

SIMPLETECH INC  
Form DEF 14A  
April 03, 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**

Filed by the registrant   
Filed by a party other than the registrant

Check the appropriate box:

- Preliminary proxy statement\*
- Definitive proxy statement
- Definitive additional materials
- Soliciting material pursuant to Rule 14a-11(c) or Rule 14a-12

**SIMPLETECH, INC.**

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**(Name of Registrant as Specified in Charter)**

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

Payment of filing fee (Check the appropriate box):

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

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

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

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined)  
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(4) Proposed maximum aggregate value of transaction:  
N/A

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(5) Total fee paid:  
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- o Fee paid previously with preliminary materials:
- o 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:  
N/A

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(2) Form, schedule or registration statement no.:  
N/A

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(3) Filing party:  
N/A

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(4) Date filed:  
N/A

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**SIMLETECH, INC.**  
**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**TO BE HELD MAY 14, 2003**

**TO THE SHAREHOLDERS OF SIMLETECH, INC.:**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of SimpleTech, Inc., a California corporation (the "Company"), will be held on Wednesday, May 14, 2003, at 10:00 a.m. local time at the Irvine Marriott located at 18000 Von Karman Avenue, Irvine, California 92612, for the following purposes, as more fully described in the Proxy Statement accompanying this Notice:

1. To elect seven directors to serve on the Company's Board of Directors until the 2004 Annual Meeting of Shareholders or until their successors are duly elected and qualified;
2. To ratify the appointment of PricewaterhouseCoopers LLP as independent accountants of the Company for the fiscal year ending December 31, 2003; and
3. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The foregoing matters are described in more detail in the enclosed proxy statement. The Board of Directors has fixed the close of business on March 21, 2003, as the record date for the determination of the shareholders entitled to notice of, and to vote at, the Annual Meeting and any postponement or adjournment thereof. Only those shareholders of record of the Company as of the close of business on that date will be entitled to vote at the Annual Meeting or any postponement or adjournment thereof. A list of shareholders entitled to vote at the Annual Meeting will be available for inspection at the executive offices of the Company.

All shareholders are cordially invited to attend the meeting in person. Whether or not you plan to attend, please sign and return the enclosed proxy as promptly as possible in the envelope enclosed for your convenience. Should you receive more than one proxy because your shares are registered in different names and addresses, each proxy should be signed and returned to assure that all of your shares will be voted. You may revoke your proxy at any time prior to the Annual Meeting. If you attend the Annual Meeting and vote by ballot, your proxy will be revoked automatically and only your vote at the Annual Meeting will be counted.

**YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. PLEASE READ THE ATTACHED PROXY STATEMENT CAREFULLY, COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE AND RETURN IT IN THE ENCLOSED ENVELOPE.**

By Order of the Board of Directors,

Manouch Moshayedi  
Chief Executive Officer and  
Chairman of the Board of Directors

Santa Ana, California  
April 1, 2003

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**SIMLETECH, INC.**

3001 Daimler Street  
Santa Ana, California 92705-5812  
(949) 476-1180

**PROXY STATEMENT FOR  
ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 14, 2003**

The enclosed proxy is solicited on behalf of the Board of Directors of SimpleTech, Inc., a California corporation (the "Company"), for use at the Annual Meeting of Shareholders to be held on May 14, 2003, at 10:00 a.m. local time, or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting. The Annual Meeting will be held at the Irvine Marriott located at 18000 Von Karman Avenue, Irvine, California 92612.

Your vote at the 2003 annual meeting is important to us. Please vote your shares of common stock by completing the enclosed proxy card and returning it to us in the enclosed envelope. This proxy statement has information about the 2003 annual meeting and was prepared by our management for the board of directors. This proxy statement and the accompanying proxy card are first being mailed to you on or about April 8, 2003.

**GENERAL INFORMATION ABOUT VOTING**

**Who can attend the meeting?**

Attendance at the 2003 annual meeting is limited to the Company's shareholders. Admission to the meeting will be on a first-come, first-served basis. Registration will begin at 9:00 a.m. and each shareholder may be asked to present valid picture identification such as a driver's license or passport. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

**Who can vote?**

You can vote your shares of common stock if our records show that you owned the shares on March 21, 2003. On March 21, 2003, the record date for determination of shareholders entitled to notice of and to vote at the 2003 annual meeting, 38,900,883 shares of our common stock were issued and outstanding. You get one vote for each share of common stock. You may not cumulate votes in the election of directors. The enclosed proxy card shows the number of shares you can vote.

**How do I vote by proxy?**

Follow the instructions on the enclosed proxy card to vote on each proposal to be considered at the 2003 annual meeting. Sign and date the proxy card and mail it back to us in the enclosed envelope. If the proxy card is properly signed and returned, the proxy holders named on the proxy card will vote your shares as you instruct. If you sign and return the proxy card but do not vote on a proposal, the proxy holders will vote for you on that proposal. Unless you instruct otherwise, the proxy holders will vote "FOR" each of the director nominees and "FOR" the other proposal to be considered at the meeting.

