

STORAGE TECHNOLOGY CORP
Form DEF 14A
April 16, 2003
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Storage Technology Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

- (4) Proposed maximum aggregate value of transaction:

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- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:

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

- (3) Filing Party:

- (4) Date Filed:

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STORAGE TECHNOLOGY CORPORATION

One StorageTek Drive

Louisville, Colorado 80028-0001

303.673.5151

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Date: Wednesday, May 21, 2003
Time: 10:00 a.m. (Eastern Daylight Time)
Place: W Hotel
111 Perimeter Center West
Atlanta, GA 30346

At the meeting, you will be asked to:

1. Elect eight directors, to serve for a one-year term
2. Approve an additional 3,000,000 shares for the Employee Stock Purchase Plan
3. Consider one stockholder proposal
4. Consider any other business matters that may properly come before the meeting

Stockholders of record at the close of business on April 3, 2003, are entitled to vote at the Annual Meeting and any adjournment or postponement. The only class of securities eligible to vote at the Annual Meeting is StorageTek's common stock.

BY ORDER OF THE BOARD OF DIRECTORS

Mark Roellig

Vice President, General Counsel and Secretary

Louisville, Colorado

April 16, 2003

YOUR VOTE IS IMPORTANT

We invite each of you to attend the Annual Meeting, but regardless of whether you attend, we urge you to vote in advance. You may use the Internet, telephone, or proxy card to vote in advance.

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PROXY STATEMENT

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STORAGE TECHNOLOGY CORPORATION

PROXY STATEMENT

As a stockholder of Storage Technology Corporation, you have the right to vote on certain matters affecting the company. This Proxy Statement discusses the proposals you are voting on this year at the Annual Meeting of Stockholders, to be held on Wednesday, May 21, 2003, at 10:00 a.m. Eastern Daylight Time at the W Hotel, 111 Perimeter Center West, Atlanta, Georgia 30346.

This Proxy Statement, a proxy card, and the 2003 Annual Report are first being mailed to the stockholders beginning on or about April 16, 2003.

In this Proxy Statement, we may refer to Storage Technology Corporation as StorageTek, we, us, our, or the company. We may also refer to the 2003 Annual Meeting of Stockholders as the Annual Meeting and to a stockholder as you.

VOTING PROCEDURES

Who may vote

You may vote your StorageTek common stock if you owned the shares at the close of business on April 3, 2003, our record date. At the close of business on that day, 107,985,368 shares were outstanding and entitled to vote. For each share of common stock you own, you may cast one vote for each nominee for director, one vote for Proposal 2 and one vote for the stockholder proposal.

Voting procedures for record holders

If you hold a stock certificate in your name for StorageTek's common stock, you are the owner of record. If you attend the meeting, you may vote in person. If you want to vote by proxy, there are three ways you may vote, each of which is valid under Delaware law, our state of incorporation:

1. Access the Internet address on the proxy card and follow the instructions at that site
2. Call the toll-free telephone number listed in the voting instructions attached to the proxy card and follow the telephone prompts **OR**
3. Complete, sign, date and return the enclosed proxy card

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You have been given a control number on your proxy card to use if you vote by Internet or telephone. This number is used to authenticate your identity and your vote.

Voting procedures for shares in street name

If your shares of StorageTek common stock are held in the name of a brokerage house or financial institution, you are a beneficial owner and the brokerage house or the financial institution holding your shares is the record holder. This is often referred to as being held in street name. You need to follow the voting directions given by the brokerage or financial institution. If you hold shares in street name and you intend to vote at the Annual Meeting, you must bring an executed Power of Attorney or proxy in your name that has been signed by the record holder. Contact your broker or financial institution for this information.

Voting of proxies

If you vote by proxy prior to the Annual Meeting, your shares will be voted as you instruct. If you vote by proxy, but do not indicate a vote on a particular proposal, your shares will be voted FOR all of the nominees for director set forth in this Proxy Statement, FOR Proposal 2, the approval on an additional 3,000,000 shares for the Employee Stock Purchase Plan, and AGAINST Proposal 3, the stockholder proposal, and in accordance with the recommendation of the Board of Directors on any other matters properly brought before the meeting.

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Revoking or changing your vote

You may revoke your proxy or change your vote at any time before the final vote at the meeting. If you are the owner of record, you may do this by:

1. Giving written notice of revocation to the Secretary of the Company, One StorageTek Drive, Louisville, Colorado 80028-4309
2. Signing another valid proxy bearing a later date
3. Voting at a later date by telephone or by using the Internet **OR**
4. Voting in person at the meeting

If you hold stock in street name, you need to contact your broker or financial institution for information on how to revoke your proxy or change your vote.

