

STORAGE TECHNOLOGY CORP

Form DEFM14A

July 27, 2005

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION
(RULE 14A-101)

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

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

STORAGE TECHNOLOGY CORPORATION

(Name of Registrant as Specified In Its Charter)

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

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- o No fee required.
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1) Title of each class of securities to which transaction applies:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

**Storage Technology Corporation
One StorageTek Drive
Louisville, Colorado 80028**

July 27, 2005

Dear Stockholder:

We cordially invite you to attend a special meeting of stockholders of Storage Technology Corporation (also referred to as StorageTek or we) to be held on August 30, 2005 at 10 a.m., local time, at the offices of Cadwalader, Wickersham & Taft LLP, One World Financial Center, 200 Liberty Street, 39th Floor, New York, New York 10281.

At the special meeting, we will ask you to consider and vote on a proposal to approve the merger of a subsidiary of Sun Microsystems, Inc. (also referred to as Sun) with and into Storage Technology Corporation and to adopt and approve the Agreement and Plan of Merger we entered into on June 2, 2005 with Sun Microsystems, Inc., and its wholly owned subsidiary, Stanford Acquisition Corporation. In the merger, Stanford Acquisition Corporation will merge with and into Storage Technology Corporation, and each outstanding share of our common stock, par value \$0.10 will be converted into the right to receive \$37 in cash, without interest. After the merger, Storage Technology Corporation will be a wholly owned subsidiary of Sun Microsystems, Inc.

YOUR BOARD OF DIRECTORS HAS UNANIMOUSLY DETERMINED THAT THE TERMS OF THE MERGER ARE FAIR TO AND IN THE BEST INTERESTS OF STORAGE TECHNOLOGY CORPORATION AND OUR STOCKHOLDERS. ACCORDINGLY, YOUR BOARD OF DIRECTORS HAS UNANIMOUSLY ADOPTED THE MERGER AGREEMENT AND RECOMMENDS THAT YOU VOTE FOR APPROVAL OF THE MERGER AND ADOPTION AND APPROVAL OF THE MERGER AGREEMENT.

Your vote is very important. We cannot complete the merger unless the merger agreement is approved by holders of a majority of our outstanding shares. **WHETHER OR NOT YOU PLAN TO BE PRESENT AT THE SPECIAL MEETING, WE URGE YOU TO VOTE IN ADVANCE TO ENSURE YOUR SHARES ARE REPRESENTED AT THE MEETING. YOU MAY USE THE INTERNET, TELEPHONE OR THE ENCLOSED PROXY TO VOTE IN ADVANCE.** If you do not send in your proxy, do not instruct your broker to vote your shares, or if you abstain from voting, it will have the same effect as a vote against approval of the merger and the adoption and approval of the merger agreement.

The enclosed proxy statement provides you with detailed information about the merger and related matters. We urge you to read the proxy statement carefully, including the annexes. If the merger agreement is adopted and approved and the merger is completed, you will be sent written instructions for exchanging your Storage Technology Corporation common stock certificates for your cash payment. If you hold Storage Technology Corporation common stock, please do not send us your certificates until you receive these instructions.

If you have any questions about the merger please call Georgeson Shareholder Communications, Inc., our proxy solicitor, at (866) 357-4033.

On behalf of the board of directors, I thank you for your support and appreciate your consideration of this matter.

Yours truly,

STORAGE TECHNOLOGY CORPORATION
Patrick J. Martin
Chairman, President and Chief Executive Officer

THIS PROXY STATEMENT IS DATED JULY 27, 2005 AND IS FIRST BEING MAILED TO STOCKHOLDERS ON OR ABOUT JULY 27, 2005.

Table of Contents

Storage Technology Corporation
One StorageTek Drive
Louisville, Colorado 80028

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON
AUGUST 30, 2005**

A Special Meeting of the stockholders of Storage Technology Corporation will be held on August 30, 2005, at 10 a.m., local time, at the offices of Cadwalader, Wickersham & Taft LLP, One World Financial Center, 200 Liberty Street, 39th Floor, New York, New York 10281, to consider and vote on a proposal to approve the merger and to adopt and approve the Agreement and Plan of Merger, dated as of June 2, 2005, among Storage Technology Corporation, Sun Microsystems, Inc. and Stanford Acquisition Corporation, a wholly owned subsidiary of Sun Microsystems, Inc., a copy of which Agreement is attached as Annex A to the proxy statement accompanying this notice.

Only stockholders of record as of the close of business on July 26, 2005, are entitled to notice of, and to vote at, the special meeting or any adjournments or postponements of the meeting. The number of outstanding shares of our common stock entitled to notice and to vote on July 26, 2005, was 108,356,536. Each holder of StorageTek common stock is entitled to one vote for each share of our common stock held on the record date. A stockholders list will be available at StorageTek's principal executive office for inspection by any stockholder entitled to vote at the special meeting beginning ten (10) business days before the date of the special meeting and continuing through the special meeting. Holders of shares of StorageTek common stock are entitled to appraisal rights under the Delaware General Corporation Law in connection with the merger if they meet certain conditions. See Appraisal Rights on page 37.

A form of proxy and a proxy statement containing more detailed information with respect to the matters to be considered at the special meeting, including a copy of the merger agreement, accompany and form a part of this notice. You should not send any certificates representing your StorageTek common stock with your proxy card.

If a quorum is not present at the meeting, or a quorum is present but sufficient votes to approve a proposal are not received, the persons named as proxies may propose one or more adjournments of the meeting to permit further solicitation of proxies. Any such adjournment will require the affirmative vote of a majority of the common stock represented at the meeting in person or by proxy. The persons named as proxies will vote those proxies that they are entitled to vote FOR the proposal in favor of an adjournment of the meeting and will vote those proxies required to be voted AGAINST the proposal against such adjournment.

WHETHER OR NOT YOU EXPECT TO ATTEND THE SPECIAL MEETING IN PERSON, WE URGE YOU TO VOTE IN ADVANCE TO ENSURE YOUR SHARES ARE REPRESENTED AT THE MEETING. YOU MAY USE THE INTERNET, TELEPHONE OR THE ENCLOSED PROXY TO VOTE IN ADVANCE. VOTING IN ADVANCE DOES NOT DEPRIVE YOU OF YOUR RIGHT TO ATTEND THE MEETING AND TO VOTE YOUR SHARES IN PERSON. THANK YOU FOR ACTING PROMPTLY.

By order of the Board of Directors,

Patrick J. Martin
Chairman, President and Chief Executive Officer

Louisville, Colorado
July 27, 2005

Table of Contents**TABLE OF CONTENTS**

	Page
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING</u>	1
<u>SUMMARY</u>	4
<u>The Parties to the Merger Agreement</u>	4
<u>Matters Relating to the Meeting</u>	4
<u>Reasons for the Merger, Recommendation of Our Board of Directors</u>	5
<u>Opinion of Our Financial Advisor</u>	6
<u>Material United States Federal Income Tax Consequences</u>	6
<u>Antitrust Matters</u>	7
<u>Interests of Certain Persons in the Merger</u>	7
<u>Appraisal Rights</u>	7
<u>Conditions to the Merger</u>	7
<u>Termination of the Merger Agreement</u>	8
<u>Expenses and Termination Fee</u>	8
<u>Non-Solicitation</u>	8
<u>Additional Information</u>	9
<u>RISK FACTORS</u>	10
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	11
<u>THE PARTIES TO THE MERGER AGREEMENT</u>	12
<u>Storage Technology Corporation</u>	12
<u>Sun Microsystems, Inc.</u>	12
<u>Merger Sub</u>	12
<u>THE SPECIAL MEETING</u>	13
<u>Date, Time and Place</u>	13
<u>Matters to be Considered</u>	13
<u>Record Date and Shares Entitled to Vote; Procedures for Voting; Quorum</u>	13
<u>Vote Required</u>	13
<u>Voting of Proxies</u>	13
<u>Revocability of Proxies</u>	14
<u>Proxy Solicitation</u>	14
<u>StorageTek Stock Certificates</u>	14
<u>Voting Agreements</u>	14
<u>THE MERGER</u>	15
<u>Background of the Merger</u>	15
<u>Reasons for the Merger; Recommendation of our Board of Directors</u>	17
<u>Opinion of our Financial Advisor</u>	20
<u>Material United States Federal Income Tax Consequences</u>	29
<u>Interests of Certain Persons in the Merger</u>	30
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	34
<u>Equity Awards</u>	35
<u>Directors and Officers Indemnification</u>	36
<u>Appraisal Rights</u>	37
<u>Voting Agreements</u>	40
<u>THE MERGER AGREEMENT</u>	40
<u>Structure and Effective Time</u>	40

Table of Contents

	Page
<u>Merger Consideration</u>	40
<u>Stock Options and Common Stock Equivalents</u>	41
<u>Restricted Stock and Restricted Stock Units</u>	42
<u>Certificate of Incorporation and Bylaws</u>	42
<u>Directors and Officers</u>	42
<u>Representations and Warranties</u>	42
<u>Covenants Relating to the Conduct of our Business</u>	44
<u>Additional Agreements</u>	46
<u>No Solicitation of Transactions</u>	48
<u>Directors and Officers Indemnification</u>	49
<u>Employee Benefit Matters</u>	49
<u>Conditions to the Merger</u>	49
<u>Material Adverse Effect</u>	50
<u>Termination of the Merger Agreement</u>	50
<u>Expenses</u>	51
<u>Amendment; Waiver</u>	51
<u>Accounting Treatment</u>	51
<u>Antitrust Matters</u>	51
<u>BENEFICIAL OWNERSHIP OF STORAGETEK COMMON STOCK</u>	52
<u>PRICE RANGE OF COMMON STOCK AND DIVIDENDS</u>	53
<u>FUTURE STOCKHOLDER PROPOSALS</u>	53
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	53
<u>ADDITIONAL INFORMATION</u>	54

Table of Contents

**QUESTIONS AND ANSWERS ABOUT THE MERGER
AND THE SPECIAL MEETING**

These questions and answers do not, and are not intended to, address all the information that may be important to you. You should read the summary and the remainder of this proxy statement, including all annexes, carefully.

