

VERITAS SOFTWARE CORP /DE/

Form DEF 14A

April 04, 2003

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

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

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. __)**

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

Preliminary proxy statement. Confidential, for use of the Commission only
(as permitted by Rule 14a-6(e)(2)).
 Definitive proxy statement.

Definitive additional materials.

Soliciting material pursuant to §240.14a-12.

VERITAS Software Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of filing fee (check the appropriate box):

No fee required.

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

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

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

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Dear VERITAS Software Stockholder:

We cordially invite you to attend the 2003 annual meeting of stockholders of VERITAS Software Corporation. The meeting will be held at our executive offices located at 350 Ellis Street, Mountain View, California 94043 on Tuesday, May 13, 2003, beginning at 8:30 a.m. Pacific Time. We are holding the meeting to:

1. Elect two Class B directors to our board of directors, each to serve for a term of three years;
 2. Vote on approval of the VERITAS Software Corporation 2003 Stock Incentive Plan, which is intended to replace the 1993 Equity Incentive Plan expiring in October 2003;
 3. Vote on approval of a stockholder proposal to expense future stock option grants to senior company executives;
 4. Ratify our board of directors selection of KPMG LLP as our independent accountants for our current fiscal year; and
 5. Transact any other business as may properly come before the meeting or any adjournment or postponement of the meeting.
- All of these actions are more fully described in the proxy statement accompanying this notice.

Only stockholders who owned our stock at the close of business on March 17, 2003 may vote at the meeting or at any adjournment or postponement of the meeting. **Whether or not you plan to attend the meeting, please submit a proxy by telephone, Internet or mail so that your shares may be represented at the meeting.** You may vote in person at the meeting, even if you have already submitted a proxy. A list of stockholders eligible to vote at the meeting will be available for review during our regular business hours at our headquarters in Mountain View for at least ten days prior to the meeting for any purpose related to the meeting.

We look forward to seeing you at the meeting.

Sincerely,

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

Mountain View, California
April 4, 2003

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VERITAS Software Corporation

PROXY STATEMENT

Information about solicitation and voting

Our board of directors is soliciting your proxy for our 2003 annual meeting of stockholders. The meeting will be held at our principal executive offices located at 350 Ellis Street, Mountain View, California 94043 on Tuesday, May 13, 2003, beginning at 8:30 a.m. Pacific Time. Our telephone number is (650) 527-8000. Voting materials, which include this proxy statement, proxy card and 2002 annual report to stockholders, will first be mailed to stockholders entitled to vote at the meeting on or about April 11, 2003.

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

ABOUT THE MEETING

Q: What is the purpose of the annual meeting?

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

Q: Who can vote at the meeting?

A: The board of directors set March 17, 2003 as the record date for the meeting. If you owned our common stock at the close of business on March 17, 2003, you may attend and vote at the meeting. You are entitled to one vote for each share of common stock that you held on the record date for all matters to be voted on at the meeting. As of the record date, 413,766,435 shares of common stock, representing the same number of votes, were outstanding.

Q: What is the quorum requirement for the meeting?

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

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

Q: How can I vote my shares in person at the meeting?

A: Shares held directly in your name as the stockholder of record may be voted in person at the meeting. If you choose to attend the meeting in person, please bring the enclosed proxy card or proof of identification to the meeting. If you hold your shares in a brokerage account in your broker's name (in street name), your broker will forward these proxy materials to you. If you hold your shares in street name, you have the right to direct your broker on how to vote the shares, but you may not vote these shares in person at the annual meeting unless you obtain a proxy form from the broker that holds your shares.

Q: How can I vote my shares without attending the meeting?

A: Whether you hold shares directly as a stockholder of record or in street name, you may vote without attending the meeting. You may vote by submitting a proxy or, for shares held in street name, by submitting voting instructions to your broker or nominee. Please refer to the enclosed proxy card for

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instructions on how to submit a proxy by telephone, Internet or mail. For shares held in street name, the voting instruction card will be included with the proxy statement delivered by your broker or nominee.

Q: How can I change my vote after I return my proxy?

A: You may revoke your proxy and change your vote at any time before the final vote at the meeting. You may do this by submitting a new proxy at a later date or by attending the meeting and voting in person. Attending the meeting will not revoke your proxy unless you specifically request it.

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

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

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

Proposal No. 2: To vote on approval of the VERITAS Software Corporation 2003 Stock Incentive Plan;

Proposal No. 3: To vote on approval of a stockholder proposal to expense future stock option grants to senior company executives; and

Proposal No. 4: To ratify our board of directors' selection of KPMG LLP as our independent accountants for our current fiscal year.

Q: What is the vote required for each proposal?

A: **Election of Directors.** You may vote **FOR** a nominee for our board of directors or you may **WITHHOLD AUTHORITY** to vote for a nominee. The affirmative vote of a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors is required for the election of directors. This means that the two individuals receiving the highest number of **FOR** votes will be elected directors. You may give each candidate one vote for each share you held on the record date. You may not vote your shares cumulatively or for a greater number of persons than the number of nominees named in this proxy statement. A properly executed proxy marked **WITHHOLD AUTHORITY** with respect to the election of one or more directors will not be voted with respect to the director(s) indicated, although it will be counted for purposes of determining whether there is a quorum.

Other Proposals. You may vote **FOR**, **AGAINST** or **ABSTAIN** on each of Proposals No. 2, 3 and 4. For each of these proposals, the affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote on the matter will be required for approval. A properly executed proxy marked **ABSTAIN** with respect to any of these proposals will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote, with the exception of ratification of our independent accountants in which case an abstention will have no effect.

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

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

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

FOR the election of the two nominated Class B directors to our board of directors (see Proposal No. 1);

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

AGAINST the stockholder proposal to expense future stock option grants to senior company executives (see Proposal No. 3); and

FOR ratification of the appointment of KPMG LLP as our independent accountants for our current fiscal year (see Proposal No. 4).

Q: Where can I find the voting results?

