

VERITAS SOFTWARE CORP /DE/

Form DEF 14A

July 21, 2004

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**SCHEDULE 14A  
(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION**

**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.

**VERITAS Software Corporation**

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(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.

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

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

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(2)

Aggregate number of securities to which transaction applies:

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- (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):

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- (1) Amount Previously Paid:

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

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- (3) Filing Party:

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(4) Date Filed:

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

Dear Stockholders:

You are cordially invited to attend the 2004 annual meeting of stockholders of VERITAS Software Corporation. The meeting will be held at our executive offices located at 350 Ellis Street, Mountain View, California 94043 on Wednesday, August 25, 2004, beginning at 8:30 a.m. Pacific Time. We are holding the meeting to:

1. Elect three Class C directors to our board of directors, each to serve for a term of three years;
2. Approve the amended and restated VERITAS Software Corporation 2003 Stock Incentive Plan;
3. Ratify our board of directors' selection of KPMG LLP as our independent accountants for our current fiscal year; and
4. Transact any other business as may properly come before the meeting or any adjournment or postponement of the meeting.

All of these actions are more fully described in the proxy statement accompanying this notice.

Only stockholders who owned our stock at the close of business on Monday, June 28, 2004 may vote at the meeting or at any adjournment or postponement of the meeting. **Whether or not you plan to attend the meeting, please submit a proxy by telephone, Internet or mail so that your shares may be represented at the meeting.** You may vote in person at the meeting, even if you have already submitted a proxy. A list of stockholders eligible to vote at the meeting will be available for review during our regular business hours at our headquarters in Mountain View for at least ten days prior to the meeting for any purpose related to the meeting.

Sincerely,

Gary L. Bloom  
*Chairman of the Board, President and Chief Executive Officer*

Mountain View, California  
July 23, 2004

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**VERITAS Software Corporation**

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**PROXY STATEMENT**

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**Information about Solicitation and Voting**

Our board of directors is soliciting your proxy for our 2004 annual meeting of stockholders. The meeting will be held at our principal executive offices located at 350 Ellis Street, Mountain View, California 94043 on Wednesday, August 25, 2004, beginning at 8:30 a.m. Pacific Time. Our telephone number is (650) 527-8000. We intend to mail proxy materials for the meeting, which include this proxy statement, the attached proxy card and our 2003 annual report to stockholders, on or about July 23, 2004 to all stockholders entitled to vote at the meeting.

This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

**ABOUT THE MEETING**

**Q: What is the purpose of the annual meeting?**

A: At our annual meeting, stockholders will act upon the proposals described in this proxy statement. In addition, management will report on the performance of VERITAS Software and respond to questions from stockholders.

**Q: What proposals are scheduled to be voted on at the meeting?**

A: There are three proposals scheduled for a vote. They are:

Proposal No. 1: To elect three Class C directors to our board of directors, each to serve for a term of three years;

Proposal No. 2: To approve the amended and restated VERITAS Software Corporation 2003 Stock Incentive Plan; and

Proposal No. 3: To ratify our board of directors' selection of KPMG LLP as our independent accountants for our current fiscal year.

**Q: Who can vote at the meeting?**

A: The record date for the meeting is June 28, 2004. You are entitled to vote at the meeting if you owned our common stock at the close of business on the record date. As of the record date, there were 432,444,235 shares of common stock outstanding and entitled to vote.

***Stockholder of Record: Shares Registered in Your Name***

If on June 28, 2004 your shares were registered directly in your name with our transfer agent, Mellon Investor Services, then you are considered the stockholder of record with respect to those shares, and these proxy materials are being sent directly to you by Mellon Investor Services on behalf of VERITAS Software. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card.

***Beneficial Owner: Shares Registered in the Name of a Broker or Nominee***

If on June 28, 2004 your shares were held electronically in an account with a brokerage firm, bank, or similar organization, then you are the beneficial owner of the shares held in street name, and these proxy materials are being forwarded to you by that organization. As a beneficial owner, you have the right to direct your broker, bank or similar organization how to vote the shares held in your account, and the

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organization has enclosed or provided voting instructions for you to use in directing it on how to vote your shares. However, the organization that holds your shares is considered the stockholder of record for purposes of voting at the meeting. Because you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from the organization that holds your shares giving you the right to vote the shares at the meeting.

**Q: How do I vote?**

A: You may either vote For all of the nominees to the board of directors or you may abstain from voting for any nominee you specify. For any other matter to be voted on, you may vote For or Against or abstain from voting. The procedures for voting are simple:

***Stockholder of Record: Shares Registered in Your Name***

If you are a stockholder of record, you may vote in person at the meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting in person if you have already voted by proxy.

To vote in person, come to the meeting, and we will give you a ballot when you arrive.

To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card before the meeting, we will vote your shares as you direct.

To vote via the Internet or by telephone, you can vote via the Internet at [www.eproxy.com/vrts](http://www.eproxy.com/vrts) or telephonically by calling the telephone number shown on your proxy card. Votes submitted via the Internet or by telephone must be received by 11:59 pm, Eastern Time, on August 24, 2004. Submitting your proxy via the Internet or by telephone will not affect your right to vote in person should you decide to attend the meeting.

***Beneficial Owner: Shares Registered in the Name of Broker or Nominee***

Beneficial owners whose stock is held in street name receive voting instruction forms directly from their brokers, banks or similar organizations, rather than from the attached proxy card. A number of brokers and banks are participating in a program provided through ADP Investor Communication Services that allows beneficial holders to grant proxies and vote shares by means of the telephone and Internet. If your shares are held in an account with a broker or bank participating in the ADP Investor Communications Services program, you may grant a proxy to vote those shares telephonically by calling the telephone number shown on the instruction form received from your broker or bank, or via the Internet at ADP Investor Communication Services web site at [www.proxyvote.com](http://www.proxyvote.com).

