STORAGENETWORKS INC
Form PREM14A
August 19, 2003
Table of Contents

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

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x PreliminaryProxy Statement
¨ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Under Rule 14a-12

¨ **Confidential, For Use of the Commission Only(as permitted by Rule 14a-6(e)(2))**

StorageNetworks, Inc.

(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.

x 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:
StorageNetworks, Inc. common stock, par value $0.01 per share

(2) Aggregate number of securities to which transaction applies: 104,077,486

(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): $1.70 (maximum anticipated distribution consideration) x 104,077,486 (aggregate number of securities to which transaction applies)

(4) Proposed maximum aggregate value of transaction: $176,931,726.20

(5) Total fee paid: $14,313.78

¨ Fee paid previously with preliminary materials:

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

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

PRELIMINARY COPIES

, 2003

To our Stockholders:

We are pleased to invite you to our 2003 annual meeting of stockholders. The meeting will take place on , 2003 at A.M., local time, at , located at . This year s annual meeting is significant among other matters, we are seeking stockholder approval of the dissolution and a plan of liquidation of our company. The decision to liquidate was difficult, and came only after extensive work with our financial advisors in evaluating opportunities to sell the Company, to acquire other companies and technologies, and to continue on our path as an independent software vendor, building products for the storage resource management market.

On the pages following this letter you will find the notice of our 2003 annual meeting of stockholders, which lists the matters to be considered at the meeting, and the proxy statement, which describes the matters listed in the notice. We have also enclosed a proxy card and our annual report for the year ended December 31, 2002, which contains audited consolidated financial statements and other information of interest to our stockholders.

The ability to have your vote counted at the meeting is an important stockholder right. Regardless of the number of shares you hold, and whether or not you plan to attend the meeting, we hope that you will cast your vote. If you are a stockholder of record, you may vote by mailing the enclosed proxy card in the envelope provided, by phone, by Internet, or in person at the meeting. You will find voting instructions in the proxy statement and on the enclosed proxy card. If your shares are held in street name that is, held for your account by a broker or other nominee you will receive instructions that you must follow for your shares to be voted.

Sincerely,

Dean J. Breda

President, Chief Executive Officer and

Secretary

Table of Contents

STORAGENETWORKS, INC.

275 Grove Street

Newton, Massachusetts 02466

NOTICE OF 2003 ANNUAL MEETING OF STOCKHOLDERS

To Be Held On , 2003

The 2003 annual meeting of stockholders of StorageNetworks, Inc. will be held on , 2003 at A.M., local time, at , to consider and act upon the following matters:

(1) To approve and adopt the Plan of Complete Liquidation and Dissolution of StorageNetworks, in the form of Exhibit A attached to the accompanying proxy statement, and approve the dissolution of StorageNetworks.

(2) To elect one Class III director of StorageNetworks to serve until the 2006 annual meeting or until his successor is duly elected and qualified.

(3) To ratify the selection by our board of directors of Ernst & Young LLP as StorageNetworks independent auditors for the fiscal year ending December 31, 2003.

(4) To transact such other business as may properly come before the annual meeting or any adjournment thereof.

These items of business are more fully described in the proxy statement accompanying this notice. The board of directors has no knowledge of any other business to be transacted at the annual meeting or at any adjournment or postponement thereof. The board of directors has fixed the close of business on , 2003 as the record date for the determination of stockholders entitled to notice of, and to vote at, the annual meeting or any adjournment or postponement thereof.

A copy of the StorageNetworks annual report for the year ended December 31, 2002, which contains financial statements, including financial statements as of and for the year ended December 31, 2002 and the six months ended June 30, 2003, and other information of interest to stockholders, accompanies this notice and the accompanying proxy statement.

All stockholders are cordially invited to attend the annual meeting.

By order of the board of directors,

Dean J. Breda

President, Chief Executive Officer and

Secretary

Newton, Massachusetts

, 2003

Whether or not you plan to attend the annual meeting, please complete, date and sign the enclosed proxy card and promptly mail it in the enclosed envelope or vote using telephone or internet options described in the proxy card in order to ensure representation of your shares at the annual meeting. No postage need be affixed if the proxy card is mailed in the United States.