A: The preliminary voting results will be announced at the annual meeting of stockholders. The final results will be published in our quarterly report on Form 10-Q for the second quarter of 2003.

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Our board of directors currently consists of nine authorized directors and is divided into three classes serving staggered three-year terms. Directors for each class will be elected at the annual meeting of stockholders held in the year in which the term for that class expires and will serve for three years. You are being asked to vote on the two Class B director nominees listed below. Each Class B director will serve a three-year term expiring at the 2006 annual meeting of stockholders, or until his successor is duly elected and qualified or his earlier resignation or removal. The other directors will continue to serve for the terms shown in the table below.

Our board of directors has nominated Gary L. Bloom and Joseph D. Rizzi to serve as the Class B directors. Each of the nominees has consented to serve as a director if elected. If either nominee should become unavailable or unable to serve as a director prior to the meeting, our board of directors may designate another nominee to fill the vacancy and proxies will be voted for that nominee.

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

Directors and Nominees for Director

The names of the current directors and the director nominees, their ages as of March 17, 2003 and other information about them are shown below. The dates given for time of service as a director include, when applicable, time served by each individual as a director of one of our principal predecessor companies.

Name of Director or Director Nominee	Age	Principal Occupation	Director Since
<i>Nominees for Class B directors term expiring at the 2006 annual meeting</i>			
Gary L. Bloom	42	Chairman of the Board, President and Chief Executive Officer of VERITAS Software	2000
Joseph D. Rizzi	60	General Partner of Matrix Partners	1987
<i>Class C directors term expiring at the 2004 annual meeting</i>			
Steven D. Brooks	51	General Partner of Broadview Capital Partners	1996
Michael Brown	44	Chairman of the Board and Former Chief Executive Officer of Quantum Corporation	2003
Fred van den Bosch	56	Chief Technology Officer and Executive Vice President, Advanced Technology Group of VERITAS Software	1996
<i>Class A directors term expiring at the 2005 annual meeting</i>			
Mark Leslie	57	Managing Director of Leslie Ventures, L.P.	1988
David J. Roux	46	Managing Director of Silver Lake Technology Management LLC	2002
Geoffrey W. Squire	56	Executive Vice President and Vice-Chairman of the Board of VERITAS Software	1997

Nominees for Class B directors

Mr. Bloom has served as our President and Chief Executive Officer since November 2000 and as our Chairman of the Board since January 2002. Mr. Bloom joined us after a 14-year career with Oracle Corporation, where he served as Executive Vice President responsible for server development, platform technologies, marketing, education, customer support and corporate development from May 1999 to

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November 2000, as Executive Vice President of the systems product division from March 1998 to May 1999, as Senior Vice President of the systems products division from November 1997 to March 1998, as Senior Vice President of the worldwide alliances and technologies division from May 1997 to October 1997, as Senior Vice President of the product and platform technologies division from May 1996 to May 1997, and as Vice President of the mainframe and integration technology division and Vice President of the massively parallel computing division from 1992 to May 1996. Before joining Oracle Corporation in 1986, Mr. Bloom held technical positions in the mainframe area at both IBM Corporation and Chevron Corporation. Mr. Bloom serves on the board of directors of GlobespanVirata, Inc., a supplier of communications software and semiconductors.

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

Directors continuing in office

Mr. van den Bosch has served as our Chief Technology Officer and Executive Vice President, Advanced Technology Group since October 2002. Mr. van den Bosch served as our Executive Vice President, Product Strategy and New Product Initiatives from July 1997 to October 2002 and as our Senior Vice President, Engineering from 1991 to July 1997. From 1970 until 1990, Mr. van den Bosch served in various positions with Philips Information Systems, including Director of Technology.

Mr. Brooks has been a general partner of Broadview Capital Partners, a private equity firm, since February 1999. From September 1997 to February 1999, Mr. Brooks was a managing director of Donaldson, Lufkin & Jenrette Securities Corporation, an investment banking firm. From 1996 to 1997, Mr. Brooks was a private investor and a consultant to technology companies. From 1994 to 1997, Mr. Brooks served as Managing Director and Head of Global Technology Investment Banking at the Union Bank of Switzerland Securities, LLC. Mr. Brooks serves on the board of directors of Pharsight Corporation, a software company that markets software to pharmaceutical and biotechnology companies.

Mr. Brown has served as chairman of the board of directors of Quantum Corporation, a provider of data back-up solutions, since May 1998. Mr. Brown held various senior management positions at Quantum since joining the company in 1984, most recently as Chief Executive Officer from September 1995 to September 2002. Mr. Brown serves on the board of directors of Digital Impact, Inc., an Internet-based marketing company, and Nektar Therapeutics, a provider of drug delivery solutions for the development of pharmaceutical products.

Mr. Leslie has served as managing director of Leslie Ventures, L.P., a private equity firm, since January 2002. Mr. Leslie served as our Chairman of the Board from 1990 to December 2001 and served as our Chief Executive Officer from 1990 to November 2000. Mr. Leslie serves on the boards of directors of WebEx Communications, Inc., a supplier of real-time communications infrastructure and services, and Avaya Corporation, a supplier of enterprise communications solutions and services.

Mr. Roux has served as managing director of Silver Lake Technology Management LLC, a private equity firm, since January 1999. Mr. Roux held various management positions with Oracle Corporation from September 1994 to December 1998, most recently as Executive Vice President of Corporate Development. From February 1998 to October 1998, Mr. Roux served as the Chief Executive Officer and President of Liberate Technologies. Mr. Roux serves on the boards of directors of Gartner, Inc., a provider of information technology research and consulting services, and Seagate Technology, a manufacturer of hard disc drives.

Mr. Squire has served as our Executive Vice President and Vice Chairman of the Board since April 1997, when we merged with OpenVision Technologies, Inc. Mr. Squire became a director of OpenVision in 1994 and was appointed Chief Executive Officer of OpenVision in 1995, after serving as its President and Chief Operating Officer from 1994 to 1995. Mr. Squire was President of the U.K. Computing Services and Software Association in 1994 and, in 1995, was elected as the founding President of the European Information Services

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Association. Mr. Squire serves on the board of directors of The Innovation Group PLC, a provider of software solutions to the insurance industry.

