recent fiscal years these included the acquisition of XIOTech Corporation in fiscal 2000, the contribution of NSMG to VERITAS in fiscal 1999, and the acquisition of Quinta Corporation and Eastman Storage Software Management Group in fiscal 1998. In connection with certain business combinations, the Company has recognized significant write-offs of in-process research and development. The completion of the underlying in-process projects acquired within each business combination was the most significant and uncertain assumption utilized in the valuation of the in-process research and development. Such uncertainties could give rise to unforeseen budget over runs and/or revenue shortfalls in the event that the Company is unable to successfully complete a certain R&D project. The Company is primarily responsible for estimating the fair value of the purchased R&D in all business combinations accounted for under the purchase method. The nature of research and development

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SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

projects acquired, the estimated time and costs to complete the projects and significant risks associated with the projects are described below.

Valuation Methodology

In accordance with the provisions of APB Opinion 16, all identifiable assets, including identifiable intangible assets, were assigned a portion of the cost of the acquired enterprise (purchase price) on the basis of their respective fair values. This included the portion of the purchase price properly attributed to incomplete research and development projects expensed according to the requirements of Interpretation 4 of SFAS No. 2.

Valuation of acquired intangible assets. Intangible assets were identified through (i) analysis of the acquisition agreement, (ii) consideration of the

Company's intentions for future use of the acquired assets, and (iii) analysis of data available concerning XIOTech's, Quinta's and Eastman's (collectively referred to as the "Targets") products, technologies, markets, historical financial performance, estimates of future performance and the assumptions underlying those estimates. The economic and competitive environment in which the Company and the Targets operate was also considered in the valuation analysis.

To determine the value of in-process research and development, the Company considered, among other factors, the state of development of each project, the time and cost needed to complete each project, expected income, associated risks which included the inherent difficulties and uncertainties in completing each project and thereby achieving technological feasibility and risks related to the viability of and potential changes to future target markets. This analysis resulted in amounts assigned to in-process research and development for projects that had not yet reached technological feasibility and which did not have alternative future uses. The Income Approach, which includes analysis of markets, cash flows, and risks associated with achieving such cash flows, was the primary technique utilized in valuing each in-process research and development project. The underlying in-process projects acquired were the most significant and uncertain assumptions utilized in the valuation analysis of in-process research and development projects.

To determine the value of developed technologies, the expected future cash flows of existing product technologies were evaluated, taking into account risks related to the characteristics and applications of each product, existing and future markets and assessments of the life cycle stage of each product. Based on this analysis, the existing technologies that had reached technological feasibility were capitalized.

To determine the value of the distribution networks and customer bases, Seagate, considered, among other factors, the size of the current and potential future customer bases, the quality of existing relationships with customers, the historical costs to develop customer relationships, the expected income and associated risks. Associated risks included the inherent difficulties and uncertainties in transitioning the business relationships from the acquired entity to Seagate and risks related to the viability of and potential changes to future target markets.

To determine the value of trademarks, the Company considered, among other factors, the assumption that in lieu of ownership of a trademark, Seagate would be willing to pay a royalty in order to exploit the related benefits of such trademark.

To determine the value of assembled workforces, the Company considered, among other factors, the costs to replace existing employees including search costs, interview costs and training costs.

Goodwill is determined based on the residual difference between the amount paid and the values assigned to identified tangible and intangible assets. If the values assigned to identified tangible and intangible assets exceed the amounts paid, including the effect of deferred taxes, the values assigned to long-term assets were reduced proportionately.

The underlying in-process projects acquired within each acquisition was the most significant and uncertain assumption utilized in the valuation analysis. Such uncertainties could give rise to unforeseen budget

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

over runs and/or revenue shortfalls in the event that the Company is unable to successfully complete a certain research and development project. Seagate management recognizes that the Company is primarily responsible for estimating the fair value of the purchased research and development in all acquisitions accounted for under the purchase method.

The following details specific information about significant acquisitions including related assumptions used in the purchase price allocation.

ACQUISITION OF XIOTECH CORPORATION

In January 2000, the Company acquired XIOTech, for 8,031,804 shares of Seagate common stock, issued from treasury shares, and options, with a combined fair value of \$359 million. XIOTech designs, manufactures and markets a centralized data storage system. This system is based on an exclusive set of sophisticated data management and data movement tools. It offers storage virtualization, multi-node server clustering, and zero backup window solutions. The main component of the system is MAGNITUDE, a fully implemented storage area network ("SAN"). MAGNITUDE is sold in a cabinet containing software-based

architecture that allows the incorporation of all of the components of a SAN in one centralized configuration.

XIOtech also designs, develops and produces software, namely the REDI suite of software, which runs MAGNITUDE's software based architecture. The REDI software suite is application specific and gives customers the capability of better managing their data. XIOtech is currently developing the next generation technologies for both products, named Thunderbolt and REDI 7.0, respectively.

At the time of completing the XIOtech acquisition, the Company estimated the cost to complete both Thunderbolt and REDI 7.0 at approximately \$1 million. The anticipated release date for the Thunderbolt is the first half of fiscal 2001 and for the REDI 7.0 is in the third quarter of fiscal 2001.

Assumptions used in estimating the fair value of intangible assets:

Revenue

Future revenue estimates were generated for the following technologies: (i) MAGNITUDE, (ii) REDI, (iii) Thunderbolt, the next generation development of MAGNITUDE and (iv) REDI 7.0, the next generation development of REDI. Aggregate revenue was estimated to be approximately \$47.6 million in fiscal 2000 and to increase to approximately \$230 million for fiscal year 2001 when the in-process projects were expected to be complete and shipping. Revenue was estimated to increase to approximately \$650 million and \$1,060 million in fiscal years 2002 and 2003, respectively. Estimated revenues decreased 29% in fiscal 2004 to \$750 million. The estimated revenue growth is consistent with the introduction of new technology. Revenue estimates were based on (i) aggregate revenue growth rates for the business as a whole, (ii) individual product revenue, (iii) growth rates for the storage management software market, (iv) the aggregate size of the storage management software market, (v) anticipated product development and introduction schedules, (vi) product sales cycles, and (vii) the estimated life of a product's underlying technology.

Operating expenses

Estimated operating expenses used in the valuation analysis of XIOtech included (i) cost of goods sold, (ii) general and administrative expense, (iii) selling and marketing expense, and (iv) research and development expense. In developing future expense estimates, an evaluation of Seagate and XIOtech's overall business model, specific product results, including both historical and expected direct expense levels (as appropriate), and an assessment of general industry metrics was conducted.

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SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Cost of goods sold. Estimated cost of goods sold, expressed as a percentage of revenue, for the developed and in-process technologies ranged from approximately 46% to 55%.

General and administrative ("G&A") expense. Estimated G&A expense, expressed as a percentage of revenue, for the developed and in-process technologies ranged from 5% in fiscal 2000 to less than 1% in fiscal 2004 declining as production levels and related revenue increased and thus efficiencies in production are assumed to be attained.

Selling and marketing ("S&M") expense. Estimated S&M expense, expressed as a percentage of revenue, for the developed and in-process technologies ranged from 20% in fiscal 2001 to a sustainable 15% in fiscal 2002 and beyond. For fiscal 2000, however, when the Thunderbolt and REDI 7.0 technology was estimated to become commercially available, S&M expense was estimated to be 45% due to the relatively low revenue expectation in the initial commercialization period.

Research and development ("R&D") expense. Estimated R&D expense consists of the costs associated with activities undertaken to correct errors or keep products updated with current information (also referred to as "maintenance" R&D). Maintenance R&D includes all activities undertaken after a product is available for general release to customers to correct errors or keep the product updated with current information. These activities include routine changes and additions. The maintenance R&D expense was estimated to be 2% of revenue for the developed and in-process technologies in fiscal 2000 and 3% throughout the remainder of the estimation period.

In addition, as of the date of the acquisition, Seagate's management and XIOtech's management anticipated the costs to complete the in-process technologies at approximately \$0.95 million.

Effective tax rate

The effective tax rate utilized in the analysis of the in-process technologies was 40%, which reflects the Company's combined federal and state statutory income tax rates, exclusive of non-recurring charges at the time of the acquisition and estimated for future years.

Discount rate

The discount rates selected for XIOTech's developed and in-process technologies was 16% and 23%, respectively. In the selection of the appropriate discount rates, consideration was given to the Weighted Average Cost of Capital ("WACC") of approximately 16% at the date of acquisition. The discount rate utilized for the in-process technology was determined to be higher than Seagate's WACC due to the fact that the technology had not yet reached technological feasibility as of the date of valuation. In utilizing a discount rate greater than the Company's WACC, management has reflected the risk premium associated with achieving the forecasted cash flows associated with these projects.

As a result of this acquisition, the Company incurred a one-time write-off of in-process research and development of approximately \$105 million. This acquisition was accounted for as a purchase and, accordingly, the results of operations of Quinta have been included in the Company's consolidated financial statements from the date of acquisition.

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following is a summary of the purchase price allocation (in millions):

<TABLE> <S>	<C>
Tangible assets less liabilities assumed.....	\$ 12
Developed technology.....	37
Tradenames.....	5
Assembled workforce.....	2
Customer list.....	2
In-process research and development.....	105
Goodwill.....	214
Deferred tax liability.....	(18)

	\$359
	=====

</TABLE>

ACQUISITION OF QUINTA CORPORATION

In April and June 1997, the Company invested an aggregate of \$20 million to acquire approximately ten percent (10%) of the outstanding stock of Quinta Corporation ("Quinta"), a developer of ultra-high capacity disc drive technologies, including a new optically-assisted Winchester ("OAW") technology. In August 1997, the Company completed the acquisition of Quinta. Pursuant to the purchase agreement with Quinta, the shareholders of Quinta, other than Seagate, received cash payments aggregating \$230 million upon the closing of the acquisition and were eligible to receive additional cash payments aggregating \$96 million upon the achievement of certain product development and early production milestones. Of the \$96 million, \$19 million was charged to operations in fiscal 1998. Of the \$19 million charged to operations, \$5 million was paid in fiscal 1998. In July 1998, the Company and Quinta amended the purchase agreement to eliminate the product development and early production milestones and provide that the former shareholders of Quinta will be eligible to receive the remaining \$77 million and the \$14 million that had been accrued but unpaid in fiscal 1998. In the first quarter of fiscal 1999, the Company recorded a charge to operations for the remaining \$77 million.

Quinta's research and development project revolves around an OAW technology. OAW refers to Quinta's newly designed recording technology that, upon completion, would be implemented into Winchester hard disk drives. OAW combines traditional magnetic recording technology with Winchester hard disc drives and optical recording capabilities; optical recording technology enables greater data storage capacity. By integrating advanced optical features along with a highly fine and sophisticated tracking and delivery system within the head design, OAW would multiply the real density of disc drives.

Through August 8, 1997, the acquisition date, Quinta had demonstrated significant achievements in developing its technology. However, further technological milestones were required before technological feasibility could be achieved. Quinta's development process consists of the following development milestones: (i) route light (optical fiber), (ii) flying head use, (iii) recording media, (iv) mirror creation and demonstration (two stage servo), (v) complete assembly, (vi) form factor containment, (vii) design verification test,

(viii) customer qualification, and (ix) delivery.

Assumptions used in estimating the fair value of intangible assets:

Revenue

Future revenue estimates were generated for the following product that the OAW technology would be utilized in: (i) fixed drives, (ii) removable drive, (iii) fixed/removable drives, and (iv) cartridges. No revenue was expected through fiscal 1998 since the underlying technology was anticipated not to be technologically feasible until fiscal 1999. Revenue was estimated to be approximately \$26.6 million in fiscal 1999 and to increase to approximately \$212 million for fiscal year 2000 when the in-process project was expected to be

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SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

complete and shipping. Revenue growth was expected to decline to a sustainable 20% growth by fiscal 2005. The estimated revenue growth is consistent with the introduction of new technology. Revenue estimates were based on (i) aggregate revenue growth rates for the business as a whole, (ii) individual product revenue, (iii) growth rates for the disc drive market, (iv) the aggregate size of the disc drive market, (v) anticipated product development and introduction schedules, (vi) product sales cycles, and (vii) the estimated life of a product's underlying technology. Quinta's development cycle, in total, was expected to take approximately 18 to 24 months.

Operating expenses

Estimated operating expenses used in the valuation analysis of Quinta included (i) cost of goods sold, (ii) general and administrative expense, (iii) selling and marketing expense, and (iv) research and development expense. In developing future expense estimates, an evaluation of Seagate's overall business model, specific product results, including both historical and expected direct expense levels (as appropriate), and an assessment of general industry metrics was conducted. Due to Quinta's limited operating history, an analysis of Quinta's historical performance was not meaningful.

Cost of goods sold. Estimated cost of goods sold, expressed as a percentage of revenue, for the in-process technologies ranged from approximately 65% to 80%.

General and administrative ("G&A") expense. Estimated G&A expense, expressed as a percentage of revenue, for the in-process technologies ranged from 2.6% in fiscal 2000 to a sustainable 3.5% in fiscal 2001 and beyond. For fiscal 1999, however, when the OAW technology would become commercially available, G&A expense was estimated to be 6.4% due to the relatively low revenue expectation in the initial commercialization period.

Selling and marketing ("S&M") expense. Estimated S&M expense, expressed as a percentage of revenue, for the in-process technologies ranged from 3.3% in fiscal 2000 to a sustainable 3.5% in fiscal 2001 and beyond. For fiscal 1999, however, when the OAW technology would become commercially available, S&M expense was estimated to be 8.7% due to the relatively low revenue expectation in the initial commercialization period.

Research and development ("R&D") expense. Estimated R&D expense consists of the costs associated with activities undertaken to correct errors or keep products updated with current information (also referred to as "maintenance" R&D). Maintenance R&D includes all activities undertaken after a product is available for general release to customers to correct errors or keep the product updated with current information. These activities include routine changes and additions. The maintenance R&D expense was estimated to be 0.5% of revenue for the in-process technologies throughout the estimation period.

Effective tax rate

The effective tax rate utilized in the analysis of the in-process technologies was 38%, which reflects the Company's combined federal and state statutory income tax rates, exclusive of non-recurring charges at the time of the acquisition and estimated for future years.

Discount rate

The discount rates selected for Quinta's in-process technology was 25%. In the selection of the appropriate discount rates, consideration was given to (i) the WACC of approximately 15% at the date of acquisition and (ii) the Weighted Average Return on Assets of approximately 25%. The discount rate utilized for the in-process technology was determined to be higher than Seagate's WACC due to the fact that the technology had not yet reached technological feasibility as of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

greater than the Company's WACC, management has reflected the risk premium associated with achieving the forecasted cash flows associated with these projects.

As a result of this acquisition, the Company incurred a one-time write-off of in-process research and development of approximately \$214 million. Intangible assets arising from the acquisition of Quinta are being amortized on a straight-line basis over two years. This acquisition was accounted for as a purchase and, accordingly, the results of operations of Quinta have been included in the Company's consolidated financial statements from the date of acquisition.

The following is a summary of the purchase price allocation (in millions):

<TABLE>	
<S>	<C>
Tangible assets less liabilities assumed.....	\$ 34
In-process research and development.....	214
Assembled workforce.....	2

	\$250
	=====

</TABLE>

CONTRIBUTION OF NSMG TO VERITAS AND THE PURCHASE OF OUTSTANDING SHARES OF SEAGATE SOFTWARE BY SEAGATE

Contribution of NSMG to VERITAS

On May 28, 1999, Seagate and Seagate Software closed and consummated an Agreement and Plan of Reorganization dated as of October 5, 1998 with VERITAS and VERITAS Operating Corporation. The transaction provided for the contribution by Seagate, Seagate Software, and certain of their respective subsidiaries to VERITAS of (a) the outstanding stock of NSMG and certain other subsidiaries of Seagate Software and (b) those assets used primarily in the NSMG business of Seagate Software, in consideration for the issuance of shares of common stock of VERITAS to Seagate Software and the offer by VERITAS to grant options to purchase common stock of VERITAS to certain of Seagate Software's employees who become employees of VERITAS or its subsidiaries. As part of the transaction, VERITAS assumed certain liabilities of the NSMG business. The transaction was structured to qualify as a tax-free exchange.

Subsequent to the transaction, all outstanding securities of VERITAS Operating Corporation were assumed and converted into common stock of VERITAS with identical rights, preferences and privileges, on a share for share basis. As a result of the contribution of the NSMG business to VERITAS, Seagate Software received a total of 155,583,468 shares of VERITAS common stock and former employees of the NSMG business received options to purchase an aggregate of 15,626,358 shares of VERITAS common stock. Share and option amounts for VERITAS have been adjusted to reflect the two-for-one stock split effective July 9, 1999 by VERITAS, and the subsequent three-for-two stock splits on November 22, 1999 and March 6, 2000.

Seagate accounted for the contribution of NSMG to VERITAS as a non-monetary transaction using the fair value of the assets and liabilities exchanged. Immediately after the transaction, Seagate Software owned approximately 41.63% (155,583,468 shares) of the outstanding shares of VERITAS. Because Seagate still owns a portion of the NSMG business through its ownership of VERITAS, Seagate did not recognize 100% of the gain on the exchange. The gain recorded is equal to the difference between 58.37% of the fair value of the VERITAS common stock received and 58.37% of Seagate's basis in the NSMG assets and liabilities exchanged. Seagate is accounting for its ongoing investment in VERITAS using the equity method. The difference between the recorded amount of Seagate's investment in VERITAS and the amount of its underlying equity in the net assets of VERITAS was allocated based upon the fair value of the underlying tangible and intangible assets and liabilities of VERITAS. The intangible assets included amounts allocated to in-process research and development and resulted in a \$85 million write-off in 1999 included in activity related

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

to equity interest in VERITAS in the accompanying statement of operations. Intangible assets including goodwill are being amortized over four years.

Seagate includes in its financial results its share of the net income or loss of VERITAS, excluding certain NSMG purchase accounting related amounts recorded by VERITAS, but including Seagate's amortization of the difference between its recorded investment and the underlying assets and liabilities of VERITAS. Because of practicality considerations, the net income or loss of VERITAS is included in the results of Seagate on a one quarter lag basis. Thus, the results of VERITAS for the period from May 29, 1999 to June 30, 1999, the period subsequent to the contribution of NSMG to VERITAS, and for the period from July 1, 1999 through March 31, 2000 were included in the Company's results for the fiscal year ended June 30, 2000. The Company eliminates from VERITAS' income (loss) the effect of VERITAS' accounting for the NSMG business contribution, including VERITAS' amortization expenses related to intangible assets. Excluding amortization of intangibles, the total equity income recorded by Seagate related to VERITAS in fiscal 2000 was \$30 million.

Seagate exchange offer

In a separate but related transaction to the NSMG contribution to VERITAS, on June 9, 1999, the Company exchanged 5,275,772 shares of its common stock for 3,267,255 of the outstanding shares of Seagate Software common stock owned by employees, directors and consultants of Seagate Software. The exchange ratio was determined based on the estimated value of Seagate Software common stock divided by the fair market value of Seagate common stock.

The estimated value of Seagate Software common stock exchanged into Seagate common stock was determined based upon the sum of the fair value of the NSMG business, as measured by the fair value of the shares received from VERITAS, plus the estimated fair value of the Information Management Group of Seagate Software as determined by the Seagate Board of Directors, plus the assumed proceeds from the exercise of all outstanding Seagate Software stock options, divided by the number of fully converted shares of Seagate Software. The Board of Directors of Seagate considered a number of factors in determining the estimated fair value of the IMG business, including historical and projected revenues, earnings and cash flows, as well as other factors and consultations with financial advisors.

The fair value of the Seagate Software shares acquired less the original purchase price paid by the employees was recorded as compensation expense for those shares outstanding and vested less than six months. The purchase of Seagate Software shares outstanding and vested more than six months was accounted for as the purchase of a minority interest and, accordingly, the fair value of the shares exchanged has been allocated to all of the identifiable tangible and intangible assets and liabilities of Seagate Software. In connection with the acquisition, Seagate Software recorded the acquisition of the minority interest, Seagate recorded compensation expense amounting to approximately \$124 million and wrote off purchased research and development amounting to \$2 million in the fourth quarter of fiscal 1999. Associated intangible assets and goodwill are being amortized to operations over three to four years.

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Computation of pro rata gain on contribution of NSMG to VERITAS

<TABLE>	
<CAPTION>	
	(IN MILLIONS)
<S>	<C>
Fair value of shares received.....	\$3,151
Times: pro rata percentage accounted for at fair value.....	58.37%

Adjusted fair value of securities received.....	\$1,839

Book value of NSMG.....	\$ 57
Times: pro rate percentage accounted for at fair value.....	58.37%

Book value exchanged.....	33

Pro rata gain.....	\$1,806
	=====
</TABLE>	

Computation of original investment in VERITAS

<TABLE>

<CAPTION>	(IN MILLIONS)
<S>	<C>
Book value of NSMG.....	\$ 57
Times: pro rata percentage accounted for at fair value.....	41.63%

Portion of investment in VERITAS with no step up in basis...	24
Plus: Adjusted fair value of securities received.....	1,839

Investment in VERITAS.....	\$1,863
	=====

</TABLE>

Allocation of original investment in VERITAS

<CAPTION>	(IN MILLIONS)
<S>	<C>
Allocation of investment to VERITAS assets and liabilities:	
Net tangible assets.....	\$ 114
Intangible assets:	
Distribution channel.....	9
Developed technology.....	46
Trademark and workforce.....	16
In-process research and development.....	40
Allocation of investment to NSMG assets and liabilities:	
Net tangible assets.....	24
Intangible assets:	
Distribution channel.....	66
Developed technology.....	92
Trademark and workforce.....	14
In-process research and development.....	45
Goodwill.....	1,397

Total original investment in VERITAS.....	\$1,863
	=====

</TABLE>

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Value of minority interest acquired in October 1999

<CAPTION>	(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)
<S>	<C>
Number of Seagate Software shares and options exchanged for Seagate stock held by former employees, consultants and shares held more than six months by employees.....	1,010,010
Times: Exchange ratio into Seagate stock.....	1.699

Number of Seagate shares issued.....	1,716,007
Value per share of Seagate common stock as of June 9, 1999.....	\$ 30.75

Total value Seagate shares issued.....	\$ 53
Less: Proceeds from assumed exercise of Seagate Software stock options.....	(1)

Total value of minority interest.....	\$ 52
	=====

</TABLE>

Allocation of minority interest purchase price to the intangible assets of
Seagate Software

<CAPTION>	(IN MILLIONS)
<S>	<C>
Distribution channel.....	\$ 2
Developed technology.....	4
Trademark and workforce.....	1
In-process research and development.....	2
Goodwill.....	45

Subtotal.....	54

Deferred tax liability.....	(2)

Total.....	\$52
	===

</TABLE>

Compensation relating to stock purchased from employees

<TABLE>
<CAPTION>

	(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)
	<C>
<S>	
Seagate Software options exercised and exchanged for Seagate stock.....	2,240,470
Plus: Seagate Software stock held for less than 6 months and exchanged for Seagate stock.....	16,775

Total Seagate Software shares exchanged.....	2,257,245
Times: Exchange ratio into Seagate Technology stock.....	1.699

Number of Seagate shares issued.....	3,835,059

Value per share of Seagate common stock on June 9, 1999...	\$ 30.75
Less: Average price paid per Seagate Technology share.....	\$ (4.01)

Average compensation expense per Seagate share issued.....	\$ 26.74

Total compensation expense.....	\$ 103
	=====

</TABLE>

Reconciliation of amounts included in Gain on contribution of NSMG to VERITAS,
net

<TABLE>
<CAPTION>

	(IN MILLIONS)
	<C>
<S>	
Pro rata gain.....	\$1,806
Less:	
Compensation expense.....	124
Transaction costs.....	12

Gain on contribution of NSMG to VERITAS, net.....	\$1,670
	=====

</TABLE>

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Activity related to equity interest in VERITAS

<TABLE>
<CAPTION>

	2000	1999
	----	----
	(IN MILLIONS)	
	<C>	<C>
<S>		
Write-off of in-process research and development.....	\$ --	\$ 85
Equity interest in VERITAS' net income/loss.....	(30)	--
Amortization of intangible assets including goodwill.....	356	34
	----	----
Activity related to equity interest in VERITAS.....	\$326	\$119
	=====	=====

</TABLE>

All activity related to the equity interest in VERITAS in 1999 was recorded
in the fourth quarter of that year.

ALLOCATION OF TANGIBLE AND INTANGIBLE ASSETS AND LIABILITIES RELATED TO NSMG AND
VERITAS

Overview

NSMG offers network and storage management software solutions, which focus
on the information availability component of Enterprise Information Management
("EIM") by enabling IT professionals to manage distributed network resources and
to secure and protect enterprise data. NSMG's products include features such as
system backup, disaster recovery, migration, replication, automated client

protection, storage resource management, scheduling, event correlation and desktop management.

VERITAS develops, markets and supports advanced storage management and high availability products for open system environments. VERITAS' products provide performance improvement and reliability enhancement features that are critical for many commercial applications. Some of the key features of storage management products include protection against data loss and file corruption, rapid recovery after disk or system failure, the ability to process large files efficiently and the ability to manage the storage systems without interrupting users. The high availability products provide an automated failover between computer systems organized in clusters sharing disk resources.

In accordance with the provisions of Accounting Principles Board ("APB") Opinions No. 16 and 17, all identifiable assets acquired were analyzed to determine their Fair Market Values. As the basis for identifying the in-process research and development ("R&D"), the development projects were evaluated in the context of Interpretation 4 of Financial Accounting Standards Board Statement No. 2. In accordance with these provisions, the developmental projects were examined to determine if there were any alternative future uses. Such evaluation consisted of a specific review of the efforts, including the overall objectives of the project, progress toward the objectives, and the uniqueness of the developments of these objectives. Further, each in-process R&D project was reviewed to determine if technological feasibility had been achieved.

Description of methodology

Tangible net assets of VERITAS principally include cash and investments, accounts receivable, fixed assets and other current assets. Liabilities principally include accounts payable, accrued compensation, and other accrued liabilities.

To estimate the value of the developed technology, the expected future cash flows attributable to all existing technology was discounted, taking into account risks related to the characteristics and applications of the technology, existing and future markets, and assessments of the life cycle stage of the technology. The developed technology is being amortized on the straight-line basis over its estimated useful life (four years) which is expected to exceed the ratio of current revenues to the total of current and anticipated revenues.

The value of the distribution networks and original equipment manufacturer agreements was estimated by considering, among other factors, the size of the current and potential future customer bases, the quality of

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SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

existing relationships with customers, the historical costs to develop customer relationships, the expected income and associated risks. Associated risks included the inherent difficulties and uncertainties in transitioning business relationships and risks related to the viability of and potential changes to future target markets.

The value of trademarks was estimated by considering, among other factors, the assumption that in lieu of ownership of a trademark, a company would be willing to pay a royalty in order to exploit the related benefits of such trademark.

The value of the assembled workforce was estimated as the costs to replace the existing employees, including recruiting, hiring, and training costs for each category of employee.

The value allocated to projects identified as in-process technology at VERITAS and Seagate Software, for the minority interest acquired, were charged to expense in the fourth quarter of fiscal 1999. These write-offs were necessary because the acquired technologies had not reached technological feasibility at the date of purchase and have no future alternative uses. Seagate Software expects that the acquired in-process research and development will be successfully developed, but there can be no assurance that commercial viability of these products will be achieved.

The nature of the efforts required to develop the purchased in-process technology into commercially viable products principally relate to the completion of all planning, designing, prototyping, verification and testing activities that are necessary to establish that the product can be produced to meet its design specifications, including functions, features and technical performance requirements. The value of the purchased in-process technology for VERITAS was estimated as the projected net cash flows related to such products, including costs to complete the development of the technology and the future revenues to be earned upon commercialization of the products, excluding revenues

attributable to future development efforts. These cash flows were then discounted back to their net present value. The projected net cash flows from such projects were based on management's estimates of revenues and operating profits related to such projects.

Goodwill is calculated as the residual difference between the estimated amount paid and the values assigned to identified tangible and intangible assets and liabilities.

Valuation Assumptions

Revenue

Revenue estimates were based on (i) aggregate revenue growth rates for the businesses as a whole, (ii) growth rates for the storage management software market, (iii) the aggregate size of the storage management software market, (iv) anticipated product development and introduction schedules, (v) product sales cycles, and (vi) the estimated life of a product's underlying technology.

