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SUPERIOR COURT OF THE STATE OF CALIFORNIA

9

COUNTY OF ORANGE

10 IN RE STEC, INC. SHAREHOLDERS
LITIGATION

Lead Case No. 30-2013-00659340-CU-SL-CXC

11

CLASS ACTION

12

STIPULATION OF SETTLEMENT

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ASSIGNED FOR ALL PURPOSES TO:
HON. GAIL A. ANDLER

15

This Document Relates To:
ALL ACTIONS.

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1 This Stipulation of Settlement dated as of April 11, 2014 (the “Stipulation”), is made and
2 entered into by and among the following Settling Parties (as defined in ¶1.16 hereof) to the
3 above-captioned consolidated litigation (the “Action”) pending in the Superior Court of the State of
4 California, County of Orange (the “Court”): (i) the Plaintiffs in the Action (on behalf of themselves
5 and each of the Settlement Class Members), by and through their respective counsel of record in the
6 Action, and (ii) Defendants, by and through their respective counsel of record in the Action. The
7 Stipulation is intended by the Settling Parties to fully, finally and forever resolve, discharge, and settle
8 the Released Claims (as defined in ¶1.12 hereof), upon and subject to the terms and conditions hereof.

9 **I. THE LITIGATION**

10 On June 23, 2013, defendant sTec, Inc. (“sTec” or the “Company”) announced that it had
11 entered into an Agreement and Plan of Merger with Western Digital Corporation and Lodi Ventures,
12 Inc., a wholly-owned subsidiary of Western Digital Corporation (collectively, “WDC”), under which
13 holders of sTec’s common stock would receive \$6.85 per share in cash (the “Merger”).

14 Thereafter, between June 26, 2013 and July 11, 2013, seven shareholders (“Plaintiffs”) filed
15 the Shareholder Actions as purported class action lawsuits, on behalf of themselves and all similarly
16 situated sTec shareholders, in the Superior Court of the State of California, County of Orange, against
17 sTec, the members of sTec’s Board of Directors (the “Individual Defendants”) and WDC (sTec, the
18 Individual Defendants and WDC together, “Defendants”).¹ The Shareholder Actions generally allege
19 that the Individual Defendants breached their fiduciary duties in connection with the Merger and that
20 WDC aided and abetted the alleged breaches of fiduciary duty.

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23 ¹ The Shareholder Actions are: *Vijaya Pilly v. sTec, Inc., et al.*, Case No.
24 30-2013-00659340-CU-SL-CXC; *Tyler Mathewson v. sTec, Inc., et al.*, Case No.
25 30-2013-00659718-CU-SL-CXC; *Karl F. Poehlmann v. sTec, Inc., et al.*, Case No.
26 30-2013-00659742-CU-SL-CXC; *Beverly Wilkinson v. sTec, Inc., et al.*, Case No.
27 30-2013-00660427-CU-SL-CXC; *Faithette Foreman-Sommers v. sTec, Inc., et al.*, Case No.
28 30-2013-00660506-CU-SL-CXC; *Robert Walpole v. sTec, Inc., et al.*, Case No.
30-2013-00662447-CU-SL-CXC; and *Anthony Palmero v. Kevin C. Daly, et al.*, Case No.
30-2013-00662459-CU-SL-CXC. The Shareholder Actions were consolidated for all purposes, with
the Pilly Action designated the lead case, by this Court’s order dated September 10, 2013.

1 On July 11, 2013, Defendants and the plaintiffs in the *Pilly, Mathewson, Poehlmann,*
2 *Foreman-Sommers,* and *Wilkinson* actions entered into a Stipulation and [Proposed] Order Relating
3 and Consolidating Actions, consolidating for all purposes the *Pilly, Mathewson, Poehlmann,*
4 *Foreman-Sommers,* and *Wilkinson* actions, and appointing Faruqi & Faruqi, LLP as lead counsel for
5 plaintiffs and the putative Class (the “Consolidation Stipulation”). On July 29, 2013, the Settling
6 Parties amended the Consolidation Stipulation to include the later-filed *Walpole* and *Palmero* actions.

7 On July 25, 2013, the Company filed with the United States Securities and Exchange
8 Commission (the “SEC”) a Preliminary Proxy Statement on Schedule 14A (the “Preliminary Proxy”)
9 with respect to the Merger.

10 On August 1, 2013, the plaintiffs in the *Poehlman* and *Mathewson* actions filed amended
11 complaints to add allegations that sTec’s Preliminary Proxy failed to adequately disclose certain
12 information regarding the Merger.

13 On August 8, 2013, the Company filed with the SEC a Definitive Proxy Statement on
14 Schedule 14A (the “Definitive Proxy”) with respect to the Merger.

15 After filing their complaints, Plaintiffs requested certain discovery and depositions from
16 Defendants and from the Company’s financial advisor in connection with the Merger, Bank of
17 America Merrill Lynch (“BofA Merrill Lynch”).

18 Between August 13, 2013 and August 29, 2013, the Company produced confidential
19 documents to counsel for Plaintiffs, including minutes of meetings of sTec’s Board of Directors
20 (“Board”) and the independent Special Committee; non-disclosure agreements entered into between
21 sTec and potential acquirers; presentations to sTec’s Board and Special Committee by BofA Merrill
22 Lynch; projections prepared by sTec’s management provided to BofA Merrill Lynch; the engagement
23 letter between sTec and BofA Merrill Lynch; and correspondence, email communications, and other
24 documents related to the Merger.

25 On August 21, 2013, counsel for Plaintiffs took the deposition of Kevin C. Daly, Ph.D., the
26 Chairman of sTec’s Board and of the independent Special Committee formed to evaluate sTec’s
27 strategic alternatives.

1 On August 23, 2013, counsel for Plaintiffs took the deposition of Mark Long, Executive Vice
2 President, Strategy and Corporate Development of Western Digital Corporation.

3 On August 29, 2013, counsel for Plaintiffs took the deposition of David King, a Managing
4 Director, Mergers and Acquisitions of BofA Merrill Lynch.

5 On August 30, 2013, the plaintiff in the *Mathewson* action filed an *Ex Parte* Application to
6 Shorten Time to hear Plaintiff's Motion for Preliminary Injunction (the "*Ex Parte* Application").
7 Also on August 30, 2013, the plaintiff in the *Mathewson* action served Plaintiff's Motion for
8 Preliminary Injunction on counsel for Defendants.

9 Following service of the *Ex Parte* Application, the parties intensified their arm's-length
10 settlement negotiations to resolve the Shareholder Actions. On September 3, 2013, counsel for the
11 Settling Parties reached an agreement in principle to resolve the Shareholder Actions between and
12 among Plaintiffs, on behalf of themselves and the putative Settlement Class (as defined below), and
13 Defendants, on the terms and subject to the conditions set forth herein (the "Settlement"). The
14 plaintiff in the *Mathewson* action voluntarily withdrew the *Ex Parte* Application in view of the
15 parties' agreement in principle to resolve the Shareholder Actions.

16 On September 4, 2013, sTec filed a Form 8-K with the SEC containing supplemental
17 disclosures to the Definitive Proxy in accordance with the Settling Parties' agreement in principle to
18 resolve the Shareholder Actions.

19 On September 11, 2013, the Settling Parties executed a Memorandum of Understanding (the
20 "MOU").

21 On September 12, 2013, sTec held a special meeting of its shareholders at which the
22 Company's shareholders voted to approve the Merger. The Merger was consummated on the same
23 date.

24 The Settlement set forth herein reflects the results of the Settling Parties' negotiations and the
25 terms of the MOU. An agreement-in-principle was only reached after arm's-length negotiations
26 between the Settling Parties who were all represented by counsel with extensive experience and
27 expertise in shareholder class action litigation. During the negotiations, all parties had a clear view of

1 the strengths and weaknesses of their respective claims and defenses. Plaintiffs and their counsel
2 have concluded that the additional disclosures obtained through the Settlement provided sTec
3 shareholders with material information sufficient to make an informed decision concerning the
4 Merger. As a result, Plaintiffs and their counsel believe that the Settlement is fair to and in the best
5 interest of the Settlement Class.

6 **II. CLAIMS OF THE PLAINTIFFS AND BENEFITS OF SETTLEMENT**

7 Plaintiffs believe that the claims asserted in the Action have merit based on the proceedings to
8 date. However, Plaintiffs' Counsel recognize and acknowledge that Defendants would continue to
9 assert legal and factual defenses to their claims. Plaintiffs' Counsel also recognize and acknowledge
10 the expense and length of continued proceedings necessary to prosecute the Action against
11 Defendants through trial and through appeals and have taken into account the uncertain outcome and
12 the risk of any litigation, especially in complex actions such as the Action, as well as the difficulties
13 and delays inherent in such litigation. Plaintiffs' Counsel also are mindful of the inherent problems of
14 proof and possible defenses to the claims asserted in the Action. Plaintiffs' Counsel believe that the
15 Settlement set forth in this Stipulation is fair and adequate and has conferred substantial benefits upon
16 the Plaintiffs and the Settlement Class. Based on their evaluation, Plaintiffs' Counsel have
17 determined that the Settlement set forth in this Stipulation is in the best interests of Plaintiffs and the
18 Settlement Class.

19 **III. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY**

20 Defendants have denied and continue to deny each and all of the claims and contentions
21 alleged by Plaintiffs in the Action. Defendants expressly have denied and continue to deny all
22 charges of wrongdoing, fault, liability, or damage to any of the Plaintiffs or the Settlement Class
23 against them as alleged in the complaints filed in the Shareholder Actions, and specifically deny that
24 the disclosures and materials provided to sTec shareholders regarding the Merger were incomplete or
25 in any way misleading, that any additional disclosure was required under the SEC rules, or any
26 applicable legal principle, and that the additional disclosures made pursuant to the Settlement were
27 material. Further, Defendants have denied and continue to deny that they have committed, threatened

1 to commit, or aided and abetted in the commission of any wrongdoing, violation of law, or breach of
2 duty to Plaintiffs, the Settlement Class, or anyone else. Defendants also have denied and continue to
3 deny, *inter alia*, the allegations that Plaintiffs or the Settlement Class received inadequate
4 consideration or an unfair price from the Merger, have suffered damage, and that Plaintiffs or the
5 Settlement Class were harmed by the conduct alleged in the complaints. Defendants believe that they
6 acted properly and fully complied with their fiduciary and other legal obligations at all times, believe
7 the Action has no merit, and maintain that they have committed no disclosure violations or any other
8 breach of duty whatsoever in connection with the Merger or any public disclosures.

9 Nonetheless, Defendants are entering into the Settlement solely to eliminate the distraction,
10 burden, and expense of further litigation, and to fully and finally resolve all Released Claims.
11 Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially
12 in complex cases like the Action. Defendants have, therefore, determined that it is desirable and
13 beneficial to them that the Action be settled in the manner and upon the terms and conditions set forth
14 in this Stipulation. Without admitting any wrongdoing, Defendants acknowledge that the filing and
15 prosecution of the Action by, and discussions with, Plaintiffs' Counsel were a significant cause of
16 Defendants' agreement to make the additional disclosures.

17 **IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT**

18 NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among
19 Plaintiffs (for themselves and the Settlement Class Members) and Defendants, by and through their
20 respective counsel or attorneys of record, that, subject to the approval of the Court, the Action and the
21 Released Claims shall be finally and fully compromised, settled and released, and the Action shall be
22 dismissed with prejudice, as to all Settling Parties, upon and subject to the terms and conditions of this
23 Stipulation, as follows.

24 **1. Definitions**

25 As used in this Stipulation the following terms have the meanings specified below:
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1 1.1 “Defendants” means sTec, Western Digital Corporation, Lodi Ventures, Inc., Kevin
2 C. Daly, Rajat Bahri, F. Michael Ball, Christopher Colpitts, Manouch Moshayedi, Mark Moshayedi
3 and Matthew L. Witte.

4 1.2 “Effective Date” means the first date by which all of the events and conditions
5 specified in ¶ 6.1 hereof have been met and have occurred.

6 1.3 “Final” means: (i) the date of final affirmance on an appeal of the Judgment, the
7 expiration of the time for a petition for or a denial of a writ of certiorari to review the Judgment and, if
8 certiorari is granted, the date of final affirmance of the Judgment following review pursuant to that
9 grant; or (ii) the date of final dismissal of any appeal from the Judgment or the final dismissal of any
10 proceeding on certiorari to review the Judgment; or (iii) if no appeal is filed, the expiration date of the
11 time for the filing or noticing of any appeal from the Court’s Judgment approving the Stipulation
12 substantially in the form of Exhibit B attached hereto.

13 1.4 “Individual Defendants” means Kevin C. Daly, Rajat Bahri, F. Michael Ball,
14 Christopher Colpitts, Manouch Moshayedi, Mark Moshayedi and Matthew L. Witte .

15 1.5 “Judgment” means the judgment to be rendered by the Court, substantially in the form
16 attached hereto as Exhibit B.

17 1.6 “Merger” means the transaction pursuant to which Western Digital Corporation’s
18 wholly-owned subsidiary Lodi Ventures, Inc., acquired all outstanding shares of sTec for a price of
19 \$6.85 in cash per share.

20 1.7 “Notice Administrator” means the firm of Gilardi & Co.

21 1.8 “Person” means an individual, corporation, partnership, limited partnership, limited
22 liability company or partnership, association, joint stock company, estate, legal representative, trust,
23 unincorporated association, government or any political subdivision or agency thereof, and any
24 business or legal entity and their spouses, heirs, predecessors, successors, representatives, or
25 assignees.