Table of Contents

TABLE OF CONTENTS

Table of Contents

STORAGENETWORKS, INC.

275 Grove Street

Newton, Massachusetts 02466

PROXY STATEMENT

2003 Annual Meeting of Stockholders

To Be Held On , 2003

StorageNetworks, Inc., a Delaware corporation, often referred to as we or us in this document, is sending you this proxy statement and the enclosed proxy card because our board of directors is soliciting your proxy to vote at our 2003 annual meeting of stockholders. The annual meeting will be held on at A.M., local time, at . If the annual meeting is adjourned for any reason, then the proxies may be used at any adjournment or postponement of the annual meeting.

This proxy statement summarizes information about the proposals to be considered at the annual meeting and other information you may find useful in determining how to vote. The proxy card is a means by which you actually authorize another person to vote your shares in accordance with your instructions.

At the annual meeting, stockholders will consider and act upon the following matters:

(1) To approve and adopt the Plan of Complete Liquidation and Dissolution of StorageNetworks, in the form of Exhibit A attached to this proxy statement, and approve the dissolution of StorageNetworks.

(2) To elect one Class III director of StorageNetworks to serve until the 2006 annual meeting or until his successor is duly elected and qualified.

(3) To ratify the selection by our board of directors of Ernst & Young LLP as StorageNetworks independent auditors for the fiscal year ending December 31, 2003.

(4) To transact such other business as may properly come before the meeting or any adjournment thereof.

Our principal executive offices are located at 275 Grove Street, Newton, Massachusetts 02466. The telephone number for our principal executive offices is (781) 622-6700. We are mailing this proxy statement, the accompanying proxy card and our annual report for the year ended December 31, 2002, which contains financial statements, including financial statements as of and for the year ended December 31, 2002 and the six months ended June 30, 2003, to stockholders on or about , 2003.

GENERAL INFORMATION

What is the purpose of the annual meeting?

At the annual meeting, stockholders will consider and vote on proposals to approve and adopt our Plan of Complete Liquidation and Dissolution attached as Exhibit A, which we refer to as the Plan of Liquidation, and approve our dissolution, to elect one Class III director of StorageNetworks and to ratify the selection of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2003.

Who is entitled to vote?

The record date for the annual meeting is , 2003. Only stockholders of record at the close of business on that date are entitled to notice of and to vote at the annual meeting. At the close of business on the record date there were shares of our common stock issued and outstanding.

A list of stockholders entitled to vote will be available at the annual meeting. In addition, the list will be open to the examination of any stockholder, for any purpose germane to the annual meeting, at our address set forth above between the hours of 9:00 a.m. and 5:00 p.m., local time, on any business day from up to the time of the annual meeting.

Table of Contents

How may I vote if my shares are registered in my name?

You may vote your shares at the meeting by written proxy, in person, by telephone proxy or by Internet proxy:

- To vote **by written proxy,** you must mark, sign and date the enclosed proxy card and then mail the proxy card in the enclosed postage-paid envelope. Your proxy will be valid only if you complete and return the proxy card before the annual meeting. By completing and returning the proxy card, you will direct the designated persons to vote your shares at the annual meeting in the manner you specify in the proxy card. If you complete the proxy card but do not provide voting instructions, then the designated persons will vote your shares FOR the approval and adoption of the Plan of Liquidation and the approval of our dissolution, FOR the election of Peter W. Bell as the Class III director and FOR ratification of the appointment of Ernst & Young LLP as our independent auditors for 2003.

- To vote **in person**, you must attend the annual meeting, and then complete and submit the ballot provided at the meeting.

- To vote **by telephone proxy**, you must call toll-free 1-800-PROXIES and follow the instructions. Have your control number and the proxy card available when you call.

- To vote **by Internet proxy**, you must access the web page at www.voteproxy.com and follow the on-screen instructions. Have your control number available when you access the web page.

How may I vote if my shares are held in street name?