Retiring Director

Mr. William H. Janeway, a Class B director since 1997 and whose term expires at the 2003 annual meeting of stockholders, has decided not to stand for re-election. Our board of directors thanks Mr. Janeway for his valued service to VERITAS Software.

Board Meetings and Committees

Our board of directors held 13 meetings in 2002 and acted by unanimous written consent six times. Each director attended at least 75% of the meetings of our board of directors that were held during the time he was a director in 2002. After each regularly scheduled board meeting, the independent members of our board of directors hold a separate meeting that employee and affiliated directors and other members of management do not attend.

Our board of directors has an audit committee, a compensation committee and a corporate governance and nominating committee. Each director attended at least 75% of the meetings of each of the committees of our board of directors on which he served that were held during the time he was a director in 2002.

Audit committee

Mr. Brooks, Mr. Janeway and Mr. Rizzi are the members of the audit committee. Mr. Brooks is the chairman of the audit committee. Mr. Brooks was appointed to the audit committee in April 1998, Mr. Janeway was appointed to the audit committee in April 2000 and Mr. Rizzi was appointed to the audit committee in March 2001. Each of them is independent and financially literate as determined by our board of directors in light of applicable regulatory standards. The audit committee met 18 times in 2002 and acted by unanimous written consent two times in 2002. Mr. Janeway will continue to serve on the audit committee until his term expires in May 2003. At that time, Mr. Roux will be appointed to the audit committee. Mr. Roux is independent and financially literate as determined by our board of directors in light of applicable regulatory standards.

The audit committee assists our board of directors in its oversight responsibilities relating to our financial accounting, reporting and controls. The audit committee monitors and evaluates periodic reviews of the adequacy of the accounting and financial reporting processes and systems of internal control that are conducted by our financial and senior management and our independent auditors, is directly responsible for the appointment, compensation and oversight of the work of our independent auditors, reviews and evaluates the qualifications, independence and performance of our independent auditors, monitors our compliance with legal and regulatory requirements, monitors the performance of our internal audit function and facilitates communication among our independent auditors, our financial and senior management and our board of directors. In February 2003, our board of directors adopted a revised audit committee charter, a copy of which is included as *Appendix A* to this proxy statement.

Compensation committee

Mr. Brooks, Mr. Janeway and Mr. Rizzi are the members of the compensation committee. Mr. Rizzi is the chairman of the compensation committee. Mr. Brooks was appointed to the compensation committee in February 2002 and Messrs. Janeway and Rizzi were appointed to the compensation committee in April 1998. Each of them is an independent director as determined by our board of directors in light of applicable regulatory standards. The compensation committee met five times in 2002 and acted by unanimous written consent 10 times in 2002. Mr. Janeway will continue to serve on the compensation committee until his term expires in May 2003. At that time, Mr. Brown will be appointed to the compensation committee. Mr. Brown is an independent director as determined by our board of directors in light of applicable regulatory standards.

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The compensation committee reviews our incentive compensation programs for executive officers and approves the annual compensation for executive officers and directors. The compensation committee also supervises the administration of our employee stock and option plans and makes decisions regarding the grant of all forms of stock compensation awarded to executive officers and directors.

Corporate governance and nominating committee

In May 2002, our board of directors established the corporate governance and nominating committee. Mr. Brooks, Mr. Rizzi and Mr. Roux are the members of the corporate governance and nominating committee. Mr. Roux is the current chairman of the corporate governance and nominating committee. Each of them is an independent director as determined by our board of directors in light of applicable regulatory standards. The corporate governance and nominating committee met three times in 2002.

The corporate governance and nominating committee advises and makes recommendations to our board of directors on matters concerning corporate governance, reviews potential or actual conflicts of interest involving members of our board of directors, helps identify, evaluate and recruit candidates to fill vacancies on our board of directors, identifies the nominees for election to our board of directors at the annual meeting of stockholders and oversees the evaluation of members of our board of directors.

Our amended and restated bylaws permit stockholders to nominate directors at an annual meeting of stockholders. Any notice of director nomination must meet all the requirements contained in our bylaws and include other information required pursuant to Regulation 14A under the Securities Exchange Act of 1934, including the nominee's consent to serve as a director. In order for any stockholder to make a director nomination at next year's annual meeting, the stockholder must follow the procedures described in this proxy statement under "Stockholder Proposals for the 2004 Annual Meeting."

Compensation of Directors

Base Compensation and Expense Reimbursement. In 2002, no cash compensation was paid to our directors but all of our directors were reimbursed for actual expenses that they incurred to attend meetings. In February 2003, our board of directors approved cash compensation for our directors who are not employees of VERITAS Software. Each non-employee director will receive an annual retainer of \$30,000 for serving on our board of directors. The annual retainer will be paid in quarterly installments beginning on May 15, 2003 and continuing so long as the non-employee director serves as a member of our board of directors. Our directors who are employees of VERITAS Software do not receive any compensation for attending board or board committee meetings. All of our directors are reimbursed for actual expenses that they incur to attend meetings.

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

Under the 2002 Directors Stock Option Plan, each non-employee director who is elected to our board of directors after the effective date of the 2002 Directors Stock Option Plan will receive an automatic initial option grant to purchase between 50,000 and 100,000 shares of common stock on the date on which such person first becomes a non-employee director. The number of shares covered by this initial grant is currently set at 100,000 shares, but may be changed from time to time by the compensation committee. Non-employee directors who were employed by us at any time prior to their becoming a director are not eligible to receive this initial grant. Upon the conclusion of our annual meeting of stockholders each year, each non-employee director who will continue serving as a member of our board of directors thereafter will receive an automatic annual option grant to purchase between 10,000 and 50,000 shares of common stock. The number of shares covered by this annual grant is currently set at 25,000 shares, but may be changed from time to time by the compensation committee of our board of directors. No such annual grant will be awarded to a non-employee

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director who received an initial grant earlier in the same calendar year. In addition, upon the conclusion of our annual meeting of stockholders each year, each non-employee director who serves on a committee of our board of directors will receive an automatic annual option grant to purchase 10,000 shares of common stock for the first committee on which such director serves and 5,000 shares of common stock for each additional committee on which such director serves. In the event of a stock dividend, stock split or similar capital change, the number of shares available under this plan and available for the automatic initial and annual grants will be automatically adjusted.