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Shareholders whose shares are registered in the name of a bank or brokerage firm may be eligible to vote electronically through the Internet or by telephone. A large number of banks and brokerage firms are participating in the ADP Investor Communication Services online program. This program provides eligible shareholders the opportunity to vote via the Internet or by telephone. Voting forms

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will provide instructions for shareholders whose bank or brokerage firm is participating in ADP's program.

Signing and returning the proxy card does not affect the right to vote in person at the 2003 annual meeting.

### **What if other matters come up at the 2003 Annual Meeting?**

The matters described in this proxy statement are the only matters we know will be voted on at the 2003 annual meeting. If other matters are properly presented at the meeting, the proxy holders will vote your shares as they see fit.

### **Can I change my vote after I return my proxy card?**

Yes. At any time before the vote on a proposal, you can change your vote either by filing with Mark Moshayedi, our Corporate Secretary, at our principal executive offices at 3001 Daimler Street, Santa Ana, California 92705-5812, a written notice revoking your proxy card or by signing, dating and returning to us a new proxy card. We will honor the proxy card with the latest date. You may also revoke your proxy by attending the 2003 annual meeting and voting in person.

### **Can I vote in person at the 2003 Annual Meeting rather than by completing the proxy card?**

Although we encourage you to complete and return the proxy card to ensure that your vote is counted, you can attend the 2003 annual meeting and vote your shares in person.

### **What do I do if my shares are held in "street name"?**

If your shares are held in the name of your broker, a bank, or other nominee, that party should give you instructions for voting your shares.

### **How are votes counted?**

In the election of directors, the seven candidates receiving the highest number of affirmative votes will be elected as directors. Proposal 2 requires the approval of the affirmative vote of a majority of the votes cast at the 2003 annual meeting together with the affirmative vote of a majority of the required quorum.

The required quorum for the transaction of business at the 2003 annual meeting is a majority of the shares of common stock issued and outstanding on the record date. Shares that are voted "**FOR**," "**AGAINST**" or "**ABSTAIN**" in a matter are treated as being present at the meeting for purposes of establishing the quorum, but only shares voted "**FOR**" or "**AGAINST**" are treated as votes cast at the 2003 annual meeting with respect to such matter.

Abstentions and shares held by brokers that are present in person or represented by proxy but that are not voted because the brokers were prohibited from exercising discretionary authority ("broker non-votes") will be counted for the purpose of determining whether a quorum is present for the transaction of business. Abstentions and broker non-votes can have the effect of preventing approval of a proposal where the number of affirmative votes, though a majority of the votes cast, does not constitute a majority of the required quorum. All votes will be tabulated by the inspector of election appointed for the 2003 annual meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

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### **Who pays for this proxy solicitation?**

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The Company will bear the entire cost of solicitation, including the preparation, assembly, printing and mailing of this proxy statement, the proxy and any additional solicitation materials furnished to the shareholders. Copies of solicitation materials will be furnished to brokerage houses, fiduciaries and custodians holding shares in their names that are beneficially owned by others so that they may forward this solicitation material to such beneficial owners. In addition, the Company may reimburse such persons for their costs in forwarding the solicitation materials to such beneficial owners. The original solicitation of proxies by mail may be supplemented by a solicitation by telephone, telegram or other means by directors, officers or employees of the Company. No additional compensation will be paid to these individuals for any such services. Except as described above, the Company does not presently intend to solicit proxies other than by mail.

### SHAREHOLDER PROPOSALS

Shareholder proposals that are intended to be presented at our 2004 annual meeting and included in our proxy materials relating to the 2004 annual meeting must be received by Mark Moshayedi, Corporate Secretary, SimpleTech, Inc., 3001 Daimler Street, Santa Ana, California 92705-5812 no later than January 7, 2004, which is 120 calendar days prior to the anniversary of the mailing date for this year's proxy materials. All shareholder proposals must be in compliance with applicable laws and regulations in order to be considered for possible inclusion in the proxy statement and form of proxy for the 2004 annual meeting.

If a shareholder wishes to present a proposal at our 2004 annual meeting and the proposal is not intended to be included in our proxy statement relating to the 2004 annual meeting, the shareholder must give advance notice to us prior to the deadline for the annual meeting. In order to be deemed properly presented, the notice of a proposal must be delivered to our Corporate Secretary no later than April 3, 2004, which is 45 calendar days prior to the anniversary of the date of the 2003 annual meeting. However, in the event that the 2004 annual meeting is called for a date which is not within thirty days of the anniversary of the date of the 2003 annual meeting, shareholder proposals intended for presentation at the 2004 annual meeting must be received by our Corporate Secretary no later than the close of business on the tenth day following the date on which public announcement of the date of the 2004 annual meeting is first made. If a shareholder gives notice of such proposal after April 3, 2004, then the proxy solicited by the board of directors for the 2004 annual meeting will confer discretionary authority to vote on such proposal at that meeting, which may include a vote against such shareholder proposal.

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## MATTERS TO BE CONSIDERED AT ANNUAL MEETING

### OVERVIEW OF PROPOSALS

This Proxy Statement contains two proposals requiring shareholder action. Proposal No. 1 requests the election of seven directors to our board of directors. Proposal No. 2 requests ratification of our independent accountants. Both of the proposals are discussed in more detail in the pages that follow.