If the shares you own are held in street name by a bank or brokerage firm, the nominee of your bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions your bank or brokerage firm provides you. Many banks and brokerage firms also offer the option of voting over the Internet or by telephone, instructions for which would be provided by your bank or brokerage firm.

If you do not give instructions to your bank or brokerage firm, it will still be able to vote your shares with respect to certain discretionary items, but will not be allowed to vote your shares with respect to certain non-discretionary items. In the case of non-discretionary items, the shares will be treated as broker non-votes. Broker non-votes are shares that are held in street name by a bank or brokerage firm that indicates on its proxy that it does not have discretionary authority to vote on a particular matter. If you do not give instructions to your bank or brokerage firm, your bank or brokerage firm will not be permitted to vote your shares with respect to the Plan of Liquidation.

If you wish to come to the meeting to personally vote your shares held in street name, you will need to obtain a proxy card from the holder of record (*i.e.*, the nominee of your brokerage firm or bank).

Can I change my vote after I submit my proxy?

Yes, you may revoke your proxy and change your vote by:

- sending us another signed proxy with a later date or voting at a later date by telephone or Internet proxy;
- giving written notice of the revocation of your proxy to our Secretary prior to the annual meeting; or
- voting in person at the annual meeting.

How many shares must be present to hold the meeting?

A quorum must be present at the meeting for any business to be conducted. The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on the record date

Table of Contents

will constitute a quorum. Proxies received but marked as abstentions or broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting on all matters. (See page).

What if a quorum is not present at the meeting?

If a quorum is not present at the annual meeting, we expect to attempt to adjourn the annual meeting in order to solicit additional proxies. In such event, the persons named in the proxy card will have the authority to, and currently intend to, vote your shares in favor of adjournment.

What vote is required to approve each matter?

Proposal 1 Plan of Liquidation and Our Dissolution

The affirmative vote of the holders of a majority of the shares of common stock issued and outstanding is required to approve and adopt the Plan of Liquidation and approve our dissolution.

Proposal 2 Election of Director

The Class III director will be elected by a plurality of the shares of common stock voting at the meeting. In other words, the nominee receiving the highest number of votes FOR election will be elected as the Class III director regardless of whether that number represents a majority of the votes cast.

Proposal 3 Ratification of Appointment of Independent Auditors

The affirmative vote of a majority of the shares of common stock voting on the matter is needed to ratify the selection of Ernst & Young LLP as our independent auditors.

Will any other business be conducted at the meeting?

Our board of directors knows of no other business that will be presented at the meeting. Under our amended and restated by-laws, the deadline for stockholders to notify us of any proposals or director nominations to be presented for action at the annual meeting has passed. If any other proposal properly comes before the stockholders for a vote at the meeting, however, the persons named in the proxy card that accompanies this proxy statement will vote your shares in accordance with their judgment on such matter.

How will votes be counted?

Each share of common stock will be counted as one vote. Shares will not be voted in favor of a matter, and will not be counted as voting on a matter, if (1) the holder of the shares either withholds authority in the proxy to vote for the director nominee or abstains from voting on a particular matter, or (2) the shares are broker non-votes. Accordingly, withheld shares, abstentions and broker non-votes will have no effect on a matter that requires the affirmative vote of a plurality or majority of shares voting on a matter, such as the election of the director nominee or the ratification of our auditors. Abstentions and broker non-votes will, however, have the effect of a vote against the proposal to approve the Plan of Liquidation and our dissolution.

How does our board of directors recommend I vote on the proposal to approve the Plan of Liquidation and the other matters to be considered at the meeting?

Our board of directors recommends that you vote FOR the authorization and approval of the Plan of Liquidation and our dissolution. (See pages). Our board of directors also recommends that you vote FOR the director nominee (see pages) and FOR the ratification of our auditors (see pages).

Table of Contents

Why has the board of directors adopted the Plan of Liquidation?