26 1.9 “Plaintiffs” means Vijaya Pilly, Tyler Mathewson, Karl F. Poehlman, Beverly
27 Wilkinson, Faithette Foreman-Sommers, Robert Walpole, and Anthony Palmero.

1 1.10 “Plaintiffs’ Counsel” means counsel of record for the Plaintiffs in the Shareholder
2 Actions: Faruqi & Faruqi, LLP, 10866 Wilshire Boulevard, Suite 1470, Los Angeles, CA 90024 and
3 369 Lexington Avenue, Tenth Floor, New York, NY 10017; Ademi & O’Reilly, LLP, 3629 East
4 Layton Avenue, Cudahy, WI 53110; Brodsky & Smith, LLC, 9595 Wilshire Boulevard, Suite 900,
5 Beverly Hills, CA 90212; The Briscoe Law Firm, PLLC, 8150 N. Central Expressway, Suite 1575,
6 Dallas, TX 75206; Powers Taylor, LLP, 8150 N. Central Expressway, Suite 1575, Dallas, TX 75206;
7 Brower Piven, 475 Park Avenue South, 33rd Floor, New York, NY 10016; Finkelstein Thompson
8 LLP, 505 Montgomery Street, Suite 300, San Francisco, CA 94111; Levi & Korsinsky LLP, 30 Broad
9 Street, 24th Floor, New York, NY 10004; Kirby McInerney LLP, 600 B Street, Suite 1900, San Diego,
10 CA 92101 and 825 Third Avenue, 16th Floor, New York, NY 10022; WeissLaw LLP, 1516 South
11 Bundy Drive, Suite 309, Los Angeles, CA 90025 and 1500 Broadway, 16th Floor, New York, New
12 York 10036; Gerald J. Lovoi, Esq., 616 South Boston, Suite 403, Tulsa OK 74119; and Tostrud Law
13 Group, PC, 1925 Century Park East, Suite 2125, Los Angeles, CA 90067.

14 1.11 “Related Parties” means Defendants and their respective predecessors,
15 successors-in-interest, parents, subsidiaries, affiliates, representatives, agents, trustees, executors,
16 heirs, spouses, marital communities, assigns, or transferees and any person or entity acting for or on
17 behalf of any of them and each of them, (including, without limitation, any investment bankers,
18 financial advisors, accountants, insurers, reinsurers or attorneys and any past, present or future
19 officers, directors and employees of any of them).

20 1.12 “Released Claims” means any and all known and unknown claims of every nature and
21 description whatsoever, for damages, injunctive relief, or any other remedies, whether disclosed or
22 undisclosed, accrued or unaccrued, apparent or not apparent, foreseen or unforeseen, matured or not
23 matured, suspected or unsuspected, liquidated or not liquidated, fixed or contingent, that have been or
24 could have been asserted by Plaintiffs or any Settlement Class Member in his, her, or its capacity as a
25 shareholder in any forum, including class, derivative, individual, or other claims, whether based upon
26 any state, federal, foreign, common law, statutory, regulatory, or other law or rule, including, without
27 limitation, claims under federal or state securities laws arising out of, related to, or concerning: (i) the

1 allegations in the Action (or any one or more of the Shareholder Actions), (ii) the Merger, the Merger
2 agreement, and the ancillary agreements entered into in connection with the Merger, including any
3 deliberations, negotiations, agreements and disclosures related to the Merger, and any compensation
4 or other payments made to any Defendant in connection with the Merger; (iii) the consideration
5 received by Plaintiffs or any Settlement Class Member in connection with the Merger; (iv) the
6 disclosures related to the Merger and any amendments thereto; (v) any alleged improper benefit,
7 conflict of interest, agreement, remuneration, or employment benefits paid to or made with any
8 individual in connection with the Merger or the Merger agreement, (vi) the fiduciary obligations of
9 the Defendants and Related Persons in connection with the Merger and Merger agreement; (vii) any
10 matter than could have been asserted in the Shareholder Actions regarding the Merger or any
11 disclosure or alleged failure to disclose, with or without scienter, material facts to shareholders in
12 connection with the Merger; or (viii) any alleged aiding and abetting of any of the foregoing;
13 provided, however, that the Released Claims shall not include the right of Plaintiffs or any Settlement
14 Class Member to enforce the terms of the Stipulation or claims for dissenting shareholder rights under
15 Chapter 13 of the California General Corporation Law.

16 1.13 "Released Persons" means the Defendants and each and all of the Related Parties.

17 1.14 "Settlement Class" means, for settlement purposes only, a non-opt out class of all
18 record holders or beneficial owners of sTec common stock at any time during the period beginning on
19 and including June 23, 2013 through and including September 12, 2013, the date of the closing of the
20 Merger, including all of their respective successors-in-interest, predecessors, representatives,
21 trustees, executors, administrators, heirs, assigns, or transferees, immediate and remote, and any
22 person acting for on behalf of, or claiming under, any of them, and each of them. Excluded from the
23 Settlement Class are Defendants and their affiliates, immediate families, legal representatives, heirs,
24 successors or assigns and any entity in which Defendants have or had a controlling interest.

25 1.15 "Settlement Class Members" or "Member of the Settlement Class" mean a Person who
26 falls within the definition of the Settlement Class as set forth in ¶ 1.14 of the Stipulation.

1 1.16 "Settling Parties" means, collectively, each of the Defendants, and Plaintiffs, on behalf
2 of themselves and the Settlement Class Members.

3 1.17 "sTec" means sTec, Inc. and any of its predecessors, successors, parents, subsidiaries,
4 divisions, or affiliates.

5 **2. The Settlement**

6 2.1 Without admitting any wrongdoing, Defendants acknowledge that the filing and
7 prosecution of the Action by, and negotiations and discussions with, Plaintiffs' Counsel were a
8 significant factor in sTec's decision to make the additional disclosures in a Form 8-K filed by sTec
9 with the SEC on or about September 4, 2013. The following additional disclosures were included in
10 the Form 8-K:²

11 (i) additional information regarding the background of the Merger;

12 (ii) additional information regarding the financial forecasts utilized by sTec in
13 connection with the Merger;

14 (iii) additional information regarding the fairness opinion of BofA Merrill Lynch,
15 the Company's financial advisor in connection with the Merger;

16 (iv) additional information regarding BofA Merrill Lynch's Selected Publicly
17 Traded Companies Analysis;

18 (v) additional information regarding BofA Merrill Lynch's Selected Precedent
19 Transactions Analysis; and

20 (vi) additional information regarding litigation related to the Merger and pending
21 shareholder derivative actions purportedly filed on behalf of the Company.

22 2.2 Plaintiffs agree that the dissemination of the additional disclosures by sTec provided
23 sufficient notice and time for sTec shareholders to access, review, understand, and evaluate the
24 additional disclosures prior to the shareholder vote at the special meeting of sTec shareholders held
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26 ² A copy of the Form 8-K is attached hereto as Exhibit C.
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1 on September 12, 2013.

2 2.3 sTec (or its insurer(s) or successor(s)), on behalf of itself and for the benefit of the
3 other Defendants in the Action has also agreed, subject to the terms of ¶¶ 5.1–5.4 hereof, to pay, or
4 cause to be paid to Plaintiffs’ Counsel, attorneys’ fees and expenses in an amount approved by the
5 Court and not to exceed \$580,000.

6 2.4 The Settling Parties agree, for purposes of this Settlement only, to the certification of
7 the Settlement Class under § 382 of the California Code of Civil Procedure. In the event that the
8 Settlement does not become Final for any reason, Defendants reserve the right to oppose certification
9 of any class in future proceedings.

10 **3. Notice Order and Settlement Hearing**

11 3.1 Within 10 days after execution of this Stipulation, Plaintiffs’ Counsel shall submit the
12 Stipulation together with its Exhibits to the Court and shall apply for entry of an order (the “Notice
13 Order”), substantially in the form of Exhibit A attached hereto, requesting, *inter alia*, certification of
14 the Settlement Class pursuant to § 382 of the California Code of Civil Procedure and California Rule
15 of Court 3.769 (for purposes of settlement only), preliminary approval of the Settlement set forth in
16 this Stipulation, and approval for the mailing of a settlement notice (the “Notice”), substantially in the
17 form of Exhibit A-1 attached hereto. The Notice shall include the general terms of the Settlement set
18 forth in this Stipulation and the date of the Settlement Hearing as defined below.

19 3.2 Defendants shall be responsible for providing notice to the Settlement Class in
20 accordance with the Notice Order and are authorized to hire Gilardi & Co. for purposes of effecting
21 such notice. The Company and/or its insurer(s) or successor(s) shall pay, or cause to be paid, all
22 reasonable costs and expenses related to the administration of the Settlement and providing notice to
23 the Settlement Class, including the costs in providing the Company’s transfer records to the Notice
24 Administrator. At least fourteen (14) calendar days prior to the Settlement Hearing, the notice
25 administrator shall file with the Court an appropriate affidavit or declaration with respect to preparing
26 and mailing of the Notice to the Settlement Class. Plaintiffs and their counsel shall not bear any
27 responsibility or costs for providing Notice to the Settlement Class.

1 addition to or different from those that they now know or believe to be true with respect to the subject
2 matter of the Released Claims, but that it is the intention of the Released Persons and Plaintiffs, and
3 by operation of the Judgment and law the Settlement Class Members, to fully, finally, and forever
4 settle and release any and all Released Claims, whether known or unknown, suspected or
5 unsuspected, which now exist or heretofore existed or may hereafter exist, without regard to the
6 subsequent discovery or existence of such additional or different facts. The Released Persons and
7 Plaintiffs acknowledge, and the Settlement Class Members by operation of the Judgment and law
8 shall be deemed to have acknowledged, that the inclusion of unknown claims in the definition of
9 Released Claims and the foregoing waiver were separately bargained for and were key and material
10 elements of the Settlement of which this release is a part and were relied upon by each and all of the
11 Settling Parties in entering into the Stipulation.

12 **5. Plaintiffs' Counsel's Attorneys' Fees and Expenses**

13 5.1 After negotiating the additional disclosures, the parties negotiated the amount of
14 attorneys' fees and expenses that, subject to the terms and conditions of this Stipulation and approval
15 by the Court, sTec would pay, or cause to be paid, to Plaintiffs' Counsel. As a result of those
16 negotiations, sTec, or its insurer(s) or successor(s), on behalf of itself and for the benefit of all
17 Defendants, has agreed to pay to Plaintiffs' Counsel, or cause to be paid, an amount subject to Court
18 approval, not to exceed \$580,000. Any failure by the Court, however, to approve any requested fees
19 and expenses shall not affect the validity of the Settlement or the occurrence of the Effective Date.

20 5.2 sTec (or its insurer(s) or successor(s)) shall pay, or cause to be paid, the fees and
21 expenses approved, if any, by the Court (but not more than the amount stated in ¶ 5.1) to Faruqi &
22 Faruqi, LLP as receiving agent for Plaintiffs' Counsel within fifteen (15) business days of the
23 occurrence of all of the following events: (i) entry of the Court's order providing final approval of the
24 Settlement (including final approval of any fees and expenses to Plaintiffs' Counsel) and entering the
25 Judgment; and (ii) receipt by Defendants' Counsel of all information necessary for the payment of
26 attorneys' fees to Plaintiffs' Counsel, including wire transfer instructions and tax identification
27 information.

1 6.3 In the event that the Effective Date does not occur, (i) the Settling Parties shall be
2 restored to their respective positions in the Action as of the date prior to execution of the Stipulation
3 as though the Stipulation were never executed or agreed to; (ii) the Stipulation, except for the terms
4 and conditions set forth in ¶¶ 2.3, 3.2 (in the event the Settlement is terminated after giving notice to
5 the Settlement Class), 5.3, 5.4, and 6.3 shall have no further force and effect with respect to the
6 Settling Parties, shall not be deemed to prejudice in any way the positions of the Settling Parties with
7 respect to the Action or to constitute an admission of fact by any Settling Party, and shall not entitle
8 any Settling Party to recover any costs or expenses incurred in connection with implementation of the
9 Stipulation or the Settlement; (iii) neither the existence of the Stipulation nor its contents shall be
10 admissible in evidence or be referred to for any purposes in the Action, or in any litigation or judicial
11 proceeding, other than to enforce the terms hereof; and (iv) any judgment or order entered by the
12 Court in accordance with the terms of the Stipulation shall be treated as vacated, *nunc pro tunc*. No
13 order of the Court or modification or reversal on appeal of any order concerning the amount of
14 attorneys' fees and expenses awarded to Plaintiffs' Counsel shall constitute grounds for cancellation
15 or termination of the Stipulation or affect its terms including the releases, or affect or delay the finality
16 of the Judgment approving the Stipulation.

17 **7. Miscellaneous Provisions**

18 7.1 The Settling Parties: (i) acknowledge that it is their intent to consummate this
19 agreement; and (ii) agree to cooperate to the extent reasonably necessary to effectuate and implement
20 all terms and conditions of the Stipulation and to exercise their best efforts to accomplish the
21 foregoing terms and conditions of the Stipulation.

22 7.2 The Settling Parties intend this Settlement to be a final and complete resolution of all
23 disputes between them with respect to the Action. The Settlement compromises claims which are
24 contested and shall not be deemed an admission by any Settling Party as to the merits of any claim or
25 defense. The Settling Parties agree that the Settlement was negotiated in good faith by the Settling
26 Parties, and reflects a settlement that was reached voluntarily after consultation with competent legal
27 counsel. The Settling Parties reserve their right to rebut, in a manner that such party determines to be
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1 appropriate, any contention made in any public forum that the Action was brought or defended in bad
2 faith or without a reasonable basis.