### PROPOSAL NO. 1

#### ELECTION OF DIRECTORS

##### General

Our board of directors currently consists of seven persons. All seven positions on our board of directors are to be elected at this meeting. Our board of directors has nominated the current directors to be re-elected to serve for a one-year term and until their successors are duly elected and qualified.

Holders of proxies solicited by this proxy statement will vote the proxies received by them as directed on the proxy card or, if no direction is made, for the election of the board of directors' seven director nominees below. Proxies cannot be voted for more than the seven named director nominees.

Each director nominee for election has agreed to serve if elected, and we have no reason to believe that any director nominee will be unavailable to serve. If any director nominee is unable or declines to serve as a director at the time of the 2003 annual meeting, the proxy holders will vote for a director nominee designated by the present board of directors to fill the vacancy. Unless otherwise instructed, the proxy holders will vote the proxies received by them "FOR" the director nominee named below.

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The names of the director nominees, and certain information about them, are set forth below.

Name	Age	Director Since	Position
Manouch Moshayedi(2)	44	1990	Chief Executive Officer and Chairman of the Board of Directors
Mike Moshayedi	48	1990	President and Director
Mark Moshayedi	41	1992	Chief Operating Officer, Chief Technical Officer, Secretary and Director
Dan Moses(2)	35	2000	Chief Financial Officer and Director
F. Michael Ball(1)	47	2000	Director
Mark R. Hollinger(1)	45	2000	Director
James J. Peterson(1)	47	2003	Director

(1) Member of the Audit and Compensation Committees

(2) Member of the Special Stock Option Committee

*Manouch Moshayedi*, a co-founder of SimpleTech, has served as our President or Chief Executive Officer and Chairman of the board of directors since our inception in March 1990. From our inception in March 1990 to September 1994, Mr. Moshayedi also served as our Chief Financial Officer. Mr. Moshayedi graduated with a B.S. in engineering from California State University, Fullerton and an M.B.A. from Long Island University in New York. Mr. Moshayedi is the brother of Mike Moshayedi and Mark Moshayedi, both of whom are our executive officers and directors.

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*Mike Moshayedi*, a co-founder of SimpleTech, has served as our director since our inception in March 1990 and our President since January 1995. From our inception in March 1990 to December 1994, Mr. Moshayedi served as our Senior Vice President or President of Sales and Marketing and Secretary. Mr. Moshayedi graduated with a B.S. in engineering from California State University, Long Beach. Mr. Moshayedi is the brother of Manouch Moshayedi and Mark Moshayedi, both of whom are our executive officers and directors.

*Mark Moshayedi* has served as our director since April 1992 and our Chief Operating Officer, Chief Technical Officer and Secretary since January 1995. From June 1994 to December 1994, Mr. Moshayedi served as our President of Research and Development. From April 1992 to June 1994, Mr. Moshayedi served as our Senior Vice President. Mr. Moshayedi graduated with a B.S. in engineering from the University of California, Irvine and an M.B.A. from Pepperdine University. Mr. Moshayedi is the brother of Manouch Moshayedi and Mike Moshayedi, both of whom are our executive officers and directors.

*Dan Moses* has served as our Chief Financial Officer since September 1994 and our director since March 2000. From October 1992 to August 1994, Mr. Moses served as our Contoller. Before joining SimpleTech, Mr. Moses was a Senior Auditor with PricewaterhouseCoopers LLP from May 1990 to October 1992. Mr. Moses graduated with a B.S. in business administration from the University of California, Riverside and a Master's of Accounting from the University of Southern California. Mr. Moses is a Certified Public Accountant.

*F. Michael Ball* joined SimpleTech as our director and member of our audit and compensation committees in October 2000. Since April 1996, Mr. Ball has been Corporate Vice President and President, North America Region of Allergan, Inc., a publicly-traded pharmaceutical company. From April 1995 to April 1996, Mr. Ball was Senior Vice President of Allergan, Inc. Mr. Ball graduated with a B.S. in science and an M.B.A. from Queen's University, Canada, and completed an executive management program at Stanford University.

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*Mark R. Hollinger* joined SimpleTech as our director and member of our audit and compensation committees in October 2000. Since September 1999, Mr. Hollinger has been President and Chief Executive Officer of Merix Corporation, a manufacturer of printed circuit boards. Mr. Hollinger has been a director of Merix Corporation, a publicly-traded company, since May 1999. From May 1999 to September 1999, Mr. Hollinger was President and Chief Operating Officer of Merix Corporation. From August 1998 to May 1999, Mr. Hollinger was Senior Vice President of Operations and Chief Operating Officer of Merix Corporation. From September 1997 to August 1998, Mr. Hollinger was Senior Vice President of Merix Corporation. From September 1994 to September 1997, Mr. Hollinger was Vice President Operations of Continental Circuits Corp., a manufacturer of printed circuit boards. Mr. Hollinger graduated with a B.A. in marketing from Capital University and an M.B.A. from Ohio State University.