Our board of directors has determined that it is not advisable to continue to operate our business on an independent basis and that the distribution of our assets in a liquidation has a greater probability of producing more value to our stockholders than other alternatives. See Proposal 1 Approval and Adoption of Plan of Complete Liquidation and Dissolution and Approval of Dissolution Background and Reasons for the Plan of Liquidation. Accordingly, on July 30, 2003, our board of directors adopted a resolution approving our Plan of Liquidation and dissolution.

What will happen if the Plan of Liquidation and our dissolution are approved?

If the Plan of Liquidation and our dissolution are approved, we will:

- file a certificate of dissolution with the Secretary of State of the State of Delaware, dissolving us as a corporation;
- conduct business operations only to the extent necessary to wind-up our business affairs;
- liquidate our remaining assets;
- pay or attempt to adequately provide for the payment of all of our known obligations and liabilities;
- establish a contingency reserve designed to satisfy any additional liabilities; and
- make one or more distributions to our stockholders of available liquidation proceeds.

(See pages).

What will happen if the Plan of Liquidation and our dissolution are not approved?

If our stockholders do not approve the Plan of Liquidation and our dissolution, our board of directors will continue to manage the company as a publicly owned corporation and will explore what, if any, alternatives are then available for the future of our business.

When will stockholders receive payment of any available liquidation proceeds?

If our stockholders approve the Plan of Liquidation and our dissolution, we currently anticipate making an initial distribution to stockholders within approximately one to two months following stockholder approval. Thereafter, we will distribute available liquidation proceeds, if any, to stockholders as our board of directors deems appropriate. We are currently unable to predict the precise timing of any distributions pursuant to the Plan of Liquidation, although we anticipate that a substantial majority of the liquidation proceeds will be distributed within the first two months following stockholder approval. Further distributions will be made over a period of three years, although distributions could be made over a longer period of time if unanticipated claims are made against us. The timing of any distributions will be determined by our board of directors and will depend upon our ability to pay and settle our remaining liabilities and obligations, including contingent claims. (See pages).

How much will stockholders receive in the liquidation?

At this time, we cannot predict with certainty the amount of any liquidating distributions to our stockholders. However, based on information currently available to us, assuming, among other things, no unanticipated actual or contingent liabilities, we estimate that over time stockholders will receive one or more distributions that in the aggregate range from approximately $1.60 to $1.70 per share. Actual distributions could be higher or lower.

Table of Contents

This estimated range is based upon, among other things, the fact that as of June 30, 2003, we had approximately $201.0 million in cash, cash equivalents, restricted cash equivalents and short-term and non-current investments, and expect to use cash of approximately $24.9 million to satisfy liabilities on our unaudited balance sheet after June 30, 2003. In addition to converting our remaining assets to cash and satisfying the liabilities currently on our balance sheet, we have used and anticipate using cash for a number of items, including but not limited to:

- ongoing operating costs of at least $4.0 million after June 30, 2003;
- employee severance and related costs of at least $4.1 million after June 30, 2003; and
- costs to liquidate and terminate contractual commitments, including costs incurred to terminate existing leases, of at least $3.9 million after June 30, 2003.

In addition, we may incur additional liabilities arising out of contingent claims, such as liabilities relating to our existing shareholder suit and lawsuits that could be brought against us in the future, that are not yet reflected as liabilities on our balance sheet. We are unable at this time to predict what amount, if any, may be paid on these contingent claims. We are unable at this time to predict the precise nature, amount and timing of any distributions, due in part to our inability to predict the ultimate amount of our liabilities, some of which have not been settled. We may incur additional liabilities, and the settlement of our existing liabilities or contingent claims could cost more than we anticipate, any of which could result in a substantially lower distribution to our stockholders. (See page).

Do directors and officers have interests in the Plan of Liquidation that differ from mine?