3 7.3 Neither the Stipulation nor the Settlement contained therein, nor any act performed or
4 document executed pursuant to or in furtherance of the Stipulation or the Settlement: (i) is or may be
5 deemed to be or may be used as a presumption, admission, concession, or evidence of, the validity or
6 lack thereof of any Released Claim, or of any fault, omission, damages, wrongdoing, or liability of the
7 Defendants or any Released Person; or (ii) is or may be deemed to be or may be used as an admission
8 of, or evidence of, any fault or omission of any of the Defendants or any Released Person in any civil,
9 criminal, or administrative proceeding in any court, administrative agency, or other tribunal other
10 than such a proceeding as may be necessary to consummate or enforce this Stipulation and the
11 Settlement contained herein. Defendants or any Released Person may file the Stipulation and/or the
12 Judgment in any action that may be brought against them in order to support a defense or
13 counterclaim based on principles of *res judicata*, collateral estoppel, release, good faith settlement,
14 judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar
15 defense or counterclaim.

16 7.4 Pending the Effective Date, the Settling Parties agree to stay all proceedings in the
17 Action other than those necessary to effectuate the Settlement itself. The Settling Parties' respective
18 deadlines to respond to any filed or served pleadings are extended indefinitely. The Settling Parties
19 agree to use their best reasonable efforts to prevent, stay, seek dismissal of, or oppose entry of any
20 interim or final relief in favor of any Member of the Settlement Class in any other litigation against
21 any of the parties to this Stipulation that challenges the Settlement, the Merger, the disclosures made
22 in connection with the Merger or otherwise involves a Released Claim.

23 7.5 The provisions contained in the Stipulation shall not be deemed a presumption,
24 concession, or admission by any Defendant of any fault, liability, or wrongdoing as to any facts or
25 claims that have been or might be alleged or asserted in the Action, or in any other action or
26 proceeding that has been, will be, or could be brought, and shall not be interpreted, construed,
27 deemed, invoked, offered or received in evidence or otherwise used by any person in the Shareholder
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1 Actions, or in any other action or proceeding, whether civil, criminal or administrative, for any
2 purpose other than as provided expressly herein.

3 7.6 Subject to the order of the Court, pending final determination of whether the
4 Settlement provided for in the Stipulation should be approved, Plaintiffs and all Settlement Class
5 Members or any of them, are barred and enjoined from commencing, prosecuting, instigating, or in
6 any way participating in the commencement, prosecution, or instigation of any action asserting any
7 Released Claims against any Released Person.

8 7.7 All of the Exhibits to this Stipulation are material and integral parts hereof and are
9 fully incorporated herein by this reference.

10 7.8 The Stipulation may be amended or modified only by a writing signed by counsel for
11 Defendants and Faruqi & Faruqi, LLP on behalf of all Plaintiffs (upon written consent of counsel for
12 all other Plaintiffs), that refers specifically to this Stipulation, and without further notice to the
13 Settlement Class, unless the Court requires such notice.

14 7.9 The Stipulation and the Exhibits attached hereto (a) constitute the entire agreement
15 among the parties hereto and no representations, warranties, or inducements have been made to any
16 party concerning the Stipulation or its Exhibits other than the representations, warranties, and
17 covenants contained and memorialized in such documents, and, except as expressly provided herein,
18 there are no third party beneficiaries to this Stipulation; and (b) supersede any prior agreements or
19 understandings between the parties with respect to the subject matter hereof. Except as otherwise
20 provided herein, each party shall bear its own costs and attorneys' fees incurred in the Action or in
21 connection with the Settlement.

22 7.10 Plaintiffs' Counsel, on behalf of the Settlement Class, are expressly authorized by the
23 Plaintiffs to take all appropriate actions required or permitted to be taken by the Settlement Class
24 pursuant to the Stipulation to effectuate its terms and also are expressly authorized to enter into any
25 modifications or amendments to the Stipulation on behalf of the Settlement Class which they deem
26 appropriate.

27 7.11 Each counsel or other Person executing the Stipulation or any of its Exhibits on behalf
28

1 of any Settling Party hereto hereby warrants that such Person has the full authority to do so.

2 7.12 Plaintiffs and their counsel in the Action represent and warrant that Plaintiffs are
3 stockholders of sTec and have been stockholders at all relevant times, including through the
4 consummation of the Merger, and that none of Plaintiffs' claims or causes of action referred to in any
5 complaint in the Action, or any claims Plaintiffs could have alleged, have been assigned, encumbered,
6 or in any manner transferred in whole or in part.

7 7.13 The Stipulation may be executed in any number of actual or telecopied counterparts
8 and by each of the different Parties by any of the signatories hereto, including by email in PDF format
9 or by facsimile. All executed counterparts and each of them shall be deemed to be one and the same
10 instrument. A complete set of executed counterparts shall be filed with the Court.

11 7.14 The Stipulation shall be binding upon, and inure to the benefit of, the Settling Parties,
12 all Released Persons, and each of their respective heirs, executors, administrators, legal
13 representatives, affiliates, predecessors, successors, and assigns.

14 7.15 The Related Parties are intended beneficiaries of the Stipulation, and have the ability
15 to enforce its terms.

16 7.16 The Court shall retain jurisdiction with respect to implementation and enforcement of
17 the terms of the Stipulation, and all Settling Parties hereto submit to the jurisdiction of the Court for
18 purposes of implementing and enforcing the Settlement embodied in the Stipulation.

19 7.17 The Stipulation and the Exhibits attached hereto shall be considered to have been
20 negotiated, executed, and delivered, and to be wholly performed, in the State of California, and the
21 rights and obligations of the Settling Parties to the Stipulation shall be construed and enforced in
22 accordance with, and governed by, the internal, substantive laws of the State of California without
23 giving effect to California's choice-of-law principles. Any action arising out of or relating to this
24 Stipulation shall be brought exclusively in the courts of the State of California. The Settling Parties
25 agree that any dispute arising out of or relating in any way to the Stipulation or Settlement shall not be
26 brought, litigated, or otherwise pursued in any forum or venue other than this Court, and the parties
27 expressly waive any right to demand a jury trial as to any such dispute.

1 7.18 In the event that any court is called upon to interpret this Stipulation, no one party or
2 group of parties shall be deemed to have drafted this Stipulation, but it shall be construed as if all
3 parties hereto jointly prepared it, and any uncertainty or ambiguity shall not be interpreted against any
4 one party, nor may any party offer into evidence or otherwise use for purposes of suggesting any
5 interpretation of the Stipulation, any prior drafts of the Stipulation.

6 7.19 The Settling Parties intend to be bound by this Stipulation regardless of any
7 intervening changes in applicable law.

8 7.20 All agreements made and orders entered during the course of the Action relating to the
9 confidentiality of information shall survive this Stipulation.

10 IN WITNESS WHEREOF, the Settling Parties hereto have caused this Stipulation to be
11 executed by their duly authorized attorneys.

12 DATED: April 16, 2014

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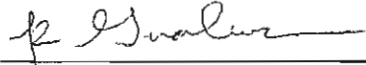
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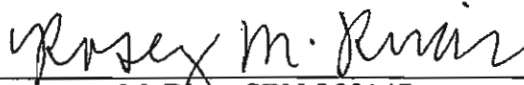
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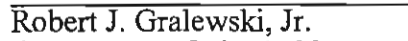
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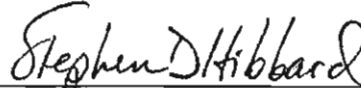
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EXHIBIT A

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF ORANGE

IN RE STEC, INC. SHAREHOLDERS
LITIGATION

) Lead Case No. 30-2013-659340-CU-SL-CXC

) CLASS ACTION

) [PROPOSED] ORDER PROVISIONALLY
) APPROVING SETTLEMENT AND
) PROVIDING FOR NOTICE

This Document Relates To:

) Judge: Hon. Gail A. Andler
) Dep't: CX101

ALL ACTIONS.

) [EXHIBIT A TO STIPULATION OF
) SETTLEMENT]

1 WHEREAS, a class action is pending before this Court captioned *In re sTec, Inc.*
2 *Shareholders Litigation*, Lead Case No. 30-2012-659340-CU-SL-CXC (the “Action”)¹;

3 WHEREAS, Plaintiffs Vijaya Pilly, Tyler Mathewson, Karl F. Poehlman, Beverly
4 Wilkinson, Faithette Foreman-Sommers, Robert Walpole, and Anthony Palmero (“Plaintiffs”)
5 having made application for an order approving the settlement of this Action, in accordance with
6 the Stipulation of Settlement dated as of April 11, 2014 (the “Stipulation”), which, together with the
7 exhibits annexed thereto, sets forth the terms and conditions for a proposed settlement of the Action
8 (the “Settlement”) and for entry of Final Judgment;

9 WHEREAS, the Court having read and considered (1) Plaintiffs’ motion for preliminary
10 approval of the Settlement together with the accompanying memorandum of points and authorities,
11 (2) the Stipulation as well as all the exhibits attached thereto, and (3) all other papers filed in
12 support thereof; and

13 WHEREAS, all capitalized terms contained herein shall have the same meanings and/or
14 definitions as set forth in the Stipulation,

15 NOW, THEREFORE, UPON GOOD CAUSE SHOWN, IT IS HEREBY ORDERED:

16 1. Pursuant to § 382 of the California Code of Civil Procedure and California Rules of
17 Court 3.760, *et seq.*, the Court provisionally certifies, for settlement purposes only, a non opt-out
18 Settlement Class of all record holders or beneficial owners of sTec common stock at any time
19 during the period beginning on and including June 23, 2013 through and including September 12,
20 2013, the date of the closing of the Merger, including all of their respective successors-in-interest.
21 Excluded from the Settlement Class are Defendants and their affiliates, immediate families, legal

22
23 ¹ This Court’s order dated September 10, 2013 consolidated the following Shareholder Actions
24 for all purposes, with this Action designated as the lead case: *Vijaya Pilly v. sTec, Inc., et al.*,
25 Case No. 30-2013-659340-CU-SL-CXC; *Tyler Mathewson v. sTec, Inc., et al.*, Case No. 30-
26 2013-659718-CU-SL-CXC; *Karl F. Poehlmann v. sTec, Inc., et al.*, Case No. 30-2013-659742-
27 CU-SL-CXC; *Beverly Wilkinson v. sTec, Inc., et al.*, Case No. 30-2013-660427-CU-SL-CXC;
28 *Faithette Foreman-Sommers v. sTec, Inc., et al.*, Case No. 30-2013-660506-CU-SL-CXC;
Robert Walpole v. sTec, Inc., et al., Case No. 30-2013-662447-CU-SL-CXC; and *Anthony
Palmero v. Kevin C. Daly, et al.*, Case No. 30-2013-662459-CU-SL-CXC.

1 representatives, heirs, successors or assigns and any entity in which Defendants have or had a
2 controlling interest.

3 2. With respect to the Settlement Class, this Court finds and concludes, for purposes of
4 this Settlement only, that: (a) the Members of the Settlement Class are so numerous that joinder of
5 all Settlement Class Members in the Action is impracticable; (b) there are questions of law and fact
6 common to the Settlement Class which predominate over any individual questions; (c) the claims of
7 the Plaintiffs are typical of the claims of the Settlement Class; (d) Plaintiffs and their counsel have
8 fairly and adequately represented and protected the interests of all of the Settlement Class Members;
9 (e) a class action is superior to other methods for the fair and efficient adjudication of the matter;
10 (f) the prosecution of separate actions by individual Members of the Settlement Class would create
11 a risk of inconsistent adjudications which would establish incompatible standards of conduct for
12 Defendants; (g) there are allegations that Defendants acted or refused to act on grounds generally
13 applicable to the Settlement Class; and (h) the predominant relief sought in the Action was
14 injunctive.

15 3. The Court conditionally designates Plaintiffs as the representatives of the Settlement
16 Class for the sole purpose of settlement proceedings (the "Class Representatives") and Faruqi &
17 Faruqi, LLP as Class Counsel.

18 4. After a preliminary review, the Court finds that (a) the proposed Settlement falls
19 within the range of possible approval criteria, as it provides a beneficial result for the Settlement
20 Class and appears to be the product of good-faith, informed, and non-collusive negotiations between
21 experienced and able counsel for the Settling Parties (as defined in the Stipulation); and (b) the
22 Settlement Class should be apprised of the Settlement through the proposed form of notice, allowed
23 to file objections, if any, thereto, and to appear at the Settlement Hearing. Accordingly, the Court
24 does hereby preliminarily approve the Settlement as set forth in the Stipulation, subject to further
25 consideration at the Settlement Hearing described below.

26 5. A hearing (the "Settlement Hearing") shall be held before this Court on _____,
27 2014, at _____ in Department CX101, Superior Court of the State of California, County of

1 Orange, Civil Complex Center, 751 West Santa Ana Blvd., Santa Ana, California 92701, to
2 determine (a) whether the Settlement Class should be certified for settlement purposes; (b) whether
3 the proposed Settlement of the Shareholder Actions on the terms and conditions provided for in the
4 Stipulation is fair, reasonable, and adequate to the Settlement Class and should be approved by the
5 Court; (c) whether a Judgment as provided in paragraph 1.5 of the Stipulation and annexed to the
6 Stipulation as Exhibit B should be entered herein; and (d) whether the Court should approve
7 Plaintiffs' application for an award of attorneys' fees and expenses.

8 6. The Court approves, as to form and content, the Notice of Proposed Settlement of
9 Class Action and Hearing (the "Notice"), annexed as Exhibit A-1 hereto, and finds that the mailing
10 and distribution of the Notice substantially in the manner and form set forth in paragraphs 8 and 10
11 of this Order meet the requirements of California law, and due process, and is the best notice
12 practicable under the circumstances and shall constitute due and sufficient notice to all Persons
13 entitled thereto. Non-material changes to the form of the Notice may be made without further
14 approval of the Court.