*James J. Peterson* joined SimpleTech as our director and member of our audit and compensation committees in January 2003. Since November 2000, Mr. Peterson has been President and Chief Executive Officer of Microsemi Corporation, a publicly-traded company that manufactures discrete semiconductors and power management integrated circuits. Mr. Peterson has been a director of Microsemi since November 2001. From April 1999 to February 2001, Mr. Peterson was the Vice President and General Manager of the Linfinity Division of Microsemi. From February 1997 to April 1999, Mr. Peterson was President and Chief Operating Officer of Linfinity Microelectronics, Inc., a manufacturer of analog and mixed signal integrated circuits. From August 1996 to February 1997, Mr. Peterson was Vice President of Sales of Linfinity Microelectronics. Mr. Peterson graduated with a B.A. in business administration and an M.B.A from Brigham Young University.

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### Board of Directors

Our board of directors is currently composed of seven members. Each director currently serves until the next annual meeting of shareholders or until his successor is duly elected and qualified. At each annual meeting of shareholders, the directors' successors will be elected to serve until the next annual meeting of shareholders. In addition, our bylaws provide that the authorized number of directors will be between four and seven, with the exact number to be determined by a majority of our board of directors or shareholders.

Our board of directors held seven meetings in 2002. All of the then current directors attended or participated in 75% or more of the aggregate of (i) the total number of meetings of our board of directors and (ii) the total number of meetings held by all committees of our board of directors on which such director served during 2002.

### Board Committees

Our board of directors has three standing committees: the Audit Committee, Compensation Committee and Special Stock Option Committee.

*Audit committee* Our board of directors established an audit committee in September 2000. The Audit Committee is responsible for reviewing financial information which will be provided to shareholders and others, the systems of internal controls which management and our board of directors have established, the performance and selection of independent accountants, our audit and financial reporting processes, and our accounting practices. The audit committee operates under a written audit committee charter adopted by our board of directors. This charter was filed last year as an exhibit to our proxy statement on Schedule 14A. Our audit committee met in February 2003 in connection with the audit of our 2002 financial statements, and held four meetings in 2002. The board of directors has determined that all members of the audit committee are "independent" as that term is defined in Rule 4200 of the listing standards of the National Association of Securities Dealers. The audit committee currently consists of Messrs. Ball, Hollinger and Peterson.

*Compensation committee* Our board of directors established a compensation committee in September 2000. The compensation committee is responsible for the design, review, recommendation and approval of compensation arrangements for our directors, executive officers and key employees, and for the administration of our 2000 Stock Incentive Plan, including the approval of grants under such plan to our employees, consultants and directors, and our 2000 Employee Stock Purchase Plan. Our compensation committee held four meetings in 2002. The compensation committee currently consists of Messrs. Ball, Hollinger and Peterson.

*Special Stock Option Committee* Our board of directors established a special stock option committee in September 2001. The special stock option committee has separate but concurrent jurisdiction with the compensation committee to make option grants under our 2000 Stock Incentive Plan to eligible individuals other than executive officers and the non-employee members of our board of directors. The special stock option committee held two meetings in 2002. The special stock option committee currently consists of Manouch Moshayedi and Dan Moses.

Our board of directors may establish other committees to facilitate the management of our business.

### Compensation Committee Interlocks and Insider Participation

Our board of directors established our compensation committee in September 2000. Since September 2000, our compensation committee has been composed exclusively of non-employee members of our board of directors. From September 2000 to November 2002, our compensation committee was composed of Messrs. Ball, Beaver and Hollinger. In November 2002, Mr. Beaver

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resigned as a member of our board of directors, including his positions on the audit and compensation committees, to become Vice President and General Manager of our Xiran Division. In January 2003, our board of directors appointed Mr. Peterson as a member of our board of directors, including positions on our audit and compensation committees. Our compensation committee currently consists of Messrs. Ball, Hollinger and Peterson. Prior to September 2000, Manouch Moshayedi, Mike Moshayedi, and Mark Moshayedi participated in deliberations of our board of directors concerning executive officer compensation.

None of the current members of our compensation committee were at any time since the formation of SimpleTech an officer or employee of SimpleTech. Except as indicated below, none of our current executive officers serve as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving on our board of directors or our compensation committee of the board of directors.

Manouch Moshayedi, Mike Moshayedi and Mark Moshayedi are the sole beneficial stockholders of MDC Land Corporation, MDC Land LLC, XYZ, Inc. and QualCenter, Inc. In addition, Manouch Moshayedi, Mike Moshayedi and Mark Moshayedi are each a member of the board of directors and/or executive officer of each of these companies. Manouch Moshayedi also serves as a member of our special stock option committee.

For additional information concerning transactions involving other members of the board of directors, see "Certain Transactions."

### Director Compensation

We do not provide cash compensation to the employee members of our board of directors for their service on the board or for attendance at meetings of committees of the board on which they serve. Each non-employee member of our board of directors receives \$3,000 for attendance at each board meeting, but none of our non-employee board members receive any compensation for attendance at meetings of the various committees of our board of directors. In addition, our non-employee board members are reimbursed for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors and committees of the board of directors.