In considering the recommendation of our board of directors to approve the Plan of Liquidation and our dissolution, you should be aware that some of our directors and officers might have interests that are different from or in addition to your interests as a stockholder. These interests include:

- our current directors and executive officers hold options with exercise prices below $1.70 per share to purchase an aggregate of 1,344,619 shares of common stock, at a weighted average exercise price of $1.10 per share, which options are or will become fully vested prior to our dissolution and will give the optionholders a right to receive a pro rata portion of distributions to stockholders to the extent the distributions exceed the option exercise price;
- our current executive officers will receive an aggregate of approximately $432,000 in severance payments, and 12 months of continued benefits, in connection with the liquidation and dissolution and termination of their employment;
- our former executive officers that were serving in the current fiscal year have received or will receive an aggregate of approximately $844,000 in severance payments, and 12 months of continued benefits, in connection with the liquidation and dissolution and termination of their employment; and
- we have prepaid for six years of coverage under our director and officer liability insurance policy for the benefit of our current and former directors and officers, and we will continue to indemnify our directors and officers following our dissolution.

(See pages). For information as to the number of shares of our common stock beneficially owned by our directors and officers, see pages .

Can I still sell my shares?

Yes, you may sell your shares at this time, but it may be difficult or impossible to sell your shares in the near future. If the Plan of Liquidation is approved, we expect to close our stock transfer books and prohibit transfers of record ownership of our common stock after filing the certificate of dissolution with the State of Delaware. (See page).

Table of Contents

In addition, our common stock was delisted from the NASDAQ National Market on August 18, 2003 and began trading on the over-the-counter electronic bulletin board of the National Association of Securities Dealers, Inc., or the OTCBB. As a result of this delisting:

- stockholders may find it more difficult to dispose of, or to obtain accurate quotations as to the price of, our stock;
- the liquidity of our stock may be reduced, making it difficult for a stockholder to buy or sell our stock at competitive market prices; and
- the price of our stock could decrease.

In addition, our stock could in the future become ineligible for trading on the OTCBB, which could make it more difficult for a stockholder to sell shares of our stock and decrease the price of our stock.

What are the tax consequences of the liquidation?

As a result of our liquidation, for federal income tax purposes stockholders will recognize a gain or loss equal to the difference between (1) the sum of the amount of cash distributed to them and the aggregate fair market value of any property distributed to them, and (2) their tax basis for their shares of our stock. A stockholder s tax basis in the stockholder s shares will depend upon various factors, including the stockholder s cost and the amount and nature of any distributions received with respect to the shares. Any loss generally will be recognized only when the final distribution from us has been received, which is likely to be more than three years after our dissolution and possibly longer.

A brief summary of the material federal income tax consequences of the Plan of Liquidation appears on pages of this proxy statement. Tax consequences to stockholders may differ depending on their circumstances. You should consult your tax advisor as to the tax effect of your particular circumstances.

Do I have dissenters appraisal rights?

No. Under Delaware law, stockholders will not have dissenters appraisal rights in connection with the Plan of Liquidation or our dissolution.

What do I need to do now?

After carefully reading and considering the information contained in this proxy statement, you should complete and sign your proxy and return it in the enclosed return envelope as soon as possible or submit a proxy by telephone or on the Internet as soon as possible so that your shares are represented at the annual meeting. A majority of shares entitled to vote must be represented at the annual meeting to enable us to conduct business at the annual meeting.

Who can help answer questions?

If you have any additional questions about the proposed Plan of Liquidation and the dissolution, you should contact our Secretary at (781) 622-6700 or Georgeson Shareholder Communications Inc., a proxy solicitation firm that we have engaged, at (866) 295-8123. Our annual report on Form 10-K for the year ended December 31, 2002, and our quarterly report on Form 10-Q for the quarter ended June 30, 2003, each as filed with the SEC and including financial statements, are contained in our Annual Report included in this mailing and are also available free of charge through the SEC s electronic data system at *www.sec.gov.* To request additional printed copies of our Annual Report, or this proxy statement, which we will provide to you free of charge, either: write to StorageNetworks, 275 Grove Street, Newton, Massachusetts 02446, Attention: Secretary, or email us at *investor.relations@storagenetworks.com*. Our other public filings can also be accessed at the SEC s web site at *www.sec.gov*.