15 7. Defendants shall undertake the administrative responsibility for giving notice to the
16 Settlement Class and are authorized to hire Gilardi & Co. (the "Notice Administrator") to
17 administer the notice procedure subject to such supervision and direction of the Court as may be
18 necessary or the circumstances require as more fully set forth below. sTec, Inc. and/or its insurer(s)
19 or successor(s) shall pay, or cause to be paid, all reasonable costs and expenses in providing notice
20 to the Settlement Class.

21 8. Not later than fifteen (15) calendar days following the entry of this Order,
22 Defendants shall cause a copy of the Notice, substantially in the form annexed hereto as Exhibit A-
23 1, to be mailed by first class mail to all Settlement Class Members who can be identified with
24 reasonable effort. The Notice Administrator shall also post the Notice, the Stipulation, and all of its
25 exhibits on its website.

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1 Superior Court of the State of California
2 County of Orange
3 Civil Complex Center
4 Department CX101
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24 Written notices of objection should: (a) demonstrate the objecting Person's membership in the
25 Settlement Class; (b) contain a statement of the objection(s) and the reason(s) for the objection(s),
26 including a description of any laws or cases supporting the objection(s) and copies of any
27 documents sought to be presented in support of the objection(s); and (c) contain a statement of
28 intent to be heard if the objecting Person or entity or his, her, or its lawyer requests to address the
Court at the Settlement Hearing.

15. Any Member of the Settlement Class who does not make his, her or its objection in
the manner provided shall be deemed to have waived such objection and shall forever be foreclosed

1 from making any objection to the fairness or adequacy of the proposed Settlement as incorporated
2 in the Stipulation unless otherwise ordered by the Court.

3 16. All papers, including memoranda or briefs in support of the Settlement or application
4 for award of attorneys' fees and expenses shall be filed and served at least twenty-one (21) calendar
5 days prior to the Settlement Hearing. Reply memoranda, if any, shall be filed and served at least
6 seven (7) calendar days prior to the Settlement Hearing.

7 17. In the event that the Effective Date of the Settlement does not occur and the
8 Defendants opt to declare the Settlement set forth in the Stipulation terminated in accordance with
9 its terms, the Settlement and related documents shall be null and void and of no force and effect
10 except as provided in the Stipulation. In such event, the Settling Parties shall be restored to their
11 respective positions in the Action as of the date prior to execution of the Stipulation as though the
12 Stipulation were never agreed to or executed. Moreover, the Stipulation shall have no further force
13 and effect with respect to the Settling Parties except as provided in the Stipulation; shall not be
14 deemed to prejudice in any way the positions of the Settling Parties with respect to the Action, or to
15 constitute an admission of fact by any Settling Party; and shall not entitle any Settling Party to
16 recover any costs or expenses incurred in connection with the implementation of the Stipulation or
17 the Settlement. Furthermore, neither the existence of the Stipulation nor its contents shall be
18 admissible in evidence or be referred to for any purposes in the Action, or in any litigation or
19 judicial proceeding, other than to enforce the terms therein, and any judgment or order entered by
20 the Court in accordance with the terms of the Stipulation shall be treated as vacated, *nunc pro tunc*.

21 18. Neither the Stipulation, nor any of its terms or provisions, nor any of the negotiations
22 or proceedings connected with it, shall be construed as an admission or concession by Defendants
23 of the truth of any of the allegations in the Action, or of any liability, fault, or wrongdoing of any
24 kind.

25 19. All proceedings in the Action, except those proceedings related to the Settlement,
26 shall be stayed until the resolution of all such Settlement-related proceedings.

1 20. The Court reserves the right to adjourn the date of the Settlement Hearing without
2 further notice to the Members of the Settlement Class, and retains jurisdiction to consider all further
3 applications arising out of or connected with the proposed Settlement. The Court may approve the
4 Settlement, with such modifications as may be agreed to by the Settling Parties, if appropriate,
5 without further notice to the Settlement Class.

6 IT IS SO ORDERED.

7
8 DATED: _____

HONORABLE GAIL A. ANDLER
JUDGE OF THE SUPERIOR COURT

9
10 Respectfully submitted by:

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EXHIBIT A-1

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10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 COUNTY OF ORANGE

12 IN RE STEC, INC. SHAREHOLDERS
13 LITIGATION

Lead Case No. 30-2013-659340-CU-SL-CXC

CLASS ACTION

14 NOTICE OF PROPOSED SETTLEMENT
15 OF CLASS ACTION AND HEARING

16 This Document Relates To:

Judge: Hon. Gail A. Andler
Dep't: CX101

17 ALL ACTIONS.

18 [EXHIBIT A-1 TO STIPULATION OF
19 SETTLEMENT]

1 TO: ALL PERSONS WHO OWNED STEC, INC. COMMON STOCK FROM AND
2 INCLUDING JUNE 23, 2013 THROUGH AND INCLUDING SEPTEMBER 12, 2013,
3 THE DATE OF THE CLOSING OF THE MERGER, INCLUDING ANY AND ALL OF
4 THEIR SUCCESSORS-IN-INTEREST, PREDECESSORS, REPRESENTATIVES,
5 TRUSTEES, EXECUTORS, ADMINISTRATORS, HEIRS, ASSIGNS OR
6 TRANSFEREES, AND ANY PERSON ACTING ON BEHALF OF, OR CLAIMING
7 UNDER, ANY OF THEM, AND EACH OF THEM (THE "SETTLEMENT CLASS").

8
9 PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR
10 RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. IF THE
11 COURT APPROVES THE PROPOSED SETTLEMENT, YOU WILL BE
12 FOREVER BARRED FROM CONTESTING THE FAIRNESS,
13 REASONABLENESS OR ADEQUACY OF THE PROPOSED SETTLEMENT,
14 AND FROM PURSUING THE SETTLED CLAIMS (AS DEFINED BELOW).

15 This Notice of Settlement of Class Action ("Notice") has been sent to you pursuant to an
16 Order of the Superior Court of California, Orange County (the "Court"). The purpose of this
17 Notice is to inform you of the proposed Settlement of this class action litigation and of the
18 hearing to be held by the Court on _____, 20__ at __, __.m., in the Superior
19 Court of the State of California, County of Orange, Civil Complex Center, 751 West Santa Ana
20 Blvd., Santa Ana, California. The purpose of the hearing is to determine: (a) whether the Court
21 should certify the Settlement Class; (b) whether the Court should approve the proposed
22 Settlement as fair, reasonable, adequate, and in the best interests of the Settlement Class;
23 (c) whether the Court should enter an Order and Final Judgment dismissing the claims asserted in
24 the Action on the merits and with prejudice as against Plaintiffs and the Settlement Class and
25 effectuating the releases described below; (d) whether the Court should grant the application of
26 Plaintiffs' Counsel for an award of attorneys' fees and reimbursement of litigation expenses; and
27 (e) such other matters as may properly come before the Court.

28 This Notice describes the rights you may have in connection with the Settlement and what
steps you may take in relation to the Settlement and this class action litigation.

This Notice is not an expression of any opinion by the Court about the merits of any of the
claims or defenses asserted by any party in this Action or the fairness or adequacy of the proposed
Settlement.

1 **I. THE LITIGATION**

2 On June 23, 2013, defendant sTec, Inc. (“sTec” or the “Company”) announced that it had
3 entered into an Agreement and Plan of Merger with Western Digital Corporation and Lodi
4 Ventures, Inc., a wholly-owned subsidiary of Western Digital Corporation (collectively, “WDC”),
5 under which holders of sTec’s common stock would receive \$6.85 per share in cash (the
6 “Merger”). Thereafter, between June 26, 2013 and July 11, 2013, seven shareholders
7 (“Plaintiffs”) filed the Shareholder Actions¹ as purported class action lawsuits, on behalf of
8 themselves and all similarly situated sTec shareholders, in the Superior Court of the State of
9 California, County of Orange, against sTec, the members of sTec’s Board of Directors (the
10 “Individual Defendants”), and WDC (sTec, the Individual Defendants and WDC together,
11 “Defendants”). The Shareholder Actions generally allege that the Individual Defendants
12 breached their fiduciary duties in connection with the Merger and that WDC aided and abetted the
13 alleged breaches of fiduciary duty.

14 On July 11, 2013, Defendants and the plaintiffs in the *Pilly, Mathewson, Poehlmann,*
15 *Foreman-Sommers,* and *Wilkinson* actions entered into a Stipulation and [Proposed] Order
16 Relating and Consolidating Actions, consolidating for all purposes the *Pilly, Mathewson,*
17 *Poehlmann, Foreman-Sommers,* and *Wilkinson* actions, and appointing Faruqi & Faruqi, LLP as
18 lead counsel for plaintiffs and the putative Class (the “Consolidation Stipulation”). On July 29,
19 2013, the Settling Parties amended the Consolidation Stipulation to include the later-filed
20 *Walpole* and *Palmero* actions.

21
22
23 ¹ The Shareholder Actions are: *Vijaya Pilly v. sTec, Inc., et al.*, Case No. 30-2013-659340-CU-
24 SL-CXC; *Tyler Mathewson v. sTec, Inc., et al.*, Case No. 30-2013-659718-CU-SL-CXC; *Karl*
25 *F. Poehlmann v. sTec, Inc., et al.*, Case No. 30-2013-659742-CU-SL-CXC; *Beverly Wilkinson*
26 *v. sTec, Inc., et al.*, Case No. 30-2013-660427-CU-SL-CXC; *Faithette Foreman-Sommers v.*
27 *sTec, Inc., et al.*, Case No. 30-2013-660506-CU-SL-CXC; *Robert Walpole v. sTec, Inc., et al.*,
28 Case No. 30-2013-662447-CU-SL-CXC; and *Anthony Palmero v. Kevin C. Daly, et al.*, Case
No. 30-2013-662459-CU-SL-CXC. The Shareholder Actions were consolidated for all
purposes, with this Action designated the lead case, by this Court’s order dated September 10,
2013.

1 On July 25, 2013, the Company filed with the United States Securities and Exchange
2 Commission (the “SEC”) a Preliminary Proxy Statement on Schedule 14A (the “Preliminary
3 Proxy”) with respect to the Merger.

4 On August 1, 2013, the plaintiffs in the *Poehlman* and *Mathewson* actions filed amended
5 complaints to add allegations that sTec’s Preliminary Proxy failed to adequately disclose certain
6 information regarding the Merger.

7 On August 8, 2013, the Company filed with the SEC a Definitive Proxy Statement on
8 Schedule 14A (the “Definitive Proxy”) with respect to the Merger.

9 After filing their complaints, Plaintiffs requested certain discovery and depositions from
10 Defendants and from Bank of America Merrill Lynch (“BofA Merrill Lynch”), the Company’s
11 financial advisor in connection with the Merger.

12 Between August 13, 2013 and August 29, 2013, the Company produced confidential
13 documents to counsel for Plaintiffs, including minutes of meetings of sTec’s Board of Directors
14 (“Board”) and the independent Special Committee; non-disclosure agreements entered into
15 between sTec and potential acquirers; presentations to sTec’s Board and Special Committee by
16 BofA Merrill Lynch; projections prepared by sTec’s management that were provided to BofA
17 Merrill Lynch; the engagement letter between sTec and BofA Merrill Lynch; and correspondence,
18 email communications, and other documents related to the Merger.

19 On August 21, 2013, counsel for Plaintiffs took the deposition of Kevin C. Daly, Ph.D.,
20 the Chairman of sTec’s Board and of the independent Special Committee formed to evaluate
21 sTec’s strategic alternatives.

22 On August 23, 2013, counsel for Plaintiffs took the deposition of Mark Long, Executive
23 Vice President, Strategy, and Corporate Development of Western Digital Corporation.

24 On August 29, 2013, counsel for Plaintiffs took the deposition of David King, a Managing
25 Director, Mergers and Acquisitions of BofA Merrill Lynch.

26 On August 30, 2013, the plaintiff in the *Mathewson* action filed an *Ex Parte* Application
27 to Shorten Time on Plaintiff’s Motion for Preliminary Injunction (the “*Ex Parte* Application”).
28

1 Also on August 30, 2013, the plaintiff in the *Mathewson* action served Plaintiff's Motion for
2 Preliminary Injunction on counsel for Defendants.

3 Following service of the *Ex Parte* Application, the parties intensified their arm's-length
4 settlement negotiations to resolve the Shareholder Actions. On September 3, 2013, counsel for
5 the Settling Parties reached an agreement in principle to resolve the Shareholder Actions between
6 and among Plaintiffs, on behalf of themselves and the putative Settlement Class (as defined
7 below), and Defendants, on the terms and subject to the conditions set forth herein (the
8 "Settlement"). The plaintiff in the *Mathewson* action voluntarily withdrew the *Ex Parte*
9 Application in view of the parties' agreement in principle to resolve the Shareholder Actions.

10 On September 11, 2013, the Settling Parties executed a Memorandum of Understanding
11 (the "MOU").

12 On September 12, 2013, sTec held a special meeting of its shareholders at which the
13 Company's shareholders voted to approve the Merger. The Merger was consummated on the
14 same date.

15 The Settlement set forth herein reflects the results of the Settling Parties' negotiations and
16 the terms of the MOU. An agreement-in-principle was only reached after arm's-length
17 negotiations between the Settling Parties who were all represented by counsel with extensive
18 experience and expertise in shareholder class action litigation. During the negotiations, all parties
19 had a clear view of the strengths and weaknesses of their respective claims and defenses.
20 Plaintiffs and their counsel have concluded that the additional disclosures obtained through the
21 Settlement provided sTec shareholders with material information sufficient to make an informed
22 decision concerning the Merger. As a result, Plaintiffs and their counsel believe that the
23 Settlement is fair to and in the best interest of the Settlement Class.