Future revenue estimates were generated based on the worldwide storage management software market and the backup, restore and archive market. The overall storage management software market is forecasted to increase at a compound annual growth rate of 14.2%, from a 1997 value of \$2.543 billion to a 2002 value of \$4.941 billion. The backup, restore and archive software sector of storage management software, in which NSMG competes, is expected to grow much faster than other sectors.

NSMG is positioned for continued growth in its backup, restore, and archive software products. The backup, restore, and archive segment is the fastest growing in the storage management software market. Moreover, NSMG competes, and is one of the leaders in providing this type of software for the Windows NT operating environment. Revenue for Windows 95 and Windows NT is projected to grow at a 43.3% compound annual growth rate (1997 through 2002), higher than for any other operating environment.

Revenue for NSMG was forecasted by product line for the years 1999 through 2001. Revenue was expected to be \$350 million for the 1999 calendar year. Thereafter, NSMG is expected to grow slightly greater

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SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

than the 43.3% industry average through 2003. The revenue by product was allocated between existing, in-process, and future technology; indicating a four-year life cycle (revenue contribution from technology), which is consistent with NSMG's past experience with technology life cycles.

VERITAS is an open systems supplier. The market for open systems suppliers grew 101.2% between 1996 and 1997. In addition, VERITAS looks to grow and increase its market share through positioning itself as a provider of software services in the Windows NT operating environment. As above, revenue for Windows is projected to grow at a 43.3% compound annual growth rate (1997 through 2002).

Revenue for VERITAS was forecasted by product line for the years 1999 through 2001. Revenue was expected to be \$270 million for the 1999 calendar year. Thereafter, VERITAS is expected to grow at 67.9% and 58.4% for years 2000 and 2001, respectively, a rate greater than the 43.3% industry average. For years 2002 through 2005, revenues are expected to level off at a 40% growth rate. The revenue by product was allocated between existing, in-process, and future technology indicating a four-year life cycle (revenue contribution from technology) for NT based products and a three-year life cycle for Unix based products which is consistent with VERITAS' past experience with technology life cycles.

Operating expenses

Estimated operating expenses used in the valuation analysis of NSMG and VERITAS included (i) cost of goods sold, (ii) general and administrative expense, (iii) sales and marketing expense, and (iv) research and development expense. In developing future expense estimates, an evaluation of both NSMG and VERITAS's overall business models, specific product results, including both historical and expected direct expense levels (as appropriate), and an assessment of general industry metrics was conducted.

Cost of goods sold. Cost of goods sold, for the developed and in-process technologies was estimated to be approximately 8.6% of revenues from 2000 to 2006 for NSMG. Cost of goods sold, for the developed and in-process technologies was estimated to be approximately 14.7% of revenues from 2000 to 2005 for VERITAS.

General and administrative ("G&A") expense. G&A expense, expressed as a percentage of revenue, for the developed and in-process technologies was estimated to be 9.2% in 1999 and expected to be reduced to 6.7% by 2002 for NSMG. G&A expense for VERITAS, expressed as a percentage of revenue, for the developed and in-process technologies was held constant at 4.4% of revenues for the forecast period of 2000 to 2005.

Selling and marketing ("S&M") expense. S&M expense, expressed as a percentage of revenue, for the developed and in-process technologies was estimated to be 37.4% for years 2000 to 2006 related to NSMG. S&M expense for VERITAS, expressed as a percentage of revenue, for the developed and in-process technologies was estimated to be 34.7% for years 2000 to 2005.

Research and development ("R&D") expense. R&D expense consists of the costs associated with activities undertaken to correct errors or keep products updated with current information (also referred to as "maintenance" R&D). Maintenance R&D includes all activities undertaken after a product is available for general release to customers to correct errors or keep the product updated with current information. These activities include routine changes and additions. The maintenance R&D expense was estimated to be 17.4% of revenue for the developed and in-process technologies for the years 2000 to 2006 for NSMG. R&D expense for VERITAS was estimated as 18.2% of revenue in 1999 and was reduced to 16% by 2002, continuing at that rate until 2005.

In addition, as of the date of the contribution of NSMG to VERITAS, Seagate Software's management and VERITAS' management anticipated the costs to complete the in-process technologies at approximately \$5.8 million and \$44.2 million, respectively.

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SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Effective tax rate

The effective tax rate utilized in the analysis of developed and in-process technologies was 33%, which reflects VERITAS' combined effective federal and state statutory income tax rates, exclusive of non-recurring charges at the time of the contribution and estimated for future years.

Discount rate

The discount rates selected for the developed and in-process technologies were 12% and 17%, respectively. In the selection of the appropriate discount rates, consideration was given to (i) the Weighted Average Rate of Return (approximately 14% at the date of acquisition) and (ii) the Weighted Average Return on Assets (approximately 18%) that investors expect for company's with similar anticipated growth rates and other characteristics as the NSMG and VERITAS businesses. The discount rate utilized for the in-process technology was determined to be higher than the WARR due to the fact that the technology had not yet reached technological feasibility as of the date of valuation. In utilizing a discount rate greater than the WARR, management has reflected the risk premium associated with achieving the forecasted cash flows associated with these projects. The discount rate was adjusted downward from the WARR for the developed technologies to reflect less technological and/or market risk associated with forecasted sales of the existing products.

Allocation of tangible and intangible assets and liabilities related to the Seagate Software minority interest acquired by Seagate

Seagate Software's investment in VERITAS comprises over 85% of the fair value of Seagate Software. Accordingly, the assumptions utilized in the allocation of the purchase price of the minority interest of Seagate Software acquired by Seagate were materially the same as those used in the allocation of the tangible and intangible assets and liabilities of NSMG and VERITAS.

Pro forma financial information

The pro forma financial information presented below is presented as if the contribution of NSMG to VERITAS and the purchase of the Seagate Software minority interest by Seagate had occurred at the beginning of fiscal 1998. The pro forma statements of operations for the twelve months ended July 2, 1999 and July 3, 1998, include the historical results of Seagate less the historic results of the NSMG business, plus Seagate's equity interest in the pro forma results of VERITAS, including recurring amortization of related goodwill and intangibles plus recurring amortization of goodwill and intangibles associated with the purchase of shares of Seagate Software stock by Seagate. Non-recurring transactions, such as the gain on the NSMG contribution to VERITAS, compensation expense relating to the acquisition of stock held less than six months by employees of Seagate Software, transaction costs and the write-off of in-process research and development are excluded from the pro forma presentation. The pro

forma financial results are as follows:

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED	
	JULY 2, 1999	JULY 3, 1998
	(IN MILLIONS, EXCEPT PER SHARE DATA)	
<S>	<C>	<C>
Revenue.....	\$6,600	\$ 6,644
Loss before income taxes.....	(110)	(1,127)
Net loss.....	(34)	(789)
Net loss per share -- basic and diluted.....	\$(0.14)	\$(3.27)

As of June 30, 2000, the Company held approximately 32% of the outstanding common stock of VERITAS. The Company accounts for its investment in VERITAS under the equity method and records its equity interest in VERITAS' net income (loss) on a one-quarter lag. The Company's recorded equity in the

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

net income of VERITAS for the year ended June 30, 2000 was \$30 million, and differs from the Company's proportionate share of VERITAS' reported net loss for the twelve months ended March 31, 2000. This difference is primarily because the Company eliminates from VERITAS' net income (loss) the effect of VERITAS' accounting for the NSMG business contribution, including VERITAS' amortization expense related to intangible assets. The Company was not required to record its equity interest in VERITAS' net income (loss) in fiscal 1999 because the NSMG business contribution occurred late in the fourth quarter.

The Company's activity related to equity interest in VERITAS for the year ended June 30, 2000 consisted of recorded equity in the net income of VERITAS of \$30 million, as described above, and the Company's amortization expense for goodwill and other intangible assets relating to the investment in VERITAS amounting to \$356 million. The Company's activity related to equity interest in VERITAS for the year ended July 2, 1999 consisted of amortization of goodwill and other intangible assets relating to the investment in VERITAS of \$34 million and in-process research and development of \$85 million.

6. SEAGATE SOFTWARE REORGANIZATION

On October 20, 1999, the stockholders of Seagate Software, then a majority-owned subsidiary of the Company, approved the merger of Seagate Daylight Merger Corp., a wholly-owned subsidiary of the Company, with and into Seagate Software. Seagate Software's assets consisted of the assets of IMG and its investment in the common stock of VERITAS Software Corporation. The merger was effected on October 20, 1999. As a result of the merger, Seagate Software became a wholly-owned subsidiary of the Company. In connection with the merger, Seagate Software's stockholders and optionees received payment in the form of 3.23 shares of the Company's common stock per share of Seagate Software common stock less any amounts due for the payment of the exercise price for such options. All outstanding Seagate Software stock options were accelerated immediately prior to the merger. Seagate issued 9,124,046 shares of its common stock from treasury shares to optionees and minority stockholders of Seagate Software.

In connection with the reorganization, Seagate Software also formed IMG, a wholly-owned subsidiary. Seagate Software transferred the IMG assets into IMG. This new company, IMG, is now the operating entity for the IMG business. IMG has established stock option plans. Total shares available for issuance under these plans are 22,700,000. As of June 30, 2000, IMG had granted 9,501,899 options to purchase common stock to employees of Seagate Software at an average exercise price of \$4 per share, and 1,050 shares had been exercised.

Seagate Software accounted for the exchange of shares of its common stock as the acquisition of a minority interest for Seagate Software common stock outstanding and vested more than six months held by employees and all stock held by former employees and consultants. The fair value of the shares of Seagate issued was \$19 million and was recorded as purchase price and allocated to the assets and liabilities received. The Company accounted for the exchange of shares of its common stock for stock options in Seagate Software held by employees and stock held and vested by employees less than six months as the settlement of an earlier stock award. During the quarter ended December 31, 1999, the Company recorded compensation expense of \$284 million, plus \$2 million in payroll taxes, related to the purchase of minority interest in Seagate Software.

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

ALLOCATION OF MINORITY INTEREST PURCHASE PRICE TO THE INTANGIBLE ASSETS OF SEAGATE SOFTWARE

<TABLE>

<CAPTION>

	(IN MILLIONS)

<S>	<C>
Distribution channel.....	\$ 1
Developed technology.....	1
Goodwill.....	18

Subtotal.....	20
Deferred tax liability.....	(1)

Total.....	\$19
	===

</TABLE>

COMPENSATION RELATING TO STOCK PURCHASED FROM EMPLOYEES

<TABLE>

<CAPTION>

	(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

<S>	<C>
Seagate Software options exercised and exchanged for Seagate stock.....	3,723,015
Plus: Seagate Software stock held for less than 6 months and exchanged for Seagate stock.....	17,952

Total Seagate Software shares exchanged.....	3,740,967
Times: Exchange ratio into Seagate stock.....	3.23

Number of Seagate shares issued.....	12,083,323

Value per share of Seagate common stock on October 20, 1999.....	\$ 29.00
Less: Average price paid per Seagate share.....	\$ (5.50)

Average compensation expense per Seagate share issued.....	\$ 23.50

Total compensation expense.....	\$ 284
	=====

</TABLE>

7. RESTRUCTURING

In fiscal 2000, the Company recorded restructuring charges of \$218 million. The \$218 million restructuring charge was a result of a restructuring plan established to align the Company's global workforce and manufacturing capacity with existing and anticipated future market requirements and necessitated by the Company's improved productivity and operating efficiencies (the "fiscal 2000 restructuring plan"). These actions included workforce reductions, capacity reductions including closure of facilities or portions of facilities, write-off of excess equipment and consolidation of operations in the Company's recording media operations, disc drive assembly and test facilities, printed circuit board assembly manufacturing, recording head operations, software operations, customer service operations, sales and marketing activities, and research and development activities. The restructuring charges were comprised of \$81 million for the write-off of excess manufacturing, assembly and test equipment formerly utilized in Singapore, Thailand and Northern California; \$90 million for employee termination costs; \$29 million for the write-off of owned facilities located in Singapore; \$11 million in lease termination and holding costs; \$5 million in renovation costs to restore facilities in Singapore and Northern California to their pre-lease condition; and \$2 million in contract cancellations associated with one of the Singapore facilities. Prior to this period, there was no indication of permanent impairment of the assets associated with the closure and consolidation of facilities. In connection with the fiscal 2000 restructuring plan, the Company plans to reduce its workforce by approximately 23,000 employees primarily in manufacturing. Approximately 18,300 of the 23,000 employees had been terminated as of June 30, 2000. As a result of employee terminations and the write-off of equipment and facilities in connection with the restructuring charges recorded during the year ended June 30, 2000 related

to the fiscal 2000 restructuring plan, the Company estimates that after the completion of these restructuring activities, annual

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SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

salary and depreciation expense will be reduced by approximately \$151 million and \$88 million, respectively. The Company anticipates that the implementation of the fiscal 2000 restructuring plan will be substantially complete by December 29, 2000.

In fiscal 2000, the Company reversed \$11 million of its restructuring accruals comprised of \$2 million of restructuring reserves recorded in the same period, \$5 million of restructuring reserves recorded in fiscal 1999 and \$4 million of restructuring reserves recorded in fiscal 1998. This reversal included \$3 million of valuation reserves classified elsewhere on the balance sheet and the reversal of amounts included in the restructuring reserve for facility lease costs. In addition, reclassifications between cost categories within the restructuring reserve were made as a result of differences between original estimates and amounts actually incurred or expected to be incurred.

During the third quarter of fiscal 1999, the Company recorded a restructuring charge of \$72 million as a result of steps the Company is taking to further improve the efficiency of its operations. These actions included closure of the Company's microchip manufacturing facility in Scotland; discontinuance of the Company's recording head suspension business located in Malaysia and Minnesota; consolidation of global customer service operations by relocating such operations in Singapore, Scotland and Costa Mesa, California to Reynosa, Mexico; and closure of the Company's recording media substrate facility in Mexico. The restructuring charges were comprised of \$37 million for the write-off or write-down of excess manufacturing, assembly and test equipment formerly utilized in Scotland, Malaysia and Minnesota; \$16 million for lease termination and holding costs for facilities located in Scotland and Singapore; \$10 million for employee termination costs; \$3 million for the write-off of goodwill associated with the recording media substrate operation in Mexico; \$2 million for the write-down of owned facilities located in Malaysia; \$1 million for the write-down of leasehold improvements in Singapore; \$1 million for the write-off of tooling; \$1 million for contract cancellations associated with the suspension business; and \$1 million for repayment of various grants previously received from the Scottish government. Prior to this period, there was no indication of permanent impairment of the assets associated with the closure and consolidation of facilities. Evaluations of the resale market for certain assets were used to estimate fair value.

As of July 2, 1999, all of the equipment located at the microchip facility in Scotland had been sold and the lease on this facility had been terminated.

The Company is in the final stages of disposing all of the assets for its suspension business. The facility that was previously occupied by the suspension operations is currently being used for other operations.

In connection with the fiscal 1999 restructuring, the Company's planned workforce reduction had been completed as of March 31, 2000 and the other restructuring activities were substantially complete as of March 31, 2000.

In fiscal 1999, the Company reversed \$12 million of its restructuring accruals originally recorded in fiscal year 1998 as a result of the Company abandoning its plan to seek an agreement with an external vendor to supply parts currently manufactured at a facility in Thailand. This reversal included \$10 million of valuation reserves classified elsewhere on the balance sheet and reversal of amounts included in the restructuring reserve of \$1 million for facility lease costs and \$1 million for contract cancellations. In addition, reclassifications between cost categories within the restructuring reserve were made as a result of differences between original estimates and amounts actually incurred or expected to be incurred. This was primarily a result of an increase in the period of time estimated to obtain a suitable sub-lessee for certain leased buildings located at the former San Jose, California design facility offset by lower severance and benefits costs than originally estimated.

In the second and third quarters of fiscal 1998, the Company recorded restructuring charges aggregating \$347 million. The Company had experienced reductions in revenue from the third quarter of fiscal year 1997 to the fourth quarter of fiscal year 1997 of 21%, from the fourth quarter of fiscal year 1997 to the first quarter of fiscal year 1998 of 4% and from the first quarter of fiscal year 1998 to the second quarter of fiscal year 1998

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SEAGATE TECHNOLOGY

of an additional 12%. During the second quarter of fiscal 1998, forecasted production needs were much lower than the current capacity of the Company and the Company recognized that the recent oversupply in the marketplace was not a short-term anomaly. In this period, the Company also decided to discontinue production of several products, rendering test and manufacturing equipment unique to those products obsolete. Prior to this period, there was no indication of permanent impairment of these assets associated with the recent excess capacity of the Company or the products to be discontinued. These charges reflect steps the Company is taking to align worldwide operations with current market conditions by reducing existing capacity in all areas of the Company and improving the productivity of its operations and the efficiency of its development efforts by consolidating manufacturing and R&D operations. Actions include exiting production of mobile products; early discontinuation of several other products; closing and selling the Clonmel, Ireland drive manufacturing facility; closing and subleasing the San Jose and Moorpark, California design center facilities; aborting production expansion projects in Cork, Ireland; and divesting the Company of the new Philippines manufacturing facility, which was nearing completion. Included in the restructuring charge are the write-down and write-off of tangible assets comprised of manufacturing, assembly and test equipment and tooling formerly utilized in California, Singapore, Thailand, Ireland and facilities located in California, the Philippines and Thailand totaling \$200 million and intangible assets totaling \$2.5 million for goodwill associated with permanently impaired media manufacturing equipment.

The majority of the tangible assets have been disposed of or sold including the disposal of the Clonmel, Ireland facility in May 1998 and the sublease of one of the five buildings at the San Jose, California design center. The Company is marketing three additional buildings in the San Jose, California design center for sublease. The fifth building has a remaining lease term so short as to make a sublease impractical. Equipment formerly utilized at these facilities, in addition to equipment associated with restructuring actions in Singapore and Thailand, has been relocated to other sites or scrapped. Of the \$137 million in write-offs and write-downs of equipment, \$109 million was scrapped and \$28 million is awaiting final disposition. In addition, \$10 million of equipment was transferred at net book value for use in operations at other sites. Subsequent to the recording of the restructuring reserve, depreciation related to certain assets that continued in use, was included in operations. At the time these assets were identified as available for sale no further depreciation was recorded. The write-off of intangibles and other assets includes capital equipment deposits and goodwill associated with permanently impaired equipment. Costs associated with aborting production expansion projects in Cork, Ireland include primarily architect costs, lease termination costs associated with equipment leased by contractors, and lease termination costs for temporary housing used by contractor personnel.

Certain facilities including design centers in California, as well as manufacturing facilities in Thailand continued in use after restructuring amounts were recorded. The Moorpark, California product design center remained in use for six months after the write-down of leasehold improvements and equipment totaling \$9 million. This facility has been subleased for a portion of the remaining minimum lease term. One Thailand manufacturing facility continues to be utilized until a satisfactory agreement can be made with an external vendor to supply parts currently manufactured at this location. At the time the decision to exit this facility was made, the Company believed that it had identified a supplier for parts. It was subsequently determined that the supplier could not meet the Company's quality standards.

As of January 1, 1999, the Company's planned workforce reduction associated with the fiscal 1998 restructuring had been completed. The implementation of the 1998 restructuring plan was substantially complete as of July 2, 1999.

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table summarizes the Company's restructuring activities:

<TABLE>
<CAPTION>

	SEVERANCE AND BENEFITS	EXCESS FACILITIES	EQUIPMENT	INTANGIBLES & OTHER ASSETS	CONTRACT CANCELLATIONS	OTHER	TOTAL
	-----	-----	-----	-----	-----	-----	-----
	(IN MILLIONS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
FY1998 restructuring charge.....	\$ 57	\$ 78	\$ 137	\$ 11	\$ 43	\$ 21	\$ 347
FY1999 restructuring charge.....	10	19	37	4	1	1	72
Cash charges.....	(60)	(23)	--	--	(38)	(12)	(133)

Non-cash charges.....	--	(59)	(174)	(15)	--	--	(248)
Adjustments and reclassifications.....	(3)	3	--	--	(3)	1	(2)
Reserve balances, July 2, 1999.....	\$ 4	\$ 18	\$ --	\$ --	\$ 3	\$ 11	\$ 36
FY2000 restructuring charge.....	90	40	81	--	2	5	218
Cash charges.....	(69)	(11)	--	--	--	(2)	(82)
Non-cash charges.....	--	(29)	(81)	--	--	--	(110)
Adjustments and reclassifications.....	(2)	(8)	--	--	--	2	(8)
Reserve balances, June 30, 2000.....	\$ 23	\$ 10	\$ --	\$ --	\$ 5	\$ 16	\$ 54

</TABLE>

8. BUSINESS SEGMENT AND GEOGRAPHIC INFORMATION

The Company designs, manufactures and markets products for storage, retrieval and management of data on computer and data communications systems. These products include disc drives and disc drive components, tape drives and software. The Company has three operating segments: disc drives, software and tape drives, however, only the disc drive and software businesses are reportable segments under the criteria of SFAS No. 131. The "other" category in the following revenue and gross profit tables consists of tape drives and out-of-warranty repair. The CEO evaluates performance and allocates resources based on revenue and gross profit from operations. Gross profit from operations is defined as revenue less cost of sales. The Company does not evaluate or allocate assets or depreciation by operating segment, nor does the CEO evaluate segments on these criteria. The CEO has been identified as the Chief Operating Decision Maker as defined by SFAS No. 131.

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SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table summarizes the Company's operations by business segment:

<TABLE>

<CAPTION>

	2000	1999	1998
	-----	-----	-----
	(IN MILLIONS)		
<S>	<C>	<C>	<C>
Revenue:			
Disc Drives.....	\$ 6,013	\$ 6,101	\$ 6,152
Software.....	126	343	293
Other.....	309	358	374
Consolidated.....	\$ 6,448	\$ 6,802	\$ 6,819
	=====	=====	=====
Gross Profit:			
Disc Drives.....	\$ 1,061	\$ 1,163	\$ 667
Software.....	99	291	242
Other.....	94	98	80
Consolidated.....	\$ 1,254	\$ 1,552	\$ 989
	=====	=====	=====
Total Assets:			
Disc Drives.....	\$ 19,900	\$ 16,553	\$ 16,685
Other.....	1,066	586	292
Operating Segments.....	20,966	17,139	16,977
Investment in VERITAS.....	1,122	1,745	--
Eliminations.....	(14,921)	(11,812)	(11,332)
Consolidated.....	\$ 7,167	\$ 7,072	\$ 5,645
	=====	=====	=====

</TABLE>

In fiscal 2000, 1999 and 1998, Compaq Computer Corporation accounted for more than 10% of consolidated revenue for a total of \$1.100 billion, \$1.144 billion, and \$873 million, respectively. Sales to Compaq Computer Corporation were from the Company's disc drive segment.

Enterprise-wide information is provided in accordance with SFAS No. 131. Long-lived assets consist of property, equipment and leasehold improvements, capital leases, equity investments, goodwill and other intangibles, and other non-current assets as recorded by the Company's operations in each area.

SEAGATE TECHNOLOGY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table summarizes the Company's operations by geographic area:

	2000	1999	1998
	-----	-----	-----
	(IN MILLIONS)		
<S>	<C>	<C>	<C>
Revenue from external customers:(1)			
United States.....	\$2,917	\$3,440	\$3,641
The Netherlands.....	1,312	1,361	1,447
Singapore.....	1,378	1,194	1,119
Other.....	841	807	612
	-----	-----	-----
Consolidated.....	\$6,448	\$6,802	\$6,819
	=====	=====	=====
Long-lived Assets:			
United States.....	\$1,521	\$ 826	\$ 771
Singapore.....	392	546	607
Investment in VERITAS.....	1,122	1,745	--
Other.....	623	643	652
	-----	-----	-----
Consolidated.....	\$3,658	\$3,760	\$2,030
	=====	=====	=====

</TABLE>

(1) Revenue is attributed to countries based on the shipping location.

9. ACCUMULATED OTHER COMPREHENSIVE INCOME

The Company records unrealized gains and losses on the mark-to-market of its investments as a component of accumulated other comprehensive income. As of June 30, 2000 and July 2, 1999, total accumulated other comprehensive income (loss) was \$86 million and \$(7) million, respectively. During fiscal 2000, several marketable equity securities held by the Company including SanDisk Corporation, Gadzoox Networks, Inc., Veeco Instruments, Inc., and Lernout & Hauspie Speech Products N.V. were included in this mark-to-market calculation resulting in a \$95 million unrealized gain, net of taxes. No such similar amounts were recorded in fiscal 1999. Such investments are subject to changes in valuation based upon the market price of their common stock. Between June 30, 2000 and August 9, 2000, these investments, excluding the investment in SanDisk which was sold during the same period, had temporarily decreased in fair value by \$56 million, net of taxes. In July 2000, the Company sold its remaining investment in SanDisk for net proceeds of approximately \$105 million.

The components of accumulated other comprehensive income (loss), net of related tax, at June 30, 2000 and July 2, 1999 were as follows:

	JUNE 30, 2000	JULY 2, 1999
	-----	-----
	(IN MILLIONS)	
<S>	<C>	<C>
Unrealized gain (loss) on securities.....	\$88	\$(5)
Foreign currency translation adjustments.....	(2)	(2)
	---	---
Accumulated other comprehensive income (loss).....	\$86	\$(7)
	===	===

</TABLE>

10. PENDING GOING PRIVATE TRANSACTION AND MERGER

On March 29, 2000, Seagate, Seagate Software Holdings, Inc. ("Seagate Software"), a subsidiary of Seagate, and Suez Acquisition Company (Cayman Limited ("SAC"), an entity affiliated with, among others, Silver Lake Partners and Texas Pacific Group, entered into a Stock Purchase Agreement (the "Stock Purchase Agreement"), and Seagate, VERITAS Software Corporation ("VERITAS") and a wholly owned subsidiary of VERITAS entered into an Agreement and Plan of Merger and Reorganization (the "Merger Agreement").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Under the Stock Purchase Agreement, SAC has agreed to purchase for cash, all of the operating assets of Seagate and its consolidated subsidiaries, including Seagate's disc drive, tape drive and software businesses and operations and certain cash reserves, but excluding the approximately 128 million shares of VERITAS common stock currently held by Seagate Software and Seagate's equity investments in Gadzoox Networks, Inc., SanDisk Corporation, Veeco Instruments, Inc. and Lernout & Hauspie Speech Products N.V., to the extent held at the closing. In addition, under the Stock Purchase Agreement, SAC has agreed to assume substantially all of the operating liabilities of Seagate and its consolidated subsidiaries. This transaction is referred to herein as the SAC transaction.

Under the Merger Agreement, immediately following and contingent upon the consummation of the SAC transaction, a wholly-owned subsidiary of VERITAS will merge with and into Seagate, with Seagate to survive the merger and to become a wholly-owned subsidiary of VERITAS. This transaction is referred to herein as the Merger. VERITAS is not acquiring Seagate's disc drive business or any other Seagate operating business. In the Merger, the Seagate stockholders will receive merger consideration consisting of VERITAS common stock and cash. The Merger is intended to qualify as a tax-free reorganization.

On March 29, 2000, Seagate, VERITAS and SAC entered into an Indemnification Agreement, pursuant to which these entities and certain other subsidiaries of Seagate have agreed to certain indemnification provisions regarding tax and other matters that may arise in connection with the SAC transaction and the Merger. Also on March 29, 2000, VERITAS and SAC entered into a letter agreement, pursuant to which VERITAS agreed to a no-shop provision and an alternative termination fee provision.

All of the transactions contemplated by the SAC transaction and the Merger are herein referred to as the VERITAS/Silver Lake transaction. The VERITAS/Silver Lake transaction is expected to close in the second quarter of fiscal 2001, subject to the approval of the VERITAS stockholders and Seagate stockholders, funding of the debt commitments and clearance by the United States Securities and Exchange Commission, as well as other customary closing conditions. Seagate expects that while the VERITAS/Silver Lake transaction is pending, the value of Seagate common stock will depend primarily on the value of VERITAS common stock.

11. COMMITMENTS

Leases -- The Company leases certain property, facilities and equipment under non-cancelable lease agreements. Land and facility leases expire at various dates through 2015 and contain various provisions for rental adjustments including, in certain cases, a provision based on increases in the Consumer Price Index. All of the leases require the Company to pay property taxes, insurance and normal maintenance costs.