Solicitation of proxies

We have retained Georgeson Shareholder Communications Inc. to solicit proxies at a cost of approximately \$6,000, plus certain out-of-pocket expenses. If we request Georgeson to perform additional services, Georgeson will bill us at its usual rates. In addition, we will reimburse intermediaries for their expenses in forwarding solicitation materials to beneficial owners. Certain directors, officers and other employees may make further solicitation. This solicitation may be by telephone, mail or other means of communication, for which no additional compensation will be paid.

Quorum

A quorum must be present in person or represented by proxies in order for us to conduct business at the Annual Meeting. A quorum consists of a majority of the shares of common stock issued and outstanding (excluding treasury stock) on April 3, 2003, our record date. All shares that are voted **FOR**, **AGAINST** (including abstentions), or **WITHHOLD FROM** any matter will count for purposes of establishing a quorum.

Abstentions

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Abstentions will count as votes present at the meeting and will have the same effect as a vote against a matter. While there is no definitive statutory or case law authority in Delaware, our state of incorporation, as to the proper treatment of abstentions, we believe that abstentions should be counted for purposes of determining both: (a) the total number of votes present, for the purpose of determining whether a quorum is present; and (b) the total number of votes present that are cast with respect to a matter (other than in the election of the Board). In the absence of controlling precedent to the contrary, we intend to treat abstentions in this manner.

Broker non-votes

On certain proposals called discretionary proposals a brokerage firm or financial institution may vote shares that it holds on behalf of beneficial owners even if the beneficial owners do not direct them as to how to vote.

Based upon New York Stock Exchange rules, the principal exchange on which our common stock is traded, we believe that Proposal 1, Election of Directors, is a discretionary proposal. Unless the beneficial owner provides voting instructions to the record holder at least 10 days prior to the Annual Meeting, the record holder (a brokerage or financial institution) may vote the shares of common stock held in street name as it deems appropriate in the election of directors.

Under the Exchange rules, Proposal 2 and the stockholder proposal are not discretionary, and brokerage firms and financial institutions may not vote shares held in street name on these proposals without specific instructions from the beneficial owners.

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The term *broker non-votes* refers to shares held in street name that are not voted on a particular matter. Broker non-votes generally occur because the beneficial owner did not give any instructions to the broker on how to vote on a non-discretionary matter. We intend to count broker non-votes as votes present for the purpose of determining a quorum, but broker non-votes will not be counted as votes cast on the matters on which the beneficial owner has not expressly voted.

Vote required for approval of proposals

Directors are elected by a plurality. The eight persons who receive the highest number of *FOR* votes will be elected as directors. A vote to *WITHHOLD FROM* any director will be counted for purposes of determining the votes present, but will have no other effect on the outcome of the vote regarding the election of directors.

To be approved, Proposal 2 and the stockholder proposal will require the affirmative vote of a majority of the shares of common stock cast on that issue.

Delivery of voting materials to stockholders sharing an address

If you and other residents of your mailing address own shares of common stock in different accounts, you should receive only one proxy statement and annual report, unless you have requested otherwise. A separate proxy card is included in the voting materials for each of these accounts. The practice of sending only one annual report and proxy statement to a single address is called *householding*.

If you share an address with another stockholder and have received only one proxy statement and annual report, you may request a separate set of these documents by contacting our Investor Relations department by phone, e-mail or mail as follows:

Phone: 1.800.785.2217
E-mail: ask_stk@storagetek.com
Address: Investor Relations
Storage Technology Corporation
One StorageTek Drive
Louisville, CO 80028-4315

To continue to receive separate annual reports and proxy statements for each account in your household, you should withhold your consent to our householding program. To withhold consent, call 1.800.542.1061 on a touch-tone phone. You will be asked to enter your 12-digit control number that appears in the middle of the right-hand side of your voting instruction form for each account for which you wish to revoke your consent.