Votes submitted via the Internet or by telephone must be received by 11:59 pm, Eastern Time, on August 24, 2004. Submitting your proxy via the Internet or telephone will not affect your right to vote in person should you decide to attend the meeting.

**Q: How many votes do I have?**

A: Each holder of record of our common stock as of June 28, 2004 will be entitled to one vote for each share of common stock held on that date. In addition, the holder of record of the single outstanding share of Special Voting Stock will be entitled to 58,770 votes, which is equal to the number of exchangeable non-voting shares of TeleBackup Exchangeco Inc., an Alberta corporation, as of the record date. This single share of Special Voting Stock was acquired by the record holder in connection with our acquisition of TeleBackup Systems, Inc., an Alberta corporation, in 1999.



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**Q: What if I return a proxy card but do not make specific choices?**

A: All proxies will be voted in accordance with the instructions specified on the enclosed proxy card. If you sign your proxy card with no additional instructions, your shares will be voted in accordance with the recommendations of our board of directors. If you do not vote and you hold your shares in street name, and your broker does not have discretionary power to vote your shares, your shares may constitute broker non-votes and will not be counted in determining the number of shares necessary for approval of the proposals. However, shares that constitute broker non-votes will be counted for the purpose of establishing a quorum for the meeting. Voting results will be tabulated and certified by our transfer agent, Mellon Investor Services LLC.

**Q: Who is paying for this proxy solicitation?**

A: We will bear the entire cost of soliciting proxies, including the preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders. If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur. We may also reimburse brokerage houses and other custodians, nominees and fiduciaries for their costs of forwarding proxy and solicitation materials to beneficial owners.

**Q: What does it mean if I receive more than one proxy card?**

A: If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return each proxy card to ensure that all of your shares are voted.

**Q: How can I change my vote after submitting my proxy?**

A: If you are the shareholder of record, you may change your vote by granting a new proxy bearing a later date (which automatically revokes the earlier proxy), by providing a written notice of revocation to our corporate secretary at our principal executive offices prior to your shares being voted, or by attending the annual meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares held beneficially in street name, you may change your vote by submitting new voting instructions to your broker, bank or similar organization or, if you have obtained a legal proxy from that organization giving you the right to vote your shares, by attending the meeting and voting in person.

**Q: What is the quorum requirement for the meeting?**

A: A majority of our outstanding shares as of the record date must be present in person or represented by proxy at the meeting in order to hold the meeting and conduct business. This is called a quorum. Your shares are counted as present in person or represented by proxy at the meeting if you are present in person at the meeting or if you have properly submitted a proxy by telephone, Internet or mail.

Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of votes considered to be present at the meeting.

**Q: What is the vote required for each proposal?**

A: For the election of directors under Proposal No. 1, the three Class C nominees receiving the most For votes (among votes properly cast in person or by proxy) will be elected. Abstentions and broker non-votes will have no effect.

To be approved, Proposal No. 2, approving the amended and restated VERITAS Software Corporation 2003 Stock Incentive Plan, must receive For votes from a majority of the shares present and entitled to vote, either in person or by proxy. Abstentions will have the same effect as Against votes, but broker non-votes will have no effect.

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To be approved, Proposal No. 3, ratifying the selection by the audit committee of the board of directors of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2004, must receive a For vote from a majority of shares present and entitled to vote, either in person or by proxy, that are voted for or against the proposal. Abstentions and broker non-votes will have no effect.

**Q: What are the recommendations of our board of directors?**

A: Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of our board of directors. Our board of directors' recommendation is set forth together with the description of each proposal in this proxy statement. In summary, our board of directors recommends a vote:

*FOR* the election of the three nominated Class C directors to our board of directors (see Proposal No. 1);

*FOR* approval of the amended and restated VERITAS Software Corporation 2003 Stock Incentive Plan (see Proposal No. 2); and

*FOR* ratification of the appointment of KPMG LLP as our independent accountants for our current fiscal year (see Proposal No. 3).

**Q: Where can I find the voting results?**

A: The preliminary voting results will be announced at the annual meeting of stockholders. The final results will be published in our quarterly report on Form 10-Q for the third quarter of 2004.

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**CORPORATE GOVERNANCE PRINCIPLES AND DIRECTOR INDEPENDENCE**

VERITAS Software is strongly committed to good corporate governance practices. These practices provide an important framework within which our board of directors and management can pursue our strategic objectives and ensure our long-term vitality for the benefit of our stockholders.

**Corporate Governance Principles**

Our corporate governance principles are available on our Internet website, which is located at <http://www.veritas.com>, in the Investor Relations section of About Us. These corporate governance principles are reviewed annually by our corporate governance and nominating (CGN) committee, and changes are recommended to the board of directors for approval as appropriate. The fundamental premise of our corporate governance principles is the independent nature of our board of directors and its responsibility to our stockholders.

**Board Independence**

Our board of directors believes that a majority of its members should be independent directors. Currently, our board of directors is comprised of seven independent directors. All committees of the board of directors are composed entirely of independent directors.

To determine director independence, our board of directors uses the standards established by the NASDAQ Stock Market. Under NASDAQ rules, an independent director is a director who is not an officer or employee, and who does not have any relationship that the board of directors believes would interfere with the exercise of independent judgment in carrying out his or her responsibilities as a director.