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

During the year ended December 31, 2002, under our 2002 Directors Stock Option Plan, each of Messrs. Brooks, Janeway, Leslie, Rizzi and Roux received an automatic annual option grant for 25,000 shares on May 14, 2002, the date of the 2002 annual meeting of stockholders, with an exercise price of \$28.56 per share. Also on May 14, 2002, the following non-employee directors received automatic option grants for serving on the committees of our board of directors in the following share amounts with an exercise price of \$28.56 per share: Steven Brooks 20,000 shares; William Janeway 15,000 shares; Joseph Rizzi 20,000 shares; and David Roux 10,000 shares. On March 15, 2002, Mr. Roux received an option grant for 100,000 shares under our 1993 Directors Stock Option Plan in connection with his initial appointment to our board of directors as a non-employee director. The option has an exercise price of \$41.50 per share.

As of March 17, 2003, options to purchase 791,603 shares were outstanding under the 1993 Directors Stock Option Plan, 862,837 shares had been issued upon the exercise of options and no shares were available for future grant. As of March 17, 2003, options to purchase 192,604 shares were outstanding under the 2002 Directors Stock Option Plan, no shares had been issued upon the exercise of options and 1,707,654 shares were available for future grant.

Required Vote and Board Recommendation

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

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

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PROPOSAL NO. 2

ADOPTION OF 2003 STOCK INCENTIVE PLAN

Our board of directors approved the adoption of the 2003 Stock Incentive Plan, or the 2003 Plan, on February 11, 2003, subject to stockholder approval. The 2003 Plan is intended to replace the 1993 Equity Incentive Plan, or the 1993 Plan, which expires in October 2003. If stockholders approve the 2003 Plan, no further awards will be granted under the 1993 Plan. The 2003 Plan will become effective upon its approval by stockholders. No grants have been made under the 2003 Plan to date.

Our board of directors believes that options and other equity-based incentives are critical to attracting and retaining the most qualified candidates for VERITAS Software. The 1993 Plan expires in October 2003, and we will need a new employee stock option plan to replace it. The 2003 Plan is designed to serve as an important part of the compensation package that we offer to our employees, providing them with opportunities to purchase common stock through option grants and stock issuances. Our board of directors believes that the 2003 Plan will help align the interests of employees at all levels of the organization with the long-term goals of stockholders. Options provide our employees an opportunity to acquire or increase their ownership stake in VERITAS Software, thereby creating a strong incentive to work hard for our growth and success and encouraging them to continue their employment with us.

If our stockholders approve this Proposal No. 2, 14,000,000 shares of common stock will be reserved for issuance under the 2003 Plan. If the 2003 Plan is approved, no additional option grants will be made under the 1993 Plan and none of the shares remaining available for future grant under the 1993 Plan will be added to the share reserve available for issuance under the 2003 Plan. Options outstanding under the 1993 Plan will remain outstanding until exercised or until they terminate or expire by their terms. As of March 17, 2003, options covering 66,039,663 shares were outstanding, 33,493,538 shares have been issued on exercise of options and 25,808,401 shares were available for future grant under the 1993 Plan. The reservation of 14,000,000 shares for issuance under the 2003 Plan is consistent with our current expectations regarding new hire option grants and additional option grants to existing employees for approximately one year.

We appreciate that the dilutive impact of any new equity plan is a major concern to stockholders. To address this concern, we will eliminate the reserve of shares available for future grant under the 1993 Plan upon stockholder approval of the 2003 Plan. As of March 17, 2003, 25,808,401 shares were available for future grant under the 1993 Plan, representing approximately 6.2% of our common stock outstanding as of March 17, 2003. These shares would be replaced with a reserve of 14,000,000 shares under the 2003 Plan, representing approximately 3.4% of our common stock outstanding as of March 17, 2003 and a reduction of approximately 45.8% of the shares currently reserved under the 1993 Plan. In addition, any new equity plan should be considered in light of the number of outstanding options that are out-of-the-money, meaning outstanding options with exercise prices greater than the current market price of our common stock. Options that are significantly out-of-the-money are not likely to be exercised and, therefore, are not likely to have any dilutive effect in the near term unless the market price of our common stock were to increase significantly. For purposes of the table below, out-of-the-money options are those options granted under our 1993 Plan with an exercise price above the closing price of \$18.52 on March 17, 2003. As of March 17, 2003, approximately 52% of our outstanding options were out-of-the-money, representing approximately 8.3% of our total common stock outstanding as of that date. Furthermore, as of March 17, 2003, approximately 21.5% of our outstanding options had an exercise price of \$50.00 or more, representing approximately 3.4% of our total common stock outstanding as of that date. The percentage of total shares outstanding for out-of-the-money options is based upon 413,766,435 shares of common stock outstanding as of March 17, 2003.

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Exercise Price	Exercisable Options (# of shares)	Unexercisable Options (# of shares)	Total Out-of-the-Money Options (# of shares)	Percent of Total Out-of-the-Money Options (%)	Percent of Total Shares of Common Stock Outstanding (%)
\$100.00 or greater	2,833,090	1,260,894	4,093,984	6.20%	0.99%
\$75.00-\$100.00	5,001,503	2,161,572	7,163,075	10.85%	1.73%
\$50.00-\$74.99	1,668,936	1,267,016	2,935,952	4.45%	0.71%
\$40.00-\$49.99	971,998	1,619,394	2,591,392	3.92%	0.63%
\$30.00-\$39.99	2,885,611	3,191,580	6,077,191	9.20%	1.47%
\$25.00-\$29.99	2,633,494	4,704,122	7,337,616	11.11%	1.77%
\$20.00-\$24.99	2,265,440	664,467	2,929,907	4.44%	0.71%
\$18.53-\$19.99	905,013	449,381	1,354,394	2.05%	0.33%
Total	19,165,085	15,318,426	34,483,511	52.22%	8.34%

Summary Description of 2003 Stock Incentive Plan

The principal terms and provisions of the 2003 Plan are summarized below. The summary, however, is not intended to be a complete description of all the terms of the 2003 Plan, and is qualified in its entirety by reference to the complete text of the 2003 Plan, which is attached hereto as *Exhibit A*.