24 **II. TERMS OF THE PROPOSED SETTLEMENT**

25 1. As a direct result of the prosecution of the Action and the extensive negotiations
26 between the Settling Parties (as defined in Part V, ¶ 13), a proposed Settlement has been reached
27 under the following terms:
28

1 (a) Without admitting any wrongdoing, Defendants acknowledge that
2 the filing and prosecution of the Action by, and negotiations and discussions with, Plaintiffs'
3 Counsel were a significant factor in sTec's decision to make the additional disclosures in a Form
4 8-K filed by sTec with the SEC on or about September 4, 2013, and attached hereto as Exhibit A.
5 A summary of the disclosures included in the Form 8-K is as follows: (i) additional information
6 regarding the background of the Merger; (ii) additional information regarding the financial
7 forecasts utilized by sTec in connection with the Merger; (iii) additional information regarding
8 the fairness opinion of BofA Merrill Lynch, the Company's financial advisor in connection with
9 the Merger; (iv) additional information regarding BofA Merrill Lynch's Selected Publicly Traded
10 Companies Analysis; (v) additional information regarding BofA Merrill Lynch's Selected
11 Precedent Transactions Analysis; and (vi) additional information regarding litigation related to
12 the Merger and pending shareholder derivative actions purportedly filed on behalf of the
13 Company.

14 (b) Plaintiffs agree that the dissemination of the additional disclosures
15 by sTec provided sufficient notice and time for sTec shareholders to access, review, understand,
16 and evaluate the additional disclosures prior to the shareholder vote at the special meeting of sTec
17 shareholders held on September 12, 2013.

18 (c) The Settling Parties agree, for purposes of this Settlement only, to
19 the certification of a non-opt-out Settlement Class under § 382 of the California Code of Civil
20 Procedure. In the event that the Settlement does not become Final for any reason, Defendants
21 reserve the right to oppose certification of any class in future proceedings.

22 2. Following agreement on all substantive provisions of the Settlement, counsel for
23 Plaintiffs and counsel for Defendants entered into discussions as to whether the parties might also
24 agree, subject to the approval of the Court, on an amount of attorneys' fees and expenses that
25 might be paid to counsel for Plaintiffs. As a result of those discussions, Defendants have agreed
26 that Plaintiffs may apply to the Court for an award of attorneys' fees, inclusive of all litigation
27 expenses, in an amount of \$580,000. The Court will consider any application for fees and
28 litigation expenses in connection with its consideration of the Settlement.

1 **III. REASONS FOR THE SETTLEMENT**

2 Plaintiffs believe that their claims have substantial merit and Plaintiffs' entry into the
3 Stipulation of Settlement ("Stipulation") is not an admission as to the lack of any merit of any of
4 the claims asserted in the Action. However, Plaintiffs recognize and acknowledge the expense
5 and length of continued proceedings necessary to prosecute the Action against the Defendants
6 through trial and through appeals. Plaintiffs have also taken into account the uncertain outcome
7 and the risk of any litigation, especially in a complex action such as this Action, as well as the
8 difficulties and delays inherent in such litigation.

9 Based on the information available to them, including public information, the documents
10 reviewed and the deposition testimony elicited, Plaintiffs believe that a Settlement on the terms
11 reflected in the Stipulation is fair, reasonable, adequate, and in the best interests of the
12 Company's shareholders. Plaintiffs believe that the proposed settlement set forth in the
13 Stipulation confers substantial benefits upon the Settlement Class and are agreeing to the
14 settlement of these claims only because Defendants agreed, pursuant to the Stipulation, to
15 disseminate the Supplemental Disclosures that Plaintiffs believe provided sTec shareholders with
16 substantial additional material information and allowing for a more informed shareholder vote.

17 Defendants have denied, and continue to deny all allegations of wrongdoing, fault,
18 liability, or damage to any of the respective Plaintiffs in any of the Shareholder Actions or the
19 Settlement Class, but wish to settle for the reasons set forth herein. Defendants expressly have
20 denied and continue to deny all charges of wrongdoing or liability against them as alleged in the
21 complaints and the Action, and specifically deny that they have committed or have threatened to
22 commit or have aided or abetted the alleged commission of any violations of law or breaches of
23 duty to Plaintiffs, the Settlement Class or anyone else. Defendants also have denied and continue
24 to deny, among other things, the allegations that Plaintiffs or the Settlement Class have suffered
25 losses or that Plaintiffs or the Settlement Class were harmed by the conduct alleged in the
26 complaints and the Action.

27 Nonetheless, Defendants have concluded that further litigation could be protracted and
28 expensive, and that it is desirable that the Action be fully and finally settled in the manner and

1 upon the terms and conditions set forth in the Stipulation. Defendants also have taken into
2 account the uncertainty and risks inherent in any litigation, especially in complex cases like this
3 Action. Defendants have, therefore, determined that it is desirable and beneficial to them that the
4 Action be settled in the manner and upon the terms and conditions set forth in the Stipulation.

5 **IV. NOTICE OF HEARING ON PROPOSED SETTLEMENT**

6 A settlement hearing will be held on _____, 2014, at _____.m., before the
7 Honorable Gail A. Andler, Superior Court Judge, at the Superior Court of the State of California,
8 County of Orange, Civil Complex Center, 751 West Santa Ana Blvd., Santa Ana, California (the
9 "Settlement Hearing"). The purpose of the Settlement Hearing will be to determine: (a) whether
10 the Court should certify the Class; (b) whether the Court should approve the proposed Settlement
11 as fair, reasonable, adequate, and in the best interests of the Settlement Class; (c) whether the
12 Court should enter an Order and Final Judgment dismissing the claims asserted in the Action on
13 the merits and with prejudice as against Plaintiffs and the Settlement Class and effectuating the
14 releases described below; (d) whether the Court should grant the application of Plaintiffs'
15 Counsel for an award of attorneys' fees and reimbursement of litigation expenses; and (e) such
16 other matters as may properly come before the Court.

17 The Court may adjourn or continue the Settlement Hearing without further notice of any
18 kind.

19 The Court reserves the right to approve the Stipulation and the Settlement, at or after the
20 Settlement Hearing, with such modifications as may be consented to by the Settling Parties and
21 without further notice to the Settlement Class, and retains jurisdiction over the Action to consider
22 all further applications arising out of or connected with the proposed Settlement.

23 **V. DEFINITIONS USED IN THIS NOTICE**

24 1. "Counsel for Plaintiffs" or "Plaintiffs' Counsel" means counsel of record for the
25 Plaintiffs in the Shareholder Actions: Faruqi & Faruqi, LLP, 10866 Wilshire Boulevard, Suite
26 1470, Los Angeles, CA 90024 and 369 Lexington Avenue, Tenth Floor, New York, NY 10017;
27 Ademi & O'Reilly, LLP, 3629 East Layton Avenue, Cudahy, WI 53110; Brodsky & Smith, LLC,
28 9595 Wilshire Boulevard, Suite 900, Beverly Hills, CA 90212; The Briscoe Law Firm, PLLC,

1 8150 N. Central Expressway, Suite 1575, Dallas, TX 75206; Powers Taylor, LLP, 8150 N.
2 Central Expressway, Suite 1575, Dallas, TX 75206; Brower Piven, 475 Park Avenue South, 33rd
3 Floor, New York, NY 10016; Finkelstein Thompson LLP, 505 Montgomery Street, Suite 300,
4 San Francisco, CA 94111; Levi & Korsinsky LLP, 30 Broad Street, 24th Floor, New York, NY
5 10004; Kirby McInerney LLP, 600 B Street, Suite 1900, San Diego, CA 92101 and 825 Third
6 Avenue, 16th Floor, New York, NY 10022; WeissLaw LLP, 1516 South Bundy Drive, Suite 309,
7 Los Angeles, CA 90025 and 1500 Broadway, 16th Floor, New York, New York 10036; Gerald J.
8 Lovoi, Esq., 616 South Boston, Suite 403, Tulsa OK 74119; and Tostrud Law Group, PC, 1925
9 Century Park East, Suite 2125, Los Angeles, CA 90067.

10 2. “Defendants” means sTec, Western Digital Corporation, Lodi Ventures, Inc.,
11 Kevin C. Daly, Rajat Bahri, F. Michael Ball, Christopher Colpitts, Manouch Moshayedi, Mark
12 Moshayedi, and Matthew L. Witte.

13 3. “Final” means: (a) the date of final affirmance on an appeal of the Judgment (as
14 defined in ¶ 5 below), the expiration of the time for a petition for or a denial of a writ of certiorari
15 to review the Judgment and, if certiorari is granted, the date of final affirmance of the Judgment
16 following review pursuant to that grant; or (b) the date of final dismissal of any appeal from the
17 Judgment or the final dismissal of any proceeding on certiorari to review the Judgment; or (c) if
18 no appeal is filed, the expiration date of the time for the filing or noticing of any appeal from the
19 Court’s Judgment approving the Stipulation substantially in the form of Exhibit B to the
20 Stipulation.

21 4. “Individual Defendants” means Kevin C. Daly, Rajat Bahri, F. Michael Ball,
22 Christopher Colpitts, Manouch Moshayedi, Mark Moshayedi, and Matthew L. Witte.

23 5. “Judgment” means the judgment to be rendered by the Court, substantially in the
24 form attached as Exhibit B to the Stipulation.

25 6. “Person” means an individual, corporation, partnership, limited partnership,
26 limited liability company or partnership, association, joint stock company, estate, legal
27 representative, trust, unincorporated association, government or any political subdivision or
28

1 agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors,
2 representatives, or assignees.

3 7. "Plaintiffs" means Vijaya Pilly, Tyler Mathewson, Karl F. Poehlman, Beverly
4 Wilkinson, Faithette Foreman-Sommers, Robert Walpole and Anthony Palmero, unless otherwise
5 noted.

6 8. "Related Parties" means Defendants and their respective predecessors, successors-
7 in-interest, parents, subsidiaries, affiliates, representatives, agents, trustees, executors, heirs,
8 spouses, marital communities, assigns, or transferees, and any person or entity acting for or on
9 behalf of any of them and each of them (including, without limitation, any investment bankers,
10 financial advisors, accountants, insurers, reinsurers or attorneys and any past, present or future
11 officers, directors and employees of any of them).

12 9. "Released Claims" means any and all known and unknown claims of every nature
13 and description whatsoever, for damages, injunctive relief, or any other remedies, whether
14 disclosed or undisclosed, accrued or unaccrued, apparent or not apparent, foreseen or unforeseen,
15 matured or not matured, suspected or unsuspected, liquidated or not liquidated, fixed or
16 contingent, that have been or could have been asserted by Plaintiffs or any Settlement Class
17 Member in his, her, or its capacity as a shareholder in any forum, including class, derivative,
18 individual, or other claims, whether based upon any state, federal, foreign, common law,
19 statutory, regulatory, or other law or rule, including, without limitation, claims under the federal
20 or state securities laws arising out of, related to, or concerning: (a) the allegations in the Action
21 (or any one or more of the Shareholder Actions), (b) the Merger, the Merger agreement, and the
22 ancillary agreements entered into in connection with the Merger, including any deliberations,
23 negotiations, agreements, and disclosures related to the Merger, and any compensation or other
24 payments made to any Defendant in connection with the Merger; (c) the considerations to be
25 received by Plaintiffs or any Settlement Class Member in connection with the Merger; (d) the
26 disclosures related to the Merger and any amendments thereto; (e) any alleged improper benefit,
27 conflict of interest, agreement, remuneration, or employment benefits paid to or made with any
28 individual in connection with the Merger or the Merger Agreement; (f) fiduciary obligations of

1 the Defendants and Related Persons in connection with the Merger and Merger agreement;
2 (g) any matter than could have been asserted in the Shareholder Actions regarding the Merger or
3 any disclosure or alleged failure to disclose, with or without scienter, material facts to
4 shareholders in connection with the merger; or (h) any alleged aiding and abetting of any of the
5 foregoing; provided, however, that the Released Claims shall not include any rights, claims, or
6 causes of action belonging to sTec or WDC arising from the allegations in the Shareholder
7 Actions, or the right of Plaintiffs or any Settlement Class Member to enforce the terms of the
8 Stipulation or claims for dissenting shareholder rights under Chapter 13 of the California General
9 Corporation Law.

10 10. "Released Persons" means the Defendants and each and all of the Related Parties.

11 11. "Settlement Class" means, for settlement purposes only, a non-opt-out class of all
12 record holders or beneficial owners of sTec common stock at any time during the period
13 beginning on and including June 23, 2013 through and including September 12, 2013, the date of
14 the closing of the Merger, including all of their respective successors-in-interest, predecessors,
15 representatives, trustees, executors, administrators, heirs, assigns, or transferees, immediate and
16 remote, and any person acting for on behalf of, or claiming under, any of them, and each of them.
17 Excluded from the Settlement Class are Defendants and their affiliates, immediate families, legal
18 representatives, heirs, successors or assigns and any entity in which Defendants have or had a
19 controlling interest.

20 12. "Settlement Class Member" or "Member of the Settlement Class" means a Person
21 who falls within the definition of the Settlement Class as set forth above.

22 13. "Settling Parties" means, collectively, each of the Defendants and the Plaintiffs, on
23 behalf of themselves and the Settlement Class Members.