Future minimum lease payments for operating leases with initial or remaining terms of one year or more were as follows at June 30, 2000:

	OPERATING LEASES ----- (IN MILLIONS) <C>
<S>	
2001.....	\$ 44
2002.....	36
2003.....	29
2004.....	25
2005.....	19
After 2005.....	131

	\$284
	=====

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Total rent expense for all land, facility and equipment operating leases was approximately \$44 million, \$56 million, and \$58 million for 2000, 1999 and 1998, respectively.

Capital Expenditures -- The Company's commitments for construction of manufacturing facilities and equipment approximated \$52 million at June 30, 2000.

Joint Venture -- In July 2000, the Company and Thomson Multimedia formed an independent company called CacheVision. CacheVision brings together the Company's product development activities and Thomson Multimedia's A/V technologies expertise and marketing presence to develop cost-optimized, time-to-market integrated systems to be incorporated into consumer electronic products such as televisions, set-top boxes, personal video recorders, and DVD players. The Company expects to sell rigid disc drive products to CacheVision as an OEM customer. This information is unaudited.

12. SUPPLEMENTAL CASH FLOW INFORMATION

<TABLE>

<CAPTION>

	2000	1999	1998
	----	-----	----
	(IN MILLIONS)		
<S>	<C>	<C>	<C>
Cash Transactions:			
Cash paid for interest.....	\$ 52	\$ 52	\$52
Cash paid for income taxes, net of refunds.....	577	(109)	(1)
Non-Cash Transactions:			
Contribution of NSMG to VERITAS.....	\$ --	\$1,806	\$--
Acquisition of minority interest.....	19	52	--
Acquisition of XIOTech Corporation.....	359	--	--

</TABLE>

The components of depreciation and amortization expense are as follows:

<TABLE>

<CAPTION>

	2000	1999	1998
	----	-----	----
	(IN MILLIONS)		
<S>	<C>	<C>	<C>
Depreciation.....	\$597	\$574	\$549
Amortization:			
Goodwill and intangibles.....	52	51	56
Deferred compensation.....	6	10	8
Other assets.....	38	61	51
	----	-----	----
	\$693	\$696	\$664
	=====	=====	=====

</TABLE>

13. LITIGATION

Class Actions

VERITAS/Silver Lake -- Following the Company's announcement of the VERITAS/Silver Lake transaction, a number of stockholders filed lawsuits in both Delaware and California against the Company, the individual members of the Board of Directors and certain executive officers, VERITAS and Silver Lake. Following the announcement, 17 complaints were filed in the Chancery Court of Delaware. On April 18, 2000, those 17 lawsuits were consolidated into one action by the Delaware Chancery Court. On April 19, 2000, plaintiffs filed an amended consolidated complaint. On May 22, 2000, the Delaware Chancery Court certified the Delaware action as a class action. In California, three complaints were filed in Santa Clara County Superior Court and two complaints were filed in Santa Cruz County Superior Court. On June 8, 2000, the defendants filed a Petition for Coordination seeking coordination of the five California actions in a single forum. The complaints in both jurisdictions all essentially allege that the members of the Company's Board of Directors breached their fiduciary duties to the Company's shareholders by entering into the transaction with VERITAS/Silver Lake. The complaints also allege that the directors and executive officers have conflicting

financial interests and did not secure the highest possible price for the Company's shares. All the complaints are styled as class actions, and seek to enjoin the transaction with VERITAS/Silver Lake and secure damages from all defendants. None of the defendants has yet responded to the complaints. The Delaware plaintiffs have initiated discovery in preparation for filing a motion for a preliminary injunction. The Company and the individual defendants believe

that none of the lawsuits has any merit and intend to defend all these claims vigorously.

Intellectual Property Litigation

Papst Licensing, GmbH -- Papst has given the Company notice that it believes certain former Conner Peripherals, Inc. disc drives infringe several of its patents covering the use of spindle motors in disc drives. Papst further claims that, post merger, Seagate disc drives designed at the Longmont design center infringe Papst patents. It is the opinion of the Company's patent counsel that the former Conner disc drives do not infringe any valid claims of the patents. The Company also believes that subsequent to the merger with Conner, the Company's earlier paid-up license under Papst's patents extinguishes any ongoing liability. The Company also believes it enjoys the benefit of a license under Papst's patents since Papst Licensing had granted a license to motor vendors of Conner. Papst is currently involved in litigation with other disc drive and disc drive motor manufacturers. The Company believes this matter is without merit and intends to defend it vigorously.

Rodime PLC -- In late 1992, Rodime PLC filed a complaint alleging infringement on a certain patent. The process of litigation ensued and elapsed through January 2000. On January 18, 2000, the U.S. Supreme court denied the Company's petition for certiorari. On the following day, through a mediation process, the Company and Rodime agreed to a settlement amount of \$45 million to bring the related litigation to an end. As a result, a previously recorded estimate of related settlement costs was revised and a charge of \$39 million was recorded in the three months ended December 31, 1999.

TeraStor/Maxoptix -- In November 1997, TeraStor Corporation ("TeraStor") filed a cross-complaint against the Company in an action pending in the Superior Court of California, County of Santa Clara entitled Maxoptix Corporation v. TeraStor Corporation and Gordon Knight. The cross-complaint alleges causes of action against the Company for unfair business practices, misappropriation of trade secrets, attempted monopolization, refusal to deal, breach of contract, specific performance, breach of the covenant of good faith and fair dealing, fraud, negligent misrepresentation, intentional interference with prospective economic advantage and negligent interference with prospective economic advantage. The allegations against the Company arose out of the Company's dealings with TeraStor pursuant to a joint development agreement concerning the development of magneto optical recording heads. In December 1997 TeraStor sought a preliminary injunction against the Company seeking to prevent certain Company employees who formerly worked with TeraStor under the joint development agreement from engaging in work related to the Company's Quinta subsidiary. In January 1998 the Court denied TeraStor's motion for injunctive relief. The Company has asserted cross-claims against TeraStor for trade secret misappropriation, fraud, negligent misrepresentation, breach of contract, declaratory relief, rescission, violation of Business & Professions Code Section 17200, common law unfair competition, intentional interference with contractual relations, negligent interference with contractual relations, and inducing breach of fiduciary duty. The Company also filed claims against Rick Wilmer and Amyl Ahola, two former Seagate employees employed by TeraStor, for breach of contract and breach of fiduciary duty. Trial is currently set to begin on September 18, 2000. On June 28, 2000, the parties reached agreements during settlement mediation that would resolve the litigation. Related settlement costs were recorded as of June 30, 2000.

Convolve, Inc. -- On July 13, 2000, Convolve, Inc. ("Convolve"), and Massachusetts Institute of Technology filed suit against Compaq Computer Corporation and the Company in federal court in New York, alleging patent infringement, misappropriation of trade secrets, breach of contract, tortious interference with

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

contract and fraud, relating to Convolve's Input Shaping(R) and Quick and Quiet(TM) technology. Plaintiffs claim their technology is incorporated in the Company's sound barrier technology, which was announced on June 7, 2000. The complaint seeks injunctive relief and \$800 million in damages. Plaintiffs moved for expedited discovery, which was denied by the court. The court ordered plaintiffs to identify their trade secrets to defendants before discovery can begin. The Company answered the complaint on August 2, 2000 and filed cross-claims for declaratory judgment that two Convolve patents are invalid and not infringed and that the Company owns any intellectual property based upon any information the company disclosed to Convolve. Convolve served a trade secrets disclosure on August 4, 2000. The Company believes this matter is without merit and intends to defend it vigorously.

Other Matters

The Company is involved in a number of other judicial and administrative proceedings incidental to its business. Although occasional adverse decisions (or settlements) may occur, the Company believes that the final disposition of such matters will not have a material adverse effect on the Company's financial position or results of operations.

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Seagate Technology, Inc.

We have audited the accompanying consolidated balance sheets of Seagate Technology, Inc. as of June 30, 2000 and July 2, 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2000. Our audits also included the financial statement schedule listed in the index at Item 14(a). These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements and schedule referred to above present fairly, in all material respects, the consolidated financial position of Seagate Technology, Inc. at June 30, 2000 and July 2, 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2000, in conformity with accounting standards generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Ernst & Young LLP

San Jose, California
July 12, 2000

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ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding directors of the Company and compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, are hereby incorporated herein by reference to the sections entitled "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance," respectively, in the Company's Proxy Statement to be filed with the Commission within 120 days of the end of the Registrant's fiscal year pursuant to General Instruction G(3) to Form 10-K. The information required by that Item concerning executive officers is set forth in Part I of this Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the Company's Proxy Statement to be filed with the Commission within 120 days of the end of the Registrant's fiscal year pursuant to General Instruction G(3) to Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the Company's Proxy Statement to be filed with the Commission within 120 days of the end of the Registrant's fiscal year pursuant to General Instruction G(3) to Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the Company's Proxy Statement to be filed with the Commission within 120 days of the end of the Registrant's fiscal year pursuant to General Instruction G(3) to Form 10-K.

PART IV

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

(a) The following documents are filed as a part of this Report:

1. Financial Statements. The following Consolidated Financial Statements of Seagate Technology, Inc. and Report of Independent Auditors are included in Item 8:

Report of Independent Auditors

Consolidated Balance Sheets-June 30, 2000 and July 2, 1999.

Consolidated Statements of Operations-Years Ended June 30, 2000; July 2, 1999; and July 3, 1998.

Consolidated Statements of Stockholders' Equity-Years Ended June 30, 2000; July 2, 1999; and July 3, 1998.

Consolidated Statements of Cash Flows-Years Ended June 30, 2000; July 2, 1999; and July 3, 1998.

Notes to Consolidated Financial Statements.

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2. Financial Statement Schedules. The following consolidated financial statement schedule of Seagate Technology, Inc. is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements of Seagate Technology, Inc.:

SCHEDULE II -- Valuation and Qualifying Accounts

Schedules not listed above have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or notes thereto.

3. Exhibits:

<TABLE>
<CAPTION>

<C>	<S>	NOTES

3.1	Certificate of Incorporation of Registrant, as amended	<C>
3.2	By-Laws of Registrant, as amended	(A)
4.1	Indenture, dated as of March 1, 1997 (the "Indenture"), between Seagate Technology, Inc. (the "Company") and First Trust of California, National Association, as Trustee	(B)
4.2	Officers' Certificate pursuant to Section 301 of the Indenture, without Exhibits, establishing the terms of the Company's senior notes and senior debentures	(B)
4.3	Form of Senior Note	(B)
4.4	Form of Senior Debenture	(B)
10.1	1983 Incentive Stock Option Plan and form of Stock Option Agreement	(C)
10.2	Seagate Technology Employee Stock Purchase Plan, as amended	(F)
10.3	Registrant's Executive Stock Plan	(D)
10.4	Conner Peripherals, Inc. 1986 Incentive Stock Plan	(D)
10.5	Building Agreement for Land At Private Lot A14547 in Yio Chu Kang dated May 30, 1996 between Seagate Technology International and Jurong Town Corporation	(F)
10.6	Lease Agreement dated July 18, 1994 between Universal Appliances Limited and Seagate Technology (Thailand) Limited	(F)
10.7	1991 Incentive Stock Option Plan and form of Option Agreement, as amended	(F)
10.9	Amended and Restated Directors' Option Plan and form of Option Agreement	
10.10	Amended and Restated Archive Corporation Stock Option and Restricted Stock Purchase Plan -- 1981	(D)
10.12	Conner Peripherals, Inc. -- Arcada Holdings, Inc. Stock Option Plan	(E)
10.13	Arcada Holdings, Inc. 1994 Stock Option Plan	(E)
10.14	Separation Agreement and Release between the Registrant and	(F)

	Alan F. Shugart dated as of July 29, 1998	
10.15	1998 Nonstatutory Stock Option Plan and form of Stock Option Agreement	(G)
10.16	1999 Stock Option Plan	(H)
10.17	XIOtech Amended and Restated 1996 Stock Option Plan	(I)

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		NOTES
<C>	<S>	----- <C>
10.18	\$300,000,000 Credit Agreement between Seagate Technology, Inc. and Bank of America, N.A. dated November 4, 1999	
10.19	Management Retention Agreement dated November 1998 between Seagate Technology, Inc. and Stephen J. Luczo	
10.20	Form of Management Retention Agreement for Senior Management dated November 1998	
10.21	Summary description of Deferred Compensation Plan for Corporate Officers	
10.22	Agreement and Plan of Merger and Reorganization, dated as of March 29, 2000, by and among VERITAS Software Corporation, Victory Acquisition Sub, Inc. and Seagate Technology, Inc.	(J)
10.23	Stock Purchase Agreement, dated as of March 29, 2000, by and among Suez Acquisition Company (Cayman) Limited, Seagate Technology, Inc. and Seagate Software Holdings, Inc.	(J)
10.24	Indemnification Agreement, dated as of March 29, 2000, by and among VERITAS Software Corporation, Seagate Technology, Inc., Suez Acquisition Company (Cayman) Limited and certain other parties	(J)
10.25	Letter Agreement, dated March 29, 2000, by and between VERITAS Software Corporation and Suez Acquisition Company (Cayman) Limited	(J)
10.26	Form of Stockholder Agreement between Seagate Software, Inc., a wholly-owned subsidiary of Seagate Technology, Inc., and VERITAS Software Corporation	(K)
10.27	Form of Registration Rights Agreement between Seagate Software, Inc., a wholly-owned subsidiary of Seagate Technology, Inc. and VERITAS Software Corporation	(L)
10.28	Agreement and Plan of Reorganization by and among Seagate Technology, Inc., Trout Acquisition Corp. and XIOtech Corporation	(M)
21.1	Subsidiaries of the Registrant	
23.1	Consent of Ernst & Young LLP, Independent Auditors	
24.1	Power of Attorney (included on page 95)	
27.1	Financial Data Schedule	
27.2	Amended Financial Data Schedule	
99.1	Corporate Information	

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-
- (A) Incorporated by reference to exhibits filed in response to Item 16, "Exhibits," of the Company's Registration Statement on Form S-3 (File No. 33-13430) filed with the Securities and Exchange Commission on April 14, 1987.
- (B) Incorporated by reference to exhibits filed in response to Item 7(b), "Financial Statements and Exhibits" of the Company's Current Report on Form 8-K dated March 4, 1997.
- (C) Incorporated by reference to exhibits filed in response to Item 14(a), "Exhibits," of the Company's Form 10-K for the year ended June 30, 1983.
- (D) Incorporated by reference to exhibits filed with Registrant's Registration Statement on Form S-8 (registration number 333-00697) as filed with the Commission on February 5, 1996.
- (E) Incorporated by reference to exhibits filed with Registrant's Registration Statement on Form S-8 (registration number 333-01059) as filed with the Commission on February 21, 1996.
- (F) Incorporated by reference to exhibits filed in response to Item 14(a), "Exhibits," of the Company's Form 10-K for the year ended July 3, 1998.

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- (G) Incorporated by reference to exhibits filed with Registrant's Registration Statement on Form S-8 (registration number 333-34136) as filed with the

Commission on April 6, 2000.

- (H) Incorporated by reference to exhibits filed with Registrant's Registration Statement on Form S-8 (registration number 333-92277) as filed with the Commission on December 7, 1999.
- (I) Incorporated by reference to exhibits filed with Registrant's Registration Statement on Form S-8 (registration number 333-95719) as filed with the Commission on January 31, 2000.
- (J) Incorporated by reference to exhibits filed by the Registrant's Registration Statement on Form S-8 (registration number 001-11403) as filed with the Commission on April 5, 2000.
- (K) Incorporated by reference to exhibits filed by Seagate Software, Inc. (registration number 000-23169) in connection with its Quarterly Report on Form 10-Q/A for the period ended January 1, 1999 filed with the Commission on April 21, 1999.
- (L) Incorporated by reference to exhibits filed by Seagate Software, Inc. (registration number 000-23169) in connection with its Quarterly Report on Form 10-Q/A for the period ended January 1, 1999 filed with the Commission on April 16, 1999.
- (M) Incorporated by reference to exhibits filed with the Registrant's Current Report on Form 8-K (registration number 001-11403) as filed with the Commission on December 17, 1999.
- (b) Reports on Form 8-K. No reports on Form 8-K were filed by the Company during the quarter ended June 30, 2000 except for the following:

On April 5, 2000, a report on Form 8-K was filed reporting that on March 29, 2000, Seagate Technology, Inc., Seagate Software Holdings, Inc. and Suez Acquisition Company (Cayman) Limited, an entity affiliated with, among others, Silver Lake Partners and Texas Pacific Group, entered into a Stock Purchase Agreement, and Seagate Technology and VERITAS Software Corporation entered into an Agreement and Plan of Merger and Reorganization.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEAGATE TECHNOLOGY, INC.

/s/ STEPHEN J. LUCZO

 (Stephen J. Luczo, Chief Executive
 Officer
 and a Director)

Dated: August 23, 2000

POWER OF ATTORNEY

Know All Men By These Presents, that each person whose signature appears below constitutes and appoints Stephen J. Luczo and Charles C. Pope, jointly and severally, his or her attorney-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Report on Form 10-K, including post-effective amendments, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

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

<TABLE>

<CAPTION>

<S>	SIGNATURE -----	TITLE -----	DATE ----
	/s/ STEPHEN J. LUCZO	<C> Chief Executive Officer and a Director (Principal Executive Officer)	<C> August 23, 2000
	----- (Stephen J. Luczo)		

/s/ CHARLES C. POPE (Charles C. Pope)	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	August 23, 2000
/s/ GARY B. FILLER (Gary B. Filler)	Co-Chairman of the Board	August 23, 2000
/s/ LAWRENCE PERLMAN (Lawrence Perlman)	Co-Chairman of the Board	August 23, 2000
/s/ KENNETH E. HAUGHTON (Kenneth E. Haughton)	Director	August 23, 2000
/s/ ROBERT A. KLEIST (Robert A. Kleist)	Director	August 23, 2000
/s/ THOMAS P. STAFFORD (Thomas P. Stafford)	Director	August 23, 2000
/s/ LAUREL L. WILKENING (Laurel L. Wilkening)	Director	August 23, 2000

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SEAGATE TECHNOLOGY, INC.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

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COL. A -----	COL. B -----	COL. C -----	COL. D -----	COL. E -----	COL. F -----
DESCRIPTION -----	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS -- DESCRIBE	DEDUCTIONS -- DESCRIBE (1)	BALANCE AT END OF PERIOD
			ADDITIONS -----		
<S>	<C>	<C>	<C>	<C>	<C>
YEAR ENDED JUNE 30, 2000:					
Deducted from asset accounts:					
Allowance for doubtful accounts.....	\$52,529,000 =====	\$24,294,000 =====	\$-- ===	\$2,569,000 =====	\$74,254,000 =====
YEAR ENDED JULY 2, 1999:					
Deducted from asset accounts:					
Allowance for doubtful accounts.....	\$54,130,000 =====	\$ 457,000 =====	\$-- ===	\$2,058,000 =====	\$52,529,000 =====
YEAR ENDED JULY 3, 1998:					
Deducted from asset accounts:					
Allowance for doubtful accounts.....	\$60,413,000 =====	\$ 1,182,000 =====	\$-- ===	\$7,465,000 =====	\$54,130,000 =====

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(1) Uncollectible accounts written off, net of recoveries.

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SEAGATE TECHNOLOGY, INC.

INDEX TO EXHIBITS

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3.1	Certificate of Incorporation of Registrant, as amended	(A)
3.2	By-Laws of Registrant, as amended	
4.1	Indenture, dated as of March 1, 1997 (the "Indenture"), between Seagate Technology, Inc. (the "Company") and First Trust of California, National Association, as Trustee	(B)
4.2	Officers' Certificate pursuant to Section 301 of the Indenture, without Exhibits, establishing the terms of the Company's senior notes and senior debentures	(B)
4.3	Form of Senior Note	(B)
4.4	Form of Senior Debenture	(B)
10.1	1983 Incentive Stock Option Plan and form of Stock Option Agreement	(C)
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AMENDED AND RESTATED
 BYLAWS
 OF
 SEAGATE TECHNOLOGY, INC.

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AMENDED AND RESTATED

BYLAWS
OF
SEAGATE TECHNOLOGY, INC.

ARTICLE I

CORPORATE OFFICES

1.1 Registered Office. The registered office of the corporation shall be in the City of Wilmington, County of New Castle, State of Delaware. The name of the registered agent of the corporation at such location is the Corporation Trust Company.

1.2 Other Offices. The board of directors may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 Place of Meetings. Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the board of directors. In the absence of any such designation, stockholders' meetings shall be held at the registered office of the corporation.

2.2 Annual Meeting.

(a) The annual meeting of stockholders shall be held each year on a date and at a time designated by the board of directors. At the meeting, directors shall be elected and any other proper business may be transacted.

(b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (B) otherwise properly brought before the meeting by or at the direction of the board of directors, or (C) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before

an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than one hundred twenty (120) calendar days in advance of the date of the current year corresponding to the date of the corporation's proxy statement released to stockholders in connection with the previous year's annual meeting of stockholders; provided, however, that in the event that no annual meeting was held in the previous

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year or the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at the time of the previous year's proxy statement, notice by the stockholder to be timely must be so received not later than the close of business on the later of one hundred twenty (120) calendar days in advance of such annual meeting or ten (10) calendar days following the date on which public announcement of the date of the meeting is first made. A stockholder's notice to the secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, (iii) the class and number of shares of the corporation which are beneficially owned by the stockholder, (iv) any material interest of the stockholder in such business, and (v) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act"), in his capacity as a proponent to a stockholder proposal. Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholder's meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this paragraph (b). The chairman of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this paragraph (b), and, if he or she should so determine, he or she shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

(c) Only persons who are nominated in accordance with the procedures set forth in this paragraph (c) shall be eligible for election as directors. Nominations of persons for election to the board of directors of the corporation may be made at a meeting of stockholders by or at the direction of the board of directors or by any stockholder of the corporation entitled to vote in the election of directors at the meeting who complies with the notice procedures set forth in this paragraph (c). Such nominations, other than those made by or at the direction of the board of directors, shall be made pursuant to timely notice in writing to the secretary of the corporation in accordance with the provisions of paragraph (b) of this Section 2.2. Such stockholder's notice shall set forth (i) as to each person, if any, whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class and number of shares of the corporation which are beneficially owned by such person, (D) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, and (E) any other information relating to such person that is required to be disclosed in solicitations of proxies for elections of directors, or is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected); and (ii) as to such stockholder giving notice, the information required to be provided pursuant to

paragraph (b) of this Section 2.2. At the request of the board of directors, any person nominated by a

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stockholder for election as a director shall furnish to the secretary of the corporation that information required to be set forth in the stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this paragraph (c). The chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if he or she should so determine, he or she shall so declare at the meeting, and the defective nomination shall be disregarded.

2.3 Special Meeting.

(a) A special meeting of the stockholders may be called at any time by the board of directors, or by the chairman of the board, or by the president, or by one or more stockholders holding shares in the aggregate entitled to cast not less than ten percent of the votes at that meeting.

(b) For a special meeting of the stockholders to be properly called by any person or persons other than the board of directors, the person or persons calling the meeting must have given timely notice thereof in writing to the secretary of the corporation and the business proposed to be conducted at such meeting must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the date of the meeting proposed by the person or persons calling the meeting. A stockholder's notice to the secretary shall set forth (i) the proposed date and time of the meeting, (ii) as to each matter the stockholder proposes to bring before the meeting: (A) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (B) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, (C) the class and number of shares of the corporation which are beneficially owned by the stockholder, (D) any material interest of the stockholder in such business, and (E) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the 1934 Act, in his capacity as a proponent to a stockholder proposal, and (iii) as to each person, if any, whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class and number of shares of the corporation which are beneficially owned by such person, (D) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, and (E) any other information relating to such person that is required to be disclosed in solicitations of proxies for elections of directors, or is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected). No business may be transacted at such special meeting otherwise than specified in such notice. Upon notice meeting the requirements of this paragraph (b) by any person or persons entitled to call a special meeting of stockholders, the corporation shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5 of this Article II, that a meeting will be held at the time requested by the person or persons who called the meeting,

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not less than ninety (90) nor more than one hundred twenty (120) days after the receipt of the request. If the notice is not given within twenty (20) days after the receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any special meeting except in accordance with the procedures set forth in this paragraph (b) and no person shall be eligible for election at a special meeting as a director of the corporation unless nominated in accordance with the procedures set forth in this paragraph (b). The chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this paragraph (b), or that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if he or she should so determine, he or she shall so declare at the meeting, and any such business was not properly brought before the meeting shall not be transacted and the defective nomination shall be disregarded.

2.4 Notice of Stockholders' Meetings. All notices of meetings with stockholders shall be in writing and shall be sent or otherwise given in accordance with Section 2.5 of these bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.5 Manner of Giving Notice; Affidavit of Notice. Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholders at his address as it appears on the records of the corporation. An affidavit of the secretary or an assistant secretary or of the transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.6 Quorum. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the Chairman of the meeting or (ii) the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meetings as originally noticed.

2.7 Adjourned Meeting; Notice. When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 Conduct of Business. The Chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business.

2.9 Voting. The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.12 of these bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

Except as provided in the last paragraph of this Section 2.9, or as may be otherwise provided in the certificate of incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

At the stockholders' meeting at which directors are to be elected, each stockholder shall be entitled to cumulate votes (i.e., cast for any candidate a number of votes greater than the number of votes which such stockholder normally is entitled to cast) if the candidates' names have been properly placed in nomination (in accordance with these bylaws) prior to commencement of the voting and the stockholder requesting cumulative voting has given notice prior to commencement of the voting of the stockholder's intention to cumulate votes. If cumulative voting is properly requested, each holder of stock, or of any class or classes or of a series or series thereof, who elects to cumulate votes shall be entitled to as many votes as equals the number of votes which (absent this provision as to cumulative voting) he would be entitled to cast for the election of directors with respect to his shares of stock multiplied by the number of directors to be elected by him, and he may cast all of such votes for a single director or may distribute them among the number to be voted for, or for any two or more of them, as he may see fit.

2.10 Waiver of Notice. Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

2.11 Stockholder Action by Written Consent Without a Meeting. Unless otherwise provided in the certificate of incorporation, any action required by this chapter to be taken at any annual or special meeting of stockholders of a corporation, or any action that may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice, and without a vote if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be

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necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who

have not consented in writing. If the action which is consented to is such as would have required the filing of a certificate under any section of the General Corporation Law of Delaware if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written notice and written consent have been given as provided in Section 228 of the General Corporation Law of Delaware.

2.12 Record Date for Stockholder Notice; Voting; Giving Consents. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action.

If the board of directors does not so fix a record date:

(i) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(ii) The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the board of directors is necessary, shall be the day on which the first written consent is expressed.

(iii) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

2.13 Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by a written proxy, signed by the stockholder and filed with the secretary of the corporation, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or

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otherwise) by the stockholder or the stockholder's attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(c) of the General Corporation Law of Delaware.

2.14 List of Stockholders Entitled to Vote. The officer who has charge of the stock ledger of a corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of

each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

ARTICLE III

DIRECTORS

3.1 Powers. Subject to the provisions of the General Corporation Law of Delaware and any limitations in the certificate of incorporation or these bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

3.2 Number of Directors. The Board of Directors shall consist of seven (7) persons until changed by a proper amendment of this Section 3.2.

3.3 Election, Qualification and Term of Office of Directors. Except as provided in Section 3.4 of these bylaws, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws, wherein other qualification for directors may be prescribed. Each director, including a director elected to fill a vacancy, shall hold office until his successor is elected and qualified or until his earlier resignation or removal.

Election of directors need not be by written ballot.

3.4 Resignation and Vacancies. Any director may resign at any time upon written notice to the attention of the Secretary of the corporation. When one or more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect

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when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

Unless otherwise provided in the certificate of incorporation or these bylaws:

(i) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

(ii) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors

elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten (10) percent of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

3.5 Place of Meetings; Meetings by Telephone. The board of directors of the corporation may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 Regular Meetings. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

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3.7 Special Meetings; Notice. Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, the president, any vice president, the secretary or any two (2) directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered personally or by telephone or by telegram, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the corporation.

3.8 Quorum. At all meetings of the board of directors, a majority of the

authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.9 Waiver of Notice. Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

3.10 Board Action by Written Consent Without a Meeting. Unless otherwise restricted by the certificate of incorporation of these bylaws, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee.

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3.11 Fees and Compensation of Directors. Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have the authority to fix the compensation of directors.