Table of Contents

VOTING AND VOTES REQUIRED

All proxies will be voted in accordance with the stockholders instructions contained therein, and if no choice is specified, the proxies will be voted in favor of the Plan of Liquidation and our dissolution, the election of the director nominee and the ratification of the selection of Ernst & Young as the independent auditors for the fiscal year ending December 31, 2003. With respect to any other matter properly presented at the annual meeting, the persons named in the proxy will be authorized to vote, or otherwise act, in accordance with their judgment on such matter.

A stockholder may revoke any proxy at any time before it is exercised by delivery of written revocation to the Secretary of StorageNetworks or by voting in person at the annual meeting. A stockholder may also change a vote by signing another proxy with a later date or voting at a later date by telephone or Internet proxy. Attendance at the annual meeting will not itself be deemed to revoke a proxy unless the stockholder gives affirmative notice at the annual meeting that the stockholder intends to revoke the proxy and vote in person.

On , 2003, the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting, there were issued, outstanding and entitled to vote an aggregate of shares of our common stock, $.01 par value per share. Each share is entitled to one vote.

Under our amended and restated by-laws, the holders of a majority of the shares of common stock issued, outstanding and entitled to vote at the annual meeting shall constitute a quorum at the annual meeting. Shares of common stock present in person or represented by proxy, including shares that abstain, represent broker non-votes or do not vote with respect to one or more of the matters presented for stockholder approval, will be counted for purposes of determining whether a quorum is present.

The affirmative vote of the holders of a majority of the shares of common stock issued and outstanding is required to approve and adopt the Plan of Liquidation and our dissolution. The affirmative vote of the holders of a plurality of the shares of common stock voting on the matter is required for the election of the director. The affirmative vote of the holders of a majority of the shares of common stock voting on the matter is required for the ratification of the selection of Ernst & Young as our independent auditors for the fiscal year ending December 31, 2003.

Shares that abstain from voting as to a particular matter, and shares held in street name by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter, will not be counted as votes in favor of such matter and will also not be counted as votes cast or shares voting on such matter. Accordingly, abstentions and broker non-votes will have no effect on the voting of each matter that requires the affirmative vote of a plurality or a certain percentage of the votes cast or shares voting on a matter, such as the election of the director nominee and the ratification of auditors. However, abstentions and broker non-votes will have the effect of a vote against the proposal to approve the Plan of Liquidation and our dissolution.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as to the number of shares of our common stock beneficially owned as of July 31, 2003 (or such other date as is indicated) by the following:

- each person known by us to beneficially own more than 5% of the outstanding shares of our common stock;
- each of our directors;
- our chief executive officer and our one other executive officer;
- our other former executive officer named in the Summary Compensation Table below; and
- all of our current executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC, and includes any shares as to which the person has sole or shared voting or investment power and also any shares that the stockholder has the right to acquire within 60 days after July 31, 2003 through the exercise of any stock option or other right. Shares of common stock that an individual or entity has the right to acquire within 60 days after July 31, 2003 are deemed to be outstanding for the purposes of computing the percentage ownership of such stockholder, but are not deemed outstanding for the purposes of computing the ownership of any other listed stockholder. Unless otherwise indicated below, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Common Stock Outstanding
Massachusetts Financial Services Company and affiliates(1) 500 Boylston Street Boston, MA 02116	5,413,220	5.4%
Peter W. Bell(2)	3,966,650	3.9
Robert E. Davoli(3)	3,029,203	3.0
Paul C. Flanagan(4)	2,985,750	2.9
Dean J. Breda(5)	189,723	*
Scott J. Dussault(6)	157,087	*
Jeffrey P. Keohane(7)	1,001,250	1.0
All current executive officers and directors as a group (5 persons)(8)	10,328,413	10.0

* Percentage is less than 1% of the total number of outstanding shares of common stock of StorageNetworks.

(1) Based on information as of December 31, 2002 contained in Amendment No. 3 to Schedule 13G/A filed by the stockholder with the SEC on February 13, 2003. The stockholder has sole voting power with respect to 5,338,850 shares and sole dispositive power with respect to 5,413,220 shares.