Electronic delivery of voting materials

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With your consent, we can offer you the ability to view our proxy statements, annual reports and related materials on-line rather than receiving these documents in the mail. If you vote by the Internet, you will be given the opportunity to consent to electronic delivery at the time you vote. Follow the prompts on the website to make this election. If you are not voting by the Internet and would still like to receive electronic delivery, follow these steps:

If you hold a stock certificate:

1. Log onto the Internet at www.icsdelivery.com/stk
2. Enter your Social Security or Tax I.D. number
3. Enter your e-mail address
4. Enter a PIN number of your choice

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If you hold stock at a brokerage:

1. Log onto the Internet at www.icsdelivery.com/stk
2. Click on the first letter of your brokerage firm's name
3. Select your broker/financial institution by clicking on the name listed on the right
4. Complete all of the steps outlined on the website

PROPOSAL 1. ELECTION OF DIRECTORS

Directors are elected at the Annual Meeting to hold office until the next Annual Meeting or until their respective successors are elected and qualified. The Board has set the number of directors at eight. Nominees for director this year are: James R. Adams, Charles E. Foster, Dennis H. Jones, William T. Kerr, Robert E. La Blanc, Robert E. Lee, Patrick J. Martin and Richard C. Steadman. **The Board of Directors unanimously recommends a vote FOR the election of each of the named nominees.**

The nominees are current directors and each has consented to serve a one-year term. If, at or prior to the time of the Annual Meeting, one or more of the nominees becomes unavailable to serve, any shares represented by a proxy will be voted for the remaining nominees and for any substitute nominee or nominees designated by the Board.

NOMINEES FOR DIRECTOR

James R. Adams

Director since 1999

Age 63. Chairman of the Board, Texas Instruments, a semiconductor, tools and software company, 1996 to 1998; Group President, SBC Communications Inc., a communications company, 1992 to 1995; President and Chief Executive Officer, Southwestern Bell Company, 1988 to 1992. Director, Texas Instruments and Inet Technologies, Inc.

Charles E. Foster

Director since 2002

Age 66. Chairman of the Board, Prodigy Communications Corporation, an Internet services provider, 2000 to 2001; President and Chief Executive Officer, Prodigy Communications Corporation, 2000 to 2001; Group President, National Operations, SBC Communications Inc., a communications company, 1995 to 2000. Director of Amdocs Limited and an advisory director at JP Morgan/Chase Bank in San Antonio, Texas.

Dennis H. Jones

Director since 2002

Age 50. Founder and President, The DHJ Group, a business consulting and advisory company, since 2001; President, Chief Operating Officer, and Vice Chairman of the Board of Directors, Commerce One, a business software company, 2001 to 2002; President and Chief Executive Officer, Accel-KKR, a technology-focused private equity investment firm, 2000; Executive Vice President of Information Technology and Chief Information Officer, Federal Express Corporation, a global express transportation company, 1998 to 2000; Senior Vice President of Information and Telecommunications and Chief Information Officer, Federal Express Corporation, 1991 to 1998.

William T. Kerr

Director since 1998

Age 61. Chairman and Chief Executive Officer, Meredith Corporation, a media and marketing company, since 1998; President and Chief Executive Officer, Meredith Corporation, 1997; and President and Chief Operating Officer, Meredith Corporation, 1994 to 1996. Director, Meredith Corporation, Principal Financial Group, and Maytag Corporation.

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Robert E. La Blanc

Director since 1979

Age 69. Founder and President, Robert E. La Blanc Associates, Inc., an information technologies consulting and investment banking firm, since 1981; previously Vice Chairman of Continental Telecom Corporation; previously a general partner at Salomon Brothers, Inc. Director, Chartered Semiconductor Manufacturing Ltd., Computer Associates International, Inc., The Titan Corporation, and a family of Prudential Mutual Funds.

Robert E. Lee

Director since 1989

Age 67. President, Glacier Properties, Inc., a private investment firm, since 1986; Executive Director Emeritus, The Denver Foundation, a community foundation, since 1996; Executive Director, The Denver Foundation, 1989 to 1996; previously Chairman, First Interstate Bank of Denver. Director, Meredith Corporation, ING North American Insurance Holdings, Inc., and Financial Investors Trust.

Patrick J. Martin

Director since 2000

Age 62. Chairman of the Board of Directors, President and Chief Executive Officer, StorageTek, since July 2000; Corporate Senior Vice President/President North American Solutions Group, Xerox Corporation, a document products and services company, 1999 to 2000; Corporate Senior Vice President/President Developing Markets Operations, Xerox Corporation, 1998 to 1999; Corporate Vice President/President Canadian and Americas Operations, Xerox Corporation, 1996 to 1998.