Administration. The compensation committee of our board of directors will have the exclusive authority to administer the discretionary option grant and stock issuance programs with respect to option grants and stock issuances made to our executive officers and will also have the authority to make option grants and stock issuances under those programs to all other eligible individuals. However, our board of directors may at any time appoint a secondary committee of one or more board members to have separate but concurrent authority with the compensation committee to make option grants and stock issuances under those two programs to individuals other than executive officers. The term "plan administrator," as used in this summary, will mean our compensation committee and any secondary committee, to the extent each such entity is acting within the scope of its administrative authority under the 2003 Plan.

Eligibility. Officers and employees, as well as independent consultants and contractors, in our employ or in the employ of our parent or subsidiary companies (whether now existing or subsequently established) will be eligible to participate in the discretionary option grant and stock issuance programs. As of March 17, 2003, approximately 5,600 persons (including seven executive officers) would have been eligible to participate in the discretionary option grant and stock issuance programs if the 2003 Plan were in effect at that time.

Securities Subject to 2003 Plan. If our stockholders approve the 2003 Plan, 14,000,000 shares of our common stock will be reserved for issuance over the term of the 2003 Plan. Such share reserve will be in addition to the shares of our common stock reserved for issuance under our 1993 Plan upon the exercise of options outstanding as of the date the 2003 Plan is adopted. Accordingly, issuances under the 1993 Plan will not reduce the number of shares of common stock reserved for issuance under the 2003 Plan, and issuances under the 2003 Plan will not reduce the number of shares of common stock available for issuance under the 1993 Plan. However, no further option issuances under the 1993 Plan will be made upon stockholder approval of the 2003 Plan.

No participant in the 2003 Plan may receive option grants or direct stock issuances for more than 3,000,000 shares of our common stock in any single calendar year, subject to adjustment for subsequent stock splits, stock dividends and similar transactions. Stockholder approval of this proposal will also constitute approval of that 3,000,000-share limitation for purposes of Internal Revenue Code Section 162(m). This limitation, together with the requirement that all stock options under the discretionary option grant program have an exercise price per share equal to the fair market value per share of our common stock on the grant

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date, will assure that any deductions to which we would otherwise be entitled upon the exercise of stock options granted under the discretionary option grant program or the subsequent sale of the shares purchased under those options will not be subject to the \$1 million limitation on the income tax deductibility of compensation paid per executive officer imposed under Section 162(m) of the Internal Revenue Code. One or more shares issued under the stock issuance program may also qualify as performance-based compensation that is not subject to the Section 162(m) limitation, if the vesting of those shares is tied solely to the attainment of the corporate performance milestones discussed below in the summary description of that program.

The shares of common stock issuable under the 2003 Plan may be drawn from shares of our authorized but unissued common stock or from shares of our common stock that we acquire, including shares purchased on the open market or in private transactions.

Shares subject to any outstanding options under the 2003 Plan that expire or otherwise terminate prior to exercise will be available for subsequent issuance under the 2003 Plan. Any unvested shares issued under the 2003 Plan that we subsequently purchase, at a price not greater than the option exercise or direct issue price paid per share, pursuant to our repurchase rights under the 2003 Plan will be added back to the number of shares reserved for issuance under the 2003 Plan and will accordingly be available for subsequent issuance.

Equity Incentive Programs

The 2003 Plan consists of two equity incentive programs: (i) the discretionary option grant program and (ii) the stock issuance program. The principal features of each program are described below.

Discretionary Option Grant Program. The plan administrator will have complete discretion under the discretionary option grant program to determine which eligible individuals are to receive option grants, the time or times when those grants are to be made, the number of shares subject to each such grant, the status of any granted option as either an incentive stock option or a non-statutory option under the federal tax laws, the vesting schedule (if any) to be in effect for the option grant and the maximum term for which any granted option is to remain outstanding.

Each granted option will have an exercise price per share determined by the plan administrator, but the exercise price will not be less than 100% of the fair market value of the option shares on the grant date. No granted option will have a term in excess of ten years. The shares subject to each option will generally vest in one or more installments over a specified period of service measured from the grant date. However, one or more options may be structured so that they will be immediately exercisable for any or all of the option shares. The shares acquired under such immediately exercisable options will be subject to repurchase by us, at the lower of the exercise price paid per share or the fair market value per share, if the optionee ceases service prior to vesting in those shares.

Upon cessation of service, the optionee will have a limited period of time in which to exercise his or her outstanding options to the extent exercisable for vested shares. The plan administrator will have complete discretion to extend the period following the optionee's cessation of service during which his or her outstanding options may be exercised and/or to accelerate the exercisability or vesting of such options in whole or in part. Such discretion may be exercised at any time while the options remain outstanding, whether before or after the optionee's actual cessation of service.

Stock Issuance Program. Shares may be issued under the stock issuance program at a price per share not less than their fair market value, payable in cash or other valid consideration under Delaware law. Shares may also be issued as a bonus for past services without any cash outlay required of the recipient. Shares of our common stock may also be issued under the program pursuant to share right awards, which entitle the recipients to receive those shares upon the attainment of designated performance goals or the completion of a prescribed service period. The plan administrator will have complete discretion under the program to determine which eligible individuals are to receive such stock issuances or share right awards, the time or times when those issuances or awards are to be made, the number of shares subject to each such issuance or award and the vesting schedule to be in effect for the stock issuance or share rights award.