Q: What is the proposed Merger?

A: Under the terms of the Agreement and Plan of Merger dated as of June 2, 2005 among Sun Microsystems, Inc. (Sun), Stanford Acquisition Corporation, a direct wholly-owned subsidiary of Sun (Merger Sub), and Storage Technology Corporation (StorageTek), referred to in this proxy statement as the merger agreement, Merger Sub will be merged with and into StorageTek with StorageTek emerging as the surviving corporation and a wholly-owned subsidiary of Sun. The merger agreement is attached to this proxy statement as Annex A. We encourage you to read it carefully.

Q: What will I receive in the merger?

A: Upon completion of the merger, you will be entitled to receive \$37 in cash, without interest, in exchange for each share of StorageTek common stock, par value \$0.10 per share, that you own.

Q: What are the United States federal income tax consequences of the merger?

A: The receipt of cash for shares pursuant to the merger will be a taxable transaction for United States federal income tax purposes. In general, a stockholder who receives cash in exchange for shares pursuant to the merger will recognize gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount of cash received and the stockholder's adjusted tax basis in the shares exchanged for cash pursuant to the merger. Because the tax consequences of the merger are complex and may vary depending on your particular circumstances, we recommend that you consult your tax advisor concerning the federal (and any state, local or foreign) tax consequences to you of the merger.

Q: What is the vote required to approve the merger agreement?

A: Approval of the merger agreement requires the affirmative vote of a majority of the outstanding shares of StorageTek common stock. This means that the affirmative vote of at least 54,178,269 shares of our common stock is required for adoption of the merger agreement.

Q: Is our board of directors recommending that I vote for the merger agreement?

A: Yes. After considering a number of factors, your board of directors unanimously believes that the terms of the merger agreement are fair to and in the best interests of StorageTek and our stockholders. Your board of directors unanimously recommends that you vote FOR approval of the merger and adoption and approval of the merger agreement.

Q: Why did the directors enter into the voting agreements?

A: In order to induce Sun to execute the merger agreement, the directors, each in their capacity as a stockholder of StorageTek common stock, agreed to vote the StorageTek common stock they own FOR the merger. The execution and delivery of the voting agreements was a material condition to Sun's willingness to enter into the merger agreement. As of July 26, 2005, the directors beneficially owned an aggregate of 1.2% of the outstanding shares of StorageTek common stock.

Q: When do you expect to complete the merger?

A: We currently expect to complete the merger in late summer or early fall of 2005, and after all the conditions to the merger are satisfied or waived, including expiration or termination of the

Table of Contents

waiting periods under the antitrust laws of the United States and the European Union and other applicable jurisdictions.

Q: What do I need to do now?

A: We urge you to read this proxy statement carefully, including its annexes, consider how the merger would affect you as a stockholder and then vote. After you read this proxy statement, you should provide voting instructions as described below.

Q: How do I vote?

A: 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.

Please have the voting form in hand when voting by Internet or telephone.

Q: If my broker holds my shares in street name, will my broker vote my shares for me?

A: If your shares of StorageTek common stock are held in the name of a broker or financial institution, you are a beneficial owner and the broker or the financial institution holding your shares is the record holder. This is often referred to as being held in street name. You must follow the voting directions given by the broker or financial institution. If you hold shares in street name and you intend to vote at the special 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.

Q: What if I want to change my vote after I have voted?

A: 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 Corporate Secretary, Storage Technology Corporation, 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 must contact your broker or financial institution for information on how to revoke your proxy or change your vote.

Q: What happens if I do not send in my proxy, if I do not instruct my broker to vote my shares or if I abstain from voting?

A: If you do not send in your proxy, do not instruct your broker to vote your shares, or if you abstain from voting, it will have the same effect as a vote AGAINST approval of the merger, and adoption and approval

of the merger agreement.

Table of Contents

Q: What if the merger is not completed?

A: If the merger is not completed, both companies will continue to operate as independent companies. As further described under Expenses on page 51, StorageTek may be required to pay Sun a termination fee if the merger is not completed for certain reasons.

Q: Am I entitled to appraisal rights?

A: Yes. Under the Delaware General Corporations Law (DGCL), record holders of StorageTek common stock who follow the procedures set forth in Section 262 of the DGCL will be entitled to have their shares appraised by the Court of Chancery of the State of Delaware and to receive payment of the fair value of such shares together with a fair rate of interest, if any, as determined by such court. The fair value as determined by the Delaware court is exclusive of any element of value arising from the accomplishment or expectation of the merger.

Q: Should I send in my StorageTek stock certificates now?

A: No. After the merger is completed, you will receive written instructions for exchanging your shares of StorageTek common stock for the merger consideration of \$37 in cash, without interest, for each share of your StorageTek common stock.

Q: Where can I find more information about StorageTek and Sun?

A: Storage Technology Corporation and Sun Microsystems, Inc. file periodic reports and other information with the Securities and Exchange Commission (SEC). You may read and copy this information at the SEC s public reference facilities. Please call the SEC at 1-800-SEC-0330 for information about these facilities. This information is also available on the Internet site maintained by the SEC at <http://www.sec.gov>. For a more detailed description of the information available about Storage Technology Corporation, see Where You Can Find More Information.

Q: Whom should I call if I have questions or want additional copies of documents?

A: If you have any questions about the merger or this proxy statement or, if you would like additional copies of this proxy statement or the proxy card you should call Georgeson Shareholder Communications, Inc., our proxy solicitor, at (866) 357-4033.

Table of Contents

SUMMARY

*This summary, together with the preceding question and answer section, highlights important information discussed in greater detail elsewhere in this proxy statement. This summary includes parenthetical references to pages in other portions of this proxy statement containing a more detailed description of the topics presented in this summary. This summary may not contain all of the information you should consider before voting on the merger. To more fully understand the merger, you should read carefully this entire proxy statement and all of its annexes, including the merger agreement, which is attached as Annex A, before voting on whether to approve the merger agreement. All information in this proxy statement was prepared and supplied by StorageTek, except for the descriptions of the businesses of Sun and Stanford Acquisition Corporation contained in this summary below under the heading *The Parties to the Merger Agreement*, which descriptions were supplied by Sun.*

The Parties to the Merger Agreement (Page 12)

STORAGE TECHNOLOGY CORPORATION

*One StorageTek Drive
Louisville, Colorado 80028
(303) 673-5151*

Storage Technology Corporation, including its wholly owned subsidiaries (StorageTek , us , we , our), is primarily engaged in the data storage business. We provide products and services to a broad range of customers, including large multinational companies, midsize and small businesses, universities, and governmental agencies. We market our products and services to end-user customers through our direct sales organization and through our indirect channel partners, including original equipment manufacturers, value-added distributors, value-added resellers, and other distributors. We operate sales and service offices throughout the United States and Canada, as well as throughout various international regions, including Europe, Asia-Pacific, and Latin America. Our common stock is traded on The New York Stock Exchange under the symbol STK.

SUN MICROSYSTEMS, INC.

*4150 Network Circle
Santa Clara, CA 95054
(650) 960-1300*

Sun Microsystems, Inc. s (Sun) business is singularly focused on providing products and services for network computing. Network computing has been at the core of Sun s offerings for the 23 years of its existence and is based on the premise that the power of a single computer can be increased dramatically when interconnected with other computer systems for the purposes of communication and sharing of computing power. Together with its partners, Sun provides network computing infrastructure solutions that comprise Computer Systems (hardware and software), Network Storage systems (hardware and software), Support services, Client solutions (formerly known as Professional services) and Knowledge services. Sun s customers use Sun s products and services to build mission-critical network computing environments on which they operate essential elements of their businesses. Sun s network computing infrastructure solutions are used in a wide range of technical/scientific, business and engineering applications in industries such as telecommunications, government, financial services, manufacturing, education, retail, life sciences, media and entertainment, transportation, energy/utilities and healthcare.

Stanford Acquisition Corporation (Merger Sub) is a direct wholly owned subsidiary of Sun, formed solely for the purpose of facilitating the merger.

Matters Relating to the Meeting

Date, Time and Place. The special meeting will take place on August 30, 2005, at 10 a.m., local time, at the offices of Cadwalader, Wickersham & Taft LLP, One World Financial Center, 200 Liberty Street, 39th Floor, New York, New York 10281.