3.12 Approval of Loans to Officers. The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiary, including any officer or employee who is a director of the corporation or its subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the board of directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this section contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

3.13 Removal of Directors. Unless otherwise restricted by statute, by the certificate of incorporation or by these bylaws, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors; provided, however, that, so long as shareholders of the corporation are entitled to cumulative voting, if less than the entire board is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire board of directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

ARTICLE IV

COMMITTEES

4.1 Committees of Directors. The board of directors may, by resolution passed by a majority of the whole board, designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors or in the bylaws of the corporation, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but not such committee shall have the power or authority to (i) amend the certificate of incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the board of directors as provided in Section 151(a) of the General Corporation Law of Delaware, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of

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assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation or fix the number of shares of any series of the same or any other class or classes of stock of the corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), (ii) adopt an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of Delaware, (iii) recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, (iv) recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution, or (v) amend the bylaws of the corporation; and, unless the board resolution establishing the committee, the bylaws or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

4.2 Committee Minutes. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

4.3 Meetings and Action of Committees. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Section 3.5 (place of meetings and meeting by telephone), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), and Section 3.10 (action without a meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the board of directors and that

notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V

OFFICERS

5.1 Officers. The officers of the corporation shall be a president, a secretary, and a chief financial officer. The corporation may also have, at the discretion of the board of directors, a chairman of the board, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and any such other officers as may be held by the same person.

5.2 Appointment of Officers. The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.5 of these bylaws, shall be appointed by the board of directors, subject to the rights, if any, of an officer under any contract of employment.

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5.3 Subordinate Officers. The board of directors may appoint, or empower the president to appoint, such other officers and agents as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine.

5.4 Removal and Resignation of Officers. Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the board of directors at any regular or special meeting of the board or, except in the case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 Vacancies in Offices. Any vacancy occurring in any office of the corporation shall be filled by the board of directors.

5.6 Chairman of the Board. The chairman of the board, if such an officer be elected, shall, if present, preside at meetings of the board of directors and exercise and perform such other powers and duties as may from time to time be assigned to him by the board of directors or as may be prescribed by these bylaws.

5.7 President. Subject to such supervisory powers, if any, as may be given by the board of directors to the chairman of the board, if there be such an officer, the president shall be the chief executive officer of the corporation and shall, subject to the control of the board of directors, have general supervision, direction, and control of the business and the officers of the corporation. He shall preside at all meetings of stockholders and, in the absence or nonexistence of a chairman of the board, at all meetings of the board of directors. He shall have the general powers and duties of management usually vested in the office of president of a corporation and shall have such other powers and duties as may be prescribed by the board of directors or these

bylaws.

5.8 Vice Presidents. In the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors, these bylaws, the president or the chairman of the board.

5.9 Secretary. The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the board of directors may direct, a book of minutes

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of all meetings and actions of directors, committees of directors, and stockholders. The minutes shall show the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The secretary shall keep or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the board of directors required to be given by law or by these bylaws. He shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by these bylaws.

5.10 Chief Financial Officer. The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the president and directors, whenever they request it, an account of all his transactions as chief financial officer and of the financial condition of the corporation, and shall have other powers and perform such other duties as may be prescribed by the board of directors or the bylaws.

5.11 Representation of Shares of Other Corporations. The chairman of the board, the president, any vice president, the treasurer, the secretary or assistant secretary of this corporation, or any other person authorized by the board of directors or the president or vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of

attorney duly executed by such person having the authority.

5.12 Authority and Duties of Officers. In addition to the foregoing authority and duties, all officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors or the stockholders.

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ARTICLE VI

INDEMNITY

6.1 Third Party Actions. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of another corporation, partnership, joint venture trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

6.2 Actions by or in the Right of the Corporation. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation, to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

6.3 Successful Defense. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 6.1 and 6.2, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

6.4 Determination of Conduct. Any indemnification under Sections 6.1 and 6.2 (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that the indemnification of the director, officer, employee or agent is proper in the circumstances because

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6.2. Such determination shall be made (1) by the Board of Directors or the Executive Committee by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding or (2) or if such quorum is not obtainable or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

6.5 Payment of Expenses in Advance. Expenses incurred in defending a civil or criminal action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article VI.

6.6 Indemnity Not Exclusive. The indemnification and advancement of expenses provided or granted pursuant to the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

6.7 Insurance Indemnification. The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was, a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation, as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

6.8 The Corporation. For purposes of this Article VI, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under and subject to the provisions of this Article VI (including, without limitation, the provisions of Section 6.4) with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

6.9 Employee Benefit Plans. For purposes of this Article VI, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries

of an employee benefit plan shall be deemed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Article VI.

6.10 Continuation of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE VII

RECORDS AND REPORTS

7.1 Maintenance and Inspection of Records. The corporation shall, either at its principal executive office or at such place or places as designated by the board of directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

7.2 Inspection by Directors. Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

7.3 Annual Statement to Stockholders. The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

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ARTICLE VIII

GENERAL MATTERS

8.1 Checks. From time to time, the board of directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment; of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so

authorized shall sign or endorse those instruments.

8.2 Execution of Corporate Contracts and Instruments. The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation: such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purposes or for any amount.

8.3 Stock Certificates; Partly Paid Shares. The shares of a corporation shall be represented by certificates, provided that the board of directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Notwithstanding the adoption of such a resolution by the board of directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the corporation by the chairman or vice-chairman of the board of directors, or the president or vice-president, and by the chief financial officer or an assistant treasurer, or the secretary or an assistant secretary of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

8.4 Special Designation on Certificates. If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the

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preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.5 Lost Certificates. Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and cancelled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed and the corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 Construction; Definitions. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, and the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

8.7 Dividends. The directors of the corporation, subject to any restrictions contained in (i) the General Corporation Law of Delaware or (ii) the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock.

The directors of the corporation may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

8.8 Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the board of directors and may be changed by the board of directors.

8.9 Seal. The corporation may adopt a corporate seal, which may be altered at pleasure, and may use the same by causing it or a facsimile thereof, to be impressed or affixed or in any other manner reproduced.

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8.10 Transfer of Stock. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.11 Stock Transfer Agreements. The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation law of Delaware.

8.12 Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person,

whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE IX

AMENDMENTS

The bylaws of the corporation may be adopted, amended or repealed by the stockholders entitled to vote: provided, however, that the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws.

SEAGATE TECHNOLOGY, INC.

AMENDED AND RESTATED DIRECTORS' OPTION PLAN
(AS AMENDED THROUGH JANUARY 1997)

1. Purposes of the Plan. The purposes of this Directors' Option Plan are to attract and retain the best available personnel for service as Directors of the Company, to provide additional incentive to the Outside Directors of the Company to serve as Directors, and to encourage their continued service on the Board.

All options granted hereunder shall be "non-statutory stock options".

2. Definitions. As used herein, the following definitions shall apply:

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

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

(c) "Common Stock" means the Common Stock of the Company.

(d) "Company" means Seagate Technology, Inc., a Delaware corporation.

(e) "Continuous Status as a Director" means the absence of any interruption or termination of service as a Director.

(f) "Director" means a member of the Board.

(g) "Employee" means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a Director's fee by the Company shall not be sufficient in and of itself to constitute "employment" by the Company.

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(i) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") System, the Fair Market Value of a Share of Common Stock shall be the

closing sales price for such stock (or the closing bid, if no sales were reported, as quoted on such system or exchange (or the exchange with the greatest volume of trading

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in Common Stock) on the last market trading day prior to the day of determination) as reported in the Wall Street Journal or such other source as the Board deems reliable; (ii) If the Common Stock is quoted on the NASDAQ System (but not on the National Market System thereof) or regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high and low asked prices for the Common Stock on the last market trading day prior to the date of determination, as reported in the Wall Street Journal or such other source as the Board deems reliable, or;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board.

(j) "Option" means a stock option granted pursuant to the Plan.

(k) "Optioned Stock" means the Common Stock subject to an Option.

(l) "Optionee" means an Outside Director who receives an Option.

(m) "Outside Director" means a Director who is not an Employee.

(n) "Parent" means a "parent corporation", whether now or hereafter existing, as defined in Section 425(e) of the Internal Revenue Code of 1986.

(o) "Plan" means this Directors' Option Plan.

(p) "Share" means a share of the Common Stock, as adjusted in accordance with Section 10 of the Plan.

(q) "Subsidiary" means a "subsidiary corporation", whether now or hereafter existing, as defined in Section 425(f) of the Internal Revenue Code of 1986.

3. Stock Subject to the Plan. Subject to the provisions of Section 10 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 1,000,000 Shares (the "Pool") of Common Stock. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option should expire or become unexercisable for any reason without having been exercised in full, the unpurchased Shares which were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan.

4. Administration of and Grants of Options under the Plan.

(a) Administrator. Except as otherwise required herein, the Plan shall be administered by the Board.

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(b) Procedure for Grants. All grants of Options hereunder shall be automatic and non-discretionary and shall be made strictly in accordance with the following provisions:

(i) No person shall have any discretion to select which Outside Directors shall be granted Options or to determine the number of Shares to be covered by Options granted to Outside Directors.

(ii) Each Outside Director shall be automatically granted an Option to purchase 50,000 Shares (the "Initial Option") on (x) November 1, 1990, in the case of Outside Directors who are members of the Board as of such date, and (y) during the term of this Plan, on the date on which such person first becomes a Director, whether through election by the shareholders of the Company or appointment by the Board to fill a vacancy, in the case of persons who become Outside Directors subsequent to November 1, 1990; provided, however, that no Option shall become exercisable unless and until shareholder approval of the Plan has been obtained in accordance with Section 16 hereof.

(iii) During the term of this Plan, each Outside Director shall automatically receive an Option to purchase 5,000 Shares (the "Quarterly Option") on each February 1, May 1, August 1 and November 1 following the grant of the Initial Option; provided, however, that no Quarterly Option shall be granted to an Outside Director who received an Initial Option in the preceding six months.

(iv) The terms of each Option granted hereunder shall be as follows:

(A) the term of the Option shall be ten (10) years.

(B) the Option shall be exercisable only while the Outside Director remains a Director of the Company, except as set forth in Section 8 hereof.

(C) the exercise price per Share shall be 100% of the Fair Market Value per Share on the date of grant of the Option.

(D) the Option shall become exercisable in installments cumulatively as to 1/48 of the Optioned Stock for each full month that expires following the date of grant that the Optionee remains a Director.

(v) In the event that any Option granted under the Plan would cause the number of Shares subject to outstanding Options plus the number of Shares previously purchased upon exercise of Options to exceed the Pool, then each such automatic grant shall be for that number of Shares determined by dividing the total number of Shares remaining available for grant by the number

of Outside Directors on the automatic grant date. No further grants shall be made until such time, if any, as additional Shares become available for grant under the Plan through action of the shareholders to increase the number of Shares which may be issued under the Plan or through cancellation or expiration of Options previously granted hereunder.

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(c) Powers of the Board. Subject to the provisions and restrictions of the Plan, the Board shall have the authority, in its discretion: (i) to determine, upon review of relevant information and in accordance with Section 2(i) of the Plan, the Fair Market Value of the Common Stock; (ii) to interpret the Plan; (iii) to prescribe, amend and rescind rules and regulations relating to the Plan; (iv) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Option previously granted hereunder; and (v) to make all other determinations deemed necessary or advisable for the administration of the Plan.

(d) Effect of Board's Decision. All decisions, determinations and interpretations of the Board shall be final.

5. Eligibility. Options may be granted only to Outside Directors. All Options shall be automatically granted in accordance with the terms set forth in Section 4(b) hereof. An Outside Director who has been granted an Option may, if he is otherwise eligible, be granted an additional Option or Options in accordance with such provisions.

The Plan shall not confer upon any Optionee any right with respect to continuation of service as a Director or nomination to serve as a Director, nor shall it interfere in any way with any rights which the Director or the Company may have to terminate his directorship at any time.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company as described in Section 16 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 12 of the Plan.

7. Exercise Price and Consideration.

(a) Exercise Price. The per Share exercise price for Optioned Stock shall be 100% of the Fair Market Value per Share on the date of grant of the Option.

(b) Form of Consideration. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Board and may consist entirely of (i) cash, (ii) check, (iii) promissory note, (iv) other shares which (x) in the case of Shares

acquired upon exercise of an Option either have been owned by the Optionee for more than six (6) months on the date of surrender or were not acquired, directly or indirectly, from the Company, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, (v) authorization from the Company to retain from the total number of Shares as to which the Option is exercised that number of Shares having a Fair Market Value on the date of exercise equal to the exercise price for the total number of Shares as to which the Option is exercised, (vi) delivery of a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company the amount of sale or loan proceeds required to pay the exercise price, (vii) by delivering an irrevocable

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subscription agreement for the Shares which irrevocably obligates the Optionee to take and pay for the Shares not more than twelve (12) months after the date of delivery of the subscription agreement, (viii) any combination of the foregoing methods of payment, or (ix) such other consideration and method of payment for the issuance of Shares to the extent permitted under applicable law.

8. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times as are set forth in Section 4(b) hereof; provided, however, that no Options shall be exercisable until shareholder approval of the Plan in accordance with Section 16 hereof has been obtained.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may consist of any consideration and method of payment allowable under Section 7(b) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. A share certificate for the number of Shares so acquired shall be issued to the Optionee as soon as practicable after exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 10 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the

number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Rule 16b-3. Options granted to Outside Directors must comply with the applicable provisions of Rule 16b-3 promulgated under the Exchange Act or any successor thereto and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

(c) Termination of Status as a Director. If an Outside Director ceases to serve as a Director and such termination is not based on cause, he may, within five (5) years after the date he ceases to be a Director of the Company, exercise this Option to the extent that he was entitled to exercise it at the date of such termination. If an Outside Director ceases to serve as a Director as a result of a termination based on cause, he may, but only within three (3) months after the date he ceases to be a Director of the Company, exercise his Option to the extent that he was entitled to exercise it at the date of such termination. Notwithstanding the foregoing, in no event may the

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Option be exercised after its ten (10) year term has expired. To the extent that he was not entitled to exercise an Option at the date of such termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate. For this purpose, "cause" is defined as (i) an act of dishonesty made by the Director in connection with Director's responsibilities as a director and intended to result in Director's substantial personal enrichment, (ii) Director's conviction of a felony, (iii) a willful act by Director which constitutes gross misconduct and which is injurious to the Company, or (iv) Director's continued substantial violations of his director duties which are demonstrably willful and deliberate on Director's part after Director has received a written demand for performance from the Board of Directors which specifically sets forth the factual basis for the Board of Director's belief that Director has not substantially performed his duties.

(d) Disability of Optionee. Notwithstanding the provisions of Section 8(c) above, in the event an Optionee is unable to continue his service as a Director as a result of his total and permanent disability (as defined in Section 22(e)(3) of the Code), he may, but only within five (5) years from the date of termination, exercise his Option to the extent he was entitled to exercise it at the date of such termination. Notwithstanding the foregoing, in no event may the Option be exercised after its ten (10) year term has expired. To the extent that he was not entitled to exercise the Option at the date of termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

(e) Death of Optionee. In the event of the death of an Optionee,

the Option may be exercised, at any time within twelve (12) months following the date of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of death. Notwithstanding the foregoing, in no event may the option be exercised after its ten (10) year term has expired.

9. Non-Transferability of Options. Unless determined otherwise by the Board, an Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent and distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee. If the Board makes an Option transferable, such Option shall contain such additional terms and conditions as the Board deems appropriate.

10. Adjustments Upon Changes in Capitalization or Merger. Subject to any required action by the shareholders of the Company, the number of Shares covered by each outstanding Option, and the number of Shares which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per Share covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the aggregate number of issued Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of

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consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of Shares of stock of any class, or securities convertible into Shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Option.

In the event of the proposed dissolution or liquidation of the Company, all outstanding Options will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. The Board may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Board and give each Optionee the right to exercise his Option as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable.

Subject to the provisions of paragraph (b) hereof, in the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each outstanding Option

shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Board determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the Optionee shall have the right to exercise the Option as to all of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable. If the Board makes an Option fully exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Company shall notify the Optionee that the Option shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Option will terminate upon the expiration of such period. For purposes of this paragraph, an Option granted under the Plan shall be deemed to be assumed if, following the sale of assets or merger, the Option confers the right to purchase, for each Share of Optioned Stock subject to the Option immediately prior to the sale of assets or merger, the consideration (whether stock, cash or other securities or property) received in the sale of assets or merger by holders of Common Stock for each Share held on the effective date of the transaction (and if such holders were offered a choice of consideration, the type of consideration chosen by the holders if a majority of the outstanding Shares); provided, however, that if such consideration received in the sale of assets or merger was not solely Common Stock of the successor corporation or its parent, the Board may, with the consent of the successor corporation and the participant, provide for the consideration to be received upon exercise of the Option to be solely Common Stock of the successor corporation or its parent equal in Fair Market Value to the per share consideration received by holders of Common Stock in the sale of assets or merger.

11. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend, or discontinue the Plan, but no amendment, alteration, suspension, or discontinuation shall be made which would impair the rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Rule 16b-3 under

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the Exchange Act (or any other applicable law or regulation), the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

Notwithstanding the foregoing, the provisions set forth in Sections 2(m) and 4(b) of this Plan (and any additional Sections of this Plan that affect terms required to be specified in this Plan by Rule 16b-3) shall not be amended more than once every six months, other than to comport with changes in the Internal Revenue Code, the Employee Retirement Income Security Act, or the rules thereunder.

(b) Effect of Amendment or Termination. Any such amendment or

termination of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if this Plan had not been amended or terminated.

12. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date determined in accordance with Section 4(b) hereof. Notice of the determination shall be given to each Outside Director to whom an Option is so granted within a reasonable time after the date of such grant.

13. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, state securities laws, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares, if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

Inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

14. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

15. Option Agreement. Options shall be evidenced by written option agreements in such form as the Board shall approve.

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16. Shareholder Approval. Continuance of the Plan shall be subject to approval by the shareholders of the Company at or prior to the first annual meeting of shareholders held subsequent to the granting of an Option hereunder. Such shareholder approval shall be obtained in the degree and manner required under applicable state and federal law.

SEAGATE TECHNOLOGY, INC.

\$300,000,000

CREDIT AGREEMENT

Dated as of November 4, 1999

BANK OF AMERICA, N.A.

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement"), dated as of November 4, 1999, is made between SEAGATE TECHNOLOGY, INC., a Delaware corporation (the "Borrower"), and BANK OF AMERICA, N.A. (the "Bank").

The Borrower has requested the Bank to make loans to the Borrower in an aggregate principal amount of up to \$300,000,000. The Bank is willing to make such loans to the Borrower upon the terms and subject to the conditions set forth in this Agreement.

Accordingly, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.01 Certain Defined Terms As used in this Agreement, the following terms shall have the following meanings:

"Affiliate" means any Person which, directly or indirectly, controls, is controlled by or is under common control with another Person. For purposes of the foregoing, "control," "controlled by" and "under common control with" with respect to any Person shall mean the possession, directly or indirectly, of the power (i) to vote 10% or more of the securities having ordinary voting power of the election of directors of such Person, or (ii) to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise. Provided that (except for the purposes of Section 11.12 of this Agreement) Affiliates of Borrower shall not include Veritas Software Corporation.

"Applicable Margin" means 0.80% per annum.

"Bank" has the meaning set forth in the recital of parties to this Agreement.

"Bank's Payment Office" means the office of the Bank designated on Schedule 1 or otherwise notified by Bank to Borrower from time to time.

"Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy."

"Base Rate" means, for any day, the higher of: (a) 0.50% per annum above the latest Federal Funds Rate; and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank in San Francisco, California, as its "reference rate." (The "reference rate" is a rate set by Bank based upon various factors including Bank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate.) Any change in the reference rate announced by Bank shall take effect at the opening of business on the day specified in the public announcement of such change.

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"Base Rate Loan" means a Loan bearing interest at a rate determined by reference to the Base Rate.

"Borrower" has the meaning set forth in the recital of parties to this Agreement.

"Borrower's Account" means the account of the Borrower set forth on Schedule 1, or such other account as the Borrower from time to time shall designate in a written notice to the Bank.

"Business Day" means a day (i) other than Saturday or Sunday, and (ii) on which commercial banks are open for business in New York, New York, and San Francisco, California.

"Capital Lease" means, for any Person, any lease of property (whether real, personal or mixed) which, in accordance with GAAP, would, at the time a determination is made, be required to be recorded as a capital lease in respect of which such Person is liable as lessee.

"Closing Date" means the date on which all conditions precedent set forth in Section 7.01 are satisfied or waived by the Bank.

"Commitment" means, \$300,000,000, as from time to time reduced pursuant to Section 4.01, or, where the context so requires, the obligation of the Bank to make Loans up to such amount on the terms and conditions set forth in this Agreement.

"Compliance Certificate" means a certificate of a Responsible Officer of the Borrower, in substantially the form of Exhibit B, with such changes thereto as the Bank may from time to time reasonably request.

"Consolidated Current Liabilities" means, as of any date of determination, the current liabilities of the Borrower and its Subsidiaries on a consolidated basis as determined in accordance with GAAP.

"Consolidated Net Income" means, for any period, the net income of the Borrower and its Subsidiaries on a consolidated basis for such period taken as a single accounting period, as determined in accordance with GAAP.

"Consolidated Net Loss" means, for any period, a negative Consolidated Net Income; provided, that, there shall be excluded from Consolidated Net Loss losses due to (i) charges related to the amortization of goodwill in connection with the investment by Borrower in Veritas Software Corporation, (ii) non-cash charges associated with the recapitalization of Seagate Software, Inc., not to exceed \$285,000,000, and (iii) charges in respect of restructuring or acquisition-related reserves, not to exceed \$200,000,000 in the aggregate and of which no more than 50% shall be cash-related charges.

"Consolidated Net Operating Loss" means, for any period, the net operating losses of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP; provided, that, to the extent used in the calculation of operating losses, there shall be excluded from Consolidated Net Operating Loss (i) charges related to the amortization of

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goodwill in connection with the investment by Borrower in Veritas Software Corporation, (ii) non-cash charges related to the recapitalization of Seagate Software, Inc., not to exceed \$285,000,000 and (iii) charges in respect of restructuring or acquisition-related reserves, not to exceed \$200,000,000 in the aggregate and of which no more than 50% shall be cash-related charges.

"Consolidated Quick Assets" means, as of any date of determination, the cash, cash equivalents and accounts receivable due within one year of the Borrower and its Subsidiaries on a consolidated basis, as determined in accordance with GAAP; provided that there shall be excluded any such assets subject to security interests in favor of anyone other than the Bank except for Liens permitted pursuant to clause (viii) of the definition of Permitted Liens incurred in the ordinary course of business.

"Consolidated Tangible Net Worth" means the total assets of the Borrower and its Subsidiaries minus the total liabilities of the Borrower and its Subsidiaries minus the carrying value of (a) goodwill, organizational expenses, patents, patent applications, trademarks, trademark applications, trade names, service marks, service mark applications, copyrights, designs and other intellectual property and licenses therefor and rights therein and other similar intangible property, (b) all amortizing debt issuance expenses accrued as an asset, (c) cash held in a sinking fund or other analogous fund for the purpose of redemption, retirement or prepayment of any capital stock or indebtedness or Guaranty Obligation, if no offsetting liability exists with respect to such indebtedness or Guaranty Obligation on the consolidated balance sheet of the Borrower and its Subsidiaries, in all cases determined on a consolidated basis in accordance with GAAP.

"Consolidated Total Assets" means the total assets (real, personal, tangible or intangible) of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

"Default" means an Event of Default or an event or condition which with notice or lapse of time or both would constitute an Event of Default.

"Dollars" and the sign "\$" each means lawful money of the United States.

"Environmental Laws" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directives, requests, licenses, authorizations and permits of, and agreements with (including consent decrees), any Governmental Authorities, in each case relating to or imposing liability or standards of conduct concerning public health, safety and environmental protection matters, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Clean Air Act, the Federal Water Pollution Control Act of 1972, the Solid Waste Disposal Act, the Federal Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Emergency Planning and Community Right-to-Know Act, the California Hazardous Waste Control Law, the California Solid Waste Management, Resource Recovery and Recycling Act, the California Water Code and the California Health and Safety Code.

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"ERISA" means the Employee Retirement Income Security Act of 1974, including (unless the context otherwise requires) any rules or regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) which is under common control with the Borrower within the meaning

of Section 4001(a)(14) of ERISA and Sections 414(b), (c) and (m) of the Internal Revenue Code.

"Eurodollar Business Day" means a Business Day on which dealings in Dollar deposits are carried on in the London interbank market.

"Eurodollar Rate" means for each Interest Period for each Eurodollar Rate Loan the rate per annum (rounded upward, if necessary, to the nearest 1/100 of 1%) determined by the Bank pursuant to the following formula:

$$\text{Eurodollar Rate} = \frac{\text{Interbank Rate}}{100\% - \text{Eurodollar Reserve Percentage}}$$

The Eurodollar Rate shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

"Eurodollar Rate Loan" means a Loan bearing interest at a rate determined by reference to the Eurodollar Rate.

"Eurodollar Reserve Percentage" means the maximum reserve requirement percentage (including any ordinary, supplemental, marginal and emergency reserves), if any, as determined by the Bank, then applicable under Regulation D in respect of Eurocurrency funding (currently referred to as "Eurocurrency Liabilities") of a member bank in the Federal Reserve System with deposits exceeding \$1,000,000,000.

"Event of Default" has the meaning set forth in Section 10.01.

"Exchangeable Indebtedness" means Indebtedness with a maturity date after the Final Maturity Date which is on terms and conditions satisfactory to the Bank.

"FDIC" means the Federal Deposit Insurance Corporation, or any successor thereto.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100 of 1%), as determined by the Bank, equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for any day of determination (or if such day of determination is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Bank from three Federal funds brokers of recognized standing selected by it.

"Final Maturity Date" means November 2, 2000.

"FRB" means the Board of Governors of the Federal Reserve System, and any Governmental Authority succeeding to any of its principal functions.

"GAAP" means generally accepted accounting principles in the U.S. as in effect from time to time.

"Governmental Authority" means any federal, state, local or other governmental department, commission, board, bureau, agency, central bank, court, tribunal or other instrumentality or authority, domestic or foreign, exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guaranty Obligation" means, as applied to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any Indebtedness, lease, dividend, letter of credit or other obligation (the "primary obligations") of another Person (the "primary obligor"), including any obligation of that Person (i) to purchase, repurchase or otherwise acquire such primary obligations or any property constituting direct or indirect security therefor, or (ii) to advance or provide funds (A) for the payment or discharge of any such primary obligation, or (B) to maintain working capital or equity

capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, or (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, (iv) in connection with any synthetic lease or other similar off balance sheet lease transaction, or (v) otherwise to assure or hold harmless the holder of any such primary obligation against loss in respect thereof.

"Hazardous Substances" means any toxic or hazardous substances, materials, wastes, contaminants or pollutants, including asbestos, PCBs, petroleum products and byproducts, and any substances defined or listed as "hazardous substances," "hazardous materials," "hazardous wastes" or "toxic substances" (or similarly identified), regulated under or forming the basis for liability under any applicable Environmental Law.

"Indebtedness" means, for any Person: (i) all indebtedness or other obligations of such Person for borrowed money or for the deferred purchase price of property or services (except for trade payables in the ordinary course of business); (ii) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (iii) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (iv) all obligations under Capital Leases; (v) all reimbursement or other obligations of such Person under or in respect of letters of credit and bankers acceptances, and all net obligations in respect of Rate Contracts; (vi) all reimbursement or other obligations of such Person in respect of any bank guaranties, shipside bonds, surety bonds and similar instruments issued for the account of such Person or as to which such Person is otherwise liable for reimbursement of drawings or payments; (vii) all Guaranty Obligations in respect of Indebtedness covered in Subsections (i) through (vi) hereof; and (viii) all indebtedness of another Person secured by any Lien upon or in property owned by the Person for whom Indebtedness is being determined, whether or not such

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Person has assumed or become liable for the payment of such indebtedness of such other Person. For all purposes of this Agreement, the Indebtedness of any Person shall include all Indebtedness of any partnership or joint venture or limited liability company in which such Person is a general partner or a joint venturer or a member, to the extent there is recourse against such Person for the liabilities of such partnership, joint venture or limited liability company.