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The shares issued may be fully and immediately vested upon issuance or may vest upon the completion of a designated service period or the attainment of pre-established performance goals. However, for any common stock issuance that is to vest solely on the basis of service, a minimum period of three (3) years of service will be required as condition to such vesting. The plan administrator will, however, have the discretionary authority at any time to accelerate the vesting of one or more unvested share issuances or share right awards outstanding under the stock issuance program, to the extent the plan administrator deems such acceleration an appropriate severance benefit in connection with the holder's termination of service.

In order to assure that the compensation attributable to one or more issuances under the program will qualify as performance-based compensation which will not be subject to the \$1 million limitation on the income tax deductibility of the compensation paid per executive officer which is imposed under Internal Revenue Code Section 162(m), the plan administrator will also have the discretionary authority to structure one or more share right awards so that the shares of common stock subject to those awards will be issuable upon the achievement of certain pre-established corporate performance goals based on one or more of the following criteria: (1) return on total stockholder equity; (2) earnings per share of our common stock; (3) net income (before or after taxes); (4) earnings before interest, taxes, depreciation and amortization; (5) sales or revenues; (6) return on assets, capital or investment; (7) market share; (8) cost reduction goals; (9) budget comparisons; (10) implementation or completion of critical projects or processes; (11) customer satisfaction; (12) any combination of, or a specified increase in, any of the foregoing; and (13) the formation of joint ventures, research or development collaborations, or the completion of other corporate transactions. In addition, such performance goals may be based upon the attainment of specified levels of our performance under one or more of the measures described above relative to the performance of other entities and may also be based on the performance of any of our business units or divisions or any parent or subsidiary. Performance goals may include a minimum threshold level of performance below which no award will be earned, levels of performance at which specified portions of an award will be earned and a maximum level of performance at which an award will be fully earned.

General Provisions

Acceleration and Change in Control. In the event we should experience a change in control, each outstanding option under the discretionary option grant program will automatically accelerate in full, unless assumed or otherwise continued in effect by the successor corporation or replaced with a cash incentive program which preserves the spread existing on the unvested option shares (the excess of the fair market value of those shares over the option exercise price payable for such shares) and provides for subsequent payout of that spread in accordance with the same vesting schedule in effect for those option shares. In addition, all unvested shares outstanding under the discretionary option grant and stock issuance programs will immediately vest, except to the extent our repurchase rights with respect to those shares are to be assigned to the successor corporation or otherwise continued in effect. The plan administrator will have complete discretion to grant one or more options under the discretionary option grant program which will become exercisable for all the option shares in the event the optionee's service with us or the successor entity is terminated (actually or constructively) within a designated period following a change in control transaction in which those options are assumed or otherwise continued in effect. The vesting of outstanding shares under the stock issuance program may also be structured to accelerate upon similar terms and conditions.

The plan administrator will have the discretion to structure one or more option grants under the discretionary option grant program so that those options will immediately vest upon a change in control, whether or not the options are to be assumed or otherwise continued in effect. The plan administrator may also structure stock issuances under the stock issuance program so that those issuances will immediately vest upon a change in control.

A change in control will be deemed to occur in the event (i) we are acquired by merger or asset sale, (ii) there is a change in the majority of our board of directors effected through one or more contested elections for board membership or (iii) there occurs any transaction or series of related transactions pursuant to which any person or group of related persons becomes directly or indirectly the beneficial owner of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the

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total combined voting power of our securities outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from us or the acquisition of outstanding securities held by one or more of our stockholders.

The acceleration of vesting in the event of a change in the ownership or control may be seen as an anti-takeover provision and may have the effect of discouraging a merger proposal, a takeover attempt or other efforts to gain control of us.

Changes in Capitalization. In the event any change is made to the outstanding shares of our common stock by reason of any recapitalization, stock dividend, stock split, combination of shares, exchange of shares or other change in corporate structure effected without our receipt of consideration, appropriate adjustments will be made to: (i) the maximum number and/or class of securities issuable under the 2003 Plan; (ii) the maximum number and/or class of securities for which any one person may be granted stock options and direct stock issuances under the 2003 Plan per calendar year; and (iii) the number and/or class of securities and the exercise price per share in effect under each outstanding option. Such adjustments will be designed to preclude any dilution or enlargement of benefits under the 2003 Plan or the outstanding options thereunder.

Valuation. The fair market value per share of our common stock on any relevant date under the 2003 Plan will be deemed to be equal to the closing selling price per share on that date on the Nasdaq National Market. On March 17, 2003, the fair market value per share of our common stock determined on such basis was \$18.52.

Stockholder Rights and Option Transferability. No optionee will have any stockholder rights with respect to the option shares until such optionee has exercised the option and paid the exercise price for the purchased shares. Options are not assignable or transferable other than by will or the laws of inheritance following optionee's death, and during the optionee's lifetime, the option may only be exercised by the optionee. However, the plan administrator may structure one or more non-statutory options under the 2003 Plan so that those options will be transferable during optionee's lifetime to one or more members of the optionee's family or to a trust established for one or more such family members or to the optionee's former spouse, to the extent such transfer is in connection with the optionee's estate plan or pursuant to a domestic relations order.

Special Tax Election. The plan administrator may provide one or more holders of options or unvested share issuances under the 2003 Plan with the right to have us withhold a portion of the shares otherwise issuable to such individuals in satisfaction of the withholding taxes to which they become subject in connection with the exercise of those options or the vesting of those shares. Alternatively, the plan administrator may allow such individuals to deliver previously acquired shares of our common stock in payment of such withholding tax liability.

Amendment and Termination. Our board of directors may amend or modify the 2003 Plan at any time. However, stockholder approval will be required for any amendment to the 2003 Plan which (i) increases the number of shares of common stock reserved for issuance, (ii) materially modifies the eligibility requirements for participation or (iii) materially increases the benefits accruing to participants. Unless sooner terminated by our board of directors, the 2003 Plan will terminate on the earliest of (i) December 31, 2012, (ii) the date on which all shares available for issuance under the 2003 Plan have been issued as fully-vested shares or (iii) the termination of all outstanding options in connection with certain changes in control or ownership.