Table of Contents

Purpose. To vote on a proposal to adopt the merger agreement and approve the merger as described herein.

Record Date and Shares Entitled to Vote; Quorum. The record date for determining the holders of shares of our common stock entitled to notice of, and to vote at, the special meeting is July 26, 2005.

Outstanding Shares Held on Record Date. On the record date, 108,356,536 shares of our common stock were outstanding and entitled to vote on the proposal to approve the merger agreement.

Shares Beneficially Owned by our Directors and Officers as of the Record Date. As of the record date, our directors and officers beneficially owned 2,127,922 shares of StorageTek common stock.

Quorum Requirement. The presence, in person or by proxy, of shares representing at least a majority of all the votes entitled to be cast on the approval of the merger and the adoption and approval of the merger agreement is necessary to constitute a quorum for the transaction of business at the special meeting.

Vote Required. Approval of the merger, and adoption and approval of the merger agreement require the affirmative vote of a majority of the outstanding shares of StorageTek common stock.

Procedure for Voting. You may vote shares you hold of record as follows:
by voting in advance using the Internet, telephone or enclosed proxy card, or

by voting in person at the special meeting.

If you hold shares of our common stock in street name through a broker or other financial institution, you must follow the instructions provided by the broker or other financial institution regarding how to instruct it to vote those shares.

Voting of Proxies. Shares of our common stock represented by properly executed proxies received at or prior to the special meeting that have not been revoked will be voted at the special meeting in accordance with the instructions indicated on the proxies.

Revocability of Proxies. 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 Corporate Secretary, Storage Technology Corporation, 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 must contact your broker or financial institution for information on how to revoke your proxy or change your vote.

Failure to vote. If you do not send in your proxy, do not instruct your broker to vote your shares or if you abstain from voting, it will have the same effect as a vote against approval of the merger and adoption and approval of the merger agreement.

The Voting Agreements (Page 40)

All of our directors, each in their capacity as a stockholder of StorageTek common stock, entered into voting agreements with Sun agreeing to vote the StorageTek common stock they own FOR adoption and approval of the merger agreement and approval of the principal terms of the merger. The obligations of the directors under the voting agreements will terminate upon the valid termination of the merger agreement. The execution and delivery of the voting agreement was a material condition to Sun's willingness to enter into the merger agreement.

Reasons for the Merger, Recommendation of Our Board of Directors (Page 17)

Our board of directors has unanimously adopted the merger agreement, approved the transactions contemplated by the merger agreement and determined that it is fair to and in the best interests of

Table of Contents

StorageTek and our stockholders that we enter into the merger agreement and complete the merger on the terms and subject to the conditions set forth in the merger agreement. The factors considered by our board include, among others: increased competition and pricing pressures experienced by StorageTek in recent years, trends in the industry, StorageTek's sales force and distribution infrastructures, customer's tendency to reduce the number of information technology vendors and reduce information technology spending, the size and portfolio advantages of our major competitors, the strategic value of StorageTek to potential buyers, premium to the historic trading prices of StorageTek common stock represented by the merger consideration, Sun's capital resources to pay the merger consideration, the ability of our board to entertain a superior offer in certain circumstances, the reasonable certainty of consummation of the merger, Evercore's fairness opinion, the general terms and conditions of the merger agreement, the proposed transaction structure, the termination provisions of the agreement and our board's evaluation of the likely time period necessary to close the transaction. Our board also considered negative factors including, among others, the prohibition of our actively soliciting alternative proposals, the payment of a termination fee of \$133 million plus reimbursement of Sun's expenses if we terminate the merger agreement under certain circumstances, the taxability of the transaction to our stockholders, the potential conflicts of interest that certain of our directors and officers may have in connection with the merger, and risks and costs if the merger does not close. **OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR ADOPTION AND APPROVAL OF THE MERGER AGREEMENT.**

Opinion of Our Financial Advisor (Page 20)

In deciding to approve the merger and adopt and approve the merger agreement, our board considered the opinion of our financial advisor, Evercore Group Inc. (together with its affiliates, Evercore). On June 1, 2005 Evercore delivered its oral opinion to our board, which opinion was subsequently confirmed in writing on June 2, 2005, to the effect that, as of such date and based upon and subject to the factors and assumptions set forth in the opinion, the \$37 in cash per share in cash consideration to be received by the holders of StorageTek common stock pursuant to the merger agreement was fair, from a financial point of view as of the date of such opinion, to such holders. **The full text of Evercore's written opinion is attached to this proxy statement as Annex B and is incorporated by reference into this proxy statement. We encourage you to read this opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion.** Evercore's opinion is addressed to our board and is one of many factors considered by our board in deciding to approve the merger. Evercore's opinion does not constitute a recommendation to any holder of StorageTek common stock as to how such holder should vote or whether such stockholders should take any other action relating to the merger. Pursuant to a letter agreement, StorageTek agreed to pay Evercore a fee that was paid following delivery of the opinion and a fee contingent upon the consummation of the merger.

Material United States Federal Income Tax Consequences (Page 29)

The receipt of cash for shares pursuant to the merger will be a taxable transaction for United States federal income tax purposes. In general, a stockholder who receives cash in exchange for shares pursuant to the merger will recognize gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount of cash received and the stockholder's adjusted tax basis in the shares exchanged for cash pursuant to the merger. If the shares exchanged constitute capital assets in the hands of the stockholder, the gain or loss will be capital gain or loss and, generally speaking, will be long-term capital gain or loss if the shares have been held by the stockholder for more than one year. The deductibility of capital losses is subject to limitations.

BECAUSE THE TAX CONSEQUENCES OF THE MERGER ARE COMPLEX AND MAY VARY DEPENDING ON YOUR PARTICULAR CIRCUMSTANCES, WE RECOMMEND THAT YOU CONSULT YOUR TAX ADVISOR CONCERNING THE FEDERAL (AND ANY STATE, LOCAL OR FOREIGN) TAX CONSEQUENCES TO YOU OF THE MERGER.

Table of Contents

Antitrust Matters (Page 51)

The completion of the merger is subject to expiration or termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, referred to in this proxy statement as the HSR Act, and the rules and regulations promulgated thereunder, and under any applicable foreign antitrust law, including the laws of the European Union. The waiting period under the HSR Act has expired.

Interests of Certain Persons in the Merger (Page 30)

When considering the recommendation of our board of directors, you should be aware that some of our directors and officers have interests that are different from, or in addition to, yours. These interests include, among others, the payment of benefits to some of our officers if their employment is terminated, cash payments in exchange for cancellation of stock options held by our directors upon the completion of the merger, and indemnification of our directors and officers against certain liabilities both before and after the merger.

Appraisal Rights (Page 37)

StorageTek stockholders are entitled to appraisal rights in connection with the merger. Under the Delaware General Corporations Law (DGCL), record holders of StorageTek common stock who follow the procedures set forth in Section 262 of the DGCL will be entitled to have their shares appraised by the Court of Chancery of the State of Delaware and to receive payment of the fair value of such shares together with a fair rate of interest, if any, as determined by such court. The fair value as determined by the Delaware court is exclusive of any element of value arising from the accomplishment or expectation of the merger.

Shares of common stock owned by stockholders who have perfected their rights of appraisal in accordance with the DGCL shall not be converted into the right to receive the merger consideration, but shall instead be entitled to payment of the appraised value of their dissenting shares in accordance with the provisions of the DGCL.

Conditions to the Merger (Page 49)

The completion of the merger depends on the satisfaction or waiver of a number of conditions, including, but not limited to, the following:

the approval of the merger and adoption and approval of the merger agreement by our stockholders;

expiration or termination of the applicable waiting period under the HSR Act, which has expired and the obtaining of any material consents or approvals required to consummate the merger under foreign antitrust laws;

absence of any legal restraint preventing the merger;

accuracy of the parties' representations and warranties in the merger agreement, subject to materiality qualifiers; and

the performance by each party of its obligations under the merger agreement in all material respects.

The obligations of Sun and Merger Sub to complete the merger are also subject to there being no pending proceeding by any governmental entity challenging or seeking to restrain or prohibit the consummation of the merger, or seeking to require Sun, StorageTek or any subsidiary or affiliate to effect an action of divestiture that would be reasonably likely to materially impact Sun and its subsidiaries taken as a whole or StorageTek and its subsidiaries taken as a whole, and there being and having been no material adverse effect on us prior to the effective time.

Table of Contents

Termination of the Merger Agreement (Page 50)

The merger agreement may be terminated:

by mutual written consent of StorageTek and Sun;

by either party if the merger is not consummated by December 2, 2005, which date shall be extended to March 2, 2006 if the merger shall not have been consummated as a result of a failure to obtain required antitrust approvals;

by either party if a governmental entity has issued a permanent injunction or other order or decree preventing the merger that is in effect and has become final and nonappealable;

by either party if the approval of the merger and the adoption and approval of the merger agreement by our stockholders is not obtained at the special meeting or adjournment or postponement of the special meeting;

by Sun if (i) our board changes, withdraws or fails to reaffirm its recommendation of the merger, approves, recommends or enters into any competing acquisition proposal, or fails to reject a competing tender offer or exchange offer, or (ii) we materially breach our obligations not to solicit a competing transaction;

by either party if the other party breaches any of its representations or warranties in the merger agreement, which breach is incurable or is not cured within 20 days of written notice of the breach, unless such breach, if committed by Sun or Merger Sub, separately or as a whole does not materially impede their authority to consummate the merger, or, if committed by us, separately or as a whole will not result in a material adverse effect on us;

by either party if the other party fails to perform all agreements and covenants in all material respects that are required to be performed by it before the effective time; and

by StorageTek if our board of directors effects a change of recommendation of the merger in response to a superior offer and pays Sun a termination fee of \$133 million.