"Insolvency Proceeding" means (i) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (ii) any general assignment for the benefit of creditors, composition, marshalling of assets for creditors, or other, similar arrangement in respect of its creditors generally or any substantial portion of its creditors, in each case undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

"Interbank Rate" means for each Eurodollar Rate Loan the rate per annum determined by the Bank to be the average (rounded upward, if necessary, to the nearest 1/16 of 1%) of the rates at which deposits in Dollars are offered to the Bank by prime banks in the London interbank market, at approximately 11:00 A.M. (London time), two Eurodollar Business Days before the first day of such Interest Period, in an amount substantially equal to the proposed Eurodollar Rate Loan and for a period of time comparable to such Interest Period.

"Interest Payment Date" means a date specified for the payment of interest pursuant to Section 3.01(c).

"Interest Period" means, with respect to any Eurodollar Rate Loan, the period determined in accordance with Section 3.01(b) applicable thereto.

"Internal Revenue Code" means the Internal Revenue Code of 1986, including (unless the context otherwise requires) any rules or regulations

promulgated thereunder.

"IRS" means the Internal Revenue Service, or any successor thereto.

"Lending Office" has the meaning set forth in Section 2.03.

"Lien" means any mortgage, deed of trust, pledge, security interest, assignment, deposit arrangement, charge or encumbrance, lien (statutory or other), or other preferential arrangement (including any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing or any agreement to give any security interest).

"Loan Documents" means this Agreement and all other certificates, documents, agreements and instruments delivered to the Bank under or in connection with this Agreement.

"Loans" has the meaning set forth in Section 2.01(b).

"Material Adverse Effect" means any event, matter, condition or circumstance which: (i) has or would reasonably be expected to have a material adverse effect on the business, properties, results of operations or condition (financial or otherwise) of the Borrower and its

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Subsidiaries taken as a whole; or (ii) affects the legality, validity, binding effect or enforceability of any of the Loan Documents.

"Material Subsidiary" means, at any time, any Subsidiary accounting for (i) 5% or more of Consolidated Net Income during the immediately preceding fiscal quarter, or (ii) 5% or more of Consolidated Total Assets as of the last day of the immediately preceding fiscal quarter.

"Minimum Amount" has the meaning set forth in Section 2.05.

"Multiemployer Plan" means a "multiemployer plan" as defined in Sections 3(37) and 4001(a)(3) of ERISA.

"Notice" means a Notice of Borrowing, a Notice of Conversion or Continuation or a Notice of Prepayment.

"Notice of Borrowing" has the meaning set forth in Section 2.02.

"Notice of Conversion or Continuation" has the meaning set forth in Section 3.05(c).

"Notice of Prepayment" has the meaning set forth in Section 4.03(b).

"Obligations" means the indebtedness, liabilities and other obligations of the Borrower to the Bank under or in connection with the Loan Documents, including all Loans, all interest accrued thereon, all fees due under this Agreement and the other Loan Documents and all other amounts payable by the Borrower to the Bank thereunder or in connection therewith, whether now or hereafter existing or arising, and whether due or to become due, absolute or contingent, liquidated or unliquidated, determined or undetermined.

"PBGC" mean the Pension Benefit Guaranty Corporation, or any successor thereto.

"Pension Plan" means any employee pension benefit plan covered by Title IV of ERISA (other than a Multiemployer Plan) that is maintained for employees of the Borrower or any ERISA Affiliate or with regard to which the Borrower or an ERISA Affiliate is a contributing sponsor within the meaning of Sections 4001(a)(13) or 4069 of ERISA.

"Permitted Liens" means:

(i) Liens in favor of the Bank;

(ii) the existing Liens listed in Schedule 2 or incurred in connection

with the extension, renewal or refinancing of the Indebtedness secured by such existing Liens, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the Indebtedness being extended, renewed or refinanced does not increase;

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(iii) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings and which are adequately reserved for in accordance with GAAP;

(iv) Liens of materialmen, mechanics, warehousemen, carriers or employees or other like Liens arising in the ordinary course of business and securing obligations either not delinquent or being contested in good faith by appropriate proceedings and which are adequately reserved for in accordance with GAAP and which do not in the aggregate materially impair the use or value of the property or risk the loss or forfeiture of title thereto;

(v) Liens consisting of deposits or pledges to secure the payment of worker's compensation, unemployment insurance or other social security benefits or obligations, or to secure the performance of bids, trade contracts, leases (other than Capital Leases), public or statutory obligations, surety or appeal bonds or other obligations of a like nature incurred in the ordinary course of business (other than for Indebtedness or any Liens arising under ERISA);

(vi) easements, rights of way, servitudes or zoning or building restrictions and other minor encumbrances on real property and irregularities in the title to such property which do not in the aggregate materially impair the use or value of such property or risk the loss or forfeiture of title thereto;

(vii) statutory landlord's Liens under leases to which the Borrower or any of its Subsidiaries is a party;

(viii) Liens arising solely by virtue of any statutory or common law provision relating to (A) banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Borrower in excess of those set forth by regulations promulgated by the FRB, and (ii) such deposit account is not intended by the Borrower or any Subsidiary to provide collateral to the depository institution and (B) Liens in favor of securities intermediaries (in their capacity as such) holding securities accounts of the Borrower or its Subsidiaries;

(ix) Liens (A) upon or in any property acquired or held by the Borrower or any of its Subsidiaries to secure the purchase price of such property or Indebtedness incurred solely for the purpose of financing the acquisition of such property and incurred within at least 270 days from the date of such acquisition, or (B) existing on such property at the time of its acquisition, provided that the Lien is confined solely to the property so acquired and improvements thereon; and

(x) Liens on assets of Persons which become Subsidiaries after the date of this Agreement; provided, however, that (A) such Liens existed at the time the respective Persons became Subsidiaries and were not created in anticipation thereof, (B) any such Lien does not by its terms cover any assets after the time such Person becomes a Subsidiary which were not covered immediately prior thereto, and (C) any such Lien does not by its terms secure any Indebtedness other than Indebtedness existing immediately prior to the time such Person becomes a Subsidiary.

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(xi) rights of lessees and sublessees under leases or subleases granted to third Persons not interfering with the ordinary course of business of the Borrower or any of its Subsidiaries;

(xii) Liens on the proceeds of insurance granted to insurance carriers solely to secure the payment of financed premiums;

(xiii) Liens in favor of a trustee under any indenture securing amounts due to the trustee in connection with its services under such indenture;

(xiv) rights of licensees or licensors under licensing agreements for use of intellectual property entered into in the ordinary course of business;

(xv) Liens securing Exchangeable Indebtedness; and

(xvi) consensual Liens not described in subclauses (i) through (xv) above; provided, that the aggregate amount of obligations (whether direct or indirect, matured or unmatured, contingent or otherwise) secured by such Liens shall not at any time exceed, in the aggregate, an amount equal to 20% of Consolidated Tangible Net Worth as at the date of determination; provided, further, that such Liens may not attach to accounts receivable (except delinquent accounts receivable disposed of without recourse) or inventory.

"Person" means an individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or any other entity of whatever nature or any Governmental Authority.

"Plan" means any employee pension benefit plan as defined in Section 3(2) of ERISA (including any Multiemployer Plan) and any employee welfare benefit plan, as defined in Section 3(1) of ERISA (including any plan providing benefits to former employees or their survivors).

"Premises" means any and all real property including all buildings and improvements now or hereafter located thereon and all appurtenances thereto, now or hereafter owned, leased, occupied or used by the Borrower and its Subsidiaries.

"Rate Contracts" means interest rate swaps, caps, floors and collars, currency swaps, or other similar financial products designed to provide protection against fluctuations in interest, currency or exchange rates.

"Regulation D" means Regulation D of the FRB.

"Regulatory Change" has the meaning set forth in Section 5.03.

"Related Person" means any Affiliate, director, officer, employee, agent, counsel or other advisor of any Person.

"Required Notice Date" has the meaning set forth in Section 2.06.

"Responsible Officer" means, with respect to any Person, the chief executive officer, the president, the chief financial officer or the treasurer of such Person, or any other senior officer of such Person having substantially the same authority and responsibility; or, with respect to compliance with financial covenants, the chief financial officer or the treasurer of any such Person, or any other senior officer of such Person involved principally in the financial administration or controllership function of such Person and having substantially the same authority and responsibility.

"SEC" means the Securities and Exchange Commission, or any successor thereto.

"Solvent" means, as to any Person at any time, that (i) the fair value of the property of such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(31) of the Bankruptcy Code; (ii) the present fair saleable value of the property of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (iii) such Person is able to realize upon its property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (iv) such Person does not intend to, and does not believe that it will, incur debts or

liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (v) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital.

"Subsidiary" means any corporation, association, partnership, joint venture or other business entity of which more than 50% of the voting stock or other equity interest is owned directly or indirectly by any Person or one or more of the other Subsidiaries of such Person or a combination thereof.

"Swap Termination Value" means, in respect of any one or more Rate Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Rate Contracts, (i) for any date on or after the date such Rate Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (ii) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Rate Contracts, as determined by the Borrower based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Rate Contracts (which may include the Bank).

"Taxes" has the meaning set forth in Section 6.02.

"Termination Event" means any of the following:

(i) with respect to a Pension Plan, a reportable event described in Section 4043 of ERISA and the regulations issued thereunder (other than a reportable event not subject to the provisions for 30-day notice to the PBGC under such regulations);

(ii) the withdrawal of the Borrower or an ERISA Affiliate from a Plan during a plan year in which the withdrawing employer was a "substantial employer" as defined in Section 4001(a)(2) or 4062(e) of ERISA;

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(iii) the taking of any actions (including the filing of a notice of intent to terminate) by the Borrower, an ERISA Affiliate, the PBGC, a Plan Administrator, or any other Person to terminate a Pension Plan or the treatment of a Plan amendment as a termination of a Pension Plan under Section 4041 of ERISA;

(iv) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; or

(v) the complete or partial withdrawal of the Borrower or an ERISA Affiliate from a Multiemployer Plan.

"Total Funded Debt" means, as to any date of determination, all Indebtedness for borrowed money of the Borrower and its Subsidiaries and all Indebtedness the Borrower and its Subsidiaries referenced in paragraphs (ii) and (iv) of the definition of Indebtedness and any Guaranty Obligations to the extent they relate to any of the foregoing, in each case determined on a consolidated basis in accordance with GAAP, but excluding Exchangeable Indebtedness.

"UCC" means the Uniform Commercial Code of the jurisdiction the law of which governs the Loan Document in which such term is used.

"Unfunded Accrued Benefits" means the excess of a Pension Plan's accrued benefits, as defined in Section 3(23) of ERISA, over the current value of that Plan's assets, as defined in Section 3(26) of ERISA.

"United States" and "U.S." each means the United States of America.

SECTION 1.02 Accounting Principles.

(a) Accounting Terms. Unless otherwise defined or the context otherwise requires, all accounting terms not expressly defined herein shall be construed, and all accounting determinations and computations required under the Loan Documents shall be made, in accordance with GAAP, consistently applied.

(b) GAAP Changes. If GAAP shall have been modified after the Closing Date and the application of such modified GAAP shall have a material effect on any financial computations hereunder (including the computations required for the purpose of determining compliance with the covenants set forth in Section 9.02), then such computations shall be made and the financial statements, certificates and reports due hereunder shall be prepared, and all accounting terms not otherwise defined herein shall be construed, in accordance with GAAP as in effect prior to such modification, unless and until the Bank and the Borrower shall have agreed upon the terms of the application of such modified GAAP.

(c) "Fiscal Year" and "Fiscal Quarter". References herein to "fiscal year" and "fiscal quarter" refer to such fiscal periods of the Borrower.

SECTION 1.03 Interpretation. In the Loan Documents, except to the extent the context otherwise requires:

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(i) Any reference to an Article, a Section, a Schedule or an Exhibit is a reference to an article or section thereof, or a schedule or an exhibit thereto, respectively, and to a subsection or a clause is, unless otherwise stated, a reference to a subsection or a clause of the Section or subsection in which the reference appears.

(ii) The words "hereof," "herein," "hereto," "hereunder" and the like mean and refer to this Agreement or any other Loan Document as a whole and not merely to the specific Article, Section, subsection, paragraph or clause in which the respective word appears.

(iii) The meaning of defined terms shall be equally applicable to both the singular and plural forms of the terms defined.

(iv) The words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation."

(v) References to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of the Loan Documents.

(vi) References to statutes or regulations are to be construed as including all statutory and regulatory provisions consolidating, amending or replacing the statute or regulation referred to.

(vii) Any table of contents, captions and headings are for convenience of reference only and shall not affect the construction of this Agreement or any other Loan Document.

(viii) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding"; and the word "through" means "to and including."

(ix) The use of a word of any gender shall include each of the masculine, feminine and neuter genders.

(x) This Agreement and the other Loan Documents are the result of negotiations between the Bank and the Borrower, have been reviewed by counsel to the Bank and the Borrower, and are the products of both parties. Accordingly, they shall not be construed against the Bank merely because of the Bank's involvement in their preparation.

ARTICLE II THE LOANS

SECTION 2.01 The Loans.

The Bank agrees, on the terms and conditions hereinafter set forth, to

make term loans (each a "Loan" and, collectively, the "Loans") to the Borrower from time to time on any Business Day during the period from the Closing Date until the Final Maturity Date, in an

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aggregate principal amount up to but not exceeding the Commitment. Any amount of the Loans repaid may not be reborrowed.

SECTION 2.02 Borrowing Procedure. Each Loan shall be made on a Business Day upon written or telephonic notice (in the latter case to be confirmed promptly in writing) from the Borrower to the Bank, which notice shall be received by the Bank not later than 10:00 A.M. (California time) on the Required Notice Date. Each such notice, except as provided in Sections 5.01 and 5.04, shall be irrevocable and binding on the Borrower, shall be in substantially the form of Exhibit B (a "Notice of Borrowing") and shall specify whether the borrowing consists of a Base Rate Loan or Eurodollar Rate Loan, and the other information required thereby. Upon fulfillment of the applicable conditions set forth in Article VII, and unless other payment instructions are provided by the Borrower, the Bank shall make the Loan available to the Borrower by crediting the Borrower's Account with same day or immediately available funds on such borrowing date.

SECTION 2.03 Lending Offices. The Loans made by the Bank may be made from and maintained at such offices of the Bank (each a "Lending Office") as the Bank may from time to time designate (whether or not such office is specified on Schedule 1). The Bank shall not elect a Lending Office that, at the time of making such election, increases the amounts which would have been payable by the Borrower to the Bank under this Agreement in the absence of such election. With respect to Eurodollar Rate Loans made from and maintained at the Bank's non-U.S. offices, the obligation of the Borrower to repay such Eurodollar Rate Loans shall nevertheless be to the Bank and shall, for all purposes of this Agreement be deemed made or maintained by it, for the account of any such office.

SECTION 2.04 Evidence of Indebtedness. The Bank shall record in its internal records the date and amount of each Loan made, each conversion to a different interest rate, each relevant Interest Period, the amount of principal and interest due and payable from time to time hereunder, each payment thereof and the resulting unpaid principal balance of such Loan. Any such recordation shall be rebuttable presumptive evidence of the accuracy of the information so recorded. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligations of the Borrower hereunder to pay any amount owing with respect to the Loans.

SECTION 2.05 Minimum Amounts. Any borrowing, conversion, continuation, Commitment reduction or prepayment of any Loan hereunder shall be in the amount of \$5,000,000 or a greater amount which is an integral multiple of \$5,000,000 and any partial Commitment reduction under Section 4.01(a) shall be in the amount of \$5,000,000 or a greater amount which is an integral multiple of \$5,000,000 (each such specified amount a "Minimum Amount").

SECTION 2.06 Required Notice. Any Notice hereunder shall be given not later than the date determined as follows (each such specified date a "Required Notice Date"): (a) any Notice with respect to a borrowing of, or conversion into, any Base Rate Loan shall be given at least 1 Business Day prior to the date of the proposed borrowing or conversion; (b) any Notice with respect to any borrowing or continuation of, or conversion into, any Eurodollar Rate Loan shall be given at least 3 Eurodollar Business Days prior to the date of the proposed

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borrowing, conversion or continuation; and (c) any Notice with respect to any prepayment under Section 4.01(a) or Commitment reduction under Section 4.01(a) shall be given at least 5 Business Days prior to the proposed prepayment or Commitment reduction date.

ARTICLE III
INTEREST AND FEES; CONVERSION OR CONTINUATION

SECTION 3.01 Interest

(a) Interest Rate. The Borrower shall pay interest on the unpaid principal amount of each Loan from the date of such Loan until such principal amount shall be paid in full, at the following rates:

(i) during such periods as such Loan is a Base Rate Loan, at a rate per annum equal at all times to the Base Rate;

(ii) during such periods as such Loan is a Eurodollar Rate Loan, at a rate per annum equal at all times during each Interest Period for such Eurodollar Rate Loan to the Eurodollar Rate for such Interest Period plus the Applicable Margin.

(b) Interest Periods. The initial and each subsequent Interest Period for the Eurodollar Rate Loans, shall be a period of one, two, three or six months, or such other period as requested by the Borrower and acceptable to the Bank. The determination of Interest Periods shall be subject to the following provisions:

(i) in the case of immediately successive Interest Periods, each successive Interest Period shall commence on the day on which the next preceding Interest Period expires;

(ii) if any Interest Period pertaining to a Eurodollar Rate Loan would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(iii) no Interest Period shall extend beyond the Final Maturity Date with respect to any Loan;

(iv) any Interest Period pertaining to a Eurodollar Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the ending calendar month of such Interest Period) shall end on the last Business Day of the ending calendar month of such Interest Period; and

(v) there shall be no more than 6 Interest Periods in effect at any one time.

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(c) Interest Payment Dates. Subject to Section 3.02, interest on the Loans shall be payable in arrears at the following times:

(i) interest on each Base Rate Loan shall be payable quarterly on the last Business Day in each calendar quarter and on the Final Maturity Date;

(ii) interest on each Eurodollar Rate Loan shall be payable on the last day of each Interest Period for such Eurodollar Rate Loan on the Final Maturity Date, provided that (A) in the case of any such Interest Period which is greater than three months, interest on such Eurodollar Rate Loan shall be payable on each date that is three months, or any integral multiple thereof, after the beginning of such Interest Period and on the last day of such Interest Period and (B) if any prepayment, conversion or continuation is effected other than on the last day of such Interest Period, accrued interest on such Eurodollar Rate Loan shall be due on such prepayment, conversion or continuation date as to the principal amount of such Eurodollar Rate Loan prepaid, converted or continued.

(d) Notice to the Borrower. Each determination by the Bank hereunder of a rate of interest and of any change therein, including any changes in (i) the Base Rate during any periods in which Base Rate Loans shall be outstanding, (ii) the Eurodollar Reserve Percentage (if any) during any periods in which Eurodollar Rate Loans shall be outstanding, shall be rebuttable presumptive evidence of the accuracy of such determination. The Bank shall promptly notify the Borrower of such determination. Such notice shall set forth in reasonable

detail the basis for any such determination or change. The failure of the Bank to give any such notice specified in this subsection shall not affect the Borrower's obligation to pay such interest or fees.

SECTION 3.02 Default Rate of Interest. Notwithstanding Section 3.01, in the event that any amount of principal of or interest on any Loan, or any other amount payable hereunder or under the Loan Documents, is not paid in full when due (whether at stated maturity, by acceleration or otherwise), the Borrower shall pay interest on such unpaid principal, interest or other amount, from the date such amount becomes due until the date such amount is paid in full, and after as well as before any entry of judgment to the extent permitted by law, payable on demand, at a rate per annum equal at all times to the Base Rate plus 2%.

SECTION 3.03 Fees. The Borrower agrees to pay to the Bank a commitment fee on the average daily unused portion of the Commitment as in effect from time to time from the Closing Date until the Final Maturity Date at the rate of 0.30% per annum, payable quarterly in arrears on the last Business Day of each calendar quarter in each year, commencing on December 31, 1999, and on the earlier of the date the Commitment is terminated hereunder or the Final Maturity Date. All fees payable under this Section 3.03 shall be nonrefundable.

SECTION 3.04 Computations. All computations of interest based upon the Base Rate (unless accruing based upon the Federal Funds Rate) shall be made on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days occurring in the period for which such interest is payable. All computations of commitment fee and of interest based upon the Federal Funds Rate or Eurodollar Rate shall be made on the basis of a year of 360 days for the actual number of days occurring in the period for which such commitment fee

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or interest is payable, which results in more interest being paid than if computed on the basis of a 365-day year. Notwithstanding the foregoing, if any Loan is repaid on the same day on which it is made, such day shall be included in computing interest on such Loan.

SECTION 3.05 Conversion or Continuation.

(a) Election. The Borrower may elect (i) to convert all or any part of (A) any outstanding Base Rate Loan into a Eurodollar Rate Loan, (B) any outstanding Eurodollar Rate Loan into a Base Rate Loan; or (ii) to continue all or any part of a Loan with one type of interest rate as such; provided, however, that if the amount of any Eurodollar Rate Loan shall have been reduced, by payment, prepayment, or conversion of part thereof to be less than \$5,000,000, such Eurodollar Rate Loan shall automatically convert into a Base Rate Loan, and on and after such date the right of the Borrower to continue such Loan as, and convert such Loan into, a Eurodollar Rate Loan, as the case may be, shall terminate. Any conversion or continuation of any Eurodollar Rate Loan shall be made on the last day of the current Interest Period for such Eurodollar Rate Loans. No outstanding Loan may be converted into or continued as a Eurodollar Rate Loan if any Default has occurred and is continuing.

(b) Automatic Conversion. On the last day of any Interest Period for any Eurodollar Rate Loan, such Eurodollar Rate Loan shall, if not repaid, automatically convert into a Base Rate Loan unless the Borrower shall have made a timely election to continue such Eurodollar Rate Loan as such for an additional Interest Period as provided in subsection (a).

(c) Notice to the Bank. The conversion or continuation of any Loans contemplated by subsection (a) shall be made upon written or telephonic notice (in the latter case to be confirmed promptly in writing) from the Borrower to the Bank, which notice shall be received by the Bank not later than 10:00 A.M. (California time) on the Required Notice Date. Each such notice (a "Notice of Conversion or Continuation") shall, except as provided in Sections 5.01 and 5.04, be irrevocable and binding on the Borrower, shall refer to this Agreement and shall specify: (i) the proposed date of the conversion or continuation, which shall be a Business Day or Eurodollar Business Day in the case of Eurodollar Rate Loans; (ii) the outstanding Loan (or part thereof) to be converted into or continued as a Base Rate or Eurodollar Rate Loan, which shall be in a Minimum Amount; (iii) if the conversion or continuation consists of any

Eurodollar Rate Loan, the duration of the Interest Period with respect thereto; and (iv) that no Default exists hereunder.

SECTION 3.06 Highest Lawful Rate. Anything herein to the contrary notwithstanding, if during any period for which interest is computed hereunder, the applicable interest rate, together with all fees, charges and other payments which are treated as interest under applicable law, as provided for herein or in any other Loan Document, would exceed the maximum rate of interest which may be charged, contracted for, reserved, received or collected by the Bank in connection with this Agreement under applicable law (the "Maximum Rate"), the Borrower shall not be obligated to pay, and the Bank shall not be entitled to charge, collect, receive, reserve or take, interest in excess of the Maximum Rate, and during any such period the interest payable hereunder shall be limited to the Maximum Rate.

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ARTICLE IV
REDUCTION OF COMMITMENTS;
REPAYMENT; PREPAYMENT

SECTION 4.01 Reduction or Termination of the Commitment.

(a) Reduction or Termination. The Borrower may, upon prior notice to the Bank as provided herein, terminate in whole or reduce in part, as of the date specified by the Borrower in such notice, any then unused portion of the Commitment, provided that each partial reduction shall be in a Minimum Amount. Notwithstanding the foregoing the Commitment shall terminate in full on the Final Maturity Date.

(b) Adjustment of Commitment Fee; No Reinstatement. From the effective date of any reduction or termination prior to the Final Maturity Date, the commitment fee payable under Section 3.03(a) shall be computed on the basis of the Commitment as so reduced or terminated. Once reduced or terminated, the Commitment may not be increased or otherwise reinstated.

SECTION 4.02 Repayment of the Loans. The Borrower shall repay to the Bank in full on the Final Maturity Date the aggregate principal amount of the Loans outstanding on such date.

SECTION 4.03 Prepayments.

(a) Optional Prepayments. Subject to Section 5.02, Borrower may, upon prior notice to the Bank not later than the Required Notice Date, prepay the outstanding amount of the Loans in whole or in part, without premium or penalty. Any partial prepayments shall be in Minimum Amounts.

(b) Notice; Application. The notice given of any prepayment (a "Notice of Prepayment") shall specify the date and amount of the prepayment and whether the prepayment is of Base Rate or Eurodollar Rate Loans or a combination thereof, and if of a combination thereof the amount of the prepayment allocable to each. If the Notice of Prepayment is given, the Borrower shall make such prepayment and the prepayment amount specified in such Notice shall be due and payable on the date specified therein, with accrued interest to such date on the amount prepaid.

ARTICLE V
YIELD PROTECTION AND ILLEGALITY

SECTION 5.01 Inability to Determine Rates. If the Bank shall determine that adequate and reasonable means do not exist to ascertain the Eurodollar Rate, or the Bank shall determine that the Eurodollar Rate does not accurately reflect the cost to it of making or maintaining Eurodollar Rate Loans, then the Bank shall give telephonic notice (promptly confirmed in writing) to the Borrower of such determination. Any such written notice shall specify in reasonable detail the basis for such determination and shall be rebuttable presumptive evidence of the accuracy of such determination. Thereafter, the obligation of the Bank to make or (other than through the end of the current Interest Period) maintain Eurodollar Rate Loans

hereunder shall be suspended until the Bank revokes such notice. Upon receipt of such notice, the Borrower may revoke any Notice then submitted by it. If the Borrower does not revoke such Notice, the Bank shall make, convert or continue Loans, as proposed by the Borrower, in the amount specified in the Notice submitted by the Borrower, but such Loans shall be made, converted or continued as Base Rate Loans instead of Eurodollar Rate Loans, as the case may be.

SECTION 5.02 Funding Losses. In addition to such amounts as are required to be paid by the Borrower pursuant to Section 5.03, the Borrower shall compensate the Bank, promptly upon receipt of the Bank's written request, for all losses, costs and expenses (including any loss or expense incurred by the Bank in obtaining, liquidating or re-employing deposits or other funds to fund or maintain the Eurodollar Rate Loans), if any, which the Bank sustains: (i) if the Borrower repays, converts or prepays any Eurodollar Rate Loan on a date other than the last day of an Interest Period for such Eurodollar Rate Loan (whether as a result of an optional prepayment, a mandatory prepayment, a payment as a result of acceleration or otherwise); (ii) if the Borrower fails to borrow a Eurodollar Rate Loan after giving its Notice (other than as a result of the operation of Section 5.01 or 5.04); (iii) if the Borrower fails to convert into or continue a Eurodollar Rate Loan after giving its Notice (other than as a result of the operation of Section 5.01 or 5.04); or (iv) if the Borrower fails to prepay a Eurodollar Rate Loan after giving its Notice. Any such request for compensation shall set forth in reasonable detail the basis for requesting such compensation and shall, in the absence of manifest error, be conclusive and binding for all purposes.

SECTION 5.03 Regulatory Changes.

(a) Increased Costs. If, after the date hereof, there is announced the adoption of, or any change in, any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (a "Regulatory Change"), or compliance by the Bank (or its Lending Office) with any request, guideline or directive (whether or not having the force of law) of any such Governmental Authority shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including any such requirement imposed by the FRB, but excluding with respect to any Eurodollar Rate Loan any such requirement included in the calculation of the Eurodollar Rate) against assets of, deposits with or for the account of, or credit extended by, the Bank's Lending Office or shall impose on the Bank (or its Lending Office) or on the United States market for certificates of deposit or the interbank eurodollar market any other condition affecting its Eurodollar Rate Loans or its obligation to make such Eurodollar Rate Loans, and the result of any of the foregoing is to increase the cost to the Bank (or its Lending Office) of making or maintaining any Eurodollar Rate Loan, or to reduce the amount of any sum received or receivable by the Bank (or its Lending Office) under this Agreement with respect thereto, by an amount deemed by the Bank to be material, then from time to time, within 15 days after demand by the Bank, the Borrower shall pay to the Bank such additional amounts as shall compensate the Bank for such increased cost or reduction; provided, that, if such demand is made more than 180 days after the date of the event or circumstance giving rise to such demand, the Borrower shall not be required to compensate the Bank for such increased costs or reduction incurred more than 180 days before the date of such demand.