Employee board members are eligible to receive options and be issued shares of common stock directly under our 2000 Stock Incentive Plan. A non-employee board member will, upon his initial election or appointment to the board of directors, receive an automatic option grant to purchase 30,000 shares of common stock under the automatic option grant program of our 2000 Stock Incentive Plan. The option grant will have an exercise price equal to the fair market value of the option shares on the grant date and will have a term of 10 years measured from the grant date, subject to earlier termination following the optionee's cessation of service on the board of directors. The option will be immediately exercisable for all of the option shares; however, we may repurchase, at the exercise price paid per share, any shares purchased under the option which are not vested at the time of the optionee's cessation of board service. The shares subject to each automatic option grant will vest in a series of five successive equal annual installments upon the optionee's completion of each year of board service over the five-year period measured from the date of grant. However, the shares will immediately vest in full upon certain changes in control or ownership of SimpleTech or upon the optionee's death or disability while serving as a board member.

The current non-employee members of our board of directors, Messrs. Ball, Hollinger and Peterson, each received an automatic option grant when they first joined the board, for 30,000 shares of common stock under the automatic option grant program of our 2000 Stock Incentive Plan. Messrs. Ball and Hollinger received their automatic option grant on October 9, 2000 and Mr. Peterson received his automatic option grant on January 17, 2003. The exercise price per share in effect under

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the options granted to Messrs. Ball and Hollinger is \$8.125 and under the option granted to Mr. Peterson is \$3.02, the fair market value per share of common stock on the grant date.



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In addition, Messrs. Ball and Hollinger each received an additional option grant to purchase 10,000 shares of common stock on May 3, 2001. The exercise price per share in effect under each such option is \$2.74, the fair market value per share of common stock on the grant date. Each option will vest and become exercisable in a series of five successive equal annual installments upon the optionee's completion of each year of board service over the five-year period measured from the date of grant. However, the shares will immediately vest in full upon certain changes in control or ownership of SimpleTech or upon the optionee's death or disability while serving as a board member. Each of the options has a maximum term of 10 years measured from the grant date, subject to earlier termination following the optionee's cessation of service on the board of directors.

### Vote Required

The seven director nominees for director receiving the highest number of affirmative votes of the shares entitled to be voted for them shall be elected as directors. Votes withheld from any director are counted for purposes of determining the presence or absence of the quorum, but have no other legal effect under California law.

### Recommendation of the Board of Directors

**Our board of directors unanimously recommends that the shareholders vote "FOR" the election of the director nominees named above.**

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## PROPOSAL NO. 2

### RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS

During the fiscal year ended December 31, 2002, PricewaterhouseCoopers LLP provided various audit, audit related and non-audit services to us as follows:

a.

*Audit Fees* Aggregate fees billed for professional services rendered for the audit and review of our fiscal year 2002 annual financial statements and review of financial statements included in our quarterly reports on Form 10-Q totaled approximately \$120,000

b.

*All Other Fees:*

Other audit and tax services: approximately \$14,000

Our audit committee has considered whether provision of the services described in section (b) above is compatible with maintaining the independent accountant's independence and has determined that such services have not adversely affected PricewaterhouseCoopers LLP's independence. PricewaterhouseCoopers LLP has been selected by our board of directors as our independent accountants for the fiscal year ending December 31, 2003. If ratification of this selection of accountants is not approved by a majority of the shares of common stock voting thereon, management will review its future selection of accountants. Even if the selection is ratified, our board of directors in its discretion may direct the appointment of a different independent auditing firm at any time during the year if our board of directors believes that such a change would be in the best interests of us and our shareholders.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting and will have the opportunity to make a statement if they desire to do so. They are also expected to be available to respond to appropriate questions. Unless marked to the contrary, proxies received will be voted "FOR" ratification of the appointment of PricewaterhouseCoopers LLP as the independent accountants for the fiscal year ended December 31, 2003.

### Vote Required

The ratification of the appointment of PricewaterhouseCoopers LLP as our independent accountants for the fiscal year ending December 31, 2003 requires the approval of the affirmative vote of a majority of the votes cast at the Annual Meeting together with the affirmative vote of a majority of the required quorum.

**Recommendation of the Board of Directors**

**Our board of directors unanimously recommends that the shareholders vote "FOR" ratification of the appointment of PricewaterhouseCoopers LLP as our independent accountants for the fiscal year ending December 31, 2003.**

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**OTHER MATTERS**

Our board of directors knows of no other business that will be presented at the 2003 annual meeting. If any other business is properly brought before the 2003 annual meeting, proxies received will be voted in respect thereof in accordance with the recommendation of the board of directors. Discretionary authority with respect to such other matters is granted by the execution of the enclosed proxy.

**MANAGEMENT****Executive Officers, Directors and Other Key Employees**

The following table sets forth certain information regarding our executive officers, directors and other key employees as of March 31, 2003.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Manouch Moshayedi(2)	44	Chief Executive Officer and Chairman of the Board of Directors
Mike Moshayedi	48	President and Director
Mark Moshayedi	41	Chief Operating Officer, Chief Technical Officer, Secretary and Director
Dan Moses(2)	35	Chief Financial Officer and Director
Thomas A. Beaver	60	Vice President and General Manager, Xiran Division
F. Michael Ball(1)	47	Director
Mark R. Hollinger(1)	45	Director
James J. Peterson(1)	47	Director

(1) Member of the Audit and Compensation Committees

(2) Member of the Special Stock Option Committee

*Manouch Moshayedi.* See "Proposal No. 1: Election of Directors" for Mr. Moshayedi's biography.