Expenses and Termination Fee (Page 51)

Costs and expenses related to the merger will generally be paid by the party incurring those costs or expenses. In addition, we have agreed to pay to Sun a termination fee of \$133 million if the merger agreement is terminated:

by us or Sun due to the failure of our stockholders to approve the merger and adopt and approve the merger agreement, but only if prior to such termination another acquisition proposal with respect to StorageTek emerges and within 12 months of termination of the merger agreement we complete another acquisition transaction or enter into a definitive agreement for an acquisition;

by Sun if we change, withdraw or fail to reaffirm our recommendation of the merger, approve, recommend or enter into any competing acquisition proposal, or fail to reject a competing tender offer or exchange offer; or

by us in order to enter into an agreement with respect to a superior offer.

Non-Solicitation (Page 48)

We have agreed that neither we nor any of our subsidiaries, officers or directors will (and we will use our reasonable efforts to cause our employees, agents and representatives not to) directly or indirectly, solicit, initiate, encourage, knowingly facilitate, induce, discuss or otherwise cooperate with any person other than Sun concerning any acquisition proposal by any person other than Sun. However, StorageTek is permitted to respond to an unsolicited acquisition proposal by furnishing certain information and participating in discussions and negotiations regarding such acquisition proposal, if our board of directors determines in good faith, after receiving the advice of outside counsel that such acquisition proposal is, or

Table of Contents

reasonably likely to result in an offer to acquire our company that is, more favorable from a financial point of view than the terms of the merger with Sun, and that such acquisition proposal is reasonably capable of being consummated.

Additional Information (Page 54)

If you have any questions about the merger or this proxy statement or, if you would like additional copies of this proxy statement or the proxy card you should call Georgeson Shareholder Communications, Inc., our proxy solicitor, at (866) 357-4033.

Table of Contents

RISK FACTORS

You should carefully consider the following factors and the other information in this proxy statement before voting on the proposal to adopt the merger agreement and approve the merger.

We cannot assure you that the merger will provide greater value to you than you would have if StorageTek continued as an independent public company.

Upon completion of the merger, our stockholders will have the right to receive \$37, without interest, for each outstanding share of our common stock held by such stockholder. The closing price per share of our common stock on the New York Stock Exchange on June 1, 2005, the last trading day before we entered into the merger agreement with Sun, was \$31.23. During the 12-month period ending on July 26, 2005, the most recent date prior to the mailing of this proxy statement, the closing price of our common stock varied from a low of \$23.14 to a high of \$36.75 and ended that period at \$36.75. We are unable to predict with certainty our future prospects or the market price of our common stock. Therefore, we cannot assure you that the merger will provide greater value to you than you would have received if StorageTek continued as an independent public company.

Failure to complete the merger could have a negative impact on the market price of our common stock and on our business.

If the merger is not completed, the price of our common stock may decline to the extent that the current market price reflects a market assumption that the merger will be completed. In addition, our business and operations may be harmed to the extent that customers, suppliers and others believe that we cannot compete effectively in the marketplace without the merger. We also will be required to pay significant costs incurred in connection with the merger, whether or not the merger is completed. Moreover, under specified circumstances we may be required to pay a termination fee of \$133 million to Sun in connection with a termination of the merger agreement.

The no solicitation restrictions and the termination fee provisions in the merger agreement may discourage other companies from trying to acquire StorageTek.

While the merger agreement is in effect, subject to specified exceptions, we are prohibited from entering into or soliciting, initiating or encouraging any inquiries or proposals that may lead to a proposal or offer for a merger or other business combination transaction with any person other than Sun. In addition, in the merger agreement, we agreed to pay a termination fee to Sun in specified circumstances. These provisions could discourage other parties from trying to acquire our company even though those other parties might be willing to offer greater value to our stockholders than Sun has offered in the merger agreement.

Our directors and officers have potential conflicts of interest that may have influenced their decision to support the merger.

You should be aware of potential conflicts of interest, and the benefits available to directors and officers of StorageTek, when considering the board's recommendation of the merger. The directors and officers of StorageTek have interests in the merger that are in addition to, or different from, their interests as StorageTek stockholders. The StorageTek board was aware of these conflicts of interest when it approved the merger. These interests relate to:

Receipt of certain benefits for certain officers if their employment is terminated;

Receipt by our directors of certain cash payments for the options that are subject to accelerated vesting upon the merger; and

Rights to directors' and officers' insurance coverage and to indemnification with respect to acts and omissions in their capacities as directors and officers of StorageTek.

See also "Interests of Certain Persons in the Merger" on page 30.

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on various underlying assumptions and expectations of management and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Although our management believes these assumptions are reasonable, we cannot assure you that they will prove correct. Accordingly, you should not rely upon forward-looking statements as a prediction of actual results. Further, we undertake no obligation to update forward-looking statements after the date they are made or to conform the statements to actual results or changes in our expectations.

The following important factors could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements, including, but not limited to, global economic and political conditions; conditions and trends in the industry; a decrease in demand for our tape products or by an inability to maintain key competitive advantages in tape; pricing pressure and other competitive pressures as a result of domestic and international competition; our ability to execute our information lifecycle management strategy; risks associated with new product development; risks associated with expanding our service offerings; uneven sales patterns and by our ability to forecast customer demand accurately; impact of product mix, channel mix, and resale of third-party products on our gross profit margin; our ability to grow our indirect channels successfully; risks associated with sole source suppliers; a failure to obtain quality parts and components in a timely manner or by a failure to effectively manage inventory levels; rapid technological change and evolving industry standards; risks associated with developing and protecting intellectual property; litigation and other legal proceedings; our ability to attract and retain our key employees; risks of conducting business outside the United States; the ability of our marketing force to affect the demands and trends in the markets in which we operate; other economic, business, competitive and/or regulatory factors affecting our business generally; our failure to obtain the requisite consent of our stockholders to approve the merger; other uncertainties relating to the merger; uncertainty from terrorist attacks and volatility in the financial markets; and events which may be subject to circumstances beyond our control.

The forward-looking statements should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and our subsequent Quarterly Reports on Form 10-Q. Our reports on Form 10-K and Form 10-Q are on file with the SEC, and copies are available without charge upon written request to our Manager of Corporate Communications at the address provided in [Where You Can Find More Information](#).

Table of Contents

THE PARTIES TO THE MERGER AGREEMENT

Storage Technology Corporation

We are a Delaware corporation and data storage has been our principal business for 35 years. Through our information lifecycle management strategy, we enable businesses to align the cost of storage with the value of information.

We provide products and services to a broad range of customers, including large multinational companies, midsize and small businesses, universities, medical institutions, and governmental agencies. Our customers encompass a broad range of industry sectors around the world, including financial services, retail sales, healthcare, broadcasting, telecommunications, transportation, and a variety of manufacturing industries.

We market our products and services to end-user customers through our direct sales organization and through our indirect channel partners, including original equipment manufacturers, value-added distributors, value-added resellers, and other distributors.

We maintain a presence in many major cities of the world. We operate sales and service offices throughout the United States and Canada, as well as throughout various other international regions, including Europe, Asia-Pacific, and Latin America. U.S. operations accounted for approximately 45% of our total revenue in 2004, and international operations accounted for approximately 55%.

Our principal executive office is located at One StorageTek Drive, Louisville, Colorado 80028 and our telephone number is (303) 673-5151.

Our common stock is traded on the New York Stock Exchange under the symbol **STK**.

Sun Microsystems, Inc.

Sun's business is singularly focused on providing products and services for network computing. Network computing has been at the core of Sun's offerings for the 23 years of its existence and is based on the premise that the power of a single computer can be increased dramatically when interconnected with other computer systems for the purposes of communication and sharing of computing power. Together with its partners, Sun provides network computing infrastructure solutions that comprise Computer Systems (hardware and software), Network Storage systems (hardware and software), Support services, Client solutions (formerly known as Professional services) and Knowledge services. Sun's customers use its products and services to build mission-critical network computing environments on which they operate essential elements of their businesses. Sun's network computing infrastructure solutions are used in a wide range of technical/scientific, business and engineering applications in industries such as telecommunications, government, financial services, manufacturing, education, retail, life sciences, media and entertainment, transportation, energy/utilities and healthcare. Sun was originally incorporated in California in February 1982 and was reincorporated in Delaware in July 1987.

The principal executive office of Sun is located at 4150 Network Circle, Santa Clara, CA 95054, and its telephone number is (650) 960-1300.

Sun's common stock is traded on The Nasdaq National Market under the symbol **SUNW**.

Merger Sub

Merger Sub is a Delaware corporation and a direct wholly owned subsidiary of Sun Microsystems, Inc. Merger Sub was formed solely for the purpose of facilitating the merger.