A director is not considered independent if:

he or she is currently employed by us, or has been employed by us at any time during the past three years;

he or she has accepted, or has an immediate family member who accepted, any payments from us in excess of \$60,000 during the current, or any of the past three fiscal years, other than for compensation for services as a director;

he or she is an immediate family member of an individual who is, or at any time during the past three years was, employed by us as an executive officer;

he or she is, or has an immediate family member who is, a partner, controlling stockholder, or executive officer of any organization to which we made, or from which we received, payments, in the current or any of the past three fiscal years, that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is greater;

he or she is, or has an immediate family member who is, employed as an executive officer of another entity where, at any time during the past three years, any of our executive officers served on the compensation committee of the other entity (a compensation committee interlock); or

he or she is, or has an immediate family member who is, a current partner of KPMG LLP, our independent registered public accounting firm, or was a partner or employee of KPMG who worked on our audit at any time during the past three years.

Director affiliations and transactions are regularly reviewed by our CGN committee to ensure there are no conflicts or relationships that might impair a director's independence from us and our management. Based on this review and consistent with our independence criteria, the board of directors has affirmatively determined that the following seven non-employee directors, constituting a majority of the board of directors, are independent from management: Steven D. Brooks, Michael Brown, Kurt J. Lauk, Joseph D. Rizzi, David J. Roux, Carolyn M. Ticknor and V. Paul Unruh. The board of directors has also determined that all committees of the board are composed entirely of independent directors.

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### **Board Composition**

We believe that our directors should possess the highest level of personal and professional ethics, integrity and values. They should have broad experience at the policy-making and managerial level in business, technology, education, government or public interest. Directors are expected to devote sufficient time and attention to carrying out their director duties and responsibilities to us and to ensure that their other responsibilities do not materially interfere with their responsibilities as a member of our board. In particular, directors are expected to limit their service on other boards to a reasonable number in order to ensure that they have the ability to devote the amount of time and attention necessary to provide meaningful participation as a member of our board.

Director nominees are approved by the full board of directors, based on the review and recommendation of the CGN committee, which process is discussed in more detail under Director Nomination and Communication with Directors, below.

### **Board Performance and Operations**

Our board of directors held 12 meetings in 2003 and acted by unanimous written consent three times. Except for Mark Leslie, who resigned as a director effective May 31, 2004, each director attended at least 75% of the meetings of our board of directors that were held during the time he or she was a director in 2003.

After each regularly scheduled board meeting, the independent members of our board hold a separate closed meeting that employee and affiliated directors and other members of management may not attend, referred to as an executive session. In general, these executive sessions are used to discuss such topics as the independent directors deem necessary or appropriate. At least annually, the independent directors will hold an executive session to evaluate the chief executive officer's performance and compensation.

Master board and committee agendas and checklists covering recurring items are prepared annually for planning purposes. Specific agendas and topics for board of directors and committee meetings are developed through discussions between management and members of the board and its committees. Information and data that is important to the issues to be considered are distributed in advance of each meeting. Board of directors meetings and background materials focus on key strategic, operational, financial, governance and compliance matters applicable to us, including the following:

- Reviewing annual and longer-term strategic and business plans;

- Reviewing key product, industry and competitive issues;

- Reviewing and determining the independence of our directors;

- Reviewing and determining the qualifications of directors to serve as members of committees, including the financial expertise of members of the audit committee;

- Selecting and approving director nominees;

- Selecting, evaluating and compensating the chief executive officer;

- Reviewing succession planning for the chief executive officer;

- Reviewing and approving material investments or divestitures, strategic transactions and other significant transactions that are not in the ordinary course of business;

- Evaluating the performance of the board of directors;

- Overseeing our compliance with legal requirements and ethical standards; and

- Overseeing our financial results.

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Our board of directors and its committees are free to engage independent outside financial, legal and other advisors as they deem necessary to provide advice and counsel on various topics or issues, and are provided full access to our officers and employees.

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A formal board evaluation covering board operations and performance, with written evaluations from each board member, is conducted annually by the CGN committee to enhance board effectiveness. Appropriate changes are recommended by the CGN committee for approval by the full board as appropriate.

**Code of Ethics**

We are committed to conducting business in a fair, ethical and legal manner at every level of our organization and at every location where we do business. In an effort to clearly define our standards of excellence, we have established the VERITAS Software Standards of Business Conduct. These standards apply to all of our directors, officers and employees. A copy of our Standards of Business Conduct is available on our Internet website, which is located at <http://www.veritas.com>, in the Investor Relations section of About Us.

In addition, we are dedicated to ensuring compliance with the highest standards of financial accounting and reporting and have the utmost confidence in our financial reporting, underlying systems of internal controls and our financial employees. Our financial employees operate under the highest level of ethical standards, which are embodied in our Financial Code of Ethics. Our Financial Code of Ethics applies to our chief executive officer, chief financial officer and other members of our finance department. A copy of our Financial Code of Ethics is available on our Internet website, which is located at <http://www.veritas.com>, in the Investor Relations section of About Us.

We intend to disclose any amendments or waivers to our Standards of Business Conduct and Financial Code of Ethics on our Internet website, which is located at <http://www.veritas.com>, promptly following the date of any such amendment or waiver.

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**BOARD COMMITTEES AND THEIR FUNCTIONS**

Our board of directors has an audit committee, a compensation committee and a corporate governance and nominating (CGN) committee. Committee responsibilities are detailed in written charters, and reports of committee meetings are provided to the full board of directors, which acts on committee recommendations as appropriate. Our committee charters are located on our Internet website, which is located at <http://www.veritas.com>, in the Investor Relations section of About Us.

Each director attended at least 75% of the meetings of each of the committees of our board of directors on which he or she served that were held during the time he or she was a director in 2003.

**Audit Committee**

*Members:* Steven D. Brooks  
David J. Roux\*  
V. Paul Unruh (Chair)\*\*

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\* Mr. Roux joined the committee in November 2003.  
\*\* Mr. Unruh joined the committee in May 2003 and was appointed chair in November 2003.