24 **VI. ORDER CERTIFYING A CLASS FOR PURPOSES OF SETTLEMENT**

25 On _____, 2014, the Court provisionally certified the Settlement Class for
26 purposes of Settlement as defined above. If the Court determines that the Settlement, as
27 provided for in the Stipulation, is fair, reasonable, adequate, and in the best interests of the
28 Settlement Class, the Parties will ask the Court to enter the Order and Final Judgment, which will

1 permanently certify the Settlement Class as a non-opt out class and designate Plaintiffs as the class
2 representatives with Plaintiff's Counsel as class counsel.

3 **VII. DISMISSAL AND RELEASES**

4 If the proposed Settlement is approved, the Court will enter the Judgment. The Judgment
5 will release the Released Claims (as defined *supra* in Part V, ¶ 9) as to the Defendants and their
6 Related Parties. The Judgment will provide that all Settlement Class Members shall be deemed to
7 have released and forever discharged all Released Claims against all Released Persons, and will
8 be barred from asserting any of the Released Claims in the future, unless the Settlement is
9 canceled or terminated pursuant to the terms of the Stipulation.

10 By operation of the Judgment, all Settlement Class Members will waive any and all rights
11 and benefits which they now have, or in the future may have by virtue of the provisions of
12 Section 1542 of the California Civil Code, which provides as follows:

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

17 By operation of the Judgment, all Settlement Class Members will waive any and all rights
18 and benefits conferred by any law of the state or territory of the United States, or by any law of
19 any jurisdiction outside the United States, or by any principle of common law or international law
20 which is similar, comparable, or equivalent to California Civil Code Section 1542.

21 **VIII. CONDITIONS FOR SETTLEMENT**

22 The Settlement is conditioned upon the occurrence of certain events. Those events
23 include, among other things: (1) entry of the Judgment by the Court, as provided for in the
24 Stipulation; and (2) expiration of the time to appeal from or alter or amend the Judgment. If, for
25 any reason, any one of the conditions described in the Stipulation is not met, the Stipulation might
26 be terminated and, if terminated, will become null and void, and the parties to the Stipulation will
27 be restored to their respective positions prior to the Settlement.

1 **IX. THE RIGHT TO BE HEARD AT THE HEARING**

2 Any Settlement Class Member may, but is not required to, enter an appearance in the
3 Action and be represented by counsel of his, her, or its choice and at his, her or its expense. Any
4 Settlement Class Member who does not enter an appearance will be represented by the attorneys
5 for the Plaintiffs listed below. Any Settlement Class Member who objects to any aspect of the
6 Settlement including the attorneys' fees and expenses requested by Plaintiffs' Counsel, may
7 appear and be heard at the Settlement Hearing, which will take place on _____, _____,
8 2014 at _____m at the Superior Court of the State of California, County of Orange, Civil
9 Complex Center 751 West Santa Ana Blvd., Santa Ana, CA 92701. Any such Person must
10 submit a written notice of objection, mailed or hand delivered such that it is received on or before
11 _____, 2014, to each of the following:

12 CLERK OF THE COURT
13 SUPERIOR COURT OF THE STATE OF CALIFORNIA
14 COUNTY OF ORANGE
15 Civil Complex Center
16 751 West Santa Ana Blvd.
17 Santa Ana, CA 92701

18 FARUQI & FARUQI, LLP
19 Juan Monteverde
20 369 Lexington Avenue, Tenth Floor
21 New York, NY 10017

22 *Plaintiffs' Counsel*

23 GIBSON, DUNN & CRUTCHER LLP
24 Meryl L. Young
25 3161 Michelson Drive
26 Irvine, CA 92612-4412

27 *Attorneys for Defendants sTec, Inc., Kevin C. Daly, Rajat Bahri, F. Michael Ball,*
28 *Christopher W. Colpitts, Manouch Moshayedi, Mark Moshayedi and Matthew L.*
Witte

SHEARMAN & STERLING LLP
Stephen D. Hibbard
Four Embarcadero Center, Suite 3800
San Francisco, CA 94111-5991

Attorneys for Defendants Western Digital Corporation and Lodi Ventures, Inc.

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The notice of objection must demonstrate the objecting Person's membership in the Settlement Class, and contain a statement of the reasons for objection. Only Settlement Class Members who have submitted written notices of objection in this manner will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise.

X. NOTICE TO PERSONS OR ENTITIES HOLDING RECORD OWNERSHIP ON BEHALF OF OTHERS

If you hold or held any sTec common stock beginning on and including June 23, 2013 through and including September 12, 2013, the date of the closing of the Merger, as nominee for a beneficial owner, then, within ten (10) calendar days after you receive this Notice, you must either: (1) send a copy of this Notice by first class mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Notice Administrator:

Gilardi & Co. LLC
Attention: sTec Settlement
3301 Kerner Blvd.
San Rafael, CA 94901

If you choose to mail the Notice yourself, you may obtain from the Notice Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for, or advancement of, reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Notice Administrator.

XI. EXAMINATION OF PAPERS

This Notice is a summary and does not describe all of the details of the Stipulation. For full details of the matters discussed in this Notice, you may desire to review the Stipulation filed with the Court, which may be inspected during business hours, at the office of the Clerk of the

1 Court, Superior Court of the State of California, County of Orange, Civil Complex Center, 751
2 West Santa Ana Blvd., Santa Ana, CA 92701.

3 For further information regarding this Action or settlement you may also contact: Juan
4 Monteverde, Faruqi & Faruqi, LLP, 369 Lexington Avenue, Tenth Floor, New York, NY 10017,
5 Tel: (212) 983-9330.

6 **DO NOT TELEPHONE THE COURT OR THE CLERK'S OFFICE REGARDING**
7 **THIS NOTICE.**

8
9 DATED: _____, 2014

BY ORDER OF THE COURT
SUPERIOR COURT OF THE STATE OF
CALIFORNIA, COUNTY OF ORANGE

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EXHIBIT B

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF ORANGE

IN RE STEC, INC. SHAREHOLDERS
LITIGATION

) Lead Case No. 30-2013-659340-CU-SL-CXC

) CLASS ACTION

) [PROPOSED] FINAL JUDGMENT

) Judge: Hon. Gail A. Andler
Dep't: CX101

This Document Relates To:

ALL ACTIONS.

) [EXHIBIT B TO STIPULATION OF
SETTLEMENT]

1 This matter having come before the Court upon Plaintiffs' motion for final approval of the
2 terms of the Stipulation of Settlement dated as of April __, 2014 (the "Stipulation") made and
3 entered into by and among the following parties in the above captioned litigation (the "Action"):
4 (a) Plaintiffs, each individually and on behalf of the Settlement Class (as defined in the Stipulation);
5 and (b) Defendants sTec, Inc. ("sTec" or the "Company"), Kevin C. Daly, Rajat Bahri, F. Michael
6 Ball, Christopher Colpitts, Manouch Moshayedi, Mark Moshayedi and Matthew L. Witte, Western
7 Digital Corporation and Lodi Ventures, Inc. (collectively, "Defendants") (together with Plaintiffs,
8 the "Settling Parties"), each by and through their counsel of record in the Action, and the Court,
9 having held a hearing, as noticed, on _____, 2014, at _____ a.m. (the "Settlement Hearing")
10 to consider the proposed settlement as embodied in the Stipulation (the "Settlement"); and the Court
11 having determined that due and adequate notice has been given in accordance with the Order
12 Preliminarily Approving Settlement and Providing for Notice (the "Preliminary Approval Order");
13 and the Settling Parties having appeared by their attorneys of record, and the attorneys for the
14 respective Settling Parties having been heard in support of the Settlement; and an opportunity to be
15 heard having been given to all other Persons desiring to be heard as provided in the Notice of
16 Proposed Settlement of Class Action and Hearing (the "Notice"); and the entire matter of the
17 Settlement having been heard and considered by the Court.

18 IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

19 1. This Judgment incorporates by reference: (a) the Stipulation; and (b) the Court-
20 approved Notice attached as Exhibit A-1 to the Preliminary Approval Order. All capitalized terms
21 contained herein shall have the same meanings and/or definitions as set forth in the Stipulation and
22 Preliminary Approval Order.

23 2. This Court has jurisdiction over the subject matter of the Action and over all parties
24 to the Action, including all members of the Settlement Class.

25 3. Pursuant to § 382 of the California Code of Civil Procedure and California Rules of
26 Court 3.760, *et seq.*, the Court hereby finally certifies, for settlement purposes only, a non-opt-out
27 Settlement Class of all record holders or beneficial owners of sTec common stock at any time

1 during the period beginning on and including June 23, 2013 through and including September 12,
2 2013, the date of the closing of the Merger, including all of their respective successors-in-interest,
3 predecessors, representatives, trustees, executors, administrators, heirs, assigns, or transferees,
4 immediate and remote, and any person acting for on behalf of, or claiming under, any of them, and
5 each of them. Excluded from the Settlement Class are Defendants.

6 4. With respect to the Settlement Class, this Court finds and concludes, for purposes of
7 this Settlement only, that: (a) the Members of the Settlement Class are so numerous that joinder of
8 all Settlement Class Members in the Action is impracticable, (b) there are questions of law and fact
9 common to the Settlement Class which predominate over any individual questions; (c) the claims of
10 the Plaintiffs are typical of the claims of the Settlement Class; (d) Plaintiffs and their counsel have
11 fairly and adequately represented and protected the interests of all of the Settlement Class Members;
12 (e) a class action is superior to other methods for the fair and efficient adjudication of the matter;
13 (f) the prosecution of separate actions by individual Members of the Settlement Class would create
14 a risk of inconsistent adjudications which would establish incompatible standards of conduct for
15 Defendants; (g) there are allegations that Defendants acted or refused to act on grounds generally
16 applicable to the Settlement Class; and (h) the predominant relief sought and obtained in the Action
17 is injunctive.

18 5. The Court hereby approves the Settlement set forth in the Stipulation, finds that said
19 Settlement is, in all respects, fair, reasonable, and adequate to each of the Settling Parties and the
20 Settlement Class, and directs that the Settlement be consummated in accordance with the terms and
21 conditions set forth in the Stipulation. Plaintiffs, all members of the Settlement Class, and
22 Defendants are hereby bound by the terms of the Settlement.

23 6. Upon the Effective Date, Plaintiffs and each of the Settlement Class members shall
24 be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever settled,
25 released, relinquished, extinguished, and discharged completely, individually, and collectively, all
26 Released Claims (as defined in the Stipulation) against the Released Persons (as defined in the
27 Stipulation).

1 7. Plaintiffs and all Settlement Class members, or any of them, are hereby forever
2 barred and enjoined from commencing, prosecuting, instigating, or in any way participating in the
3 commencement, prosecution, or instigation of any action asserting any Released Claims against any
4 Released Person.

5 8. Upon the Effective Date, each of the Released Persons shall be deemed to have, and
6 by operation of this Judgment shall have, fully, finally, and forever settled, released, extinguished
7 and discharged completely, individually, and collectively, Plaintiffs, Plaintiffs' Counsel, and each
8 and all of the Settlement Class members from all claims based upon or arising out of the institution,
9 prosecution, assertion, settlement, or resolution of the Action or the Released Claims provided that
10 the Released Persons shall retain the right to enforce the terms of the Stipulation.

11 9. The Notice was sent to the Settlement Class pursuant to and in the manner directed
12 by the Preliminary Approval Order. A full opportunity to be heard has been afforded to all parties,
13 the Settlement Class, and persons-in-interest. The form and manner of the Notice is hereby
14 determined to have been the best notice practicable under the circumstances, including individual
15 notice to all members of the Settlement Class who could be identified through reasonable efforts
16 and is due and sufficient notice to the members of the Settlement Class pursuant to California law
17 and due process, and it is further determined that all members of the Settlement Class are bound by
18 this Judgment.

19 10. The Court orders that sTec (or its insurer(s) or successor(s)), on behalf of itself and
20 for the benefit of the other Defendants in the Action, shall pay, or cause to be paid, the sum of
21 \$_____ to Plaintiffs' Counsel for their attorneys' fees and expenses, subject to the terms and
22 conditions of paragraphs 5.1 through 5.4 of the Stipulation.

23 11. By operation of the Judgment and upon the Effective Date, the releases contemplated
24 by paragraphs 4.1 and 4.2 of the Stipulation are intended to extinguish all such claims and,
25 consistent with such intentions, Plaintiffs, the Settlement Class members, and the Released Persons
26 expressly waive, and each Member of the Settlement Class are deemed to have expressly waived,
27

1 any and all rights and benefits they now have, or in the future may have, pursuant to § 1542 of the
2 California Civil Code (or any similar, comparable or equivalent law or provision), which provides:

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

8 12. The Court finds that, during the course of the Action, the Settling Parties and their
9 respective counsel at all times acted professionally and in compliance with section 128.7 of the
10 California Code of Civil Procedure and all other similar statutes or court rules with respect to any
11 claims or defenses in the Action.

12 13. Neither the Stipulation nor the Settlement contained therein, nor any act performed
13 or document executed pursuant to or in furtherance of the Stipulation or the Settlement: (a) is or
14 may be deemed to be or may be used as a presumption, admission, concession, or evidence of the
15 validity or lack thereof of any Released Claim, or of any fault, omission, damages, wrongdoing, or
16 liability of the Defendants or any Released Person; or (b) is or may be deemed to be or may be used
17 as an admission of, or evidence of, any fault or omission of any of the Defendants or any Released
18 Person in any civil, criminal, or administrative proceeding in any court, administrative agency or
19 other tribunal, other than such a proceeding as may be necessary to consummate or enforce the
20 Stipulation and the Settlement contained therein. Defendants or any Released Person may file the
21 Stipulation and/or this Judgment in any action that may be brought against them in order to support
22 a defense based on principles of *res judicata*, collateral estoppel, release, good faith settlement,
23 judgment bar or reduction, or any theory of claim preclusion or issue preclusion or similar defense.