The mailing address of Merger Sub's principal executive office is c/o Sun Microsystems, Inc., 4150 Network Circle, Santa Clara, CA 95054 and its telephone number is (650) 960-1300.

Table of Contents

THE SPECIAL MEETING

We are furnishing this proxy statement to our stockholders as part of the solicitation of proxies by our board of directors for use at the special meeting of our stockholders.

Date, Time and Place

We are furnishing this proxy statement to holders of our common stock in connection with the solicitation of proxies by our board of directors for use at the special meeting to be held on August 30, 2005, 10 a.m., local time, at the offices of Cadwalader, Wickersham & Taft LLP, One World Financial Center, 200 Liberty Street, 39th Floor, New York, New York 10281, and at any adjournments or postponements of the special meeting. This proxy statement, the attached notice of special meeting and the accompanying proxy card are first being sent or given to our stockholders on or about July 27, 2005.

Matters to be Considered

At the special meeting, holders of record of our common stock as of the close of business on July 26, 2005, will consider and vote on a proposal to approve the merger and adopt and approve the Agreement and Plan of Merger dated as of June 2, 2005, among StorageTek, Sun and Merger Sub, referred to in this proxy statement as the merger agreement, pursuant to which, upon the merger becoming effective, each share of common stock, par value \$0.10 per share, of StorageTek will be converted into the right to receive \$37 in cash, without interest. No other business will be transacted at the special meeting other than possible postponements or adjournments of the special meeting.

Record Date and Shares Entitled to Vote; Procedures for Voting; Quorum

Our board of directors has fixed the close of business on July 26, 2005, as the record date for determining the holders of shares of our common stock who are entitled to notice of, and to vote at, the special meeting. A stockholders list will be available at the principal executive office of StorageTek for inspection by any stockholder entitled to vote at the special meeting beginning ten (10) business days before the date of the special meeting and continuing through the special meeting. As of the record date, 108,356,536 shares of our common stock were issued and outstanding. You are entitled to one vote for each share of our common stock that you hold as of the record date.

If you are a record holder of shares of our common stock on the record date, you may vote those shares of our common stock in person at the special meeting or by proxy as described below under Voting of Proxies. If you hold shares of our common stock in street name through a broker or other financial institution, you must follow the instructions provided by the broker or other financial institution regarding how to instruct it to vote those shares.

The presence, in person or by proxy, of shares representing at least a majority of all the votes entitled to be cast on the approval of the merger agreement, is necessary to constitute a quorum for the transaction of business at the special meeting.

Vote Required

The approval of the merger and the adoption and approval of the merger agreement require the affirmative vote of a majority of all the outstanding StorageTek common stock entitled to vote. If you do not send in your proxy, do not instruct your broker to vote your shares or if you abstain from voting, it will have the same effect as a vote against the approval of the merger agreement.

Voting of Proxies

Whether or not you plan to attend the special meeting in person, you are requested to vote in advance by using the Internet, telephone or the enclosed proxy card to ensure that your shares are voted. Shares of our common stock represented by properly executed proxies received at or prior to the special meeting that have not been revoked will be voted at the special meeting in accordance with the instructions indicated

Table of Contents

on the proxies as to the proposal to approve the merger and to adopt and approve the merger agreement and in accordance with the judgment of the persons named in the proxies on all other matters that may properly come before the special meeting. Shares of our common stock represented by properly executed proxies for which no instruction is given on the proxy card will be voted FOR approval of the merger and the adoption and approval of the merger agreement.

If the special meeting is postponed or adjourned, at any subsequent reconvening of the special meeting, all proxies will be voted in the same manner as these proxies would have been voted at the original convening of the special meeting (except for any proxies that previously have been revoked or withdrawn effectively), notwithstanding that they may have been effectively voted on the same or any other matter at a previous meeting.

Revocability of Proxies

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 Corporate Secretary, Storage Technology Corporation, 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 must contact your broker or financial institution for information on how to revoke your proxy or change your vote.

Proxy Solicitation

This proxy solicitation is being made on behalf of our board of directors. We will solicit proxies initially by mail. Further solicitation may be made by our directors, officers and employees personally, by telephone, facsimile, e-mail, Internet or otherwise, but they will not be specifically compensated for these services. Upon request, we will reimburse brokers, dealers, banks or similar entities acting as nominees for their reasonable expenses incurred in forwarding copies of the proxy materials to the beneficial owners of the shares of our common stock they hold of record. We have retained Georgeson Shareholder Communications, Inc. to assist us in the solicitation of proxies, and Georgeson Shareholder Communications, Inc. will receive fees of up to approximately \$25,000 in the aggregate, plus reimbursement of out-of-pocket expenses.

StorageTek Stock Certificates

PLEASE DO NOT SEND YOUR STORAGETEK COMMON STOCK CERTIFICATES TO US NOW. AS SOON AS REASONABLY PRACTICABLE AFTER THE EFFECTIVE TIME OF THE MERGER, THE EXCHANGE AGENT WILL MAIL A LETTER OR TRANSMITTAL TO YOU. YOU SHOULD SEND YOUR STORAGETEK COMMON STOCK CERTIFICATES ONLY IN COMPLIANCE WITH THE INSTRUCTIONS THAT WILL BE PROVIDED IN THE LETTER OF TRANSMITTAL.

Voting Agreements

All of our directors, each in their capacity as a stockholder of StorageTek common stock, entered into voting agreements with Sun agreeing to vote the StorageTek common stock they own FOR adoption and approval of the merger agreement and approval of the principal terms of the merger. The obligations of the directors under the voting agreements will terminate upon the valid termination of the merger agreement. The execution and delivery of the voting agreement was a material condition to Sun's willingness to enter into the merger agreement.

Table of Contents

THE MERGER

Background of the Merger

Our board of directors and senior management have periodically reviewed and assessed our business strategy, the various trends and conditions impacting our business generally, and a variety of strategic alternatives as part of StorageTek's long term strategy to maximize stockholder value.

Sun Microsystems, Inc. has for several years been a significant customer of StorageTek's tape products and has also developed its own portfolio of data storage products and services.

On February 3, 2005, Patrick Martin, our chairman, president and chief executive officer, met with Brian Sutphin, an executive vice president of Sun, at our principal executive offices in Louisville, Colorado, to discuss strategic alternatives with respect to StorageTek's business relationship with Sun. During the meeting, Mr. Sutphin told Mr. Martin that Sun had been studying the possibility of a business combination with StorageTek for some time and that Sun's senior management believed such a transaction would benefit both companies. Mr. Martin said he would discuss the possibility with the StorageTek board of directors.

On February 15, 2005, Sun's senior management briefed Sun's board of directors regarding a possible acquisition of StorageTek. On the same day, Mr. Sutphin informed Mr. Martin that Sun was interested in continuing discussions regarding a potential merger.

On March 3, 2005, Mr. Martin met with Jonathan Schwartz, Sun's president and chief operating officer, and Mr. Sutphin to discuss Sun's interest in exploring a transaction with StorageTek. Shortly after this meeting senior officers of StorageTek briefed Evercore, an investment banking firm with a prior relationship with StorageTek, on the discussions with Sun.

On March 5, 2005, the mergers and acquisitions committee of our board of directors met via conference call and Mr. Martin reported on his meeting with Messrs. Schwartz and Sutphin. At this meeting, the mergers and acquisition committee authorized our management to explore a possible transaction with Sun.

On March 11, 2005, during a telephonic meeting of the StorageTek board, Mr. Martin briefed our board on his March 3 meeting with Messrs. Schwartz and Sutphin. At this meeting, our board authorized management to explore a possible transaction with Sun.

On March 18, 2005, Mr. Martin had a telephone conversation with Scott McNealy, Sun's chairman and chief executive officer. During this call Mr. Martin and Mr. McNealy discussed the anticipated timing of a potential transaction in light of StorageTek's various pending strategic alternatives and management transitions that would have to be put on hold to evaluate and negotiate a transaction.

On March 22 and March 23, 2005, initial due diligence meetings took place between Sun's management and our senior management in Phoenix. Goldman Sachs & Co. (Goldman Sachs) also attended the meetings as Sun's financial advisor.

On March 25, 2005, Mr. Martin had a telephone conversation with Messrs. McNealy and Sutphin. Mr. Sutphin reiterated Sun's strong level of interest in the transaction. Mr. McNealy told Mr. Martin that Sun would follow up early the following week with a more detailed plan for moving forward with a transaction.

On March 29, 2005, Mr. Martin had a telephone call with Messrs. McNealy and Sutphin, during which Mr. Sutphin indicated that Sun would be ready to discuss price terms of the merger in one to two weeks.

On March 30, 2005, our board met via conference call and Mr. Martin updated the board on the March 22 and 23, 2005, due diligence meetings in Phoenix and the status of the discussions with Sun.

During the period from April 1 to April 25, 2005, various telephone calls took place between Sun and us, and between Goldman Sachs and Evercore, regarding Sun's due diligence information requests.

Table of Contents

At a meeting of our board on April 26, 2005, Mr. Martin briefed the board on the status of discussions with Sun.