*Mike Moshayedi.* See "Proposal No. 1: Election of Directors" for Mr. Moshayedi's biography.

*Mark Moshayedi.* See "Proposal No. 1: Election of Directors" for Mr. Moshayedi's biography.

*Dan Moses.* See "Proposal No. 1: Election of Directors" for Mr. Moses' biography.

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*Thomas A. Beaver* has served as our Vice President and General Manager of our Xiran Division since November 2002. From October 2000 to November 2002, Mr. Beaver was a director and member of our audit and compensation committees. From January 2001 to November 2002, Mr. Beaver was the Chief Executive Officer of 3DSP Corporation, a provider of digital signal processing intellectual property solutions. From October 1999 to December 2000, Mr. Beaver was the Chief Executive Officer of Wyle Electronics, Inc., a distributor of semiconductor products. From September 1998 to October 1999, Mr. Beaver was Executive Vice President of Worldwide Sales and Marketing of Astec Power, Inc., a supplier of power conversion products. Prior to Astec, Mr. Beaver spent more than 30 years with Motorola Corp., a provider of communications and semiconductor products, where he held a succession of increasingly responsible sales, marketing and senior management positions of which the most recent was Corporate Vice President and Director of Marketing and Sales of the company's Networking and Computing Systems Group. Mr. Beaver graduated with a B.S. in electrical

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engineering and a B.A. in business from Marquette University, and an M.B.A. from the University of Minnesota.

*F. Michael Ball.* See "Proposal No. 1: Election of Directors" for Mr. Ball's biography.

*Mark R. Hollinger.* See "Proposal No. 1: Election of Directors" for Mr. Hollinger's biography.

*James J. Peterson.* See "Proposal No. 1: Election of Directors" for Mr. Peterson's biography.

### Relationships Among Executive Officers and Directors

Our executive officers are elected by the board of directors on an annual basis and serve until the next annual meeting of shareholders or until their successors have been duly elected and qualified. Except as otherwise disclosed in their respective biography, there are no family relationships among any of the directors or executive officers of SimpleTech.

### 2001 Option Exchange Program

In October 2001, the compensation committee of our board of directors authorized the implementation of an option exchange program pursuant to which our current United States employees, including executive officers, would have the opportunity to exchange their outstanding options to purchase shares of our common stock for new stock option grants to be made to them at a date not earlier than 6 months and 1 day following the date of the cancellation of their outstanding options. The program was implemented because competition for key employees in our industry is intense, and the use of significant stock options for retention and motivation of such personnel is pervasive in high technology industries. The compensation committee of our board believes that stock options are a critical component of the compensation package we offer to our employees in order to promote long-term retention, motivate high levels of performance, and incentivize employee contributions to our success.

By implementing an option exchange program whereby the outstanding options under our 2000 Stock Incentive Plan could be exchanged for new options that will be granted at a later date with an exercise price equal to the fair market value of our common stock on that grant date, the compensation committee intended to provide our employees with the opportunity to acquire new options that over time may have a greater potential to increase in value, and thereby create better incentives for our employees to remain with us and contribute to the attainment of our business and financial objectives and the creation of value for all of our shareholders.

As a result of the option exchange program authorized by our compensation committee and approved by our board, all our current U.S. employees, including executive officers, were given the opportunity to exchange their outstanding stock options under our 2000 Stock Incentive Plan, whether those options had exercise prices above or below the current fair market value of our common stock, for new replacement options to be granted under our 2000 Stock Incentive Plan on or about June 21, 2002. Options for approximately 3,921,725 shares of common stock were eligible for participation in the option exchange program. Of this total, options for 377,500 shares were held by our then named executive officers. The non-employee members of our board of directors were not eligible to participate in the program. At the conclusion of the option exchange program on December 20, 2001, we accepted for exchange and cancelled options to purchase an aggregate of 2,309,500 shares of our common stock, which represented 58.9% of the total number of shares covered by the options subject to the option exchange program. On June 24, 2002, we granted new replacement options under our 2000 Stock Incentive Plan to purchase an aggregate of 2,202,500 shares of common stock to replace the eligible options that had been tendered and cancelled under the option exchange program. The exercise price per share for the replacement options was \$5.75, the last reported trading price of our common stock on the grant date. In general, each replacement option vests and becomes exercisable in a series of

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three successive equal annual installments upon the optionee's completion of each year of service over the three-year period measured from the grant date. Each option has a maximum term of ten years from the grant date, subject to earlier termination upon the optionee's cessation of employment with us. The other terms and conditions of the replacement options are substantially similar to those of the cancelled options. Except for the October 2001 option exchange program, we have not implemented any other option repricing or option exchange program.

The table below provides certain information concerning our named executive officers who participated in the option exchange program and the options which were cancelled pursuant to that program. The non-employee members of our board were not eligible to participate in the program.