(b) Capital Requirements. If the Bank shall have determined that any Regulatory Change regarding capital adequacy, or compliance by the Bank (or any corporation controlling the Bank) with any request, guideline or directive regarding capital adequacy (whether or not having the force of law) of any Governmental Authority, has or shall have the effect of reducing the rate of return on the Bank's or such corporation's capital as a consequence of the Bank's obligations hereunder to a level below that which the Bank or such corporation would have achieved but for such adoption, change or compliance (taking into consideration the Bank's or such corporation's policies with

respect to capital adequacy), by an amount deemed by the Bank to be material, then from time to time, within 15 days after demand by the Bank, the Borrower shall pay to the Bank such additional amounts as shall compensate the Bank for such reduction; provided, that, if such demand is made more than 180 days after the date of the event or circumstance giving rise to such demand, the Borrower shall not be required to compensate the Bank for such increased costs or reduction incurred more than 180 days before the date of such demand.

(c) Requests. Any such request for compensation by the Bank under this Section 5.03 shall set forth in reasonable detail the basis of calculation thereof and shall be rebuttable presumptive evidence of the accuracy of such determination. In determining the amount of such compensation, the Bank may use any reasonable averaging and attribution methods.

SECTION 5.04 Illegality. If the Bank shall determine that it has become unlawful, as a result of any Regulatory Change, for the Bank to make, convert into or maintain Eurodollar Rate Loans as contemplated by this Agreement, the Bank shall promptly give notice of such determination to the Borrower, and (I) the obligation of the Bank to make or convert into Eurodollar Rate Loans, as the case may be, shall be suspended until the Bank gives notice that the circumstances causing such suspension no longer exist; and (ii) each of the Bank's outstanding Eurodollar Rate Loans, as the case may be, shall, if requested by the Bank, be converted into a Base Rate Loan not later than upon expiration of the Interest Period related to such Eurodollar Rate Loan, or, if earlier, on such date as may be required by the applicable Regulatory Change, as shall be specified in such request. Any such determination shall, in the absence of manifest error, be conclusive and binding for all purposes.

SECTION 5.05 Funding Assumptions. Solely for purposes of calculating amounts payable by the Borrower to the Bank under this Article V, each Eurodollar Rate Loan made by the Bank (and any related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the Interbank Rate used in determining the Eurodollar Rate for such Eurodollar Rate Loan by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan is in fact so funded.

SECTION 5.06 Obligation to Mitigate. The Bank agrees that as promptly as practicable after it becomes aware of the occurrence of an event that would entitle it to give notice pursuant to Section 5.03(a) or 5.04, and in any event if so requested by the Borrower, the Bank shall use reasonable efforts to make, fund or maintain its affected Eurodollar Rate Loans through another Lending Office if as a result thereof the increased costs would be avoided or materially reduced or the illegality would thereby cease to exist and if, in the reasonable opinion

of the Bank, the making, funding or maintaining of such Eurodollar Rate Loans through such other Lending Office would not in any material respect be disadvantageous to the Bank or contrary to the Bank's normal banking practices.

ARTICLE VI PAYMENTS

SECTION 6.01 Payments.

(a) Payments. The Borrower shall make each payment under the Loan Documents, unconditionally in full without set-off, counterclaim or other defense, not later than 11:00 A.M. (California time) on the day when due to the Bank in Dollars and in same day or immediately available funds to the Bank's Payment Office.

(b) Authorization to Bank. The Bank may (but shall not be obligated to), and the Borrower hereby authorizes the Bank to, charge any deposit account of the Borrower with the Bank for the amount of any payment which is not made by the time specified in subsection (a). The Bank shall promptly notify the Borrower after charging any such account.

(c) Extension. Whenever any payment hereunder shall be stated to be due, or whenever any Interest Payment Date or any other date specified hereunder

would otherwise occur, on a day other than a Business Day, then, except as otherwise provided herein, such payment shall be made, and such Interest Payment Date or other date shall occur, on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commitment fee hereunder.

(d) Application. (i) Unless the Bank shall receive a timely election by the Borrower with respect to the application of any principal payments, each payment of principal by the Borrower shall be applied (in such manner as the Bank shall determine in its sole discretion) (A) first, to the Base Rate Loans then outstanding, and (B) second, to the Eurodollar Rate Loans then outstanding.

SECTION 6.02 Taxes.

(a) No Reduction of Payments. The Borrower shall pay all amounts of principal, interest, fees and other amounts due under the Loan Documents free and clear of, and without reduction for or on account of, any present and future taxes, levies, imposts, duties, fees, assessments, charges, deductions or withholdings and all liabilities with respect thereto excluding, in the case of the Bank, income and franchise taxes imposed on it by the jurisdiction under the laws of which the Bank is organized or in which its principal executive offices may be located or any political subdivision or taxing authority thereof or therein, and by the jurisdiction of the Bank's Lending Office and any political subdivision or taxing authority thereof or therein (all such nonexcluded taxes, levies, imposts, duties, fees, assessments, charges, deductions, withholdings and liabilities being hereinafter referred to as "Taxes"). If any Taxes shall be required by law to be deducted or withheld from any payment, the Borrower shall increase the amount paid so that the Bank receives when due (and is entitled to retain), after deduction or withholding for or on account of such Taxes (including deductions or withholdings applicable to

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additional sums payable under this Section 6.02), the full amount of the payment provided for in the Loan Documents.

(b) Deduction or Withholding; Tax Receipts. If the Borrower makes any payment hereunder in respect of which it is required by law to make any deduction or withholding, it shall pay the full amount to be deducted or withheld to the relevant taxation or other authority within the time allowed for such payment under applicable law and promptly thereafter shall furnish to the Bank an original or certified copy of a receipt evidencing payment thereof, together with such other information and documents as the Bank may reasonably request.

(c) Indemnity. If the Bank is required by law to make any payment on account of Taxes, or any liability in respect of any Tax is imposed, levied or assessed against the Bank, the Borrower shall indemnify the Bank for and against such payment or liability, together with any incremental taxes, interest or penalties, and all costs and expenses, payable or incurred in connection therewith, including Taxes imposed on amounts payable under this Section 6.02, whether or not such payment or liability was correctly or legally asserted; provided, that, the Borrower shall not be liable to the Bank for any portion of such amounts to the extent that they are found by a final decision of a court of competent jurisdiction to have resulted from the Bank's gross negligence or willful misconduct, provided, further, however, that the Borrower shall not be responsible for any increase in such penalty, interest or expense directly attributable to the period of time commencing two (2) Business Days after the Bank receives notice of the levying of such amount and ending on the Business Day on which Bank gives notice of such levy to the Borrower. A certificate of the Bank as to the amount of any such payment shall be rebuttable presumptive evidence of the amount due. Any such certificate shall set forth in reasonable detail the calculation of the amounts so payable.

(d) Mitigation. The Bank agrees that as promptly as practicable after it becomes aware of the occurrence of an event that would cause the Borrower to make any payment in respect of Taxes to the Bank or a payment in indemnification with respect to any Taxes, and in any event if so requested by the Borrower following such occurrence, the Bank shall use reasonable efforts to make, fund or maintain its affected Loan (or relevant part thereof) through another Lending Office if as a result thereof the additional amounts so payable by the Borrower

would be avoided or materially reduced and if, in the reasonable opinion of the Bank, the making, funding or maintaining of such Loan (or relevant part thereof) through such other Lending Office would not in any material respect be disadvantageous to the Bank or contrary to the Bank's normal banking practices.

ARTICLE VII
CONDITIONS PRECEDENT

SECTION 7.01 Conditions Precedent to the Initial Loan. The obligation of the Bank to make its initial Loan shall be subject to the satisfaction of each of the following conditions precedent on or before the Closing Date:

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(a) Fees and Expenses. The Borrower shall have paid (i) all fees then due in accordance with Section 3.03 and (ii) all invoiced costs and expenses then due in accordance with Section 11.04(a).

(b) Closing Certificate. The Bank shall have received, in form and substance satisfactory to it a certificate of a Responsible Officer of the Borrower, dated the Closing Date, stating that (A) the representations and warranties contained in Section 8.01 and in the other Loan Documents are true and correct on and as of the date of such certificate as though made on and as of such date and (B) on and as of the Closing Date, no Default shall have occurred and be continuing or shall result from the initial borrowing;

(c) Corporate Documents. The Bank shall have received the following, in form and substance satisfactory to it:

(i) certified copies of the certificate or articles, as the case may be, of incorporation of the Borrower, together with certificates as to good standing and tax status, from the Secretary of State or other Governmental Authority, as applicable, of the Borrower's state of incorporation, each dated as of a recent date prior to the Closing Date;

(ii) a certificate of the Secretary or Assistant Secretary of the Borrower, dated the Closing Date, certifying (A) copies of the bylaws of the Borrower and the resolutions of the Board of Directors of the Borrower authorizing the execution, delivery and performance of the Loan Documents and (B) the incumbency, authority and signatures of each officer of the Borrower authorized to execute and deliver the Loan Documents and act with respect thereto, upon which certificate the Bank may conclusively rely until it shall have received a further certificate of the Secretary or an Assistant Secretary of the Borrower canceling or amending such prior certificate;

(d) Legal Opinions . The Bank shall have received an opinion of counsel to the Borrower, dated the Closing Date, in form and substance satisfactory to Bank.

SECTION 7.02 Conditions Precedent to All Loans. The obligation of the Bank to make each Loan shall be subject to the satisfaction of each of the following conditions precedent:

(a) Notice. The Borrower shall have given the Notice of Borrowing as provided in Section 2.02.

(b) Material Adverse Effect. On and as of the date of such Loan, there shall have occurred no Material Adverse Effect since the date of this Agreement.

(c) Representations and Warranties; No Default. On the date of such Loan, both before and after giving effect thereto and to the application of proceeds therefrom: (i) the representations and warranties contained in Section 8.01 and in the other Loan Documents shall be true and correct on and as of the date of such Loan as though made on and as of such date; and (ii) no Default shall have occurred and be continuing or shall result from the making of such Loan. For purposes of this Section 7.02(c), clause (i) shall be deemed instead to refer to the last day of the most recent quarter and year for which financial statements have then been delivered

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in respect of the representation and warranty made in Section 8.01(n); clause (i) and shall not be deemed to refer to any other representations and warranties which relate solely to an earlier date (provided that such other representations and warranties shall be true and correct as of such earlier date); and clause (i) shall take into account any amendments to the Schedules and other disclosures made in writing by the Borrower to the Bank after the Closing Date and approved by the Bank. The giving of any Notice of Borrowing and the acceptance by the Borrower of the proceeds of each Loan made following the Closing Date shall each be deemed a certification to the Bank that on and as of the date of such Loan such statements are true.

(d) Additional Documents. The Bank shall have received, in form and substance satisfactory to it, such additional approvals, opinions, documents and other information as the Bank may reasonably request.

ARTICLE VIII
REPRESENTATIONS AND WARRANTIES

SECTION 8.01 Representations and Warranties. The Borrower represents and warrants to the Bank that:

(a) Organization and Powers. Each of the Borrower and its Material Subsidiaries is a corporation or partnership duly organized or formed, as the case may be, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, is qualified to do business and is in good standing in each jurisdiction in which the failure so to qualify or be in good standing would result in a Material Adverse Effect and has all requisite power and authority to own its assets and carry on its business and, with respect to the Borrower, to execute, deliver and perform its obligations under the Loan Documents.

(b) Authorization; No Conflict. The execution, delivery and performance by the Borrower of the Loan Documents have been duly authorized by all necessary corporate action of the Borrower and do not and will not (i) contravene the terms of the certificate or articles, as the case may be, of incorporation and the bylaws of the Borrower or result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which the Borrower is a party or by which it or its properties may be bound or affected; (ii) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree or the like binding on or affecting the Borrower; or (iii) except as contemplated by this Agreement, result in, or require, the creation or imposition of any Lien upon or with respect to any of the properties of the Borrower.

(c) Binding Obligation. The Loan Documents constitute, or when delivered under this Agreement will constitute, legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms; except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or equitable principles relating to enforceability.

(d) Consents. No authorization, consent, approval, license, exemption of, or filing or registration with, any Governmental Authority, or approval or consent of any other

Person, is required for the due execution, delivery or performance by the Borrower of any of the Loan Documents.

(e) No Defaults. Neither the Borrower nor any of its Material Subsidiaries is in default under any contract, lease, agreement, judgment, decree or order to which it is a party or by which it or its properties may be bound, which default could reasonably be expected to have a Material Adverse Effect or result in an Event of Default if such default had occurred after the Closing Date.

(f) Title to Properties; Liens. The Borrower and its Material Subsidiaries have good and marketable title to, or valid and subsisting

leasehold interests in their properties and assets, and there is no Lien upon or with respect to any of such properties or assets, except for Permitted Liens.

(g) Litigation. There are no actions, suits or proceedings pending or, to the best of the Borrower's knowledge, threatened against or affecting the Borrower or any of its Material Subsidiaries or the properties of the Borrower or any of its Subsidiaries before any Governmental Authority or arbitrator which could reasonably be expected to result in a Material Adverse Effect.

(h) Compliance with Environmental Laws. Each of the Borrower and its Material Subsidiaries complies in all respects with all Environmental Laws, whether in connection with the ownership, use, maintenance or operation of its Premises or the conduct of any business thereon, or otherwise except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Neither the Borrower, any of its Material Subsidiaries nor to the best of the Borrower's knowledge, any previous owner, tenant, occupant, user or operator of the Premises, or any present tenant or other present occupant, user or operator of the Premises has used, generated, manufactured, installed, treated, released, stored or disposed of any Hazardous Substances on, under, or at the Premises, except in compliance with all applicable Environmental Laws except to the extent such non-compliance could not reasonably be expected to have a Material Adverse Effect. There are no actions, suits, claims, notices of violation, hearings, investigations or proceedings pending or, to the best of the Borrower's knowledge, threatened against or affecting the Borrower or any of its Material Subsidiaries or with respect to the ownership, use, maintenance and operation of the Premises, relating to Environmental Laws or Hazardous Substances except to the extent that the same could not reasonably be expected to have a Material Adverse Effect.

(i) Governmental Regulation. Neither the Borrower nor any of its Material Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Investment Company Act of 1940, the Interstate Commerce Act, any state public utilities code or any other federal or state statute or regulation limiting its ability to incur Indebtedness.

(j) Taxes. Each of the Borrower and its Material Subsidiaries has duly filed all material tax and information returns required to be filed, and has paid all material taxes, fees, assessments and other governmental charges or levies that have become due and payable, except

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to the extent such taxes or other charges are being contested in good faith and are adequately reserved against in accordance with GAAP.

(k) Patents and Other Rights. Each of the Borrower and its Material Subsidiaries possesses all permits, franchises, licenses, patents, trademarks, trade names, service marks, copyrights and all rights with respect thereto, (or could obtain such rights on terms not materially adverse to Borrower and its Material Subsidiaries taken as a whole), that are necessary for the ownership, maintenance and operation of its business and to the best of the Borrower's knowledge neither the Borrower nor any such Material Subsidiary is in violation of any rights of others with respect to the foregoing.

(l) Insurance. The properties of the Borrower and its Material Subsidiaries are insured, with financially sound and reputable insurance companies, in such amounts, with such deductibles and covering such risks as is customarily carried by companies engaged in similar businesses and owning similar properties in the localities where the Borrower or such Subsidiary operates.

(m) Financial Statements. (i) The audited consolidated balance sheet of the Borrower and its Subsidiaries as at July 2, 1999, and the related consolidated statements of income, shareholders' equity and cash flows for the fiscal year then ended, and the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at October 1, 1999, and the related consolidated statements of income, shareholders' equity and cash flows, for the quarter then ended and the three month period then ended, fairly present in all material respects the financial condition of the Borrower and its Subsidiaries as at such dates and the results of operations of the Borrower and its

Subsidiaries for the periods covered by such statements, in each case in accordance with GAAP consistently applied, subject, in the case of the October 1, 1999 financial statements, to normal year-end adjustments and the absence of notes. (ii) Since October 1, 1999, there has been no Material Adverse Effect.

(n) Liabilities. Neither the Borrower nor any of its Material Subsidiaries has any material liabilities, fixed or contingent, that are not reflected in the financial statements referred to in subsection (m), in the notes thereto or otherwise disclosed in writing to the Bank, other than liabilities arising in the ordinary course of business since October 1, 1999.

(o) Solvency. Each of the Borrower and its Material Subsidiaries is Solvent.

(p) Year 2000. On the basis of a comprehensive review and assessment of the Borrower's and its Material Subsidiaries' systems and equipment and inquiry made of the Borrower's and its Subsidiaries' material suppliers and vendors, the Borrower believes that the "Year 2000 problem" (that is, the inability of computers, as well as embedded microchips in non-computing devices, to perform properly date-sensitive functions with respect to certain dates prior to and after December 31, 1999), including costs of remediation, cannot reasonably be expected to result in a Material Adverse Effect. The Borrower and its Material Subsidiaries have developed feasible contingency plans which Borrower believes are adequate to ensure uninterrupted and unimpaired business operation in the event of failure of their own or a third party's systems or equipment due to the Year 2000 problem, including those of vendors, customers, and suppliers.

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(q) Disclosure. None of the representations or warranties made by the Borrower in the Loan Documents as of the date of such representations and warranties (when taken together with the Borrower's SEC filings made since July 2, 1999), contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they are made, not misleading, as of the time made or delivered.

ARTICLE IX COVENANTS

SECTION 9.01 Reporting Covenants. So long as any of the Obligations shall remain unpaid or the Bank shall have any Commitment, the Borrower agrees that:

(a) Financial Statements and Other Reports. The Borrower shall furnish to the Bank:

(i) as soon as available and in any event within 60 days after the end of the first three fiscal quarters of each fiscal year or 120 days (in the case of the fourth fiscal quarter), a consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such quarter, and the related consolidated statements of income, shareholders' equity and cash flows of the Borrower and its Subsidiaries for such quarter and the portion of the fiscal year through the end of such quarter, prepared in accordance with GAAP consistently applied, all in reasonable detail and setting forth in comparative form the figures for the corresponding period in the preceding fiscal year, together with a certificate of a Responsible Officer of the Borrower stating that such financial statements fairly present the financial condition of the Borrower and its Subsidiaries as at such date and the results of operations of the Borrower and its Subsidiaries for the period ended on such date and have been prepared in accordance with GAAP consistently applied, subject to changes resulting from normal, year-end audit adjustments and except for the absence of notes;

(ii) as soon as available and in any event within 120 days after the end of each fiscal year, a consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year, and the related consolidated statements of income, shareholders' equity and cash flows of the Borrower and its Subsidiaries for such fiscal year, prepared in accordance with GAAP consistently applied, all in reasonable detail and setting forth in comparative form the figures for the previous fiscal year, accompanied by a report thereon of a firm of independent certified public accountants of recognized national

standing, which report shall not be qualified as to (1) going concern, (2) any limitation in the scope of the audit, or (3) possible errors generated by financial reporting and related systems due to the Year 2000 problem;

(iii) together with the financial statements required pursuant to clauses (i) and (ii), a Compliance Certificate of a Responsible Officer as of the end of the applicable accounting period;

(iv) promptly after the same are released, copies of all press releases; and

(v) promptly after the giving, sending or filing thereof, copies of all reports, if any, which the Borrower or any of its Subsidiaries sends to the holders of its respective capital

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stock or other securities and of all reports or filings, if any, by the Borrower or any of its Subsidiaries with the SEC or any national securities exchange.

As to any information contained in materials furnished pursuant to clause (v), the Borrower shall not be separately required to furnish such information under clause (i) or (ii), but the foregoing shall not be in derogation of the obligation of the Borrower to furnish the information and materials described in clauses (i) and (ii) at the times specified therein.

(b) Additional Information. The Borrower will furnish to the Bank:

(i) after a Responsible Officer of the Borrower has knowledge, or becomes aware, or should with reasonable prudence have become aware thereof, notice of the occurrence of any Default;

(ii) written notice of any condition or event which has resulted, or that could reasonably be expected to result, in a Material Adverse Effect; and

(iii) such other information respecting the operations, properties, business or condition (financial or otherwise) of the Borrower or its Subsidiaries (including with respect to the Collateral) as the Bank may from time to time reasonably request.

Each notice pursuant to subsection (b)(i) or (ii) shall be accompanied by a written statement by a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein, and stating what action the Borrower proposes to take with respect thereto.

SECTION 9.02 Financial Covenants. So long as any of the Obligations shall remain unpaid or the Bank shall have any Commitment, the Borrower agrees that:

(a) Quick Ratio. The Borrower shall maintain a ratio of Consolidated Quick Assets to Consolidated Current Liabilities of not less than 0.9 to 1.0, determined as at the end of each Fiscal Quarter;

(b) Total Funded Debt. The Borrower shall not permit Total Funded Debt to exceed \$1,500,000,000 in the aggregate.

(c) Consolidated Net Income. The Borrower shall not permit the cumulative total of Consolidated Net Losses or Consolidated Operating Losses for each Fiscal Quarter ending after the Closing Date to equal or exceed, in either case, \$100,000,000.

SECTION 9.03 Additional Affirmative Covenants. So long as any of the Obligations shall remain unpaid or the Bank shall have any Commitment, the Borrower agrees that:

(a) Preservation of Existence, Etc. The Borrower shall, and shall cause each of its Material Subsidiaries to, maintain and preserve its legal existence, its rights to transact business and all other rights, franchises and privileges necessary or desirable in the normal course of its business and operations and the ownership of its properties, except in connection

with any transactions permitted by Section 9.04 and except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(b) Payment of Obligations. The Borrower shall, and shall cause each of its Material Subsidiaries to, pay and discharge (i) all taxes, fees, assessments and governmental charges or levies imposed upon it or upon its properties or assets prior to the date on which penalties attach thereto, and all lawful claims for labor, materials and supplies which, if unpaid, might become a Lien upon any properties or assets of the Borrower or any Material Subsidiary, except to the extent such taxes, fees, assessments or governmental charges or levies, or such claims, are being contested in good faith by appropriate proceedings and are adequately reserved against in accordance with GAAP; and (ii) all lawful claims which, if unpaid, would by law become a Lien upon its property not constituting a Permitted Lien.

(c) Maintenance of Insurance. The Borrower shall, and shall cause each of its Material Subsidiaries to, carry and maintain in full force and effect, at its own expense and with financially sound and reputable insurance companies, insurance in such amounts, with such deductibles and covering such risks as is customarily carried by companies engaged in the same or similar businesses and owning similar properties in the localities where the Borrower or such Material Subsidiary operates, including fire, extended coverage, business interruption, public liability, property damage and worker's compensation. Notwithstanding the foregoing, the Borrower and its Subsidiaries may maintain a plan or plans of self-insurance to such extent and covering such risks as is usual for companies of similar size engaged in the same or similar businesses and owning similar properties.

(d) Keeping of Records and Books of Account. The Borrower and each of its Subsidiaries shall, keep proper records and books of account, in accordance with GAAP, sufficient to prepare financial statements in accordance with GAAP.

(e) Inspection Rights. The Borrower shall at any reasonable time and upon reasonable notice and from time to time permit the Bank or any of its agents or representatives to visit and inspect any of the properties of the Borrower and its Subsidiaries and to examine and make copies of and abstracts from the records and books of account of the Borrower and its Subsidiaries, and to discuss the business affairs, finances and accounts of the Borrower and any such Subsidiary with any of the officers, employees or accountants of the Borrower or such Subsidiary.

(f) Compliance with Laws, Etc. The Borrower shall, and shall cause each of its Material Subsidiaries to, comply in all respects with the requirements of all applicable laws, rules, regulations and orders of any Governmental Authority (including all Environmental Laws) and the terms of any indenture, contract or other instrument to which it may be a party or under which it or its properties may be bound, except to the extent that such non-compliance could not reasonably be expected to result in a Material Adverse Effect.

(g) Maintenance of Properties, Etc. The Borrower shall, and shall cause each of its Material Subsidiaries to, maintain and preserve all of its properties necessary or useful in the proper conduct of its business in good working order and condition in accordance with the general practice of other corporations of similar character and size, ordinary wear and tear

excepted, except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

(h) Licenses. The Borrower shall, and shall cause each of its Material Subsidiaries to, obtain and maintain all licenses, authorizations, consents, filings, exemptions, registrations and other governmental approvals necessary or useful in connection with the execution, delivery and performance of the Loan Documents, the consummation of the transactions therein contemplated or the operation and conduct of its business and ownership of its properties, except

where the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

(i) [intentionally omitted]

(j) Use of Proceeds. The Borrower shall use the proceeds of the Loans solely for general working capital purposes and to repurchase capital stock of the Borrower; provided, that, Borrower shall not use any such proceeds to finance any hostile acquisition.

(k) Further Assurances and Additional Acts. The Borrower shall execute, acknowledge, deliver, file, notarize and register at its own expense all such further agreements, instruments, certificates, documents and assurances and perform such acts as the Bank shall deem necessary or reasonably require to effectuate the purposes of the Loan Documents, and provide the Bank with evidence of the foregoing satisfactory in form and substance to the Bank.

SECTION 9.04 Negative Covenants. So long as any of the Obligations shall remain unpaid or the Bank shall have any Commitment, the Borrower agrees that:

(a) Liens; Negative Pledges. (i) The Borrower shall not, and shall not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any of its properties, revenues or assets, whether now owned or hereafter acquired, other than Permitted Liens. (ii) The Borrower shall not, and shall not permit any of its Subsidiaries to, enter into or suffer to exist any agreement (other than this Agreement, any other Loan Document) prohibiting or conditioning the creation or assumption of any Lien upon any of its properties, revenues or assets, whether now owned or hereafter acquired except for; (i) any credit agreement between the Borrower and Citibank, N.A.; (ii) agreements in effect on the date of this Agreement, and any amendments, extensions, refinancings, renewals or replacements of such agreements, provided that any such restrictions in any such extensions, refinancings, renewals or replacements are no less favorable than those restrictions that are then in effect and that are being extended, refinanced, renewed or replaced; (iii) agreements existing prior to the date on which a Subsidiary became a Subsidiary which were not incurred in anticipation of such Subsidiary becoming a Subsidiary; (iv) agreements relating to a Permitted Lien, but only to the extent such restrictions restrict the transfer of the property subject to such Lien; (v) agreements containing customary nonassignment, restriction on subletting or restriction on transfer provisions or restrictions on cash or other deposits or net worth maintenance provisions entered into in the ordinary course of business; (vi) with respect to a Subsidiary, agreements which have been entered into for the sale or disposition of all or substantially all of the capital stock or assets of such Subsidiary; provided that consummation of such transaction would not result in a Default, that such restriction terminates if such transaction is closed or abandoned and that the closing or

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abandonment of such transaction shall occur within one year of the date such agreement was entered into; (vii) agreements for the sale of assets with respect to the assets to be sold pursuant to such agreement;

(b) Change in Nature of Business. The Borrower shall not, and shall not permit any of its Subsidiaries to, engage in any material line of business substantially different from those lines of business carried on by it at the date hereof or businesses that are reasonably related or complementary or (provided such activity is not a material enterprise) incidental to such businesses.

(c) Restrictions on Fundamental Changes. The Borrower will not, and will not permit any of its Subsidiaries to, merge with or consolidate into, or acquire all or substantially all of the assets of, any Person, or sell, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets, except that:

(i) any of the Borrower's Subsidiaries may merge with, consolidate into or transfer all or substantially all of its assets to another of the Borrower's Subsidiaries or to the Borrower and in connection therewith such Subsidiary may be liquidated or dissolved;

(ii) the Borrower may merge with or consolidate into any other Person, provided that (A) the Borrower is the surviving corporation, (B) that the surviving entity will comply with the covenants in Section 9.02 on a pro forma basis (as if the entity acquired had been acquired at the beginning of the period over which such covenants are calculated), and (C) no such merger or consolidation shall be made while there exists a Default or if a Default would occur as a result thereof; or

(iii) any Subsidiary may merge with or into any other Person in connection with an acquisition, disposition or investment not otherwise prohibited under this Agreement and the Borrower may spin-off a Subsidiary.

(d) [intentionally omitted] (e) Transactions with Related Parties. The Borrower shall not, and shall not permit any of its Material Subsidiaries to, enter into any transaction, including the purchase, sale or exchange of property or the rendering of any services, with any Affiliate, any officer or director thereof (a "Related Party"), except a transaction or contract which is in the ordinary course of the Borrower's or such Subsidiary's business and which is upon fair and reasonable terms not less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's length transaction with a Person not a Related Party.