On April 29, 2005, Messrs. Schwartz and Sutphin called Mr. Martin and expressed Sun's continued interest in a transaction with StorageTek. Mr. Schwartz suggested that a meeting be scheduled between the companies' respective financial advisors followed by a meeting between principals to discuss price and terms.

On May 1, 2005, representatives of Evercore and Goldman Sachs met via teleconference and discussed the factors that StorageTek would take into account when evaluating any offer from Sun, including the price per share, the form of consideration and the timing of negotiations and due diligence.

On May 3, 2005, Mr. Martin and Mr. Schwartz met in person in California. During this meeting, Mr. Schwartz indicated that Sun was prepared to offer a price per share in cash that was less than the merger consideration of \$37.00 per share that was later agreed. Mr. Martin indicated that he would convey the offer to our board, but that he believed the board would expect a higher offer. Mr. Martin asked Sun to improve its offer.

On May 4, 2005, representatives of Evercore and Goldman Sachs discussed the purchase price proposed by Sun. Evercore stated that StorageTek expected a higher offer based on the valuation considerations Evercore had previously discussed with Goldman Sachs.

On May 4, 2005, our board met by conference call to review and discuss the valuation discussions held with Sun and its representatives. During the meeting, our board concluded that Evercore should communicate to Goldman Sachs that further discussions between the parties were warranted to see if a mutually acceptable valuation could be reached.

Between May 1 and May 10, 2005, representatives of Evercore had several telephone conversations with representatives of Goldman Sachs regarding the terms of a possible transaction and valuation analysis of StorageTek.

On May 12, 2005, our board met via conference call and received an update from Mr. Martin on the status of discussions with Sun. During the meeting our board instructed management to determine whether negotiations with Sun could be concluded in the near term and report back to the board.

On May 12, 2005, Mr. Martin called Mr. McNealy. During that call, Mr. Martin said that our board was of the view that agreement needed to be reached on the purchase price before StorageTek could proceed with any further negotiations.

On May 13, 2005, representatives of Goldman Sachs contacted Evercore and said that Sun increased its all cash offer.

Later that day, our board met by conference call. During the meeting Mr. Martin and representatives of Evercore updated the board on the status of the discussions with Sun and the receipt of Sun's increased offer. The directors discussed the proposed transaction with management, representatives of Evercore and legal counsel. The board then agreed to meet the following day to discuss the proposed transaction in greater detail.

On the morning of May 14, 2005, our board of directors met via telephonic meeting to further discuss the possible transaction. Evercore presented a valuation analysis of StorageTek. The directors then discussed Sun's increased offer in consultation with Evercore and the impact of the potential transaction on StorageTek, its employees and stockholders. In addition, the directors considered their fiduciary obligations in evaluating and responding to Sun's offer in consultation with our outside legal counsel, Cadwalader, Wickersham & Taft LLP (Cadwalader). The board agreed to meet to review and receive an update of management's current strategic plan for 2005 through 2007. At the conclusion of the meeting, the board authorized management to continue discussions regarding the transaction and the proposed purchase price with Sun.

On May 15, 2005, Sun increased its proposed purchase price to \$37.00 per share of cash consideration.

Table of Contents

On May 16, 2005, representatives of StorageTek, Evercore, Cadwalader, Sun, Goldman Sachs and Sun's legal counsel, Wilson Sonsini Goodrich and Rosati Professional Corporation (WSGR), participated in a conference call to discuss potential terms of a merger agreement.

On May 17, 2005, our board of directors met in Denver, Colorado, and management reviewed for the board its strategic plan for 2005 through 2007. The board then discussed the proposal by Sun. Following extensive discussions, the board authorized management to engage in further negotiations with Sun with a view toward increasing the price offered by Sun and to permit Sun to conduct additional due diligence.

During the period from May 23, 2005 through June 1, 2005, members of Sun's management team and its legal and financial advisors conducted a due diligence review of StorageTek. During this period, WSGR and Cadwalader, exchanged drafts of a proposed merger agreement and engaged in numerous telephonic conferences along with representatives and advisors from StorageTek and Sun to negotiate the merger agreement.

On June 1, 2005, the StorageTek board met in Denver, Colorado. Mr. Martin updated the board on the status of the negotiations with Sun. Representatives of Evercore then gave a presentation to the board regarding the valuation analysis performed by Evercore of StorageTek. Evercore reviewed the different valuation methodologies used and the valuation ranges implied by each of these methodologies as well as the assumptions made. Evercore then delivered its oral opinion to our board, which opinion was subsequently confirmed in writing on June 2, 2005, to the effect that, as of such date and based upon and subject to the factors and assumptions set forth in its opinion, the \$37 per share of cash consideration for StorageTek common stock to be received by the holders of StorageTek common stock pursuant to the merger agreement was fair, from a financial point of view as of the date of such opinion, to such holders. Representatives from Cadwalader then gave a presentation regarding the applicable legal considerations, the structure of the proposed transaction and the material terms of the proposed agreement with Sun, including summarizing for the board the material open contractual issues. After due deliberations and consideration of various issues related to the merger, the board of directors deemed it advisable and in the best interest of StorageTek and our stockholders to enter into the merger, and resolved to unanimously approve the merger and adopt and approve the merger agreement, which approval was conditioned upon management and counsel finalizing the merger agreement on terms consistent with the guidelines provided by the board at the meeting.

Following the board meeting on June 1, 2005, StorageTek resumed negotiations with Sun. During the early morning hours of June 2, 2005, the parties reached agreement on the remaining open issues related to the merger agreement, executed the merger agreement and issued a joint press release announcing the proposed merger.

Reasons for the Merger; Recommendation of our Board of Directors

Our board has unanimously (i) determined that the merger is advisable and fair to, and in the best interest of, StorageTek and our stockholders, (ii) approved the merger agreement and the transactions contemplated thereby, including the merger, and (iii) recommended that our stockholders approve the merger and approve and adopt the merger agreement.

In reaching its determination, our board consulted with our management, as well as its legal and financial advisors, and considered the following material factors.

Factors Relating to the Transaction Generally:

StorageTek has experienced increased competition in recent years as a result of several factors including industry consolidation, trends toward disk-to-disk data back-up, data center consolidation and outsourcing, and competition in tape and open systems virtual tape storage.

StorageTek's sales force and distribution infrastructure is smaller than the sales forces and distribution infrastructures of most of our competitors. This results in StorageTek having a disproportionately lower share of influence in the storage market and specifically on the ability to

Table of Contents

influence customers' perceptions regarding the comparative benefits of tape products versus disk products.

As a result of industry consolidation and increased competition, StorageTek has experienced increased pricing pressures and other competitive pressures in recent years which require that StorageTek offer better products and have a stronger product pipeline than our competitors and introduce new products to the market faster than our competitors.

In recent years customers have tended to reduce the number of information technology vendors and reduce information technology spending and utility and outsourcing contracts are gaining greater importance in the industry.

Our major competitors have increasingly used their size and portfolio breadth as leverage for competitive advantage in the market today.

The environment for acquisitions in the data storage industry is very competitive such that StorageTek currently represents a valuable strategic opportunity for potential buyers such as Sun, given our distinctive, diversified portfolio of products and services, our long standing experience in the data center market, and our broad and diversified customer base. Accordingly, our board concluded that this was a favorable time to undertake a sale of the company.

Factors Relating to the Specific Terms of our Merger Agreement with Sun:

The merger consideration of \$37 per share to be received by our stockholders represents a substantial premium to the historic trading prices of StorageTek common stock. The merger consideration represents a 14.6% premium over the closing price of StorageTek common stock on May 31, 2005 (the trading day immediately preceding the day prior to the date of execution of the merger agreement), a 17.3% premium over the closing price of StorageTek common stock on May 24, and a 30.7% premium over the closing price of StorageTek common stock on May 3.

The merger consideration consists solely of cash, which provides certainty of value to our stockholders.

Sun has, and has represented in the merger agreement that it has, adequate capital resources to pay the merger consideration.

The merger agreement, subject to the limitations and requirements contained in the agreement, allows our board to furnish information to and conduct negotiations with a third party in certain circumstances and, upon the payment to Sun of a termination fee of \$133 million, to terminate the merger agreement to accept a superior offer.

The merger agreement provides reasonable certainty of consummation, because it includes limited conditions to Sun's obligation to complete the merger, including:

Sun is generally obligated to close the merger notwithstanding any breaches of StorageTek's representations and warranties, unless those breaches would have a material adverse effect on StorageTek; and

Although Sun has the right not to complete the merger if changes, among other things, occur that have a material adverse effect on StorageTek as a whole, the effects of changes in general financial market and industry conditions to the extent such changes do not disproportionately affect StorageTek, are excluded in determining whether any material adverse effect has occurred.

The merger must be approved and the merger agreement must be adopted and approved by a vote of a majority of our outstanding shares of common stock.

Our board considered the presentation of Evercore on June 1, 2005 and its oral opinion, which opinion was subsequently confirmed in writing on June 2, 2005, to the effect that as of such date and based upon and subject to the factors and assumptions set forth in its opinion, the \$37 in cash

Table of Contents

per share of StorageTek common stock to be received by the holders of StorageTek common stock pursuant to the merger agreement was fair, from a financial point of view as of the date of such opinion, to such holders. The full text of Evercore's written opinion is attached to this proxy statement as Annex B and is incorporated by reference into this proxy statement. We urge you to read this opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion.