(2) Includes 3,236,400 shares held by the PWB Limited Partnership, with respect to which Mr. Bell has shared voting and dispositive power. Mr. Bell is a manager and the sole member of PWB LLC, which is the general partner of PWB Limited Partnership. Mr. Bell disclaims beneficial ownership with respect to such shares, except to the extent of his pecuniary interest therein, if any. Also includes 671,875 shares issuable upon the exercise of stock options exercisable within 60 days after July 31, 2003, all of which have exercise prices greater than $1.70 per share.

Table of Contents

(3) Includes 1,560,403 shares held by Sigma Partners IV, L.P., 474,574 shares held by Sigma Associates IV, L.P., 54,241 shares held by Sigma Investors IV, L.P., 557,548 shares held by Sigma Partners V, L.P., 129,529 shares held by Sigma Associates V, L.P., 18,678 shares held by Sigma Investors V, L.P., and 164,230 shares held by Mr. Davoli directly. Mr. Davoli is a partner of Sigma Partners, an affiliated entity of these limited partnerships. Mr. Davoli disclaims beneficial ownership with respect to such shares, except to the extent of his pecuniary interest therein, if any. Also includes 70,000 shares issuable upon the exercise of stock options exercisable within 60 days of July 31, 2003, all of which have exercise prices greater than $1.70 per share.

(4) Includes 48,000 shares held by The 2000 Paul C. Flanagan Irrevocable Trust, with respect to which Mr. Flanagan has no voting or dispositive power. Mr. Flanagan disclaims beneficial ownership with respect to such shares, except to the extent of his pecuniary interest therein, if any. Also includes 2,937,744 shares issuable upon the exercise of stock options exercisable within 60 days after July 31, 2003, of which 1,861,250 have exercise prices greater than $1.70 per share.

(5) Includes 186,150 shares issuable upon the exercise of stock options exercisable within 60 days after July 31, 2003, of which 134,062 have exercise prices greater than $1.70 per share.

(6) Consists of 157,087 shares issuable upon the exercise of stock options exercisable within 60 days after July 31, 2003, of which 88,124 have exercise prices greater than $1.70 per share.

(7) Consists of 1,001,250 shares issuable upon the exercise of stock options exercisable within 60 days after July 31, 2003, of which 801,250 have exercise prices greater than $1.70 per share.

(8) Includes the shares described in Notes (2) (6) above.

Table of Contents

PROPOSAL 1 APPROVAL AND ADOPTION OF PLAN OF COMPLETE LIQUIDATION AND DISSOLUTION AND APPROVAL OF DISSOLUTION

Our board of directors is proposing the Plan of Liquidation and our dissolution for approval by our stockholders at the annual meeting. The dissolution of our company was approved and the Plan of Liquidation was adopted by our board of directors, subject to stockholder approval, on July 30, 2003. A copy of the Plan of Liquidation is attached as Exhibit A to this proxy statement. Certain material features of the Plan of Liquidation are summarized below. This summary is not complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Plan of Liquidation. **Stockholders are urged to read the Plan of Liquidation in its entirety.**

Our board of directors recommends that our stockholders vote FOR the approval and adoption of the Plan of Liquidation and our dissolution.

Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Liquidation and Our Dissolution

There are many factors that stockholders should consider when deciding whether to vote to approve the Plan of Liquidation and our dissolution, including those set forth under the caption Factors Affecting Future Operating Results and elsewhere in our Annual Report on Form 10-K for the fiscal year ended December 31, 2002, and under the caption Certain Factors that May Affect Future Operating Results and elsewhere in our Quarterly Reports for the quarters ended March 31, 2003 and June 30, 2003, as well as the following factors:

Our stockholders may fail to approve the Plan of Liquidation and our dissolution.