(f) Hazardous Substances. The Borrower shall not, and shall not permit any of its Material Subsidiaries to, use, generate, manufacture, install, treat, release, store or dispose of any Hazardous Substances, except in compliance in all material respects with all applicable Environmental Laws.

(g) Accounting Changes. The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, make any significant change in accounting treatment or reporting practices, except as required or permitted by GAAP, or change its fiscal year or that of

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any of its consolidated Subsidiaries, except to change the fiscal year of a Subsidiary acquired in connection with a permitted acquisition to conform its fiscal year to the Borrower's.

ARTICLE X EVENTS OF DEFAULT

SECTION 10.01 Events of Default. Any of the following events which shall occur shall constitute an "Event of Default":

(a) Payments. The Borrower shall fail to pay (i) when due any amount of principal of, or interest on, any Loan, or (ii) within two Business Days any fee or other amount payable under any Loan Document.

(b) Representations and Warranties. Any representation or warranty by the Borrower under or in connection with the Loan Documents shall prove to have been incorrect in any material respect when made or deemed made.

(c) Failure by Borrower to Perform Certain Covenants. The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 9.02, subsections (a), (e), or (j) of Section 9.03 or Section 9.04.

(d) Failure by Borrower to Perform Other Covenants. The Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement or any other Loan Document on its part to be performed or observed and any such failure shall remain unremedied for a period of 30 days after a Responsible Officer knew or should with reasonable prudence have become aware thereof.

(e) Insolvency; Voluntary Proceedings. The Borrower or any Material Subsidiary (i) ceases or fails to be Solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise; (ii) voluntarily ceases to conduct its business in the ordinary course; (iii) commences any Insolvency Proceeding with respect to itself; or (iv) takes any action to effectuate or authorize any of the foregoing.

(f) Involuntary Proceedings. (i) Any involuntary Insolvency Proceeding is commenced or filed against the Borrower or any Material Subsidiary, or any writ, judgment, warrant of attachment, execution or similar process, is issued or levied against a substantial part of the Borrower's or any Material Subsidiary's properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within 60 days after commencement, filing or levy; (ii) the Borrower or any Material Subsidiary admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any Insolvency Proceeding; or (iii) the Borrower or any Material Subsidiary acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar Person for itself or a substantial portion of its property or business.

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(g) Acceleration Indebtedness. (i) The Borrower or any of its Subsidiaries shall fail (A) to make any payment of any principal of, or interest or premium on, any Indebtedness (other than in respect of the Loans) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than \$100 million (or its equivalent in another currency) when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness as of the date of such failure; or (B) to perform or observe any term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any such Indebtedness, which results in an acceleration of the maturity of such Indebtedness.

(h) Judgments. (i) A final judgment or order for the payment of money in excess of \$100 million (or its equivalent in another currency) which is not fully covered by third-party insurance shall be rendered against the Borrower or any of its Subsidiaries; or (ii) any non-monetary judgment or order shall be rendered against the Borrower, or any such Subsidiary which has or would reasonably be expected to have a Material Adverse Effect; and in each case there shall be any period of 30 consecutive days during which such judgment continues unsatisfied or during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

(i) ERISA. (i) The Borrower or an ERISA Affiliate shall fail to satisfy its contribution requirements in an amount in excess of \$100 million under Section 412(c)(11) of the Internal Revenue Code, whether or not it has sought a waiver under Section 412(d) of the Internal Revenue Code; (ii) in the case of a Termination Event involving the withdrawal from a Pension Plan of a "substantial employer" (as defined in Section 4001(a)(2) or Section 4062(e) of ERISA), the Borrower's or an ERISA Affiliate's proportionate share of that Pension Plan's Unfunded Accrued Benefits is more than \$100 million; (iii) in the case of a Termination Event involving the complete or partial withdrawal from a Multiemployer Plan, the Borrower or an ERISA Affiliate has incurred a withdrawal liability in an aggregate amount exceeding \$100 million; (iv) in the case of a Termination Event not described in clause (ii) or (iii), the Unfunded Accrued Benefits of the relevant Pension Plan or Plans exceed \$100 million; (v) a Plan of the Borrower or an ERISA Affiliate that is intended to be qualified under Section 401(a) of the Internal Revenue Code shall lose its qualification, and the loss can reasonably be expected to impose on the Borrower or an ERISA Affiliate liability (for additional taxes, to Plan participants, or otherwise) in the aggregate amount of \$100 million or more; (vi) the commencement or increase of contributions to, the adoption of, or the amendment of a Plan by, the Borrower or an ERISA Affiliate shall result in a net increase in unfunded liabilities to the Borrower or an ERISA Affiliate in excess of \$100 million; or (vii) the occurrence of any combination of events listed in clauses (ii) through (vi) that involves a net increase in aggregate Unfunded Accrued Benefits and unfunded liabilities in excess of \$100 million.

SECTION 10.02 Effect of Event of Default. If any Event of Default shall occur and be continuing, the Bank may (i) by notice to the Borrower, (A) declare its Commitment to be terminated, whereupon the same shall forthwith terminate, and (B) declare the entire unpaid principal amount of the Loans, all interest accrued and unpaid thereon and all other Obligations to be forthwith due and

interest and all such other Obligations shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower, provided that if an event described in Sections 10.01(e) or 10.01(f) shall occur, the result which would otherwise occur only upon giving of notice by the Bank to the Borrower as specified in this clause (i) shall occur automatically, without the giving of any such notice; and (ii) whether or not the actions referred to in clause (i) have been taken, proceed to enforce all other rights and remedies available to the Bank under the Loan Documents and applicable law.

ARTICLE XI
MISCELLANEOUS

SECTION 11.01 Amendments and Waivers. No amendment to any provision of this Agreement and the other Loan Documents shall be effective unless it is in writing and has been signed by the Bank and the Borrower (or other party thereto), and no waiver of any provision of this Agreement or any other Loan Document, or consent to any departure by the Borrower or other party therefrom, shall be effective unless it is in writing and has been signed by the Bank. Any such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 11.02 Notices.

(a) Notices. All notices and other communications provided for hereunder and under the other Loan Documents shall, unless otherwise stated herein, be in writing (including by facsimile transmission) and mailed, sent or delivered to the respective parties hereto at or to their respective addresses or facsimile numbers set forth in Schedule 1, or at or to such other address or facsimile number as shall be designated by any party in a written notice to the other parties hereto. All such notices and communications shall be effective (i) if delivered by hand, when delivered; (ii) if sent by mail, upon the earlier of the date of receipt or five Business Days after deposit in the mail, first class (or air mail, with respect to communications to be sent to or from the United States), postage prepaid; and (iii) if sent by facsimile transmission, when sent; provided, however, that notices and communications to the Bank pursuant to Articles II, III and IV shall not be effective until received.

(b) Facsimile and Telephonic Notice. The Borrower acknowledges and agrees that the agreement of the Bank herein and in any other Loan Document to receive certain notices by telephone and facsimile is solely for the convenience and at the request of the Borrower. The Bank shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Borrower to give such notice and the Bank shall not have any liability to the Borrower or other Person on account of any action taken or not taken by the Bank in reliance upon such telephonic or facsimile notice. The obligation of the Borrower to repay the Loans and the other Obligations shall not be affected in any way or to any extent by any failure by the Bank to receive written confirmation of any telephonic or facsimile notice or the receipt by the Bank of a confirmation which is at variance with the terms understood by the Bank to be contained in the telephonic or facsimile notice.

SECTION 11.03 No Waiver; Cumulative Remedies. No failure on the part of the Bank to exercise, and no delay in exercising, any right, remedy, power or privilege under any Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies under the Loan Documents are cumulative and not exclusive of any rights, remedies, powers and privileges that may otherwise be available to the Bank.

SECTION 11.04 Costs and Expenses; Indemnification.

(a) Costs and Expenses. The Borrower agrees to pay on demand, whether or not the transactions contemplated hereby shall be consummated:

(i) the reasonable out-of-pocket costs and expenses of the Bank and any of its Affiliates, and the reasonable fees and disbursements of counsel (including allocated costs of internal counsel) to the Bank, in connection with the negotiation, preparation, execution, delivery and administration of the Loan Documents, and any amendments, modifications or waivers of the terms thereof;

(ii) all costs and expenses of the Bank and its Affiliates, and reasonable fees and disbursements of counsel (including allocated costs of internal counsel), in connection with (A) any Default, (B) the enforcement or attempted enforcement of, and preservation of any rights or interests under, the Loan Documents, (C) any out-of-court workout or other refinancing or restructuring or any Insolvency Proceeding, and (D) any losses, costs and expenses sustained by the Bank as a result of any failure by the Borrower to perform or observe its obligations contained in the Loan Documents.

(b) Indemnification. Whether or not the transactions contemplated hereby shall be consummated, the Borrower hereby agrees to indemnify the Bank and any Related Person thereof (each an "Indemnified Person") against, and hold each of them harmless from, any and all liabilities, obligations, losses, claims, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever, including the reasonable fees and disbursements of counsel to an Indemnified Person (including allocated costs of internal counsel), which may be imposed on, incurred by, or asserted against any Indemnified Person, (i) in any way relating to or arising out of any of the Loan Documents, the use or intended use of the proceeds of the Loans, the transactions contemplated hereby or thereby, (ii) with respect to any investigation, litigation or other proceeding relating to any of the foregoing, irrespective of whether the Indemnified Person shall be designated a party thereto, or (iii) in any way relating to or arising out of the use, generation, manufacture, installation, treatment, storage or presence, or the spillage, leakage, leaching, migration, dumping, deposit, discharge, disposal or release, at any time, of any Hazardous Substances on, under, at or from any Premises, including any personal injury or property damage suffered by any Person, and any investigation, site assessment, environmental audit, feasibility study, monitoring, clean-up, removal, containment, restoration, remedial response or remedial work undertaken by or on behalf of the any Indemnified Person at any time, voluntarily or involuntarily, with respect to the Premises (the "Indemnified Liabilities"); provided that the Borrower shall not be liable to any Indemnified Person for any portion of such Indemnified Liabilities to the extent they are found by a final decision of a court

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of competent jurisdiction to have resulted from such Indemnified Person's gross negligence or willful misconduct. If and to the extent that the foregoing indemnification is for any reason held unenforceable, the Borrower agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law.

(c) Other Charges. The Borrower agrees to indemnify the Bank against and hold it harmless from any and all present and future stamp, transfer, documentary and other such taxes, levies, fees, assessments and other charges made by any jurisdiction by reason of the execution, delivery, performance and enforcement of the Loan Documents.

SECTION 11.05 Right of Set-Off. Upon the occurrence and during the continuance of any Event of Default the Bank hereby is authorized at any time and from time to time, without notice to the Borrower (any such notice being expressly waived by the Borrower), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Bank to or for the credit or the account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing under this Agreement and the other Loan Documents, irrespective of whether or not the Bank shall have made any demand under this Agreement or any such other Loan Document and although such Obligations may be unmaturing. The Bank agrees promptly to notify the Borrower after any such set-off and application made by the Bank; provided that the failure to give such

notice shall not affect the validity of such set-off and application. The rights of the Bank under this Section 11.05 are in addition to other rights and remedies (including other rights of set-off) which the Bank may have.

SECTION 11.06 Survival. All covenants, agreements, representations and warranties made in any Loan Documents shall, except to the extent otherwise provided therein, survive the execution and delivery of this Agreement, the making of the Loans and shall continue in full force and effect so long as the Bank has any Commitment, any Loans remain outstanding or any other Obligations remain unpaid or any obligation to perform any other act under any Loan Document remains unsatisfied. Without limiting the generality of the foregoing, the obligations of the Borrower under Sections 5.02, 5.03, 6.02 and 11.04, and all similar obligations under the other Loan Documents (including all obligations to pay costs and expenses and all indemnity obligations), shall survive the repayment of the Loans and the termination of the Commitment.

SECTION 11.07 Benefits of Agreement. The Loan Documents are entered into for the sole protection and benefit of the parties hereto and their successors and assigns, and no other Person shall be a direct or indirect beneficiary of, or shall have any direct or indirect cause of action or claim in connection with, any Loan Document.

SECTION 11.08 Binding Effect; Assignment.

(a) Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and the Bank and thereafter shall be binding upon, inure to the benefit of and be enforceable by the Borrower, the Bank and their respective successors and assigns.

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(b) Assignment. The Bank may sell, assign, transfer or grant participations in all or any portion of the Bank's rights and obligations hereunder and under the other Loan Documents to any Affiliate of the Bank and with the consent of the Borrower (not to be unreasonably withheld or delayed), to any other bank or financial institution, provided, that the consent of the Borrower to any such transfer, assignment, sale or participation shall not be required upon and during the continuation of an Event of Default.

(i) The Borrower agrees that in connection with any such grant or assignment, the Bank may deliver to the prospective participant or assignee financial statements and other relevant information relating to the Borrower and its Subsidiaries.

SECTION 11.09 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA.

SECTION 11.10 Submission to Jurisdiction.

(a) Submission to Jurisdiction. The Borrower hereby (i) submits to the non-exclusive jurisdiction of the courts of the State of California and the Federal courts of the United States sitting in the State of California for the purpose of any action or proceeding arising out of or relating to the Loan Documents, (ii) agrees that all claims in respect of any such action or proceeding may be heard and determined in such courts, (iii) irrevocably waives (to the extent permitted by applicable law) any objection which it now or hereafter may have to the laying of venue of any such action or proceeding brought in any of the foregoing courts, and any objection on the ground that any such action or proceeding in any such court has been brought in an inconvenient forum and (iv) agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner permitted by law.

(b) No Limitation. Nothing in this Section 11.10 shall affect the right of the Bank to bring any action or proceeding against the Borrower or its property in the courts of other jurisdictions.

SECTION 11.11 Waiver of Jury Trial. THE BORROWER AND THE BANK HEREBY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY IN ANY ACTION,

PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE BORROWER AND THE BANK HEREBY AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT IN ANY WAY LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM, OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE

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THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS. A COPY OF THIS SECTION 11.11 MAY BE FILED WITH ANY COURT AS WRITTEN EVIDENCE OF THE WAIVER OF THE RIGHT TO TRIAL BY JURY AND CONSENT TO TRIAL BY COURT.

SECTION 11.12 Limitation on Liability. No claim shall be made by the Borrower or its Affiliates against the Bank or any of its Related Persons for any special, indirect, exemplary, consequential or punitive damages in respect of any breach or wrongful conduct (whether or not the claim therefor is based on contract, tort or duty imposed by law), in connection with, arising out of or in any way related to the transactions contemplated by the Loan Documents or any act or omission or event occurring in connection therewith; and the Borrower hereby waives, releases and agrees not to sue upon any such claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

SECTION 11.13 Entire Agreement. The Loan Documents reflect the entire agreement between the Borrower and the Bank with respect to the matters set forth herein and therein and supersede any prior agreements, commitments, drafts, communication, discussions and understandings, oral or written, with respect thereto.

SECTION 11.14 Severability. Whenever possible, each provision of the Loan Documents shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of any of the Loan Documents shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of such Loan Document, or the validity or effectiveness of such provision in any other jurisdiction.

SECTION 11.15 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

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IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, as of the date first above written.

THE BORROWER
SEAGATE TECHNOLOGY, INC.

By /s/ SEAGATE TECHNOLOGY, INC.

Title:

THE BANK
BANK OF AMERICA, N.A.

By /s/ BANK OF AMERICA, N.A.

Title:

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SCHEDULE 1

BANK PAYMENT OFFICE; ADDRESSES FOR NOTICES

COMPANY

Address for Notices:

[920 Disc Drive
Scotts Valley, CA 95066]
Attention: Mr. Charles Pope, Chief Financial Officer
Telephone: -----

Facsimile: -----

BANK OF AMERICA, N.A.

Bank of America, N.A.
Credit Products Group
High Technology - SF #3697
555 California Street, 41st Floor
San Francisco, CA 94104
Attention: Kevin McMahon
Telephone: (415) 622-8088
Facsimile: (415) 622-4057

Bank's Payment Office:

Bank of America, N.A.
1850 Gateway Boulevard
Concord, CA 94520
Attention: Karen Garnick
Reference: Seagate
ABA No. 111-000-012
For credit to Bancontrol Acct. No. 37508-36479
Credit Service West

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SCHEDULE 2

EXISTING LIENS

1.

EXHIBIT A
TO THE CREDIT AGREEMENT

NOTICE OF BORROWING

Date: _____ , 1999

To: Bank of America, N.A.
Credit Products Group
High Technology-SF #3697
555 California Street, 41st Floor
San Francisco, CA 94104

Attn: Kevin McMahon

Re: Seagate Technology, Inc.

Ladies and Gentlemen:

The undersigned, Seagate Technology, Inc. (the "Borrower"), refers to the Credit Agreement dated as of November 4, 1999 (as amended, modified, renewed or extended from time to time, the "Credit Agreement"), between the Borrower and Bank of America, N.A. (the "Bank"), the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably, pursuant to Section 2.02 of the Credit Agreement, of the borrowing of the Loan specified herein:

1. The Business Day of the proposed borrowing is _____, ____.
2. The amount of the proposed borrowing is \$_____.
3. The borrowing is to consist of a [Base Rate] [Eurodollar Rate] Loan.
4. The duration of the Interest Period for the Eurodollar Rate Loan shall be _____ months.
5. The payment instructions with respect to the funds to be made available to the Borrower are as follows: _____.

The Borrower hereby certifies that the following statements are true on the date hereof, and will be true on the date of the proposed borrowing of the Loan, before and after giving effect thereto and to the application of the proceeds therefrom:

(i) the representations and warranties of the Borrower contained in Section 8.01 of the Credit Agreement and in the other Loan Documents are true and correct as though

A-1.

made on and as of each such date (except to the extent such representations and warranties relate solely to an earlier date, in which case they are true and correct as of such date, and except that Section 8.01(m) of the Credit Agreement shall be deemed instead to refer to the last day of the most recent fiscal year and quarter for which financial statements have then been delivered; and

(ii) no Default exists or would result from such proposed borrowing.

SEAGATE TECHNOLOGY, INC.

By: _____

Title: _____

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EXHIBIT B
to the Credit Agreement

FORM OF COMPLIANCE CERTIFICATE

Bank of America, N.A.
Credit Products
High Technology #3697
555 California Street, 41st Floor
San Francisco, CA 94104-1502
Attn: Kevin McMahon

Re: Seagate Technology, Inc.

Ladies and Gentlemen:

This Compliance Certificate is made and delivered pursuant to the Credit Agreement dated as of November 4, 1999 (as amended, modified, renewed or extended from time to time, the "Credit Agreement") between Seagate Technology, Inc. (the "Borrower") and Bank of America N.A., and reference is made thereto for full particulars of the matters described therein. All capitalized terms used in this Compliance Certificate and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement. This Compliance Certificate relates to the accounting period ending _____, ____.

I am the chief financial officer of the Borrower. I have reviewed the terms of the Credit Agreement and I have made, or caused to be made under my supervision, a detailed review of the transactions and conditions of the Borrower and its Subsidiaries during such accounting period. I hereby certify that the information set forth on Schedule 1 hereto (and on any additional schedules hereto setting forth further supporting detail) is true, accurate and complete as of the end of such accounting period.

I hereby further certify that (i) as of the date hereof that no Default has occurred and is continuing, and (ii) on and as of the date hereof, there has occurred no Material Adverse Effect since October 1, 1999, except as may be set forth in a separate attachment hereto describing in detail the nature of each condition or event constituting an exception to the foregoing statements, the period during which it has existed and the action which the Borrower is taking or proposes to take with respect to each such condition or event.

B-1.

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IN WITNESS WHEREOF, the undersigned officer has signed this Compliance Certificate this ____ day of _____, ____.

Chief Financial Officer

B-2.

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SCHEDULE 1

TO COMPLIANCE CERTIFICATE

Dated _____, _____

For the Fiscal Quarter ended _____, _____

<TABLE>
<CAPTION>

<S>	Actual	<C>	Required
1. Section 9.02(a) Quick Ratio			
(A) Consolidated Quick Assets	_____		
(B) Consolidated Current Liabilities	_____		
Quick Ratio (ratio of A to B)	_____		Not less than 0.9 to 1.0
2. Section 9.02(b) Total Funded Debt			
(A) Indebtedness for borrowed money (excluding Subordinated Debt)	\$ _____		
(B) Obligations evidenced by notes, debentures, bonds or similar instruments	\$ _____		
(C) Capital Lease Obligations	\$ _____		
(D) Guaranty Obligations re above	\$ _____		
Total Funded Debt.	\$ _____		Not more than \$1.5 billion
2. Section 9.02(c) Consolidated Net Income			
A. Cumulative Consolidated Net Loss for Fiscal Quarters ended after Closing Date	\$ _____		Not exceeding \$100 million
B. Consolidated Net Operating Loss for Fiscal Quarters ended after Closing Date	\$ _____		Not exceeding \$100 million

</TABLE>

SEAGATE TECHNOLOGY, INC.

MANAGEMENT RETENTION AGREEMENT

This Management Retention Agreement (the "AGREEMENT") is made and entered into by and between Stephen J. Luczo (the "EMPLOYEE") and Seagate Technology, Inc. (the "COMPANY"), effective as of November 12, 1998, (the "EFFECTIVE DATE").

RECITALS

A. It is expected that the Company from time to time will consider the possibility of an acquisition by another company or other change of control. The Board of Directors of the Company (the "BOARD") recognizes that such consideration can be a distraction to the Employee and can cause the Employee to consider alternative employment opportunities. The Board has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication and objectivity of the Employee, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

B. The Board believes that it is in the best interests of the Company and its stock-holders to provide the Employee with an incentive to continue his employment and to motivate the Employee to maximize the value of the Company upon a Change of Control for the benefit of its stockholders.

C. The Board believes that it is imperative to provide the Employee with certain severance benefits upon Employee's termination of employment following a Change of Control which provides the Employee with enhanced financial security and provides incentive and encouragement to the Employee to remain with the Company notwithstanding the possibility of a Change of Control.

D. Certain capitalized terms used in the Agreement are defined in Section 6 below.

The parties hereto agree as follows:

1. Term of Agreement. This Agreement shall terminate upon the date that all obligations of the parties hereto with respect to this Agreement have been satisfied.

2. At-Will Employment. The Company and the Employee acknowledge that the Employee's employment is and shall continue to be at-will, as defined under applicable law. If the Employee's employment terminates for any reason, including (without limitation) any termination prior to a Change of Control, the

Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be available in accordance with the Company's established employee plans and practices or pursuant to other agreements with the Company.

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3. Severance Benefits.

(a) Involuntary Termination Other than for Cause; Voluntary Termination for Good Reason; Disability; Death. If the Employee's employment is (i) involuntarily terminated by the Company other than for Cause (as defined herein), (ii) voluntarily terminated by Employee for Good Reason (as defined herein), (iii) terminated due to Employee's Disability (as defined herein) or death, in any case within twenty-four (24) months following a Change of Control (as defined herein), then, subject to the Employee's obligations pursuant to Section 9 below, the Employee shall receive the following severance benefits from the Company:

(1) Lump-Sum Severance Payment. A cash payment in an amount equal to three hundred percent (300%) of the Employee's Annual Compensation (as defined herein);

(2) Option Accelerated Vesting. One hundred percent (100 %) of the unvested portion of any stock option covering Company shares or shares of any subsidiary of the Company held by the Employee shall automatically become vested in full upon the employment termination date.

(3) Restricted Stock Accelerated Vesting. Employee's unvested shares granted under the Company's Executive Stock Plan (or any similar successor plan) shall vest (i.e., be released from the Company's repurchase option) as to that percentage of the unvested shares determined by dividing (i) the number of months that have elapsed from the restricted stock grant date to the date of employment termination, by (ii) the number of months between the grant date and the date when all shares would otherwise have vested based on Employee's continued employment with the Company.

(4) Continued Employee Benefits. One hundred percent (100%) Company-paid health, dental and life insurance coverage at the same level of coverage as was provided to such employee immediately prior to the Change of Control (the "COMPANY-PAID COVERAGE"). If such coverage included the Employee's dependents immediately prior to the Change of Control, such dependents shall also be covered at Company expense. Company-Paid Coverage shall continue until the earlier of (i) three (3) years from the date of termination or (ii) the date that the Employee and his dependents become covered under another employer's group health, dental or life insurance plans that provide Employee and his dependents comparable benefits and levels of coverage. For purposes of Title X of the Consolidated Budget Reconciliation Act of 1985

("COBRA"), the date of the "qualifying event" for Employee and his dependents shall be the date upon which the Company-Paid Coverage terminates.

(5) Bonus Proration. A lump sum dollar amount equal to a pro rata portion (based on the number of days elapsed during the fiscal year in which the termination occurs) of Employee's targeted bonus under the Company's executive bonus plan for the fiscal year in which the termination occurs.

(6) Company Automobile. The purchase by Employee of the Company-owned automobile in Employee's possession at the wholesale Kelly Blue Book value.

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(b) Timing of Severance Payments. Any severance payment to which Employee is entitled under Sections 3(a) (1 and 5) shall be paid by the Company to the Employee (or to the Employee's successors in interest, pursuant to Section 7(b)) in cash and in full, not later than thirty (30) calendar days following the employment termination date.

(c) Voluntary Resignation other than for Good Reason; Termination for Cause. If the Employee's employment terminates by reason of the Employee's voluntary resignation other than for Good Reason, or if the Employee is terminated involuntarily by the Company for Cause, then the Employee shall not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing severance and benefits plans and practices or pursuant to other agreements with the Company.

(d) Termination Apart from Change of Control. In the event the Employee's employment is terminated for any reason, either prior to the occurrence of a Change of Control or after the twenty-four (24) month period following a Change of Control, then the Employee shall be entitled to receive severance and any other benefits as may then be established under the Company's existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

(e) Non-assumption by Successor Entity. Notwithstanding Sections 3(a) (2) and (3) above, if on the effective date of a Change of Control a successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets fails to assume any stock option (granted pursuant to the Company's option plans) or restricted stock (granted pursuant to the Company's Executive Stock Plan), then (i) one hundred percent (100%) of the unvested portion of any stock option covering Company shares or the shares of any subsidiary of the Company held by the Employee shall automatically become vested in full as of the Change of Control, and (ii) Employee's unvested shares granted under the Company's Executive Stock Plan shall pro rata vest as outlined

in Section 3(a)(3) above as of the Change of Control.

4. Attorney Fees, Costs and Expenses. The Company shall promptly reimburse Employee, on a monthly basis, for the reasonable attorney fees, costs and expenses incurred by the Employee in connection with any action brought by Employee to enforce his rights hereunder.

5. Golden Parachute Excise Tax Gross-Up. In the event that the benefits provided for in this Agreement or otherwise payable to the Employee constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "CODE") and will be subject to the excise tax imposed by Section 4999 (as it may be amended or replaced) of the Code (the "EXCISE TAX"), then the Employee shall receive (i) a payment from the Company sufficient to pay such Excise Tax, and (ii) an additional payment from the Company sufficient to pay the Excise Tax and federal and state income taxes arising from the payments made by the Company to Employee pursuant to this sentence. Unless the Company and the Employee otherwise agree in writing, the determination of Employee's Excise Tax liability and the amount required to be paid under this Section 5 shall be made in writing by the accounting firm serving as the Company's independent public accountants immediately prior to the Change of Control (the "ACCOUNTANTS"). For purposes of making the calculations required by this Section 5, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code. The Company and the Employee shall furnish to the

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Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 5.

6. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Annual Compensation. "Annual Compensation" means an amount equal to the sum of Employee's (i) annual Company salary at the highest rate in effect in the twelve months immediately preceding the Change of Control, and (ii) Employee's highest annual bonus (includes cumulation of quarterly bonus amounts and deferral amounts) awarded within the three fiscal years immediately prior to the Change of Control.

(b) Cause. "Cause" means (i) any act of personal dishonesty taken by the Employee in connection with his responsibilities as an employee and intended to result in substantial personal enrichment of the Employee, (ii) Employee's conviction of a felony, or (iii) a willful act by the Employee which constitutes gross misconduct and which is injurious to the Company.