**10-YEAR OPTION REPRICINGS**

Name and Principal Position	Date	Number of Securities Underlying Options/SAR's Repriced or Amended	Market Price of Stock at Time of Cancellation	Exercise Price at Time of Cancellation	New Exercise Price	Length of Original Option Term Remaining at Date of Cancellation
Dan Moses Chief Financial Officer and Director	12/20/01	100,000	\$ 3.24	\$ 11.00	\$ 5.75	8.8 years
Carl Swartz Former Vice President of Strategic Planning and General Counsel	12/20/01	50,000	\$ 3.24	\$ 11.00	\$ 5.75	8.8 years

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file an initial report of securities ownership on Form 3 and reports of changes in securities ownership on Form 4 or 5 with the Securities and Exchange Commission. Such executive officers, directors and 10% shareholders are also required by SEC rules to furnish us with copies of all Section 16(a) forms that they file. Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons that no Forms 4 or 5 were required for such persons, we believe that for the reporting period from January 1, 2002 to December 31, 2002, our executive officers and the non-employee members of our board of directors complied with all their reporting requirements under Section 16(a).

**EXECUTIVE COMPENSATION AND RELATED INFORMATION**

The following table sets forth certain summary information concerning the compensation earned by our chief executive officer, each of our other four most highly compensated executive officers (determined on the basis of their salary and bonus for the 2002 fiscal year) for services rendered in all capacities to us and our subsidiaries for the fiscal years ended December 31, 2002, 2001 and 2000, respectively. Carl Swartz is also included in the table because he would have been among our four highest compensated executive officers on December 31, 2002 had he not resigned earlier during that year. No other executive officer who would have otherwise been includable in such table on the basis of salary and bonus earned for our 2002 fiscal year has been excluded by reason of his or her termination of employment or change in executive status during that fiscal year. The individuals included in the following table are collectively referred to as the "named executive officers."

**Summary Compensation Table**

<u>Annual Compensation</u>	<u>Long Term Compensation Awards</u>
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Name and Principal Position	Year	Salary(\$)(1)	Bonus(\$)	Other Annual Compensation(\$)	Long Term Compensation Awards Underlying Options(#)	All Other Compensation(\$)
Manouch Moshayedi(2)	2002	278,300				23,200(3)
Chief Executive Officer and Chairman of the Board of Directors	2001	352,500				24,100(4)
	2000	430,100				24,700(5)
Mike Moshayedi(6)	2002	278,300				24,600(7)
President and Director	2001	352,500				25,700(8)
	2000	430,100				25,700(8)
Mark Moshayedi(9)	2002	278,300				24,600(10)
Chief Operating Officer, Chief Technical Officer, Secretary and Director	2001	352,500				25,700(11)
	2000	430,100				25,700(11)
Dan Moses	2002	177,100(12)	36,700		100,000+	5,500(14)
Chief Financial Officer and Director	2001	169,000(13)	102,000		25,000	5,300(14)
	2000	160,300(15)	3,333		100,000*	3,800(14)
Thomas A. Beaver(16)	2002	25,800(17)			150,000	
Vice President and General Manager, Xiran Division						
Carl Swartz(18)	2002	213,900(19)			50,000+	5,500(14)
Former Vice President of Strategic Planning and General Counsel	2001	223,600			12,500	5,300(14)
	2000	184,000(20)			50,000*	5,300(14)

\* All of these particular options were cancelled in December 2001 pursuant to our option exchange program.

+ These options were issued on June 24, 2002 in connection with our option exchange program.

Each of these officers voluntarily reduced his annualized base salary for the period beginning May 21, 2001 through July 1, 2002 in order to reduce our expenses and operating costs during the general economic slow down. Accordingly, the annualized base salary for each of these officers for the period beginning May 21, 2001 through July 1, 2002 is effectively \$290,000.

(1) The amount includes elective deferred contributions by the executive to our 401(k) plan.

(2) While we were an S corporation, Manouch Moshayedi, as our beneficial shareholder, received S corporation distributions for personal income taxes and other purposes of approximately \$10.7 million in 2000, including distributions totaling \$1.5 million paid to the M. and S. Moshayedi Investment Trust, dated 11/16/95 for the benefit of Manouch Moshayedi's children. In addition, Manouch Moshayedi received a \$1.0 million return of paid-in capital in 2000.

(3) Represents (a) \$20,400 for life insurance premiums paid on Manouch Moshayedi's behalf and (b) \$2,800 in 401(k) matching contributions made by us.

(4) Represents (a) \$20,400 for life insurance premiums paid on Manouch Moshayedi's behalf and (b) \$3,700 in 401(k) matching contributions made by us.

(5) Represents (a) \$20,400 for life insurance premiums paid on Manouch Moshayedi's behalf and (b) \$4,300 in 401(k) matching contributions paid by us.

(6)

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While we were an S corporation, Mike Moshayedi, as our beneficial shareholder, received S corporation distributions for personal income taxes and other purposes of approximately \$10.6 million in 2000, including distributions totaling \$1.5 million paid to the M. and P. Moshayedi Investment Trust, dated 12/30/96 for the benefit of Mike Moshayedi's children. In addition, Mike Moshayedi received a \$1.0 million return of paid-in capital in 2000.