*Independence:* Each member is an independent director as defined by current NASDAQ Stock Market listing standards for audit committee membership.

*Number of Meetings in Fiscal Year 2003:* Twelve  
The audit committee did not act by written consent in 2003.

*Functions:*

- Assists board of directors in its oversight responsibilities relating to our financial accounting, reporting and controls;
- Monitors and evaluates periodic reviews of the adequacy of accounting and financial reporting processes and systems of internal control that are conducted by our financial and senior management and our independent registered public accounting firm;
- Directly responsible for the appointment, compensation and oversight of the work of our independent registered public accounting firm;
- Reviews and evaluates the qualifications, independence and performance of our independent registered public accounting firm;
- Monitors our compliance with legal and regulatory requirements;
- Monitors the performance of our internal audit function; and
- Facilitates communication among our independent registered public accounting firm, our financial and senior management and our board of directors.

*Charter:* Our audit committee operates under a written charter, adopted by the board, which was amended and restated in February 2004. A copy of the audit committee charter is included as Appendix A to this proxy statement.

*Financial Experts:* Our board of directors has unanimously determined that all audit committee members are financially literate under current NASDAQ listing standards, and at least one member has financial sophistication

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under NASDAQ listing standards. In addition, our board has unanimously determined that Mr. Unruh qualifies as an audit committee financial expert under SEC rules and regulations.

**Compensation Committee**

*Members:* Michael Brown\*  
Joseph D. Rizzi  
Carolyn M. Ticknor (Chair)\*\*

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\* Mr. Brown joined the committee in May 2003.  
\*\* Ms. Ticknor joined the committee and was appointed chair in November 2003.

*Independence:* Each member is an independent director as defined by current NASDAQ Stock Market listing standards.

*Number of Meetings in Fiscal Year 2003:* Five  
The compensation committee acted by unanimous written consent 10 times in 2003.

*Functions:* Reviews and evaluates our chief executive officer's compensation, including criteria on which such compensation is based;  
Reviews and evaluates performance of our chief executive officer;  
Reports recommendations regarding our chief executive officer's compensation to our independent directors for approval;  
Reviews and approves compensation programs for our executive officers;  
Reviews and assesses performance evaluations of our executive officers; and  
Supervises the administration of our employee stock and option plans.

*Charter:* The compensation committee operates under a written charter, which was amended and restated in February 2004. A copy of the charter is available on our Internet website, which is located at <http://www.veritas.com>, in the Investor Relations section of About Us.

**Corporate Governance and Nominating (CGN) Committee**

*Members:* Steven D. Brooks  
Michael Brown (Chair)\*  
V. Paul Unruh\*\*

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\* Mr. Brown joined the committee in November 2003 and was appointed chair in November 2003.  
\*\* Mr. Unruh joined the committee in November 2003.

*Independence:* Each member is an independent director as defined by current NASDAQ Stock Market listing standards.



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<i>Number of Meetings in Fiscal Year 2003:</i>	Three The CGN committee did not act by written consent in 2003.
<i>Functions:</i>	Advises and makes recommendations to our board of directors on matters concerning corporate governance; Evaluates and approves compensation of non-employee directors; Reviews potential or actual conflicts of interest involving members of our board of directors; Helps identify, evaluate and recruit candidates to fill vacancies on our board of directors; Identifies the nominees for election to our board of directors at the annual meeting of stockholders; and Oversees the evaluation of members of our board of directors.
<i>Charter:</i>	The CGN committee operates under a written charter, which was amended and restated in February 2004. A copy of the charter is available on our Internet website, which is located at <a href="http://www.veritas.com">http://www.veritas.com</a> , in the Investor Relations section of About Us.

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### **DIRECTOR NOMINATION AND COMMUNICATION WITH DIRECTORS**

#### **Criteria for Nomination to the Board**

The Corporate Governance and Nominating (CGN) Committee considers the appropriate balance of independence, experience, skills and characteristics required of our board of directors. The CGN committee seeks to maintain at least a majority of independent directors on our board of directors. The goal of the CGN committee is to assemble a board of directors that brings to VERITAS Software a variety of perspectives and skills derived from high-quality business and professional experience. The CGN committee annually reviews the appropriate skills and characteristics required of directors in the context of the current composition of the board of directors, our operating requirements, and the long-term interests of our stockholders. In conducting this assessment, the CGN committee considers diversity, age, skills and other factors it deems appropriate given our current needs and the current needs of the board of directors, to maintain a balance of knowledge, experience and capabilities. The CGN committee has generally identified nominees based upon suggestions by outside directors, management and executive recruiting firms.

#### **Process for Identifying and Evaluating Nominees**

The CGN committee identifies nominees by first evaluating the current members of our board of directors who are willing to continue in service. Current members of the board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the board with that of obtaining a new perspective. If any member of the board of directors does not wish to continue in service, or if the CGN committee or board of directors decides not to re-nominate a member for re-election, the CGN committee identifies the desired skills and experience of a new nominee in light of the criteria listed above.

The process for identifying and evaluating nominees to our board of directors is initiated by identifying candidates who meet the criteria for selection as a nominee and have the specific qualities or skills being sought based on input from members of the board and, if the CGN committee deems appropriate, a third-party search firm. These candidates are evaluated by the CGN committee by reviewing each candidate's biographical information and qualifications and checking the candidate's references. Qualified nominees are interviewed by at least one member of the CGN committee. Serious candidates meet with other members of the board of directors, and using the input from these interviews and the information obtained by the CGN committee, the CGN committee evaluates which of the prospective candidates is qualified to serve as a director and whether the CGN committee should recommend to the board that the board nominate, or elect to fill a vacancy with, these final prospective candidates. Candidates recommended by the CGN committee are presented to the board of directors for selection as nominees to be presented for the approval of the stockholders or for election by the board to fill a current vacancy.