(c) Change of Control. "Change of Control" means the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act) ("BENEFICIAL OWNER"), directly or indirectly, of securities of the Company representing forty percent (40%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) A change in the composition of the Board occurring within a two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date hereof, or (B) are elected, or nominated for election, to the Board with the affirmative vote of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

(iii) There occurs a reorganization, merger, consolidation or other corporate transaction involving the Company (a "TRANSACTION"), in each case with respect to which the stockholders of the Company immediately prior to such Transaction do not, immediately after the Transaction, own more than 50% of the combined voting power of the Company or other corporation resulting from such Transaction; or

(iv) All or substantially all of the assets of the Company are sold, liquidated or distributed.

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(d) Disability. "Disability" means that Employee has been determined disabled for purposes of the Seagate Long Term Disability Plan, and has been so disabled for a period of at least six months.

(e) Good Reason. "Good Reason" means an Employee's resignation of his or her employment with the Company within thirty (30) days of and as a result of any of the following: (i) without the Employee's express written consent, any material reduction of the Employee's duties, authority or responsibilities, relative to the Employee's duties, authority or responsibilities as in effect immediately prior to such reduction, or an assignment to Employee of such reduced duties, authority or responsibilities; (ii) without the Employee's express written consent, any material reduction of the facilities and perquisites available to the Employee immediately prior to such reduction provided, however, use of private aircraft shall not be deemed a perquisite for purposes of the clause; (iii) a reduction by the Company in the

base salary of the Employee as in effect immediately prior to such reduction, other than a reduction implemented with the consent of the Employee or a reduction that is equivalent to salary reductions imposed on all executives of the Company; (iv) any material reduction by the Company in the kind or level of employee benefits, including bonuses, to which the Employee was entitled immediately prior to such reduction; (v) the relocation of the Employee to a facility or a location more than fifty (50) miles from the Employee's then present location, without the Employee's express written consent; or (vi) failure by the Company's Successors as outlined in Section 7 below to assume any and all of the rights, duties and obligations under this Agreement.

7. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Section 7(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Employee's Successors. The terms of this Agreement and all rights of the Employee hereunder shall inure to the benefit of, and be enforceable by, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

8. Notice.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to him at the home address which he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) Notice of Termination. Any termination by the Company for Cause or by the Employee as a result of a voluntary resignation (whether or not for Good Reason) shall be

communicated by a notice of termination to the other party hereto given in accordance with Section 8(a) of this Agreement. Such notice shall indicate the

specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the employment termination date (which shall be not more than 30 days after the giving of such notice). The failure by the Employee to include in the notice any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of the Employee hereunder or preclude the Employee from asserting such fact or circumstance in enforcing his rights hereunder.

9. Employee Covenants. As consideration for the severance and other benefits the Employee is to receive herein, the Employee agrees that he will not as an employee, agent, consultant, advisor, officer or director of any corporation, partnership, person or other entity, directly or indirectly at any time during his employment with the Company and continuing until twenty-four (24) months after his termination of employment with the Company:

(a) Participate or engage in the development, production, sale, marketing or servicing of any business enterprise that is in competition with any of the Company's (or any of its subsidiaries') product lines or business activities, or

(b) Solicit, employ or interfere in any other manner with the employment relationships existing between the Company (or any of its subsidiaries) and its current or prospective employees.

10. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement, nor shall any such payment be reduced by any earnings that the Employee may receive from any other source.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Company (other than the Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. No agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement represents the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior arrangements and understandings regarding same.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware.

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(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes to the extent required by law.

(g) Loans. Employee shall repay any outstanding Company loans (principal and accrued interest) on Employee's termination date unless the respective loan terms and conditions preclude repayment.

(h) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

COMPANY:

SEAGATE TECHNOLOGY, INC.

/s/ SEAGATE TECHNOLOGY, INC.

/s/ STEPHEN J. LUCZO

EMPLOYEE:

SEAGATE TECHNOLOGY, INC.

FORM OF MANAGEMENT RETENTION AGREEMENT

This Management Retention Agreement (the "AGREEMENT") is made and entered into by and between _____ (the "EMPLOYEE") and Seagate Technology, Inc. (the "COMPANY"), effective as of _____, (the "EFFECTIVE DATE").

RECITALS

A. It is expected that the Company from time to time will consider the possibility of an acquisition by another company or other change of control. The Board of Directors of the Company (the "BOARD") recognizes that such consideration can be a distraction to the Employee and can cause the Employee to consider alternative employment opportunities. The Board has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication and objectivity of the Employee, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

B. The Board believes that it is in the best interests of the Company and its stock-holders to provide the Employee with an incentive to continue his employment and to motivate the Employee to maximize the value of the Company upon a Change of Control for the benefit of its stockholders.

C. The Board believes that it is imperative to provide the Employee with certain severance benefits upon Employee's termination of employment following a Change of Control which provides the Employee with enhanced financial security and provides incentive and encouragement to the Employee to remain with the Company notwithstanding the possibility of a Change of Control.

D. Certain capitalized terms used in the Agreement are defined in Section 6 below.

The parties hereto agree as follows:

1. Term of Agreement. This Agreement shall terminate upon the date that all obligations of the parties hereto with respect to this Agreement have been satisfied.

2. At-Will Employment. The Company and the Employee acknowledge that the Employee's employment is and shall continue to be at-will, as defined under applicable law. If the Employee's employment terminates for any reason, including (without limitation) any termination prior to a Change of Control, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be

available in accordance with the Company's established employee plans and practices or pursuant to other agreements with the Company.

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3. Severance Benefits.

(a) Involuntary Termination Other than for Cause; Voluntary Termination for Good Reason; Disability; Death. If the Employee's employment is (i) involuntarily terminated by the Company other than for Cause (as defined herein), (ii) voluntarily terminated by Employee for Good Reason (as defined herein), (iii) terminated due to Employee's Disability (as defined herein) or death, in any case within twenty-four (24) months following a Change of Control (as defined herein), then, subject to the Employee's obligations pursuant to Section 9 below, the Employee shall receive the following severance benefits from the Company:

(1) Lump-Sum Severance Payment. A cash payment in an amount equal to two hundred percent (200%) of the Employee's Annual Compensation (as defined herein);

(2) Option Accelerated Vesting. One hundred percent (100%) of the unvested portion of any stock option covering Company shares or shares of any subsidiary of the Company held by the Employee shall automatically become vested in full upon the employment termination date.

(3) Restricted Stock Accelerated Vesting. Employee's unvested shares granted under the Company's Executive Stock Plan (or any similar successor plan) shall vest (i.e., be released from the Company's repurchase option) as to that percentage of the unvested shares determined by dividing (i) the number of months that have elapsed from the restricted stock grant date to the date of employment termination, by (ii) the number of months between the grant date and the date when all shares would otherwise have vested based on Employee's continued employment with the Company.

(4) Continued Employee Benefits. One hundred percent (100%) Company-paid health, dental and life insurance coverage at the same level of coverage as was provided to such employee immediately prior to the Change of Control (the "COMPANY-PAID COVERAGE"). If such coverage included the Employee's dependents immediately prior to the Change of Control, such dependents shall also be covered at Company expense. Company-Paid Coverage shall continue until the earlier of (i) two (2) years from the date of termination or (ii) the date that the Employee and his dependents become covered under another employer's group health, dental or life insurance plans that provide Employee and his dependents comparable benefits and levels of coverage. For purposes of Title X of the Consolidated Budget Reconciliation Act of 1985 ("COBRA"), the date of the "qualifying event" for Employee and his dependents shall be the date upon which the Company-Paid Coverage terminates.

(5) Bonus Proration. A lump sum dollar amount equal to a pro rata portion (based on the number of days elapsed during the fiscal year in which the termination occurs) of Employee's targeted bonus under the Company's executive bonus plan for the fiscal year in which the termination occurs.

(6) Company Automobile. The purchase by Employee of the Company-owned automobile in Employee's possession at the wholesale Kelly Blue Book value.

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(b) Timing of Severance Payments. Any severance payment to which Employee is entitled under Sections 3(a) (1 and 5) shall be paid by the Company to the Employee (or to the Employee's successors in interest, pursuant to Section 7(b)) in cash and in full, not later than thirty (30) calendar days following the employment termination date.

(c) Voluntary Resignation other than for Good Reason; Termination for Cause. If the Employee's employment terminates by reason of the Employee's voluntary resignation other than for Good Reason, or if the Employee is terminated involuntarily by the Company for Cause, then the Employee shall not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing severance and benefits plans and practices or pursuant to other agreements with the Company.

(d) Termination Apart from Change of Control. In the event the Employee's employment is terminated for any reason, either prior to the occurrence of a Change of Control or after the twenty-four (24) month period following a Change of Control, then the Employee shall be entitled to receive severance and any other benefits as may then be established under the Company's existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

(e) Non-assumption by Successor Entity. Notwithstanding Sections 3(a) (2) and (3) above, if on the effective date of a Change of Control a successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets fails to assume any stock option (granted pursuant to the Company's option plans) or restricted stock (granted pursuant to the Company's Executive Stock Plan), then (i) one hundred percent (100%) of the unvested portion of any stock option covering Company shares or the shares of any subsidiary of the Company held by the Employee shall automatically become vested in full as of the Change of Control, and (ii) Employee's unvested shares granted under the Company's Executive Stock Plan shall pro rata vest as outlined in Section 3(a) (3) above as of the Change of Control.

4. Attorney Fees, Costs and Expenses. The Company shall promptly

reimburse Employee, on a monthly basis, for the reasonable attorney fees, costs and expenses incurred by the Employee in connection with any action brought by Employee to enforce his rights hereunder.

5. Golden Parachute Excise Tax Gross-Up. In the event that the benefits provided for in this Agreement or otherwise payable to the Employee constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "CODE") and will be subject to the excise tax imposed by Section 4999 (as it may be amended or replaced) of the Code (the "EXCISE TAX"), then the Employee shall receive (i) a payment from the Company sufficient to pay such Excise Tax, and (ii) an additional payment from the Company sufficient to pay the Excise Tax and federal and state income taxes arising from the payments made by the Company to Employee pursuant to this sentence. Unless the Company and the Employee otherwise agree in writing, the determination of Employee's Excise Tax liability and the amount required to be paid under this Section 5 shall be made in writing by the accounting firm serving as the Company's independent public accountants immediately prior to the Change of Control (the "ACCOUNTANTS"). For purposes of making the calculations required by this Section 5, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code. The Company and the Employee shall furnish to the

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Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 5.

6. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Annual Compensation. "Annual Compensation" means an amount equal to the sum of Employee's (i) annual Company salary at the highest rate in effect in the twelve months immediately preceding the Change of Control, and (ii) Employee's highest annual bonus (includes cumulation of quarterly bonus amounts and deferral amounts) awarded within the three fiscal years immediately prior to the Change of Control.

(b) Cause. "Cause" means (i) any act of personal dishonesty taken by the Employee in connection with his responsibilities as an employee and intended to result in substantial personal enrichment of the Employee, (ii) Employee's conviction of a felony, or (iii) a willful act by the Employee which constitutes gross misconduct and which is injurious to the Company.

(c) Change of Control. "Change of Control" means the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act) ("BENEFICIAL OWNER"), directly or indirectly, of securities of the Company representing forty percent (40%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) A change in the composition of the Board occurring within a two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date hereof, or (B) are elected, or nominated for election, to the Board with the affirmative vote of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

(iii) There occurs a reorganization, merger, consolidation or other corporate transaction involving the Company (a "TRANSACTION"), in each case with respect to which the stockholders of the Company immediately prior to such Transaction do not, immediately after the Transaction, own more than 50% of the combined voting power of the Company or other corporation resulting from such Transaction; or

(iv) All or substantially all of the assets of the Company are sold, liquidated or distributed.

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(d) Disability. "Disability" means that Employee has been determined disabled for purposes of the Seagate Long Term Disability Plan, and has been so disabled for a period of at least six months.

(e) Good Reason. "Good Reason" means an Employee's resignation of his or her employment with the Company within thirty (30) days of and as a result of any of the following: (i) without the Employee's express written consent, any material reduction of the Employee's duties, authority or responsibilities, relative to the Employee's duties, authority or responsibilities as in effect immediately prior to such reduction, or an assignment to Employee of such reduced duties, authority or responsibilities; (ii) without the Employee's express written consent, any material reduction of the facilities and perquisites available to the Employee immediately prior to such reduction provided, however, use of private aircraft shall not be deemed a perquisite for purposes of the clause; (iii) a reduction by the Company in the base salary of the Employee as in effect immediately prior to such reduction, other than a reduction implemented with the consent of the Employee or a reduction that is equivalent to salary reductions imposed on all executives of

the Company; (iv) any material reduction by the Company in the kind or level of employee benefits, including bonuses, to which the Employee was entitled immediately prior to such reduction; (v) the relocation of the Employee to a facility or a location more than fifty (50) miles from the Employee's then present location, without the Employee's express written consent; or (vi) failure by the Company's Successors as outlined in Section 7 below to assume any and all of the rights, duties and obligations under this Agreement.

7. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Section 7(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Employee's Successors. The terms of this Agreement and all rights of the Employee hereunder shall inure to the benefit of, and be enforceable by, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

8. Notice.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to him at the home address which he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) Notice of Termination. Any termination by the Company for Cause or by the Employee as a result of a voluntary resignation (whether or not for Good Reason) shall be

communicated by a notice of termination to the other party hereto given in accordance with Section 8(a) of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the employment

termination date (which shall be not more than 30 days after the giving of such notice). The failure by the Employee to include in the notice any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of the Employee hereunder or preclude the Employee from asserting such fact or circumstance in enforcing his rights hereunder.

9. Employee Covenants. As consideration for the severance and other benefits the Employee is to receive herein, the Employee agrees that he will not as an employee, agent, consultant, advisor, officer or director of any corporation, partnership, person or other entity, directly or indirectly at any time during his employment with the Company and continuing until twenty-four (24) months after his termination of employment with the Company:

(a) Participate or engage in the development, production, sale, marketing or servicing of any business enterprise that is in competition with any of the Company's (or any of its subsidiaries') product lines or business activities, or

(b) Solicit, employ or interfere in any other manner with the employment relationships existing between the Company (or any of its subsidiaries) and its current or prospective employees.

10. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement, nor shall any such payment be reduced by any earnings that the Employee may receive from any other source.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Company (other than the Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. No agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement represents the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior arrangements and understandings regarding same.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware.

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(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes to the extent required by law.

(g) Loans. Employee shall repay any outstanding Company loans (principal and accrued interest) on Employee's termination date unless the respective loan terms and conditions preclude repayment.

(h) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

COMPANY:

SEAGATE TECHNOLOGY, INC.

EMPLOYEE:

from salary and/or variable compensation.

- Minimum Deferral for Plan year 2000 is \$2,500.
 - The minimum deferral requirement for participants joining the Plan mid-year will be pro-rated based upon the number of months remaining in the Plan year.
- No deferral election shall reduce a participant's compensation below the amount necessary to satisfy the following obligations:
 - Applicable employment taxes (e.g., FICA/Medicare) on amounts deferred.
 - Benefit Plan withholding requirements.
 - Income tax withholding for compensation that cannot be deferred.

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DEFERRAL ELECTIONS SALARY OR
DIRECTOR FEES:

- For the 2000 Plan year, initial elections must be filed by June 16, 2000 to be effective beginning with the July 20, 2000 pay date.
- Subsequent elections to be filed by the open enrollment forms due date of the year prior to the year the salary or director fees are paid.
- All deferrals are credited to the Plan year in which they are paid.
- Newly eligible employees may file an election within 60 days of date of hire or being notified by the Company of their eligibility, otherwise they may elect to defer salary in a subsequent annual open enrollment.
- Deferrals must be elected for each Plan year.

- Salary or Director Fee deferral elections are revocable.

BONUS AND COMMISSION:

- For the 2000 Plan year, initial elections must be filed by June 16, 2000 for bonus and commissions to be paid in 2000.
- All deferrals are credited to the Plan year in which they are paid.
- Subsequently, elections are to be filed by the open enrollment forms due date of the year prior to the year the bonus and/or commissions are paid.
- Newly eligible employees may file an election within 60 days of being notified by the Company of their eligibility, otherwise they may elect to defer bonus and commissions in a subsequent annual open enrollment.
- Deferrals must be elected for each Plan year.
- Bonus and commission deferral elections are irrevocable.

SOURCES OF
COMPANY CONTRIBUTIONS

Discretionary Company contributions may be made as special incentives or rewards subject to a vesting schedule specified at the time of contribution.

DEFERRAL ACCOUNT

Amounts of salary and variable compensation deferrals will be credited to a participant's account on the day of payroll deduction.

INVESTMENT OPTIONS

- Participants shall specify that their Deferral Account be deemed to be invested in one or more of the benchmark funds available.
- The Company has the right to change the benchmark funds from time to time.

- Each year's deferrals may have a separate investment allocation.
- The net investment earnings credited to the Deferral Account is the net investment return of the applicable benchmark funds.
- Investment allocations may be changed daily.

EARNINGS (LOSSES) CREDITED
TO DEFERRAL ACCOUNT

Credited using daily unit values of the applicable benchmark funds selected by the participant.

VESTING

Employee Deferrals, Company contributions, if any, and net investment returns credited to Deferral Accounts will vest as follows:

- Participants will vest immediately in their own voluntary deferrals.
 - Vesting schedules for any Company contributions will be established by the Company at the time the contribution is determined.
-

DISTRIBUTION OF ACCOUNT
BALANCES

Each year's deferrals and earnings thereon may have a separate distribution schedule.

- A participant may elect to receive that Plan year's deferrals and earnings thereon either at termination, January following termination, or at a specified date while employed.
- The election to receive payment of a Plan year's deferrals and earnings thereon at termination is irrevocable.

TERMINATION/LONG-TERM DISABILITY

In the event of a termination of employment, or long-term disability (as defined in the Company's Long-term disability plan), the normal form of distribution will be a single lump sum. Participants may elect an optional form of

distribution. The optional forms of distribution include quarterly installments spanning 5, 10, or 15 years. The form of distribution (lump sum or quarterly installments) or commencement date may be modified with at least one year's advance notice.

DISTRIBUTION OF ACCOUNT
BALANCES (CONTINUED)

- The form of distribution and commencement date elected for termination will apply to all Plan year's deferrals, except for any Plan year's election to receive the Plan year's deferrals and earnings thereon as a Scheduled In-Service Withdrawal. At the time of termination, the most recent effective election (on file for

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one year or longer) will supercede all other elections and govern the form of termination distribution payment.

Distributions commence as soon as practicable after the first day of the month following the end of the quarter in which the termination occurs or January following termination as elected by the participant. Distributions are taxable when received. Notwithstanding any of the above, if no election is on file for a participant or if a participant's Account balance is \$50,000 or less, then the account will be distributed in a single lump sum.

SCHEDULED IN-SERVICE WITHDRAWALS

- A participant may elect to receive a distribution from the Plan while still employed. Each year of deferrals and earnings thereon may have a separate distribution schedule.
- A specific distribution commencement year can be elected, at the time of the deferral election, as long as the distribution commencement year elected is a minimum of two years beyond the end of the deferral Plan year to which the Scheduled In-Service Withdrawal election is attached.

- A participant may elect to receive the distribution in a lump sum payment or in annual installments over a 2-, 3-, 4-, or 5-year period.
- The form of distribution (lump sum or annual installments) may be amended up to one year prior to the elected distribution commencement date by providing the Company with written notice on a form to be provided by TBG Financial.
- Lump sum distributions will be paid in January of the year specified on the election form. Annual installment distributions will commence in January of the year specified on the election form.
- Notwithstanding the above, if a participant's total distribution for a specific Scheduled In-Service Withdrawal year is \$25,000 or less, payment will be in the form of a single lump sum.
- The specific distribution commencement year elected can be changed or postponed to a later future year with at least one year's advance notice.
- If a participant terminates employment prior to the Scheduled Withdrawal Date, that portion of the participant's Deferral Account will be distributed on termination of employment in the form of distribution previously selected and qualified to receive.

DISTRIBUTION OF ACCOUNT
BALANCES (CONTINUED)

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- If a participant terminates employment in the midst of receiving scheduled withdrawal installments, the remaining installments will be accelerated and paid out according to the effective termination distribution election on file.

NONSCHEDULED IN-SERVICE WITHDRAWALS

- These are unplanned distributions.
- Participants may request a Nonscheduled

In-Service Withdrawal of up to 100% of his or her vested Account balance. 10% of the requested amount will be forfeited; and

- Participants electing such a distribution will be ineligible to participate in the Plan for the balance of the Plan year and the following Plan year.
- Nonscheduled In-Service Withdrawals must be approved by Administrative Committee.

HARDSHIP WITHDRAWALS are permitted without penalty subject to approval by the Administration Committee but can be granted only for the following reasons:

- Participant's or dependent's illness or accident;
- Casualty loss of participant's property;
- Other similar circumstances arising out of events beyond the control of the participant; and

Participants electing such a distribution will be ineligible to participate in the Plan for the balance of the Plan year and the following Plan year.

RABBI TRUST

- A Rabbi Trust provides security of the Deferred Compensation Plan benefits from the risk of change in control and repudiation.
- The Rabbi Trust receives the participant's deferrals and invests the cash.
- The Rabbi Trust owns all assets.

DEATH BENEFIT

- If an active participant dies, the Account balance, including any remaining In-Service Withdrawal installments and all vested and unvested Company contributions, will be paid in a lump sum to named beneficiaries, subject to ordinary income taxes.
- If a terminated participant receiving installment distributions dies, the

beneficiary will be paid the remaining balance as a lump sum.

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RISK OF LOSS

All amounts deferred under the Plan and earnings on these amounts are Company assets. In the event of the Company's bankruptcy or insolvency, the rights of Plan participants would be no greater than those of general unsecured creditors of the Company.

PLAN AMENDMENT

The Plan may be amended or terminated at any time, except that no such modification or termination shall reduce any amounts then credited to a participant's Account.

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SEAGATE TECHNOLOGY, INC.

SUBSIDIARIES OF THE REGISTRANT

<TABLE>

<CAPTION>

NAME OF SUBSIDIARY -----	STATE OR OTHER JURISDICTION OF INCORPORATION -----
<S>	<C>
Seagate Technology, Inc.	Delaware
Seagate Technology S.A.	France
Seagate Technology (Marlow) Limited	England
Seagate Technology GmbH	Germany
Seagate Technology AB	Sweden
Nippon Seagate Inc.	Japan
Seagate Technology Taiwan Ltd.	Taiwan
Seagate Technology Australia Pty. Limited	Australia
Seagate Foreign Sales Corporation	Virgin Islands
Seagate Technology (Hong Kong) Limited	China
Seagate Technology (Hong Kong) Limited, Beijing Rep Office	China
Seagate Distribution (UK) Limited	Scotland
Seagate Singapore Distribution Pte. Ltd.	Singapore
Quinta Corporation	California
Redwood Acquisition Corporation	Delaware
XIOtech Corporation	Minnesota
Seagate Storage Networking, Inc.	Delaware
Seagate SAN/NAS, Inc.	Delaware
Seagate Technology International	Cayman Islands, BWI
Seagate Technology (Ireland)	Cayman Islands, BWI
Seagate Technology (Ireland) Northern Ireland Branch	Ireland
Seagate Technology (Europe Holdings)	Cayman Islands, BWI
Penang Seagate Industries (M) Sdn. Bhd.	Malaysia
Seagate Technology Asia Holdings	Cayman Islands, BWI
Senai Seagate Industries (M) Sdn. Bhd.	Malaysia
P.T. Seagate Technology	Indonesia
Seagate Technology International (Singapore Branch)	Singapore
Seagate Technology (Thailand) Limited	Thailand
Seagate Technology International (Netherlands Branch)	Netherlands
Seagate Technology China Holding Company	Cayman Islands, BWI
Seagate Technology International (Shenzhen) Co. Ltd.	China
Seagate Technology International (Wuxi) Co. Ltd.	China
Perai Seagate Storage Products Sdn. Bhd.	Malaysia
Seagate Technology Reynosa, S. de R.L. de C.V.	Mexico
Seagate Technology Media Mexico S.A. de C.V.	Mexico
Seagate Technology Media (Ireland)	Cayman Islands, BWI
Seagate Technology (Barbados) Limited	Barbados
Seagate Technology International Holdings Limited	Barbados
Seagate Software Information Management Group (Canada), Inc	Canada
Seagate Technology Investments, Inc.	Delaware
Seagate Software Holdings, Inc.	Delaware

Seagate Software Pty. Limited	Australia
Seagate Software Information Management Group AB	Sweden
Seagate Software S.A.	France
Seagate Software S.r.l.	Italy
Seagate Software Information Management Group Ltd.	So. Africa
Seagate Software Information Management Group Ltd.	Spain
Seagate Software Information Management Group Ltd.	United Kingdom
Seagate Software Information Management Group BV	Holland
Seagate Software (Hong Kong) Limited	China

</TABLE>

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2

<TABLE>

<S>

Nippon Seagate Software KK.
 Seagate Software Information Management Group GmbH
 Seagate Software Information Pte. Ltd.
 Seagate Software Information Management Group Ltd.
 Seagate Technology LLC
 Seagate US LLC
 Seagate RSS LLC
 Seagate Removable Storage Solutions International
 Seagate Removable Storage Solutions LLC

<C>

Japan
 Germany
 Singapore
 Delaware
 Delaware
 Delaware
 Delaware
 Cayman Islands, BWI
 Delaware

</TABLE>

96

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-43911, 33-50973, 33-39916, 33-56215, 33-34793, 33-64339, 333-00697, 333-01059, 333-40005, 333-70105, 333-92277, and 333-95719) pertaining to the 1991 Incentive Stock Option Plan, the Employee Stock Purchase Plan, the Executive Stock Option Plan, the 1992 Conner Peripherals, Inc. Restricted Stock Plan, the Arcada Holdings, Inc. Stock Option Plan, the 1998 Nonstatutory Stock Option Plan, the 1999 Stock Option Plan and the XIOTech Corporation Amended and Restated 1996 Stock Option Plan of our report dated July 12, 2000 with respect to the consolidated financial statements and schedule of Seagate Technology, Inc., included in this Annual Report (Form 10-K) for the year ended June 30, 2000.

/s/ Ernst & Young LLP

San Jose, California
August 18, 2000

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED CONDENSED BALANCE SHEET AS OF JUNE 30, 2000 AND THE CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS FOR THE TWELVE MONTHS ENDED JUNE 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<ARTICLE> 5

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<PERIOD-TYPE>	YEAR	YEAR
<FISCAL-YEAR-END>	JUL-03-1998	JUL-02-1999
<PERIOD-START>	JUN-28-1997	JUL-04-1998
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<TOTAL-REVENUES>	6,819	6,802
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<INCOME-PRETAX>	(704)	1,873
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<EPS-DILUTED>	(2.20)<F2>	4.54<F2>
<FN>		

<F1>Weighted average outstanding shares used to compute basic net income (loss) per share have been amended to exclude the effects of restricted shares outstanding.

<F2>Diluted net income (loss) per share has been amended to include the incremental effects of restricted shares using the modified treasury stock method.

</FN>

</TABLE>

CORPORATE INFORMATION

CORPORATE ADDRESS

Seagate Technology
920 Disc Drive
Scotts Valley, CA 95066
831-438-6550
World Wide Web
<http://www.seagate.com>
<http://www.seagatesoftware.com>

GENERAL INFORMATION

For general information about Seagate's products and the locations of sales offices worldwide, call Pre-sales Support toll-free at 1-877-271-3285 for disc drives and 1-800-626-6637 for removable storage solutions.

SEAGATE INVESTOR RELATIONS

A new service designed to provide Seagate stockholders with more timely and cost-effective quarterly financial results replaces the customary mailing of Quarterly Reports to stockholders of record. Stockholders in the United States and Canada can listen to the latest quarterly results or arrange to receive a printed copy of the results via fax or the U.S. Postal Service by calling toll-free 1-877-SEG-NYSE (734-6973) anytime, day or night. Stockholders residing outside the United States and Canada should call 1-760-704-4368.

STOCK TRADING

NYSE
Symbol: SEG

TRANSFER AGENT & REGISTRAR

Harris Trust Company of California
c/o Harris Trust & Savings Bank
311 West Monroe Street
Eleventh Floor
Chicago, IL 60606
1-800-554-3406

SEC FORM 10-K

A copy of the exhibits and schedule to Seagate Technology's Form 10-k report filed with the Securities and Exchange Commission is available upon request without charge by writing to:

Investor Relations
Seagate Technology
920 Disc Drive
Scotts Valley, CA 95066
831-438-6550