Our board considered the general terms and conditions of the merger agreement, including the parties' representations, warranties and covenants, the conditions to their respective obligations as well as the likelihood of the consummation of the merger, the proposed transaction structure, the termination provisions of the agreement and our board's evaluation of the likely time period necessary to close the transaction.

Potential Negative Factors Relating to the Transaction:

In the course of its deliberations, our board also considered a variety of risks and other potentially negative factors, including the following:

The merger agreement precludes us from actively soliciting alternative proposals.

We are obligated to pay to Sun a termination fee of \$133 million plus reimbursement of Sun's expenses if we terminate the merger agreement under certain circumstances. It is possible that these provisions could discourage a competing proposal to acquire us or reduce the price in an alternative transaction.

The merger consideration consists solely of cash and will be taxable to our stockholders for U.S. federal income tax purposes. In addition, because our stockholders are receiving cash for their stock, they will not participate after the closing in any future growth or the benefits of synergies resulting from the merger.

Certain of our directors and officers may have conflicts of interest in connection with the merger, as they may receive certain benefits that are different from, and in addition to, those of our other stockholders. See *Interests of Certain Persons in the Merger*.

We may incur significant risks and costs if the merger does not close, including the diversion of management and employee attention during the period after the signing of the merger agreement, potential employee attrition and the potential effect on our business and customer relations. In that regard, under the merger agreement, we must conduct our business in the ordinary course and we are subject to a variety of other restrictions on the conduct of our business prior to completion of the merger or termination of the merger agreement, which may delay or prevent us from undertaking business opportunities that may arise.

The above discussion is not intended to be exhaustive, but we believe it addresses the material information and factors considered by our board of directors in its consideration of the merger, including factors that support the merger as well as those that may weigh against it. In view of the number and variety of factors and the amount of information considered, our board of directors did not find it practicable to make specific assessments of, quantify or otherwise assign relative weights to the specific factors considered in reaching its determination. In addition, our board of directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, and individual members of our board of directors may have given different weights to different factors.

OUR BOARD OF DIRECTORS HAS UNANIMOUSLY ADOPTED AND APPROVED THE MERGER AGREEMENT AND UNANIMOUSLY RECOMMENDS THAT OUR STOCKHOLDERS VOTE FOR APPROVAL OF THE MERGER AND ADOPTION AND APPROVAL OF THE MERGER AGREEMENT.

Table of Contents

Opinion of our Financial Advisor

On June 1, 2005, Evercore delivered its oral opinion to our board, which opinion was subsequently confirmed in writing on June 2, 2005, to the effect that, as of such date and based upon and subject to the factors and assumptions set forth in its opinion, the \$37 per share in cash consideration to be received by the holders of StorageTek common stock pursuant to the merger agreement was fair, from a financial point of view as of the date of such opinion, to such holders.

The full text of the written opinion of Evercore, dated June 2, 2005, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is contained in Annex B to this proxy statement and is incorporated by reference into this proxy statement. We encourage you to read the opinion in its entirety. Evercore's opinion is directed to our board, addresses only the fairness from a financial point of view of the \$37 per share in cash consideration to be received by the holders of StorageTek common stock pursuant to the merger agreement and does not address any other aspect of the merger or constitute a recommendation to any StorageTek stockholder as to how to vote at the special meeting or respond to the merger. The following is a summary of Evercore's opinion and the methodology that Evercore used to render its opinion. This summary is qualified in its entirety by reference to the full text of the opinion.

In connection with rendering its opinion, Evercore has, among other things:

analyzed certain publicly available business and financial statements, including certain financial projections, and other information relating to StorageTek;

analyzed certain internal financial statements and other financial and operating data concerning StorageTek prepared by and furnished to Evercore by the management of StorageTek;

analyzed certain financial projections concerning StorageTek prepared by and furnished to Evercore by the management of StorageTek;

discussed the past and current operations and financial condition and the prospects of StorageTek with the management of StorageTek;

reviewed the reported prices and trading activity of StorageTek common stock;

compared the financial performance of StorageTek and the prices and trading activity of StorageTek common stock with that of certain publicly-traded companies and their securities that Evercore deemed relevant;

reviewed the financial terms, to the extent publicly available, of certain business combinations and other transactions that Evercore deemed relevant;

analyzed the effects of StorageTek's current cash position on various valuation metrics and implied offer premiums;

compared previous management plans to the actual results ultimately achieved by StorageTek;

participated in discussions and negotiations among representatives of StorageTek, Sun, and their advisers;

reviewed certain information concerning combination cost savings and related expenses required to achieve the cost savings (referred to in this description as synergies) expected to result from the merger that was prepared by and furnished to Evercore by the management of StorageTek;

reviewed the merger agreement; and

performed such other analyses and examinations and considered such other factors as Evercore in its sole judgment deemed appropriate.

For purposes of its analysis and opinion, Evercore did not assume any responsibility for independently verifying the accuracy and completeness of the financial and other information reviewed by Evercore for

Table of Contents

purposes of its opinion. With respect to the financial projections of StorageTek and the underlying analysis concerning the potential synergies which were furnished to Evercore, Evercore assumed, with our consent, that such financial projections and estimates of synergies were reasonably prepared by StorageTek, on bases reflecting the best available estimates and good faith judgments of the future competitive, operating and regulatory environments and related future financial performance of StorageTek. Evercore did not make nor assume any responsibility for making any independent valuation or appraisal of the assets or liabilities of StorageTek, nor was Evercore furnished with any such appraisals. In addition, Evercore assumed, with the consent of StorageTek, that the merger will be consummated in accordance with the terms set forth in the merger agreement with no material waiver, delay or amendment of any material term, condition or agreement contained in the merger agreement.

Evercore's opinion was necessarily based on economic, market and other conditions as in effect on, and the information and merger agreement and related exhibits and schedules thereto made available to Evercore as of the date of its opinion. Developments subsequent to that date may affect Evercore's opinion and Evercore does not have any obligation to update, revise or reaffirm its opinion. In connection with the merger, Evercore was not authorized by our board to solicit, nor did Evercore solicit, third party indications of interest for the acquisition of all or any part of StorageTek. Additionally, Evercore was not asked to pass upon, and did not express any opinion with respect to, any matter other than the fairness from a financial point of view of the \$37 per share of cash consideration to be received by the holders of StorageTek common stock pursuant to the merger agreement. Evercore is not a legal, regulatory, accounting or tax expert and has assumed the accuracy and completeness of assessments by StorageTek's other advisors with respect to such issues. Evercore's opinion does not address the relative merits of the merger as compared to other business strategies that might be available to StorageTek nor does it address the underlying business decision of StorageTek to proceed with the merger.

Set forth below is a summary of the material financial analyses presented by Evercore to our board in connection with rendering its opinion. The following summary, however, does not purport to be a complete description of the analyses performed by Evercore. The order of the analyses described and the results of these analyses do not represent relative importance or weight given to these analyses by Evercore. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before June 2, 2005, and is not necessarily indicative of current market conditions.

The following summary of financial analyses includes information presented in tabular format. You should read these tables together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

Analysis of Historical Trading Prices and Implied Transaction Premiums. Evercore reviewed the historical closing prices of the StorageTek common stock over the three-year period including and prior to May 31, 2005, and calculated the average daily closing prices of the StorageTek common stock over the one month, two months, three months, six months, one year and three years including and prior to May 31, 2005. Evercore then calculated and compared the premium that the merger consideration of

Table of Contents

\$37.00 per share represented relative to the average daily closing prices of the StorageTek common stock for the selected periods. The results of these calculations are summarized below:

	Historical Share Price	Premium of Merger Consideration of \$37.00 per Share to Historical Share Price
Current (5/31/05)	\$ 32.28	14.6%
One Week Prior (5/24/05)	31.54	17.3%
Four Weeks Prior (5/3/05)	28.31	30.7%
One Month Average(a)	30.25	22.3%
Two Month Average(b)	29.43	25.7%
Three Month Average(c)	30.39	21.8%
Six Month Average(d)	30.93	19.6%
One Year Average(e)	28.54	29.6%
Three Year Average(f)	24.67	50.0%
Three Year High(g)	33.92	9.1%
Three Year Low(h)	10.13	265.3%

- (a) One Month Average includes trading days from May 2, 2005 through May 31, 2005.
- (b) Two Month Average includes trading days from April 1, 2005 through May 31, 2005.
- (c) Three Month Average includes trading days from March 1, 2005 through May 31, 2005.
- (d) Six Month Average includes trading days from December 1, 2004 through May 31, 2005.
- (e) One Year Average includes trading days from June 1, 2004 through May 31, 2005.
- (f) Three Year Average includes trading days from May 31, 2002 through May 31, 2005.
- (g) Three Year High on March 7, 2005.
- (h) Three Year Low on October 9, 2002.