Summary of Federal Income Tax Consequences of Options Granted under the 2003 Plan

The following is only a summary of the principal United States Federal income taxation consequences applicable to the participant and VERITAS Software with respect to the awards under the 2003 Plan, based on advice received from counsel to VERITAS Software regarding current United States Federal income tax laws. This summary is not intended to be exhaustive and among other things, does not discuss the tax consequences of a participant's death or the income tax laws of any city, state or foreign country in which the participant may reside.

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Option Grants. Options granted under the discretionary option grant program may be either incentive stock options which satisfy the requirements of Section 422 of the Internal Revenue Code or non-statutory options which are not intended to meet such requirements. The Federal income tax treatment for the two types of options differs as follows:

Incentive Options. No taxable income is recognized by the optionee at the time of the option grant, and no taxable income is recognized for regular tax purposes at the time the option is exercised, although taxable income may arise at that time for alternative minimum tax purposes. The optionee will recognize taxable income in the year in which the purchased shares are sold or otherwise made the subject of certain other dispositions. For Federal tax purposes, dispositions are divided into two categories: (i) qualifying and (ii) disqualifying. A qualifying disposition occurs if the sale or other disposition is made more than two (2) years after the date the option for the shares involved in such sale or disposition is granted and more than one (1) year after the date the option is exercised for those shares. If the sale or disposition occurs before these two periods are satisfied, then a disqualifying disposition will result.

Upon a qualifying disposition, the optionee will recognize long-term capital gain in an amount equal to the excess of (i) the amount realized upon the sale or other disposition of the purchased shares over (ii) the exercise price paid for the shares. If there is a disqualifying disposition of the shares, then the excess of (i) the fair market value of those shares on the exercise date over (ii) the exercise price paid for the shares will be taxable as ordinary income to the optionee. Any additional gain or loss recognized upon the disposition will be recognized as a capital gain or loss by the optionee. Any additional gain recognized upon the disqualifying disposition will be taxable as a capital gain.

If the optionee makes a disqualifying disposition of the purchased shares, then we will be entitled to an income tax deduction, for the taxable year in which such disposition occurs, equal to the excess of (i) the fair market value of such shares on the option exercise date over (ii) the exercise price paid for the shares. We will not be entitled to any income tax deduction if the optionee makes a qualifying disposition of the shares.

Non-Statutory Options. No taxable income is recognized by an optionee upon the grant of a non-statutory option. The optionee will in general recognize ordinary income, in the year in which the option is exercised, equal to the excess of the fair market value of the purchased shares on the exercise date over the exercise price paid for the shares, and the optionee will be required to satisfy the tax withholding requirements applicable to such income.

If the shares acquired upon exercise of the non-statutory option are unvested and subject to repurchase by us in the event of the optionee's termination of service prior to vesting in those shares, then the optionee will not recognize any taxable income at the time of exercise but will have to report as ordinary income, as and when our repurchase right lapses, an amount equal to the excess of (i) the fair market value of the shares on the date the repurchase right lapses over (ii) the exercise price paid for the shares. The optionee may, however, elect under Section 83(b) of the Internal Revenue Code to include as ordinary income in the year of exercise of the option an amount equal to the excess of (i) the fair market value of the purchased shares on the exercise date over (ii) the exercise price paid for such shares. If the Section 83(b) election is made, the optionee will not recognize any additional income as and when the repurchase right lapses.

We will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the optionee with respect to the exercised non-statutory option. The deduction will in general be allowed for our taxable year in which such ordinary income is recognized by the optionee.

Direct Stock Issuances. The tax principles applicable to direct stock issuances under the 2003 Plan will be substantially the same as those summarized above for the exercise of non-statutory option grants.

Deductibility of Executive Compensation. We anticipate that any compensation deemed paid by us in connection with the disqualifying disposition of incentive stock option shares or the exercise of non-statutory options with exercise prices equal to the fair market value of the option shares on the grant date will qualify as performance-based compensation for purposes of Code Section 162(m) and will not have to be taken into account for purposes of the \$1 million limitation per covered individual on the deductibility of the compensation paid to certain executive officers of the Company. Accordingly, all compensation deemed paid

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with respect to those options will remain deductible by us without limitation under Code Section 162(m). However, share issuances under the stock issuance program will be subject to the \$1 million limitation, unless the vesting of the shares is tied solely to one or more of the performance milestones described above.

Accounting Treatment. Option grants under the discretionary option grant program will not result in any direct charge to our reported earnings. However, the fair value of those options is required to be disclosed in the notes to our financial statements, and we must also disclose, in footnotes to our financial statements, the pro-forma impact those options would have upon our reported earnings were the fair value of those options at the time of grant treated as a compensation expense.

Option grants made to non-employee consultants under the 2003 Plan will result in a direct charge to our reported earnings based upon the fair value of the option measured initially as of the grant date and then subsequently on the vesting date of each installment of the underlying option shares. Such charge will accordingly include the appreciation in the value of the option shares over the period between the grant date of the option and the vesting date of each installment of the option shares.

The number of outstanding options, whether granted with exercise prices at or below fair market value, will be a factor in determining our earnings per share on a fully-diluted basis.

Direct stock issuances under the 2003 Plan will result in a direct charge to our reported earnings equal to the excess of the fair value of the shares on the issuance date over the cash consideration (if any) paid for such shares. If the shares are unvested at the time of issuance, then any charge to our reported earnings will be amortized over the vesting period. However, if the vesting of the shares is tied solely to performance milestones, then the issuance of those shares will be subject to mark to market accounting, and we will have to accrue compensation expense not only for the value of the shares on the date of issuance but also for all subsequent appreciation in the value of those which occurs prior to the vesting date.