24 14. Without affecting the finality of this Judgment in any way, this Court hereby retains
25 continuing jurisdiction over: (a) implementation of the Settlement; and (b) the Settling Parties
26 hereto for the purpose of construing, enforcing and administering the Settlement embodied in the
27 Stipulation.

1 15. In the event that the Settlement does not become effective in accordance with the
2 terms of the Stipulation, then this Judgment shall be rendered null and void to the extent provided
3 by and in accordance with the Stipulation and shall be vacated, and, in such event, all orders entered
4 and releases delivered in connection herewith shall be null and void to the extent provided by and in
5 accordance with the Stipulation.

6 16. This Judgment is a final, appealable judgment, and, there being no just reason for
7 delay, it should be entered forthwith by the Clerk of the Court.

8 IT IS SO ORDERED.

9
10
11 DATED: _____

HONORABLE GAIL A. ANDLER
JUDGE OF THE SUPERIOR COURT

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14 Respectfully submitted by:

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EXHIBIT C

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United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) September 3, 2013

sTec, Inc.

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction
of incorporation)

000-31623
(Commission
File Number)

33-0399154
(IRS Employer
Identification No.)

3001 Daimler Street
Santa Ana, California
(Address of principal executive offices)

92705-5812
(Zip Code)

Registrant's telephone number, including area code: (949) 476-1180

N/A

(Former name or former address, if changed since last report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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-

Item 8.01. Other Events.*Litigation Updates*

As previously announced, on June 23, 2013, sTec, Inc., a California corporation (the “Company”), entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Western Digital Corporation, a Delaware corporation (“WDC”), and Lodi Ventures, Inc., a California corporation and wholly-owned subsidiary of WDC (“Merger Sub”) pursuant to which Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly-owned subsidiary of WDC (the “Merger”).

On August 8, 2013, the Company filed a definitive proxy statement on Schedule 14A (the “Definitive Proxy Statement”) with the Securities and Exchange Commission (the “SEC”) in connection with a special meeting of the shareholders of the Company, scheduled for September 12, 2013, at which shareholders of the Company will be asked to consider and vote upon, among other proposals, a proposal to approve and adopt the Merger Agreement.

As more fully described in the Definitive Proxy Statement, seven shareholders filed purported class action lawsuits, on behalf of themselves and all similarly situated shareholders of the Company, in the Superior Court of the State of California, County of Orange, against the Company, members of its board of directors, WDC and Merger Sub challenging the proposed Merger (the “State Court Shareholder Lawsuits”). The State Court Shareholder Lawsuits generally assert claims for breach of fiduciary duty against the members of the Company’s board of directors for approving the proposed Merger at an allegedly inadequate price and for engaging in a flawed sales process. The State Court Shareholder Lawsuits also generally assert claims against WDC and Merger Sub for aiding and abetting the breaches of fiduciary duty.

On August 13, 2013, another shareholder filed a new purported class action lawsuit, *Sokolowski v. Western Digital Corp. et al*, Case No. 8-13cv1277, in the United States District Court for the Central District of California, against the Company, members of its board of directors, WDC and Merger Sub challenging the proposed Merger. The complaint asserts a claim against the directors of the Company for breach of fiduciary duty and a claim against WDC and Merger Sub for aiding and abetting breach of fiduciary duty. The complaint seeks class certification, to enjoin the consummation of the proposed Merger, to have a special master or trustee appointed to oversee the board of directors in connection with the sale of the Company, damages, costs and attorneys’ and expert fees, and any other relief the court may deem proper. Among other things, the complaint alleges that the directors breached their fiduciary duties because the proposed Merger does not maximize shareholder value, that the Definitive Proxy Statement fails to provide shareholders with material information and/or provides them with materially misleading information, that the proposed Merger undervalues the Company because it fails to account for the value of the pending purported shareholder derivative claims described more fully below and in the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, and that the Merger is intended to extinguish those allegedly valuable claims. Plaintiff alleges that the Definitive Proxy Statement should have included a detailed assessment of the value of the derivative claims, and more clearly stated that, if the proposed Merger is consummated, the plaintiffs will lose standing to assert the purported derivative claims on behalf of the Company and their derivative actions will be terminated. The Company, its directors, WDC and Merger Sub deny the allegations in the lawsuit and believe they are without merit.

From January 5, 2010 through August 2, 2010, the Company received letters from counsel for four purported shareholders, including counsel for Mr. Sokolowski, the plaintiff in this new putative class action, demanding that the Company take action to remedy breaches of fiduciary duties by several of its senior officers and directors. As disclosed in the Company’s Quarterly Report on Form 10-Q for the

quarter ended June 30, 2013, the allegations in these letters were similar to the allegations in the shareholder derivative complaints filed in state and federal court, and demanded that the Company take action to recover damages from its senior officers and directors and to correct alleged deficiencies in its internal controls. The demand letters stated that if, within a reasonable time, the Company's board of directors had not commenced the requested action, or if the board of directors refused to commence the requested action, the purported named shareholders would commence derivative actions.

In evaluating the demand letters, the independent members of the Company's board of directors conducted a review of the issues and allegations raised by the purported shareholders. After considering a number of factors, including the legal and factual merits of the claims made in the demand letters, the independent members of the Company's board of directors unanimously determined that it would not be in the Company's best interests to pursue the claims alleged in the demand letters against any of the individuals mentioned therein. This determination was formally communicated to counsel for the four purported shareholders on December 17, 2010. Counsel for two of the purported shareholders responded by letter dated July 13, 2011, further demanding that the Company take action to remedy alleged breaches of fiduciary duties by several of its senior officers and directors. In evaluating the July 13, 2011 demand letter, the independent members of the Company's board of directors conducted a further review of the issues and allegations raised by the purported shareholders. After considering a number of factors, including the legal and factual merits of the claims made in the demand letter, the independent members of the Company's board of directors unanimously determined that it would not be necessary to retain separate independent counsel and again determined that it would not be in the Company's best interests to pursue the claims alleged in the demand letter against any of the individuals mentioned therein. This determination was formally communicated to counsel for the two purported shareholders on December 7, 2011.

On October 25, 2012, Mr. Sokolowski filed an individual and purported derivative lawsuit in the United States District Court for the Central District of California asserting the claims that were the subject of these demands, which is described further in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.

As set forth in more detail in the Definitive Proxy Statement at pages 49-56, in approving the Merger Agreement and the Merger, the Company's board of directors was aware of and considered interests that the Company's executive officers and directors have in the Merger that may be different from, or in addition to, the interests of the Company's shareholders generally, including the pending shareholder derivative actions purportedly filed on the Company's behalf against several of the Company's senior officers and directors and that upon consummation of the Merger, the plaintiffs asserting these derivative claims may lose standing because they will no longer be shareholders of sTec. Consistent with the prior evaluation by the independent members of the Company's board of directors of a number of factors, including the legal and factual merits of the claims, and their determination that it would not be in the Company's best interests to pursue these claims, the board of directors did not place any material value on these claims in evaluating the Merger.

In addition, as more fully described in the Definitive Proxy Statement, the plaintiffs in the shareholder derivative lawsuit pending in Superior Court of California for Orange County filed a motion seeking to amend their complaint to include claims related to the Merger, including a claim that the Merger is intended to extinguish the derivative claims. On August 16, 2013, the court denied the motion to amend the complaint in the California state derivative action.

Proposed Litigation Settlement

While the Company and the other defendants believe that each of the lawsuits challenging the Merger is without merit, that the disclosures set forth in the Definitive Proxy Statement fully comply with applicable law, and that the Company and the other defendants have valid defenses to all claims, in an effort to minimize the cost and expense of litigation, to provide additional information to the Company's shareholders, and to avoid the risk of any possible delay in the consummation of the Merger, on September 3, 2013, the Company and the other defendants reached an agreement in principle with the plaintiffs in the State Court Shareholder Lawsuits to settle the lawsuits subject to certain conditions.

Subject to court approval and definitive documentation, after arm's-length negotiations, the parties have agreed in principle to resolve all claims against the Company, members of its board of directors, WDC and Merger Sub in connection with the Merger. The agreement contemplates a release and settlement by the Company's shareholders of all claims against the Company, the members of its board of directors, WDC and Merger Sub, and their respective affiliates and agents in connection with the Merger. In exchange for these releases and settlement, the Company has agreed to supplement the Definitive Proxy Statement as described below in this Form 8-K. The parties anticipate that they will enter into a stipulation of settlement, which will be subject to customary conditions, including consummation of the Merger, certification of a class of the Company's shareholders for settlement purposes and court approval. In the event that the parties enter into a stipulation of settlement, a hearing will be scheduled, following notice to the Company's shareholders, at which the Superior Court of the State of California, County of Orange will consider the fairness, reasonableness, and adequacy of the settlement.

If the settlement is finally approved by the court, it will resolve and release all claims in all actions that were or could have been brought challenging or otherwise relating to any aspect of the proposed Merger, the Merger Agreement, and any disclosure made in connection therewith (but excluding claims for dissenting shareholder rights under Chapter 13 of the California General Corporation Law). There can be no assurance that the parties will ultimately enter into a stipulation of settlement, or that the court will approve the settlement even if the parties were to enter into such stipulation. If the parties do not enter into a stipulation of settlement, the stipulation is not approved by the court, or the conditions to the proposed settlement are not satisfied, the proposed settlement may be terminated and the Company and the members of its board of directors intend to vigorously defend the lawsuits. The settlement will not affect the merger consideration to be received by the Company's shareholders pursuant to the Merger Agreement or the timing of the special meeting of the shareholders of the Company, scheduled for September 12, 2013.

The Company, the members of its board of directors, WDC and Merger Sub have vigorously denied, and continue to vigorously deny, that they have breached any fiduciary duty, committed or aided and abetted in the commission of any violation of law or engaged in any of the wrongful acts that were or could have been alleged in the State Court Shareholder Lawsuits (or other litigation related to the Merger), and expressly maintain that they diligently and scrupulously complied with their fiduciary and other legal obligations and are entering into the proposed settlement of the State Court Shareholder Lawsuits solely to eliminate the burden and expense of further litigation, to put the claims that were or could have been asserted to rest, and to avoid any possible delay in the consummation of the Merger. Nothing in this Form 8-K or any stipulation of settlement shall be deemed an admission of the legal necessity or materiality under applicable laws of any of the disclosures set forth herein. To the contrary, the Company specifically denies all allegations that any additional disclosure was or is required.

Supplement to the Definitive Proxy Statement

In connection with the agreement in principle described above, the Company has agreed to make the below listed supplemental disclosures to the Definitive Proxy Statement in this Form 8-K. These supplemental disclosures should be read in conjunction with the Definitive Proxy Statement, which in turn should be read in its entirety. Defined terms used but not defined herein have the meanings set forth in the Definitive Proxy Statement. To the extent that information in this Form 8-K differs from or updates information contained in the Definitive Proxy Statement, the Definitive Proxy Statement shall be deemed updated by the information contained in this Form 8-K.

THE MERGER-Background of the Merger (Beginning on Page 23 of the Definitive Proxy Statement)

The last two sentences of the second full paragraph on page 24 of the Definitive Proxy Statement are revised to read as follows (supplemental disclosure underlined):

During this timeframe, management contacted two financial advisors about the prospect of working with the company, however, both responded that they were not in a position to advise the company at that time. One financial advisor indicated it had a conflict, the other did not provide a reason. Although sTec did not engage a financial advisor at that time, our board of directors made a determination to continue to review sTec's strategic alternatives.

The fourth full paragraph on page 25 of the Definitive Proxy Statement is revised to read as follows (supplemental disclosure underlined, strikethrough of deleted disclosure):

Our board of directors met telephonically on February 11, 12 and 13, 2013. During the meeting on February 13, our board of directors established a special committee of the board, initially composed of Dr. Daly, and Messrs. Colpitts and Witte, and subsequently expanded to four members on March 26, 2013. The mandate of the special committee was to conduct a review of sTec's strategic alternatives, including a possible sale of the company, as well as the alternative of continuing as a standalone company with further reductions in our workforce and other cost reduction initiatives. Specifically, the board approved the following mandate and authority of the special committee: (1) review, investigate and evaluate strategic alternatives, including a possible sale of the company, as well as the alternative of continuing as a standalone company with likely restructuring and/or further reductions in our workforce and other cost reduction initiatives; (2) negotiate the terms and conditions of any strategic alternative identified by the special committee, to the extent deemed advisable by the special committee; (3) retain an independent financial advisor, and any other advisors that the special committee deems necessary or appropriate, to assist the special committee in the review of strategic alternatives; (4) make such reports and recommendations to the entire board at such times and in such manner as the special committee considers appropriate with respect to the matters contemplated herein; and (5) exercise any other power or authority that may be otherwise exercised by the board and that the special committee may determine is necessary or advisable to carry out and fulfill its duties and responsibilities. The board believed that it was prudent to appoint a special committee of independent directors to provide an objective analysis of all strategic alternatives available to the company. ~~The special committee was also authorized to engage advisors, including a financial advisor.~~ At that meeting, the board of directors also delegated to the non-management members of the board (Dr. Daly and Messrs. Bahri, Ball, Colpitts and Witte, or the "independent directors"), the review and evaluation of potential responses to Balch Hill and Potomac.