Richard C. Steadman

Director since 1970

Age 70. Lead independent director of StorageTek since 2000. Private investor since 1981; previously Chairman of the Board of Directors, National Convenience Stores, Inc., a retail chain.

The Board of Directors unanimously recommends a vote FOR

the election of each of the named nominees.

BOARD OF DIRECTORS AND COMMITTEES**Meetings of the Board of Directors**

The Board held eight regular meetings during 2002. Each current director attended at least 75 percent of all Board and applicable committee meetings held during 2002.

Committees of the Board of Directors

The Board has a standing Audit Committee, Governance and Nominating Committee, and Human Resources and Compensation Committee.

	<u>Audit Committee</u>	<u>Governance and Nominating Committee</u>	<u>Human Resources and Compensation Committee</u>
James R. Adams		X*	X
Charles E. Foster	X		
Dennis H. Jones	X		
William T. Kerr		X	X
Robert E. La Blanc	X		
Robert E. Lee		X	X*
Patrick J. Martin			
Richard C. Steadman	X*		

* Indicates Committee chair

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Audit Committee

The Audit Committee met 11 times in 2002. This committee:

Recommends to the Board whether to include audited financial statements in our Annual Report on Form 10-K

Monitors our financial reporting activities

Reviews independent auditor's audit plans and results

Reviews internal audit's audit plans and findings

Reviews internal control matters

Reviews the appropriateness of our significant accounting policies

The Audit Committee operates under a charter approved by the Board in September 2000. In May 2002, the Board reviewed the New York Stock Exchange's rules governing audit committees and determined that the members of the Audit Committee were independent within the meaning of the Exchange's rules. At the same time, the Board determined that, in its business judgment, the members of the Audit Committee were financially literate and at least one of the members had accounting or related financial management expertise, under then-existing rules.

Governance and Nominating Committee

The Governance and Nominating Committee met six times in 2002. This committee:

Recommends to the Board
potential candidates for election to the Board
the size, composition, organization and structure of the Board
membership of Board Committees

Reviews corporate governance issues

Reviews Board performance

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You may recommend director nominees to the Governance and Nominating Committee. These recommendations should be directed to the Chair of the Governance and Nominating Committee, Storage Technology Corporation, One StorageTek Drive, Louisville, Colorado 80028-4309. The Governance and Nominating Committee will determine whether to include any stockholder-proposed nominee in its recommended slate of director candidates.

Under our bylaws, you may make nominations for director at an Annual Meeting, but only if you provide us with written notice of your intent between 60 and 90 days prior to the Annual Meeting. Written notice should be addressed to the Secretary, Storage Technology Corporation, One StorageTek Drive, Louisville, Colorado 80028-4309. Your notice must include: (a) the name, age, business address and residence address of the nominee; (b) the principal occupation or employment of the nominee; (c) the class and number of shares of StorageTek stock which are owned by the nominee; and (d) any other information relating to the nominee that is required to be disclosed in solicitations of proxies for election of directors under applicable federal securities law. You must also include your name, address and number of shares of StorageTek common stock that you beneficially own.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee met eight times in 2002. This committee:

Determines total compensation for the executive officers (other than the Chief Executive Officer)

Evaluates the performance of executive management

Reviews compensation policies for the officers and other employees

Administers and determines awards under equity and bonus programs

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DIRECTOR COMPENSATION

We pay non-employee directors the following:

Annual retainer of \$27,000

\$5,000 annual retainer for chairing a committee

\$5,000 annual retainer for serving as lead independent director

\$1,000 for each Board and committee meeting attended

Expense reimbursement for travel and business related to Board business

In addition, non-employee directors may be paid a fee of \$1,000 per day plus expense reimbursement for additional director-related services that are requested by the Chairman of the Board. In 2002, Mr. La Blanc received an additional \$16,000 in fees plus expense reimbursement for visiting certain customers as a representative of the Board.

Non-employee directors have the option to receive their retainers and fees in cash, defer receipt of all or a portion of them into StorageTek's deferred compensation plan or receive all or a portion of them in the form of shares of StorageTek common stock or common stock equivalents. They may also receive limited reimbursement for certain medical and dental coverage.

Non-employee directors are automatically granted stock options to purchase 25,000 shares of common stock upon his or her initial election or appointment, with 5,000 shares vesting six months after the grant date and the remaining 20,000 shares vesting one-sixth per year. On their 11th anniversary and each subsequent anniversary, non-employee directors receive annual stock options to purchase 5,000 shares. Non-employee directors elected after May 22, 1998, receive annual stock options to purchase 4,000 shares of common stock through their 10th anniversary of election to the Board. Annual stock option grants vest one-third per year.