The Plan of Liquidation and our dissolution are dependent upon approval by our stockholders. If our stockholders fail to approve this plan and our dissolution, we may be required to either continue to operate our business or otherwise sell our business, assets or company. Alternatively, our board could determine that we will file for bankruptcy. In particular, if we were required to continue our business, our only remaining operations would relate to our storage management software, for which the market is relatively new, highly competitive and may not be sustainable. We have limited experience with storage management software, having derived no revenues in 2001, less than 1% of our revenues in 2002 and less than 2% of our revenues in the first six months of 2003 from direct licensing of our software products.

Our anticipated timing of the liquidation and dissolution may not be achieved.

Immediately after the annual meeting, if our stockholders approve our dissolution and the Plan of Liquidation, we intend to file a certificate of dissolution with the Secretary of State of the State of Delaware and sell our remaining assets. Although we anticipate that we will substantially complete the sale of our assets and will make an initial distribution to stockholders within a few months following the annual meeting, there are a number of factors that could delay our anticipated timetable, including the following:

- lawsuits or other claims asserted against us;

- legal, regulatory or administrative delays; and

- delays in settling our remaining obligations.

We cannot determine with certainty the amount of the distributions to stockholders.

We cannot determine at this time the amount of distributions to our stockholders pursuant to the Plan of Liquidation. This determination depends on a variety of factors, including, but not limited to, the amount

Table of Contents

required to settle known and unknown debts and liabilities, the resolution of litigation, including our pending shareholder suit, and other contingent liabilities, the net proceeds, if any, from the sale of our remaining assets, and other factors. Examples of uncertainties that could reduce the value of or eliminate distributions to our stockholders include unanticipated costs relating to:

- the defense, satisfaction or settlement of lawsuits or other claims that may be made or threatened against us in the future;
- the pending shareholder lawsuit against us, including in the event a proposed settlement in the lawsuit is rejected by the court or is not effected for any other reason; and
- delays in our liquidation and dissolution, including due to our inability to settle claims.

As a result, we cannot determine with certainty the amount of distributions to our stockholders.

The shareholder lawsuit currently pending against us could delay or reduce the amount of any distributions to our stockholders.

We are one of approximately 300 companies that have been named as defendants in so-called IPO laddering lawsuits. These suits have been brought on behalf of shareholders alleging, among other things, that the underwriters in public offerings, including our public offerings, improperly arranged undisclosed compensation for themselves from those to whom they allocated shares in the offerings, and improperly obtained agreements from those to whom they allocated shares to buy more of such shares on the open market at increased prices.

The terms of a global settlement between the plaintiffs, almost all of the issuers (including us), and all individuals affiliated with those issuers (including the individuals named in the IPO laddering lawsuit against us), has been negotiated. The underwriters, who are also named as defendants and who may assert claims against the issuers related to the IPO laddering claims, have not agreed to participate in the proposed settlement. A special committee of our board of directors has authorized us to enter into the proposed settlement. The settlement would provide, among other things, a release of us and of the individual defendants for the conduct alleged in the action to be wrongful in the amended complaint. We would in connection with the settlement agree to do certain things, including assigning, not asserting, or releasing some claims we might have against our underwriters. The settlement is subject to approval by the court overseeing the IPO laddering lawsuits, which must decide whether it is fair to the plaintiffs.

If this settlement is not finalized or not approved, we intend to continue to deny the allegations made in the IPO laddering lawsuits and to defend them vigorously. Delays in finalizing or obtaining final approval of the settlement of these claims or any related claims that may be filed, or the failure of the settlement to be consummated or approved, could delay or reduce the amount of distributions to our stockholders. Even if the settlement is finalized and approved, there may be appeals and related litigation that could take years to resolve. We cannot predict the amount, if anything, that we will ultimately be required to pay on account of these claims.

We have liability insurance policies that would fund any cash payments specified in the proposed settlement, and that may provide coverage for liabilities and costs we might incur in connection with this claim or related claims. The insurers have asserted defenses to providing coverage for the claims made in the IPO laddering suits, including that they are not required to pay any amount until we pay the retention amount specified in the policies, and that the policies would not indemnify us or individual defendants as to specified liabilities asserted in the IPO laddering claims. The insurers may assert the same or other defenses in response to any related claims. Accordingly, we can provide no assurance that our policy will cover an