#### **Stockholder Proposals for Nominees**

The CGN committee will consider proposed nominees whose names are submitted to it by stockholders. If a stockholder wishes to suggest a proposed name for consideration, he or she must follow our procedures regarding stockholder proposals. Our amended and restated bylaws permit stockholders to nominate directors for election at our annual meeting of stockholders. Any notice of director nomination must meet all of the requirements contained in our bylaws and include other information required pursuant to Regulation 14A under the Securities Exchange Act of 1934, including the nominee's consent to serve as a director. For any stockholder to make a director nomination at next year's annual meeting, the stockholder must follow the procedures described in this proxy statement under Additional Information Stockholder Proposals for the 2005 Annual Meeting.

#### **Contacting the Board of Directors**

Any stockholder who wishes to contact members of our board of directors may do so electronically by sending an email to the following address: bod@veritas.com. Alternatively, a stockholder can contact the members of our board of directors by writing to: Board of Directors, c/o Corporate Secretary, VERITAS

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Software Corporation, 350 Ellis Street, Mountain View, California 94043. Communications addressed or sent to our chief executive officer will not be presumed to be addressed to our entire board of directors. Communications received electronically or in writing are screened by our corporate secretary and general counsel, based on the urgency of the response required by the communication, the specificity of the facts and circumstances outlined in the communication and whether the communication relates to matters that are appropriate for consideration by our board of directors or committees. Communications requiring prompt attention will be forwarded to the appropriate board or committee members without delay. Communications that are not urgent and are more general in nature will be collected and summarized for the board of directors on a quarterly basis.

**Attendance of Board Members at Annual Meetings**

We encourage all of our directors to attend the annual meeting of stockholders. We generally hold a board meeting coincident with the annual stockholder meeting to minimize director travel obligations and facilitate their attendance at the stockholders' meeting. Five directors attended our annual meeting of stockholders in 2003.

**Table of Contents****PROPOSAL NO. 1****ELECTION OF DIRECTORS**

Our board of directors currently consists of ten directors and is divided into three classes serving staggered three-year terms. Directors for each class will be elected at the annual meeting of stockholders held in the year in which the term for that class expires and will serve for three years. You are being asked to vote on the three Class C director nominees listed below. Each Class C director will serve a three-year term expiring at the 2007 annual meeting of stockholders, or until his successor is duly elected and qualified or his earlier resignation or removal. The other directors will continue to serve for the terms shown in the table below. Our board of directors has nominated Michael Brown, Kurt Lauk and Fred van den Bosch to serve as the Class C directors. Each of these nominees has consented to serve as a director if elected. If any nominee should become unavailable or unable to serve as a director prior to the meeting, our board of directors may designate another nominee to fill the vacancy and proxies will be voted for that nominee.

There are no family relationships among our executive officers, directors and nominees for director.

**Directors and Nominees for Director**

The names of the current directors and the director nominees, their ages as of June 28, 2004, and other information about them are shown below. The dates given for time of service as a director include, when applicable, time served by each individual as a director of one of our principal predecessor companies.

Name of Director or Director Nominee	Age	Principal Occupation	Director Since
<i>Nominees for Class C directors term expiring at the 2007 annual meeting</i>			
Michael Brown	45	Director of Quantum Corporation, Digital Impact, Inc., Nektar Therapeutics, and EqualLogic, Inc. and former Chairman of the Board of Quantum Corporation	2003
Kurt J. Lauk	58	President of Globe Capital Partners	2004
Fred van den Bosch	57	President and Chief Executive Officer, PANTA Systems, Inc. and former Chief Technology Officer and Executive Vice President, Advanced Technology Group of VERITAS Software	1996
<i>Class A directors term expiring at the 2005 annual meeting</i>			
David J. Roux	47	Co-Founder of Silver Lake Partners and Managing Director of Silver Lake Technology Management LLC	2002
Geoffrey W. Squire	57	Vice-Chairman of the Board of VERITAS Software	1997
V. Paul Unruh	55	Director of Homestore, Inc. and former Vice Chairman of The Bechtel Group, Inc.	2003

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Name of Director or Director Nominee	Age	Principal Occupation	Director Since
<i>Class B directors term expiring at the 2006 annual meeting</i>			
Gary L. Bloom	43	Chairman of the Board, President and Chief Executive Officer of VERITAS Software	2000
Joseph D. Rizzi	62	Limited Partner of Matrix Partners	1987
Carolyn M. Ticknor	57	Director of AT&T Wireless Services Inc. and Boise Cascade Corporation and former President of Imaging and Printing at Hewlett-Packard Company	2003

**Nominees for Class C directors**

Mr. Brown has been a director of Quantum Corporation, a provider of data back-up and archiving solutions, since September 1995, serving as its chairman until July 2003. Mr. Brown held various senior management positions at Quantum since joining the company in 1984, most recently as Chief Executive Officer from September 1995 to September 2002. Mr. Brown serves on the board of directors of Digital Impact, Inc., an Internet-based marketing company, and Nektar Therapeutics, a provider of drug delivery solutions for the development of pharmaceutical products.

Prof. Dr. Lauk has served as Founding Partner and President of Globe Capital Partners, an investment and investment advisory firm located in Stuttgart, Germany, since July 2000. Prior to Globe Capital Partners, Prof. Dr. Lauk served as the Head of the Commercial Vehicle Division at DaimlerChrysler AG, a motor vehicle manufacturer, from August 1996 to December 1999. From 1992 to 1996, Prof. Dr. Lauk served as the Head of Finance and Controlling at VEBA AG. Prof. Dr. Lauk serves on the board of directors of Corus UK Limited, a global metals company, Business Objects S.A., a business solutions provider, and a number of private companies. Prof. Dr. Lauk was also elected President of the Economic Council to the Christian Democratic Party E.V., Berlin in 2000.