Analysis of Past Premiums Paid. Evercore identified and analyzed 112 acquisition transactions across all industries with transaction values from \$1.0 billion to \$10.0 billion that were announced in the three year period prior to May 31, 2005, of which 50 represented all cash acquisition transactions. Using the information from Thomson Financial Securities Data, a data source that monitors and publishes information on merger and acquisition transactions, Evercore calculated the premiums paid in those transactions based on the value of the per share consideration received in the transaction relative to the closing stock price of the target company one day, one week and four weeks prior to the respective dates of announcement of the transactions. Evercore then compared the results of the analysis to the premiums

Table of Contents

implied by the merger consideration of \$37.00 per share relative to StorageTek common stock trading levels at and prior to May 31, 2005. The results of this analysis are summarized below:

	Premium of Merger Consideration of \$37.00 per Share to Historical Share Price	Premiums in All Cash Transactions between \$1.0B and \$10.0B				Premiums in All Transactions between \$1.0B and \$10.0B			
		Avg.	Median	High	Low	Avg.	Median	High	Low
Premium Paid, 1 Day Prior	14.6%(a)(d)	26.6%	23.2%	129.5%	(39.2%)	23.4%	21.3%	129.5%	(39.2%)
Premium Paid, 1 Week Prior	17.3%(b)(d)	29.1%	24.8%	167.4%	(30.8%)	25.8%	23.0%	167.4%	(30.8%)
Premium Paid, 4 Weeks Prior	30.7%(c)(d)	32.6%	26.6%	156.5%	(30.7%)	27.0%	24.9%	156.5%	(30.7%)

(a) Relative to StorageTek's share price on May 31, 2005.

(b) Relative to StorageTek's share price on May 24, 2005.

(c) Relative to StorageTek's share price on May 3, 2005.

(d) Evercore also noted, in light of the fact that StorageTek had approximately \$1.15 billion in cash and cash equivalents on its balance sheet as of March 31, 2005, that these three percentages would be 21.7%, 26.0% and 48.9% respectively, if the premium was calculated net of StorageTek's cash and cash equivalents.

Evercore also identified and analyzed thirteen acquisition transactions involving publicly traded storage and enterprise hardware companies announced since January 1, 1997, of which six represented all cash acquisition transactions. Although none of the selected targets is, in Evercore's opinion, directly comparable to StorageTek, the transactions included were chosen because they involved publicly traded target companies with operations that for purposes of this analysis may be considered similar in certain respects to certain operations of StorageTek.

Target**Acquirer**

Compaq	Hewlett-Packard
Quantum HDD	Maxtor
Seagate Technology	Silver Lake/ Texas Pacific
Data General	EMC
Mylex	IBM
Sequent Computer	IBM
Stratus Computer	Ascend Communications

ATL Products	Quantum
Digital Equipment Corp.	Compaq
Amdahl	Fujitsu
Tandem	Compaq
Advanced Logic Research	Gateway 2000
AST Research	Samsung

Using the most recent publicly available information, Evercore calculated the premiums paid in those transactions based on the value of the per share consideration received in the transaction relative to the closing stock price of the target company one day, one week and four weeks prior to the respective dates of announcement of the transactions. Evercore then compared the results of the analysis to the premiums

Table of Contents

implied by the merger consideration of \$37.00 per share relative to StorageTek common stock trading levels at and prior to May 31, 2005. The results of this analysis are summarized below:

	Premium of Merger Consideration of \$37.00 per Share to Historical Share Price	Premiums in All Cash Storage & Enterprise Hardware Transactions				Premiums in All Storage & Enterprise Hardware Transactions			
		Avg.	Median	High	Low	Avg.	Median	High	Low
Premium Paid, 1 Day Prior	14.6%(a)(d)	9.3%	8.6%	17.1%	1.6%	21.6%	16.7%	55.5%	1.6%
Premium Paid, 1 Week Prior	17.3%(b)(d)	14.7%	12.9%	30.5%	2.0%	28.5%	23.1%	60.7%	2.0%
Premium Paid, 4 Weeks Prior	30.7%(c)(d)	44.3%	38.5%	106.5%	8.8%	41.5%	42.2%	106.5%	(2.0%)

(a) Relative to StorageTek's share price on May 31, 2005.

(b) Relative to StorageTek's share price on May 24, 2005.

(c) Relative to StorageTek's share price on May 3, 2005.

(d) Evercore also noted, in light of the fact that StorageTek had approximately \$1.15 billion in cash and cash equivalents on its balance sheet as of March 31, 2005, that these three percentages would be 21.7%, 26.0% and 48.9% respectively, if the premium was calculated net of StorageTek's cash and cash equivalents.

Analysis of Selected Companies' Trading Levels. Evercore calculated and compared valuation multiples for the latest twelve months, or LTM, historical results and 2005 and 2006 calendarized estimates for StorageTek, Sun and for selected companies in the storage hardware and enterprise hardware industries using closing stock prices as of May 31, 2005. Valuation multiples that were evaluated include: enterprise value (which represents total market equity value plus book value of total debt less cash) as a multiple of revenue; enterprise value as a multiple of earnings before interest and taxes, or EBIT; share price as a multiple of earnings per share (commonly referred to as price earnings ratio); and calendar year 2005 price earnings ratio as a multiple of estimated long-term earnings growth (commonly referred to as PEG ratio). Evercore then calculated these valuation multiples for StorageTek (i) based on the closing price of the StorageTek common stock as of May 31, 2005 and (ii) based on the merger consideration of \$37.00 per share and the equity transaction value and enterprise transaction value implied by the merger. Evercore then compared these StorageTek multiples to the mean and median multiples derived for the selected companies. All of these calculations were based on publicly available financial data including I/B/E/S International, Inc. estimates. I/B/E/S is a data source that monitors and publishes a compilation of earnings per share estimates and other financial data produced by selected research analysts on companies of interest to investors. Although none of the selected companies is, in Evercore's opinion, directly comparable to StorageTek, the companies included were chosen because they are publicly traded companies with operations that for purposes of this analysis may be considered similar in certain respects

Table of Contents

to certain operations of StorageTek. The range of implied multiples that Evercore calculated are summarized below:

Storage and Enterprise Hardware Public Market Multiples

	StorageTek @		Storage Hardware(a)			Enterprise Hardware(b)	
	Closing Price 5/31/05	Merger Consideration of \$37.00 per Share	Sun	Mean	Median	Mean	Median
Enterprise Value/ LTM Revenue	1.1x	1.3x	0.6x	2.2x	0.5x	1.3x	1.4x
Enterprise Value/ CY 2005E Revenue	1.1	1.3	0.6	1.8	0.4	1.2	1.4
Enterprise Value/ CY 2006E Revenue	1.0	1.2	0.6	1.5	0.4	1.1	1.3
Enterprise Value/ LTM EBIT	11.0	13.2	NM	23.7	22.0	15.4	13.5
Enterprise Value/ CY 2005E EBIT	10.9	13.2	64.4	17.6	15.6	13.6	11.6
Enterprise Value/ CY 2006E EBIT	10.4	12.6	17.9	13.9	12.6	12.2	11.0
Price/ LTM Earnings	18.4	21.0	NM	34.9	33.6	21.5	17.2
Price/ CY 2005E Earnings	17.9	20.5	138.5	27.3	24.3	18.6	15.6
Price/ CY 2006E Earnings	16.7	19.1	59.5	24.9	22.5	16.2	14.0
2005E PEG	2.3	2.6	7.6	1.5	1.5	1.4	1.4

(a) Storage Hardware companies include: EMC, Network Appliance, Quantum, ADIC, and Overland Storage.

(b) Enterprise Hardware companies include: IBM, Dell, and Hewlett-Packard.

Analysis of Selected Transactions. Evercore performed analysis of selected transactions to compare multiples paid in other transactions to the multiples implied in this transaction. Evercore identified and

Table of Contents

analyzed a group of 14 acquisition transactions in the storage and enterprise hardware industry that were announced between 1997 and 2005:

Target	Acquirer
Certance	Quantum
Compaq	Hewlett-Packard
Quantum HDD	Maxtor
Seagate Technology	Silver Lake/ Texas Pacific
Data General	EMC
Mylex	IBM
Sequent Computer	IBM
Stratus Computer	Ascend Communications
ATL Products	Quantum
Digital Equipment Corp.	Compaq
Amdahl	Fujitsu
Tandem	Compaq
Advanced Logic Research	Gateway 2000
AST Research	Samsung

Evercore calculated various multiples implied by these transactions including: enterprise value as a multiple of LTM, revenue; enterprise value as a multiple of LTM earnings before interest and taxes, or EBIT; and equity value as a multiple of LTM net income. Evercore then calculated the multiples for StorageTek based on the merger consideration of \$37.00 per share and the equity transaction value and enterprise transaction value implied by the merger. Evercore then compared these StorageTek multiples to the multiples derived for the selected acquisition transactions in the storage and enterprise hardware industry. Although none of the selected targets is, in Evercore's opinion, directly comparable to StorageTek, the transactions included were chosen because they involve companies with operations that for purposes of this analysis may be considered similar in certain respects to certain operations of StorageTek. The range of implied multiples that Evercore calculated are summarized below:

	StorageTek @ Merger Consideration of \$37.00 per Share	Storage & Enterprise Hardware Transaction Multiples	
		Mean	Median
Enterprise Value/ LTM Revenue	1.3x	0.9x	0.7x
Enterprise Value/ LTM EBIT	13.2	20.9	12.4
Equity Value/ LTM Net Income	21.0		