The Financial Accounting Standards Board (FASB) has recently indicated its intention to initiate a new project to reconsider the appropriate accounting treatment for employee stock options, such as those issuable under the 2003 Plan. Accordingly, the foregoing summary of the applicable accounting treatment for stock options may substantially change in the event that the FASB were to conclude that employee stock options should be valued, either as of the grant date or other appropriate measurement date, under an appropriate option valuation formula such as the Black-Scholes formula and that such value should then be charged as a direct compensation expense against the issuer's reported earnings over a designated period.

New Plan Benefits

Because option grants under the 2003 Plan are subject to the discretion of the compensation committee, awards under the plan for the current year are undeterminable. Future option exercise prices under the 2003 Plan are indeterminable because they will be based upon the fair market value of our common stock on the date of grant. In 2002, our named executive officers received option grants under the 1993 Plan as set forth under the caption "Option Grants in 2002" below. In addition, in 2002 the following persons received option grants under the 1993 Plan as follows:

Name and Position	Exercise Price Per Share	Number of Shares
All current executive officers as a group (7 persons)	Fair market value on the date of grant	3,325,000
All employees, including all current officers who are not executive officers, as a group	Fair market value on the date of grant	22,261,253

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Required Vote and Board Recommendation

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote on the matter is required for approval. Abstentions will have the same effect as a negative vote. Broker non-votes have no effect on the outcome of this proposal.

THE BOARD BELIEVES THAT THIS PROPOSAL IS IN THE BEST INTERESTS OF VERITAS SOFTWARE AND ITS STOCKHOLDERS AND RECOMMENDS A VOTE *FOR* THE

APPROVAL OF THE 2003 STOCK INCENTIVE PLAN AND THE RESERVATION OF 14,000,000 SHARES OF COMMON STOCK FOR ISSUANCE THEREUNDER.

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PROPOSAL NO. 3

STOCKHOLDER PROPOSAL TO EXPENSE FUTURE

STOCK OPTION GRANTS TO SENIOR COMPANY EXECUTIVES

*VERITAS Software is not responsible for the content of the following stockholder proposal and statement of support. The board of directors opposes this proposal for the reasons stated under the section captioned *Your Board of Directors Response to the Stockholder Proposal*, which immediately follows the proposal below. Proxies solicited on behalf of our board of directors will be voted AGAINST this proposal unless stockholders specify a contrary choice in their proxies.*

The United Association S&P 500 Index Fund, located at 303 16th Street, Suite 016, Denver, Colorado 80202, is the beneficial owner of approximately 29,411 shares of VERITAS Software common stock, and submits the following resolution:

RESOLVED, that the shareholders of VERITAS Software Corporation (the Company) hereby request that the Company s Board of Directors establish a policy of expensing in the Company s annual income statement the costs of all future stock options issued to senior Company executives.

Statement of Support from United Association S&P 500 Index Fund

Current accounting rules give companies the choice of reporting stock option expenses annually in the company income statement or as a footnote in the annual report (See: Financial Accounting Standards Board Statement 123). Most companies, including ours, report the cost of stock options as a footnote in the annual report, rather than include the option costs in determining operating income. We believe that expensing stock options would more accurately reflect a company s operational earnings.

Stock options are an important component of our Company s executive compensation program. Options have replaced salary and bonuses as the most significant element of executive pay packages at numerous companies. The lack of option expensing can promote excessive use of options in a company s compensation plans, obscure and understate the cost of executive compensation and promote the pursuit of corporate strategies designed to promote short-term stock price rather than long-term corporate value.

A recent report issued by Standard & Poor s indicated that the expensing of stock option grant costs would have lowered operational earnings at companies by as much as 10%. The failure to expense stock option grants has introduced a significant distortion in reported earnings, stated Federal Reserve Board Chairman Alan Greenspan. Reporting stock options as expenses is a sensible and positive step toward a clearer and more precise accounting of a company s worth. *Globe and Mail*, Expensing Options Is a Bandwagon Worth Joining. Aug. 16, 2002.

Warren Buffett wrote in a *New York Times* Op-Ed piece on July 24, 2002:

There is a crisis of confidence today about corporate earnings reports and the credibility of chief executives. And it s justified.

For many years, I ve had little confidence in the earnings numbers reported by most corporations. I m not talking about Enron and WorldCom examples of outright crookedness. Rather, I am referring to the legal, but improper, accounting methods used by chief executives to inflate reported earnings

Options are a huge cost for many corporations and a huge benefit to executives. No wonder, then, that they have fought ferociously to avoid making a charge against their earnings. Without blushing, almost all C.E.O. s have told their shareholders that options are cost-free . . .

When a company gives something of value to its employees in return for their services, it is clearly a compensation expense. And if expenses don t belong in the earnings statement, where in the world do they belong?

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Many companies have responded to investors' concerns about their failure to expense stock options. In recent months, more than 100 companies, including such prominent ones as Coca Cola, Washington Post, and General Electric, have decided to expense stock options in order to provide their shareholders more accurate financial statements. Our Company has yet to act. We urge your support.

Your Board of Directors' Response to the Stockholder Proposal

Our board of directors has carefully considered the changes suggested in the proposal submitted by the United Association S&P 500 Index Fund and does not believe that it is in the best interests of our stockholders for VERITAS Software to expense stock options until the Financial Accounting Standards Board (FASB) and the Securities and Exchange Commission (SEC) adopt generally accepted accounting principles (GAAP) requiring all companies to expense stock option awards on a uniform basis. We urge you to vote AGAINST this proposal.

Adopting this proposal now is premature and would place VERITAS Software and its investors at a competitive disadvantage.

We believe it is generally in the best interest of stockholders for VERITAS Software to follow the most widely used industry practice when given a choice under accounting rules, and to the extent there is uncertainty and debate about such matters, to await consensus or direction from the FASB and the SEC prior to implementing any material change in its accounting policies.

Like most public companies, VERITAS Software accounts for employee stock-based compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25). The intrinsic value of the option is the amount by which the quoted market price of the stock exceeds the exercise price of the option on the date of grant. Generally, option awards have zero intrinsic value on the date of grant as the exercise price is set to be equal to the market price of the stock on that date. The board of directors believes the intrinsic value method pr