Mr. van den Bosch has served as Chief Executive Officer and President of PANTA Systems, Inc., a technology company, since May 2004. Prior to joining PANTA, Mr. van den Bosch served as our Chief Technology Officer and Executive Vice President, Advanced Technology from October 2002 to April 2004. Mr. van den Bosch served as our Executive Vice President, Product Strategy and New Product Initiatives from March 2001 to September 2002, as Executive Vice President, Product Operations from July 1997 to March 2001, and as Senior Vice President, Engineering from January 1991 to July 1997. Mr. van den Bosch was appointed as a director in 1996. From 1970 until 1990, he served in various positions with Philips Information Systems, including Director of Technology.

**Directors continuing in office**

Mr. Bloom has served as our President and Chief Executive Officer since November 2000 and as the Chairman of our board of directors since January 2002. Mr. Bloom joined us after a 14-year career with Oracle Corporation, an enterprise software company, where he served as Executive Vice President responsible for server development, platform technologies, marketing, education, customer support and corporate development from May 1999 to November 2000, as Executive Vice President of the systems product division from March 1998 to May 1999, as Senior Vice President of the systems products division from November 1997 to March 1998, as Senior Vice President of the worldwide alliances and technologies division from May 1997 to October 1997, as Senior Vice President of the product and platform technologies division from May 1996 to May 1997, and as Vice President of the mainframe and integration technology division and Vice President of the massively parallel computing division from 1992 to May 1996. Before joining Oracle

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Corporation in 1986, Mr. Bloom held technical positions in the mainframe area at both IBM and Chevron Corporation.

Mr. Rizzi has served as a partner of Matrix Partners, a venture capital firm, since 1985. Mr. Rizzi serves on the board of directors of Micro Linear Corporation, a provider of semiconductors for network applications.

Mr. Roux is a Managing Director and co-founder of Silver Lake Partners, a private equity firm, which was formed in 1999. Mr. Roux has extensive operating and acquisition experience in the technology sector. Prior to founding Silver Lake Partners, Mr. Roux served as the Chief Executive Officer and President of Liberate Technologies, a software platform provider. From 1994 to 1998, Mr. Roux served as Executive Vice President, Corporate Development, at Oracle Corporation. Mr. Roux was responsible for business development, mergers and acquisitions, technology licensing, and equity investments and served on Oracle's Executive Committee and Product Management Committee. Mr. Roux is a director of Gartner, Inc., Business Objects S.A. and a number of private companies. Mr. Roux was previously Chairman of Seagate Technology.

Mr. Squire has served as our Vice Chairman of the Board since 1997, when we merged with OpenVision Technologies, Inc. Mr. Squire also served as our Executive Vice President from April 1997 to May 2003. Mr. Squire became a director of OpenVision in 1994 and was appointed Chief Executive Officer of OpenVision in 1995, after serving as its President and Chief Operating Officer from 1994 to 1995. Mr. Squire was President of the U.K. Computing Services and Software Association in 1994 and, in 1995, was elected as the founding President of the European Information Services Association. Mr. Squire serves as the chairman of the board of directors of The Innovation Group PLC, a provider of software solutions to the insurance industry.

Ms. Ticknor retired as president of Hewlett-Packard Company's Imaging and Printing business in 2001. During her 24-year tenure at HP, a technology solutions provider, Ms. Ticknor held various management positions including president of the LaserJet Solutions Group. Ms. Ticknor serves on the board of directors for AT&T Wireless Services Inc. and Boise Cascade Corporation.

Mr. Unruh retired as Vice Chairman of The Bechtel Group, Inc., an engineering company, in June 2003. During his 25-year tenure with Bechtel, Mr. Unruh held various positions in management including Treasurer from 1983-1986, Controller from 1987-1991 and CFO from 1992-1996. Mr. Unruh also served as President of Bechtel Enterprises, Bechtel's finance, development and ownership arm from 1997-2001. Mr. Unruh serves on the boards of directors of Homestore, Inc., a provider of real estate media and technology solutions, and Heidrick & Struggles International, Inc., a provider of executive search and leadership consulting services. Mr. Unruh is a Certified Public Accountant.

### **Retiring Director**

Mr. Brooks, a Class C director since 1996 and whose term expires at the 2004 annual meeting of stockholders, has decided not to stand for re-election. Our board of directors thanks Mr. Brooks for his valued service to VERITAS Software.

### **Resigning Director**

Mr. Leslie, a Class A director since 1988, resigned from the board of directors effective May 31, 2004.

### **Compensation of Directors**

*Base Compensation and Expense Reimbursement.* In May 2004, our board of directors approved a cash compensation program for our non-employee directors effective as of January 1, 2004. In recommending this program to the board of directors, the CGN committee was guided by the following goals: compensation should fairly pay directors for work required for a company of our size and scope; compensation should align directors' interests with long-term interests of our stockholders; and the structure of the compensation should be simple and transparent to our stockholders. Under this program, each non-employee director receives an annual retainer of \$35,000 for serving on our board of directors, and an annual committee fee for serving on any committee of the board. The annual committee fee is \$10,000 for each member of the compensation and

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CGN committees, and \$20,000 for each member of the audit committee. Committee chairs receive an annual committee chair fee in addition to the fee for being a committee member. The annual committee chair fee is \$5,000 for the chair of the compensation and CGN committees, and \$10,000 for the chair of the audit committee. Directors receive an additional \$2,000 for attendance at any special board and committee meeting that is duly noticed, consists of a quorum and is approved by the chairman of the board and corporate secretary. Cash compensation is paid on a quarterly basis and is subject to proration based on period of service as a non-employee director. Directors who are employees of VERITAS Software do not receive any compensation for attending board or committee meetings. All of our directors are reimbursed for actual expenses that they incur to attend meetings and for other expenses related to service as a director, such as the cost of attendance at director-related educational programs.