In November 2002, StorageTek entered into an indemnification agreement with each of the directors, pursuant to which StorageTek agreed to indemnify the director against: (a) expenses, judgments and settlements paid in connection with third-party claims, and (b) expenses and settlements paid in connection with claims in the right of StorageTek, in each case provided that the director acted in good faith. In addition, StorageTek agreed to indemnify each director to the extent permitted by law against all expenses, judgments and amounts paid in settlement unless the director's conduct constituted a breach of his duty of loyalty to the stockholders. Subject to the director's obligation to pay StorageTek in the event that he is not entitled to indemnification, StorageTek will pay the expenses of the director prior to a final determination as to whether the director is entitled to indemnification.

PROPOSAL 2. APPROVAL OF AN ADDITIONAL 3,000,000 SHARES FOR THE EMPLOYEE STOCK PURCHASE PLAN

At the meeting, you will be asked to approve an amendment to the Storage Technology Corporation Amended and Restated 1987 Employee Stock Purchase Plan (the ESPP) to reserve an additional 3,000,000 shares of common stock for issuance under the ESPP, bringing the total number of shares authorized for issuance to 18,200,000 shares. As of April 3, 2003, the record date, 13,111,591 shares had been issued under the ESPP, and 2,088,409 shares remain available for issuance under the ESPP. **The Board of Directors unanimously recommends a vote FOR Proposal 2, the approval of an additional 3,000,000 shares for the ESPP.**

The ESPP is an integral component of StorageTek's efforts to encourage employee stock ownership. Through the ESPP, employees have an opportunity to invest in StorageTek's common stock at an attractive price. The text of the ESPP is being filed electronically with the Securities and Exchange Commission, but is not included as an exhibit to the Proxy Statement being distributed to stockholders. A copy of the ESPP is also available by written request to the Secretary, Storage Technology Corporation, One StorageTek Drive, Louisville, Colorado 80028-4309. The following is a summary of the material provisions of the ESPP.

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DESCRIPTION OF ESPP

General

The ESPP provides StorageTek employees (including employees of certain subsidiaries) with an opportunity to acquire shares of StorageTek common stock through payroll deductions. StorageTek currently has six-month offering periods and the payroll deductions are used to purchase StorageTek common stock on the last day of the offering period. The purchase price is 85 percent of the lower of the stock's closing price on the first or last day of the six-month offering period. As of April 3, 2003, the record date, the closing price of the Common Stock was \$22.01 per share. The ESPP allows the length of an offering period to be adjusted by the Board or the Human Resources and Compensation Committee of the Board.

The Board may, at any time, amend or terminate the ESPP unless stockholder approval is required or desirable under applicable law or regulation, including federal and state corporate laws, securities laws, tax laws and the rules of the New York Stock Exchange. However, no such action can adversely affect the outstanding rights of any participant.

Administration of the ESPP

The ESPP is administered by the Human Resources and Compensation Committee, which consists solely of non-employee directors. All questions of interpretation and construction of any provision of the ESPP are determined by the Human Resources and Compensation Committee.

Eligibility; Certain Limitations on Purchases

In general, an employee who is customarily employed by StorageTek or certain of its subsidiaries for more than 20 hours per week and more than five months in any calendar year is eligible to participate in the ESPP. Non-employee directors are not eligible to participate in the ESPP. As of April 3, 2003, the record date, approximately 7,000 employees were eligible to participate in the ESPP. An employee is not permitted to participate in the ESPP if, as a result, he or she would own 5 percent or more of the voting power of StorageTek stock. In addition, an employee is limited to purchasing no more than: (a) \$25,000 worth of StorageTek common stock (determined using the fair market value of the stock at the beginning of an offering period) in any calendar year; and (b) 25,000 shares in any offering period. Rights granted under the ESPP are not transferable other than in connection with an employee's death.

Participation

An eligible employee authorizes payroll deductions in order to participate in the ESPP. Payroll deductions may not exceed 10 percent of the participant's base pay, bonuses and commissions during the offering period. Participation in the ESPP is voluntary. Benefits under the ESPP are

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dependent upon each employee's election to participate and his or her decision as to what percentage of pay to contribute to the ESPP. Future purchases under the ESPP are not determinable.