The following disclosure is added following the last sentence at the end of the first carry-over paragraph on page 28 of the Definitive Proxy Statement:

Upon further analysis of the non-disclosure agreements with Company E, Company F and Company H, it was determined that entry into the merger agreement caused the “don’t ask, don’t waive” provisions of such agreements to terminate. Therefore, none of the non-disclosure agreements contains a standstill provision that continues in effect after entry into the merger agreement. However, the confidentiality provisions in the non-disclosure agreements remain in effect for the terms of the respective agreements.

The last three sentences of the third full paragraph on page 31 of the Definitive Proxy Statement are revised to read as follows (supplemental disclosure underlined):

Mr. Manouch Moshayedi indicated that his lawyers were continuing to review the proposed ancillary agreements. In response to questions by the other directors about how much time Mr. Manouch Moshayedi expected his lawyers needed to complete their analysis of the rights being relinquished under the covenant not to sue, Mr. Manouch Moshayedi confirmed he was not seeking any additional rights in connection with the SEC litigation, but that his lawyers needed time to assess the rights he was being asked to relinquish. Furthermore, the initial draft of the covenant not to sue provided by WDC was extremely broad and could be read to require that Mr. Manouch Moshayedi relinquish certain of his rights as a shareholder and director unrelated to any litigation. Mr. Manouch Moshayedi stated that although his lawyers were advising him not to sign the covenant not to sue in the form initially presented by WDC, he was willing to negotiate in good faith the terms of appropriate ancillary agreements, including a covenant not to sue. Mr. Manouch Moshayedi further stated that he did not believe the analysis of his rights by his lawyers and negotiation of the covenant not to sue would prevent a transaction being announced by June 3, 2013. Our board of directors unanimously determined to move forward with WDC on their proposed terms, including endeavoring to complete diligence and negotiation of the merger agreement and ancillary agreements to be in a position to announce a transaction on June 3, 2013. The board directed that representatives of BofA Merrill Lynch communicate the board’s decision to WDC.

The fourth full paragraph on page 31 of the Definitive Proxy Statement is revised to read as follows (supplemental disclosure underlined):

Later, on May 30, 2013, as directed by the board, representatives of BofA Merrill Lynch informed WDC that sTec would move forward to effect a transaction at a purchase price of \$9.15 per share, subject to satisfactory negotiations of the merger agreement and ancillary agreements, including the covenant not to sue.

THE MERGER-Financial Advisor's Opinion (Beginning on Page 38 of the Definitive Proxy Statement)

The first paragraph on page 41 of the Definitive Proxy Statement is revised to read as follows (supplemental disclosure underlined, strikethrough of deleted disclosure):

Selected Publicly Traded Companies Analysis. BofA Merrill Lynch reviewed publicly available financial and stock market information for sTec and ~~the following~~ the following seven publicly traded companies, listed below, that participate in the enterprise SSD sector of the computer storage industry.

- ◆ ~~Fusion-io, Inc.~~
- ◆ ~~Micron Technology, Inc.~~
- ◆ ~~OCZ Technology Group, Inc.~~
- ◆ ~~SanDisk Corporation~~
- ◆ ~~Seagate Technology plc~~
- ◆ ~~SK Hynix Inc.~~
- ◆ ~~Western Digital Corporation~~

The following disclosure is added following the first sentence of the second full paragraph on page 41 of the Definitive Proxy Statement:

The analysis indicated the following implied multiples for the selected publicly traded companies:

<u>Company</u>	<u>CY 2013 EV / Revenues</u>
Fusion-io, Inc.	2.54
Micron Technology, Inc.	1.95
OCZ Technology Group, Inc.	0.17
SanDisk Corporation	1.82
Seagate Technology plc	1.16
SK Hynix Inc.	1.90
Western Digital Corporation	0.87
Mean	1.49x
Median	1.82x

The following disclosure is added as a new paragraph following the fifth paragraph on page 41 of the Definitive Proxy Statement:

BofA Merrill Lynch also included in its presentation, for the reference of our board of directors, the following statistics (where publicly available) for each of the selected publicly traded companies: enterprise values as a multiple of calendar year 2014 estimated revenues; enterprise values as a multiple of estimated EBITDA for calendar years 2013 and 2014; price as a multiple of estimated earnings for calendar years 2013 and 2014 (P/E); estimated 5-year EPS growth rate; and P/E as a multiple of estimated growth rate (P/E/G) for calendar years 2013 and 2014.

The sixth full paragraph on page 41 of the Definitive Proxy Statement is revised to read as follows (supplemental disclosure underlined, strikethrough of deleted disclosure):

Selected Precedent Transactions Analysis. BofA Merrill Lynch reviewed, to the extent publicly available, financial information relating to ~~the following~~ seven selected transactions, listed below, involving companies that participated in the SSD sector of the storage device industry since January 1, 2009.

<u>Acquiror</u>	<u>Target</u>
● PMC-Sierra, Inc.	● Integrated Device Technology, Inc. (Enterprise Flash Controller Business)
● LSI Corporation	● SandForce, Inc.
● SanDisk Corporation	● Pliant Technology, Inc.
● Seagate Technology plc	● Samsung Electronics Co., Inc. (HDD Unit)
● Western Digital Corporation	● Hitachi Global Storage Technologies
● Western Digital Corporation	● SiliconSystems, Inc.
● Toshiba Corporation	● Fujitsu Limited (Hard Drive Disk Business)

The following disclosure is added following the first sentence of the first full paragraph on page 42 of the Definitive Proxy Statement:

The analysis indicated the following implied multiples for the selected transactions:

<u>Acquiror</u>	<u>Target</u>	<u>TV / Revenue LTM</u>
PMC-Sierra, Inc.	Integrated Device Technology, Inc. (Enterprise Flash Controller Business)	NA (1)
LSI Corporation	SandForce, Inc.	5.37 (2)
SanDisk Corporation	Pliant Technology, Inc.	16.35 (2)*
Seagate Technology plc	Samsung Electronics Co., Inc. (HDD Unit)	0.44

<u>Acquiror</u>	<u>Target</u>	<u>TV / Revenue LTM</u>
Western Digital Corporation	Hitachi Global Storage Technologies	0.71
Western Digital Corporation	SiliconSystems, Inc.	1.30
Toshiba Corporation	Fujitsu Limited (Hard Drive Disk Business)	0.11
Mean		1.59x
Median		0.71x

* Excluded from calculation of mean and median.

(1) Data not publicly available.

(2) Current calendar year statistic.

The existing second sentence of the first full paragraph on page 42 of the Definitive Proxy Statement is revised to read as follows (supplemental disclosure underlined):

Based on such LTM revenue, the range of revenue multiples for the selected transactions was 0.11x to 16.35x (or 0.11x to 5.37x, excluding the multiple of 16.35x from the acquisition of Pliant Technology, Inc. by SanDisk Corporation) and the mean and median revenue multiples for the selected transactions were 1.59x and 0.71x, respectively (excluding from the calculation of the mean and median multiples the multiple for the acquisition of Pliant Technology, Inc. by SanDisk Corporation due to certain attributes of Pliant Technology, Inc., including the amount of its revenue and its rate of revenue growth, that rendered that acquisition less relevant for the analysis).

The following disclosure is added as a new paragraph following the second full paragraph on page 42 of the Definitive Proxy Statement:

BofA Merrill Lynch also included in its presentation, for the reference of our board of directors, the following statistics (where publicly available) for each of the selected precedent transactions: transaction value as a multiple of the target company's estimated next twelve months, or NTM, revenue (or if applicable, such estimated revenue of the business segment being sold) and estimated NTM revenue growth rate.

The first sentence of the first full paragraph on page 43 of the Definitive Proxy Statement is revised to read as follows (supplemental disclosure underlined):

BofA Merrill Lynch identified, to the extent publicly available, approximately 190 selected transactions for publicly traded companies in the technology industry, announced since January 1, 2009 with transaction values greater than \$100 million.

The first sentence of the third full paragraph on page 44 of the Definitive Proxy Statement is revised to read as follows (supplemental disclosure underlined):

sTec has agreed to pay BofA Merrill Lynch for its services in connection with the merger an aggregate fee of approximately \$4.3 million, \$250,000 of which was payable in connection with its opinion and the remainder of which is contingent upon the completion of the merger, subject to certain initial and quarterly retainer fee payments, totaling, as of June 30, 2013, \$200,000, which will be credited against the portion of the fee that will be paid upon completion of the merger.

THE MERGER-Certain Financial Projections (Beginning on Page 45 of the Definitive Proxy Statement)

Footnote (1) to the financial projections tables titled "Operating Projections" and "Cost-Reduction Projections" on page 46 of the Definitive Proxy Statement is revised to read as follows (supplemental disclosure underlined):

(1) Non-GAAP EBITDA calculation excludes projected Malaysia entity incentive grant income of \$1.3 million for 2013 and \$2 million for each of years 2014, 2015, 2016 and 2017.

The following disclosure is added as a new footnote (3) to the "Non-GAAP EBITDA" line item of the "Cost-Reduction Projections" table on page 46 of the Definitive Proxy Statement:

(3) For purposes of its Discounted Cash Flow analysis, BofA Merrill Lynch calculated the following projected free cash flows, based on sTec's management's Cost-Reduction Projections for the third and fourth quarters of 2013 and the full years 2014, 2015, 2016 and 2017: (\$31.3 million), (\$12.7 million), (\$45.7 million), (\$0.3 million), \$9.8 million and \$40.6 million, respectively. In calculating such projections of free cash flows, for each period, BofA Merrill Lynch added sTec's management's projections of Malaysia entity grant incentive income to sTec's management's projections of non-GAAP EBITDA and subtracted from that result sTec's management's projections of taxes (estimated by sTec's management to take into account net operating losses), stock-based compensation, litigation expenses, special charges (for the fourth quarter of 2013 only, relating to cost-reduction steps it planned to take if it continued as a standalone company), changes in working capital, and capital expenditures.

THE MERGER-Litigation Related to the Merger (Page 61 of the Definitive Proxy Statement)

The following disclosure is added as a new paragraph after the last full paragraph on page 61 of the Definitive Proxy Statement:

As set forth in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, during 2009, the SEC commenced a formal investigation involving trading in our securities. On July 19, 2011, we received a "Wells Notice" from the SEC stating that the staff of the SEC was considering recommending that the SEC initiate a civil injunctive action against sTec, our founder, Manouch Moshayedi, and our CEO and President, Mark Moshayedi, for violations of the antifraud and reporting provisions of the federal securities laws. On July 19, 2012, the SEC filed a civil action against Manouch Moshayedi. At the same time, the SEC also notified us that it would not bring an enforcement action against sTec or any of our executive officers other than Manouch Moshayedi. The SEC's civil complaint, filed in the United States District Court for the Central District of California, alleges that Manouch Moshayedi violated the antifraud provisions of the federal securities laws. The complaint seeks (1) an injunction against future violations of the federal securities laws; (2) disgorgement of any ill-gotten gains as well as pre-judgment interest; (3) civil monetary penalties; and (4) a bar from serving as an officer or director of a public company. Manouch Moshayedi has informed us that he believes that the SEC's complaint is without merit and that he intends to contest

vigorously the enforcement action. On August 6, 2013, Manouch Moshayedi filed a motion for summary judgment and on August 7, 2013, the SEC filed a motion for partial summary judgment. Both motions are scheduled to be heard by the Court on September 16, 2013.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This Current Report on Form 8-K contains forward-looking statements regarding the proposed acquisition of the Company by WDC. Such forward-looking statements are based on current expectations and involve inherent risks and uncertainties, including factors that could delay, divert or change any of them, and could cause actual outcomes and results to differ materially from current expectations. Although the Company believes that the forward-looking statements contained in this Form 8-K are reasonable, it can give no assurance that its expectations will be fulfilled. Certain factors that could cause actual events not to occur as expressed in the forward-looking statements include, but are not limited to, the failure to obtain the necessary approval of the Merger by the Company's shareholders, litigation or adverse judgments relating to the Merger and failure to satisfy various other closing conditions contained in the Merger Agreement.

Additional important factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements are detailed in the Company's filings with the SEC made from time to time, including its Annual Report on Form 10-K, its Quarterly Reports on Form 10-Q, and its Current Reports on Form 8-K. Special attention is directed to the portions of those documents entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The information contained in this Form 8-K is a statement of the Company's present beliefs and expectations. The Company may change its belief or expectation, at any time and without notice, based upon any changes in such factors, in the Company's assumptions or otherwise. Except as required by law, the Company undertakes no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances occurring after the date hereof, or to reflect the occurrence of unanticipated events.

Additional Information

In connection with the proposed Merger, the Company filed the Definitive Proxy Statement with the SEC on August 8, 2013. **The Company's shareholders are urged to read the Definitive Proxy Statement, as supplemented by the information set forth herein, because it contains important information about the Merger.** A copy of the Definitive Proxy Statement and other documents filed by the Company with the SEC are available on the SEC's website at <http://www.sec.gov> and copies may be obtained without charge upon request (by mail or telephone) to sTec, Inc., Attn: Corporate Secretary, 3001 Daimler Street, Santa Ana, California 92705-5812, telephone: (949) 476-1180, or from the "Investor Relations" section of the Company's website, www.stec-inc.com.

The Company and certain of its directors and executive officers may be deemed to be participants in the solicitation of proxies in connection with the proposed Merger. Certain directors and executive officers of the Company have interests in the Merger that may differ from the interests of the Company's shareholders generally. Information regarding the interests of these directors and executive officers in the Merger is included in the Definitive Proxy Statement. Additional information regarding the Company's directors and executive officers can be found in the Company's 2013 Annual Meeting proxy statement filed with the SEC on June 7, 2013.

SIGNATURE

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

sTec, Inc.

Date: September 3, 2013

By: /s/ Robert M. Saman
Robert M. Saman
Chief Legal Officer, General Counsel and Secretary