*Options.* In May 2002, our stockholders approved the 2002 Directors Stock Option Plan as a successor to the 1993 Directors Stock Option Plan. Outstanding options granted under the 1993 Directors Stock Option Plan will continue to be governed by that plan, which has terms that are substantially the same as those of the 2002 Directors Stock Option Plan. No option grants have been made under the 1993 Directors Stock Option Plan since stockholder approval of the 2002 Directors Stock Option Plan, and no additional option grants will be made under the 1993 Directors Stock Option Plan in the future.

Under the 2002 Directors Stock Option Plan, on the date each non-employee director is elected to our board of directors, he or she will receive an automatic initial option grant to purchase between 50,000 and 100,000 shares of common stock. The number of shares covered by this initial grant is currently set at 100,000 shares, but may be changed from time to time by the compensation committee. Non-employee directors who were employed by us at any time prior to their becoming a director are not eligible to receive this initial grant. Upon the conclusion of our annual meeting of stockholders each year, each non-employee director who will continue serving as a member of our board of directors thereafter will receive an automatic annual option grant to purchase between 10,000 and 50,000 shares of common stock. The number of shares covered by this annual grant is currently set at 25,000 shares, but may be changed from time to time by the compensation committee. No such annual grant will be awarded to a non-employee director who received an initial grant earlier in the same calendar year. In addition, upon the conclusion of our annual meeting of stockholders each year, each non-employee director who serves on a committee of our board of directors will receive an automatic annual option grant to purchase 10,000 shares of common stock for the first committee on which such director serves and 5,000 shares of common stock for each additional committee on which such director serves. In the event of a stock dividend, stock split or similar capital change, the number of shares available under this plan and available for the automatic initial and annual grants will be automatically adjusted.

We have reserved 1,900,258 shares of common stock for issuance under the 2002 Directors Stock Option Plan. In the event that any outstanding option under this plan expires or terminates for any reason, the shares of common stock allocable to the unexercised portion of the option will be available again for subsequent grant under this plan. The exercise price of all stock options granted under the 2002 Directors Plan will equal 100% of the fair market value of a share of our common stock on the date of grant of the option. Options granted under this plan are immediately exercisable. Once exercised, we will have a right to repurchase unvested shares, with the repurchase right lapsing as the shares vest. Each option vests in equal monthly installments over four years beginning on the date of grant, so long as the non-employee director serves as a member of our board of directors. Each option has a ten-year term unless earlier terminated. The options remain exercisable as to vested shares for up to six months following the optionee's termination of service as a director, unless such termination is a result of death or of total and permanent disability, in which case the options remain exercisable for up to a one-year period. The plan also provides for accelerated vesting of a specified portion of each outstanding option in the event of an optionee's death and as to all of the shares if we undergo a change in control.

During the year ended December 31, 2003, under our 2002 Directors Stock Option Plan, each of Messrs. Brooks, Leslie, Rizzi, Roux and Squire received an automatic annual option grant for 25,000 shares on May 13, 2003, the date of the 2003 annual meeting of stockholders, with an exercise price of \$25.49 per share. Also on May 13, 2003, the following non-employee directors received automatic option grants for serving on

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the committees of our board of directors in the following share amounts with an exercise price of \$25.49 per share: Steven Brooks 20,000 shares; Michael Brown 10,000 shares; Joseph Rizzi 20,000 shares; David Roux 10,000 shares; and V. Paul Unruh 10,000 shares. On March 19, 2003, Mr. Brown received an option grant for 100,000 shares under our 2002 Directors Stock Option Plan in connection with his initial appointment to our board of directors as a non-employee director. The option has an exercise price of \$17.42 per share. On May 5, 2003, Mr. Unruh received an option grant for 100,000 shares under our 2002 Directors Stock Option Plan in connection with his initial appointment to our board of directors as a non-employee director. The option has an exercise price of \$23.76 per share. On August 6, 2003, Ms. Ticknor received an option grant for 100,000 shares under our 2002 Directors Stock Option Plan in connection with her initial appointment to our board of directors as a non-employee director. The option has an exercise price of \$29.91 per share.

As of June 28, 2004, options to purchase 388,000 shares were outstanding under the 1993 Directors Stock Option Plan, 1,240,180 shares had been issued upon the exercise of options and no shares were available for future grant. As of June 28, 2004, options to purchase 713,750 shares were outstanding under the 2002 Directors Stock Option Plan, 9,167 shares had been issued upon the exercise of options and 1,177,341 shares were available for future grant.

In the past, our employee directors have received options under our 1993 Stock Option Plan for their services as both employees and directors. Following termination of employment, the portion of these options commensurate with grants to non-employee directors under our director stock option plans will remain exercisable until the 90th day following the cessation of service as a director pursuant to the terms of our 1993 Stock Option Plan. In May 2003, Geoff Squire resigned as an officer and his options to acquire 106,125 shares will remain exercisable pursuant to the terms of our 1993 Stock Option Plan.

**Required Vote and Board Recommendation**

The three nominees for director receiving the highest number of affirmative votes shall be elected as directors. Votes withheld from any nominee are counted for purposes of determining the presence or absence of a quorum, but have no other legal effect under Delaware law. Stockholders do not have the right to cumulate their votes in the election of directors.