If a participant's employment is terminated for any reason, except disability or death, that participant is no longer permitted to participate in the ESPP and any payroll deductions will be returned to the participant. In the case of disability or death, the participant or the participant's beneficiary generally may choose to withdraw from the current offering period or to purchase shares at the close of the offering period.

Tax Consequences

The following paragraphs describe certain U.S. federal income tax consequences of the ESPP. Different rules may apply to participants who are not subject to U.S. federal income tax. StorageTek intends that the ESPP will continue to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code (the Code). Under these provisions, a participant will not be deemed to have received any compensation for federal income tax purposes upon enrolling in an offering period or upon purchasing stock.

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Depending upon the circumstances, a participant may recognize ordinary income and/or capital gain/loss upon the sale or other disposition of stock purchased through the ESPP. Based upon our six-month offering period, if stock is sold or otherwise disposed of within two years of the first day of the offering period in which the stock was purchased, the participant has engaged in a disqualifying disposition of the stock. In that case, the participant will recognize ordinary income generally measured as the excess of the fair market value of the shares on the purchase date over the purchase price. Any additional gain or loss on such sale or disposition will be long-term or short-term capital gain or loss, depending on the holding period.

If the shares are sold or otherwise disposed of after the two-year holding period, then the participant will recognize ordinary income measured as the lesser of (a) the excess of the fair market value of the shares at the time of such sale or disposition over the purchase price, or (b) an amount equal to 15 percent of the fair market value of the shares as of the first day of the offering period in which the shares were purchased. Any additional gain or loss on such sale or disposition will be treated as long-term capital gain or loss, as the case may be.

StorageTek deducts compensation expense equal to the ordinary income realized on shares sold or otherwise disposed of in disqualifying dispositions. The deductions are taken in the year of disposition. This deduction may be limited in the case of our Chief Executive Officer and each of the four most highly compensated executive officers under Section 162(m) of the Code.

**The Board of Directors unanimously recommends a vote FOR Proposal 2,
the approval of an additional 3,000,000 shares for the Employee Stock Purchase Plan.**

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table and footnotes provide information as of December 27, 2002, for shares of our common stock that may be issued under our existing equity compensation plans.

Equity Compensation Plan Information

<i>Plan Category</i>	<i>(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights</i>	<i>(b) Weighted-average exercise price of outstanding options, warrants and rights</i>	<i>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</i>
Equity compensation plans approved by security holders	11,106,860(1)	\$ 17.62	12,055,075(2)

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Equity compensation plans not approved by security holders (3)				374,750
Total	11,106,860	\$	17.62	12,429,825

- (1) There were no outstanding purchase rights under the ESPP. Excludes purchase rights accruing under the ESPP, as well as 35,364 common stock equivalents associated with director compensation that will be paid out after termination.
- (2) Includes 2,088,409 shares of common stock available for future issuance under the ESPP. Excludes the additional 3,000,000 shares under the ESPP being requested in Proposal 2.
- (3) Consists solely of the 1993 Nonstatutory Stock Option Plan, described below.

The table does not include information for equity compensation plans that we assumed in connection with mergers of the companies that originally established those plans. As of December 27, 2002, a total of 53,046 shares of our common stock were issuable upon exercise of outstanding options under those assumed plans. The weighted average exercise price of those outstanding options is \$14.47 per share. No additional options may be granted under those assumed plans.

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1993 Nonstatutory Stock Option Plan

General

In 1993, the Board established the 1993 Nonstatutory Stock Option Plan (the 1993 Plan). Stockholders have not approved the 1993 Plan. As of December 27, 2002, there were 900,000 shares of common stock authorized for issuance under the 1993 Plan, of which 525,250 shares had been issued and 374,750 shares remained available for grant. There were no stock options outstanding under the 1993 Plan as of December 27, 2002. The 1993 Plan will expire on November 17, 2003.

Administration

The 1993 Plan may be administered by the Board or a committee of the Board (the Administrator). Currently, the Human Resources and Compensation Committee of the Board is the Administrator. The Administrator has the authority to select the participants; determine the size of each grant; set the exercise price; set the terms and conditions, including vesting, of each grant; and amend or modify such terms and conditions, including accelerating vesting and waiving forfeiture restrictions. The Administrator may amend or discontinue the 1993 Plan at any time.

Eligibility for Participation

Generally, employees and consultants are eligible to receive stock options under the 1993 Plan. Off