**THE BOARD RECOMMENDS A VOTE *FOR* THE ELECTION  
OF EACH OF THE NOMINATED DIRECTORS.**



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**PROPOSAL NO. 2**

**AMENDMENT AND RESTATEMENT OF 2003 STOCK INCENTIVE PLAN**

You are being asked to approve the amended and restated 2003 Stock Incentive Plan. The 2003 Plan was originally approved at last year's annual meeting, and the new amendment and restatement will effect the following changes:

- (i) increase the number of shares of our common stock available for issuance over the term of the 2003 Plan by an additional 18,000,000 shares;
- (ii) expand the types of stock-based awards available under the 2003 Plan so as to include stock appreciation rights, restricted stock units and other stock-based awards which vest upon the attainment of designated performance goals or the satisfaction of specified service requirements or, in the case of certain restricted stock units or other stock-based awards, become payable upon the expiration of a designated time period following such vesting events, including a deferred distribution date following the termination of the individual's service with us;
- (iii) increase the limitation on the maximum number of shares of our common stock which may be issued under the 2003 Plan in the form of restricted stock or restricted stock units to 33% of the common stock from time to time authorized for issuance under the 2003 Plan;
- (iv) expand the limitation on the maximum number of shares of our common stock for which an individual may be granted awards under the 2003 Plan in any one calendar year to include the shares subject to any stock appreciation rights or restricted stock units awarded under the 2003 Plan;
- (v) establish net counting provisions so that the share reserve is reduced only by the actual number of shares issued under the 2003 Plan, and not by the gross number of shares subject to the awards made thereunder;
- (vi) decrease the term of options granted under the 2003 Plan from ten years to seven years;
- (vii) provide the plan administrator with broad authority to fix the price per share for restricted stock and restricted stock units by eliminating the requirement that the per share price be not less than the fair market value of VERITAS Software's common stock on the issuance date;
- (viii) prohibit the repricing of options granted under the 2003 Plan unless the repricing is approved by our stockholders; and
- (ix) bring the provisions of the 2003 Plan into compliance with recent changes in the NASDAQ requirements for listed companies and the Internal Revenue Service regulations applicable to plans under which incentive stock options may be granted.

Our board of directors approved the amendment and restatement of the 2003 Plan on May 13, 2004, subject to stockholder approval at the annual meeting. The 2003 Plan serves as an important part of the compensation package that we offer to our employees and we believe that options and other equity-based incentives are critical for us to attract and retain the most qualified candidates. Awards under the 2003 Plan provide our employees an opportunity to acquire or increase their ownership stake in us, thereby creating a strong incentive to work hard for our growth and success and encouraging them to continue their employment with us. The proposed amendment and restatement of the 2003 Plan will ensure that a sufficient number of shares of common stock remains available for issuance under the 2003 Plan and will allow us more flexibility in designing equity incentives in an environment where a number of companies have moved from traditional option grants to other stock or stock-based awards such as stock appreciation rights, restricted stock and restricted stock units.

As of June 28, 2004, options and stock awards covering 12,264,693 shares were outstanding, 25,506 shares have been issued on exercise of options and 1,709,801 shares were available for future grant under the 2003 Plan. The reservation of an additional 18,000,000 shares for issuance under the 2003 Plan is

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consistent with our current expectations regarding the number of shares that we will need to fund awards to new hires and additional awards to existing employees over the next year.

We share the concern of our stockholders regarding the dilutive impact of equity plans. In order to address this concern, we have decreased the ratio, or overhang, of VERITAS Software options outstanding and available for grant to total common stock outstanding. At December 31, 2002, our stock option overhang was 23%, based upon outstanding options covering approximately 72,356,000 shares and options available for grant covering approximately 27,708,000 shares under all of our equity plans and approximately 431,769,000 shares of common stock outstanding on a diluted basis. At December 31, 2003, our stock option overhang was 19%, based upon outstanding options covering approximately 69,074,000 shares and options available for grant covering approximately 10,718,000 shares under all of our equity plans and approximately 429,092,000 shares of common stock outstanding on a diluted basis.

In addition, at December 31, 2003, a significant portion of our outstanding options were out-of-the-money, meaning that these options have exercise prices greater than the current market price of our common stock. Options that are significantly out-of-the-money are not likely to be exercised and, therefore, are not likely to have any dilutive effect in the near term unless the market price of our common stock were to increase significantly. For purposes of the table below, out-of-the-money options are those options granted under all of our equity plans with an exercise price above the closing price of \$37.02 on December 31, 2003. At December 31, 2003, approximately 35% of our outstanding options were out-of-the-money, representing almost 6% of our total common stock outstanding as of that date. At December 31, 2003, approximately 23% of our outstanding options had an exercise price of \$45.00 or more, representing approximately 4% of our total common stock outstanding as of that date. The following table sets forth the number of out-of-the-money options outstanding as of December 31, 2003 by exercise prices:

**Out-of-the-Money Option Information***As of December 31, 2003*

<b>Exercise Price</b>	<b>Exercisable Options (# of shares)</b>	<b>Unexercisable Options (# of shares)</b>	<b>Total Out-of- the-Money Options (# of shares)</b>	<b>Percentage of Total Out-of-the-Money Options (%)<sup>(1)</sup></b>	<b>Percentage of Total Shares of Common Stock Outstanding (%)<sup>(2)</sup></b>
\$100.00 or greater	3,275,611	437,635	3,713,246	5.38%	0.87%
\$95.00-\$99.99	2,573,284	449,092	3,022,376	4.38%	0.70%
\$90.00-\$94.99	2,986,491	346,188	3,332,679	4.82%	0.78%
\$85.00-\$89.99	1,992,605	592,395	2,585,000	3.74%	0.60%
\$65.00-\$84.99					