- (7) Represents (a) \$20,400 for life insurance premiums paid on Mike Moshayedi's behalf and (b) \$4,200 in 401(k) matching contributions by us.
- (8) Represents (a) \$20,400 for life insurance premiums paid on Mike Moshayedi's behalf and (b) \$5,300 in 401(k) matching contributions made by us.
- (9) While we were an S corporation, Mark Moshayedi, as our beneficial shareholder, received S corporation distributions for personal income taxes and other purposes of approximately \$10.7 million in 2000, including distributions totaling \$1.3 million paid to the D. and N. Moshayedi Investment Trust, dated 9/25/98 for the benefit of Mark Moshayedi's children. In addition, Mark Moshayedi received a \$1.0 million return of paid-in capital in 2000.
- (10) Represents (a) \$20,400 for life insurance premiums paid on Mark Moshayedi's behalf and (b) \$11,200 in 401(k) matching contributions made by us.
- (11) Represents (a) \$20,400 for life insurance premiums paid on Mark Moshayedi's behalf and (b) \$5,300 in 401(k) matching contributions made by us.
- (12) Includes an automobile allowance of \$9,000.
- (13) Includes an automobile allowance of \$9,000.
- (14) Represents contribution to our 401(k) plan made on behalf of the named officer to match a portion of his elective deferral contributions to such plan.
- (15) Includes an automobile allowance of \$7,800.
- (16) Mr. Beaver joined SimpleTech in November 2002. His annualized salary for 2002 was \$250,000.
- (17) Represents salary earned for the period from November 11, 2002 to December 31, 2002.
- (18) Mr. Swartz left SimpleTech in September 2002. His annualized salary for 2002 was \$225,000.
- (19) Represents salary earned for the period from January 1, 2002 through September 5, 2002 and severance payment of \$40,000.
- (20) Represents salary earned for the period from January 17, 2000 through December 31, 2000.

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### Option Grants in Last Fiscal Year

The following table sets forth information regarding options granted to each of our named executive officers during the year ended December 31, 2002. We did not grant any stock appreciation rights during the year ended December 31, 2002.

Individual Grants					
Name	Number of Shares of Common Stock Underlying Options Granted(#)	% of Total Options Granted to Employees in 2002	Exercise Price Per Share (\$/share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term

					5% (\$)	10% (\$)
<b>Individual Grants</b>						
Manouch Moshayedi						
Mike Moshayedi						
Mark Moshayedi						
Dan Moses	100,000	2.1% \$	5.75	6/23/12	\$ 361,614	\$ 916,402
Thomas A. Beaver	150,000	3.2% \$	2.81	11/10/12	\$ 265,079	\$ 671,762
Carl Swartz	50,000	1.1% \$	5.75	6/23/12	\$ 180,807	\$ 458,201

During 2002, we granted options to purchase 4,678,900 shares of our common stock to our employees, consultants and non-employee board members, including options to purchase an aggregate of 2,202,500 shares of common stock granted in June 2002 in connection with our option exchange program. In general, each option has a maximum term of 10 years, subject to earlier termination following the optionee's cessation of service, and will vest and become exercisable in five successive equal annual installments upon the optionee's completion of each year of service with us over the five-year period measured from the grant date. The replacement options granted on June 24, 2002 under our option exchange program vests and becomes exercisable in a series of three successive equal annual installments upon the optionee's completion of one year of service over the three-year period measured from the grant date. Each option will vest and become exercisable in full on an accelerated basis in the event we are acquired and the option is neither assumed nor replaced with a cash incentive program which preserves the spread on the unvested portion of that option and provides for subsequent payout in accordance with the same vesting schedule.

Potential realizable values are net of exercise price, but before the payment of taxes associated with exercise. Amounts represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. The 5% and 10% assumed annual rates of compounded stock price appreciation represent assumed rates of appreciation in the value of the common stock from the fair market value on the date of grant and do not represent our estimate or projection of our future common stock prices. Actual gains, if any, on stock option exercises are dependent on the future performance of the common stock and overall stock market conditions. The amounts reflected in the table may not necessarily be achieved

**Aggregated Option Exercises In Last Fiscal Year and Fiscal Year-End Option Values**

The following table sets forth information with respect to each of our named executive officers concerning their exercise of stock options during the fiscal year ended December 31, 2002 and the number of shares subject to unexercised stock options held by them as of the close of such fiscal year. No stock appreciation rights were exercised during the fiscal year ended December 31, 2002, and no stock appreciation rights were outstanding at the close of such year.

In the following table, "Value Realized" is equal to the difference between the fair value of the shares at the time of exercise and the exercise price paid for the shares, and the "Value of Unexercised In-The-Money Options" is based upon the market price of \$3.02 per share, determined on the basis of the closing selling price per share of our common stock on the Nasdaq National Market on the last day of the 2002 fiscal year, less the option exercise price payable per share. Options are "In-the-Money" if the fair market value of the underlying options exceeds the exercise price of the option.

Name	Shares Acquired on Exercise(#)	Value Realized(\$)	Number of Shares of Common Stock Underlying Unexercised Options at December 31, 2002		Value of Unexercised In-The-Money Options at December 31, 2002	
			Exercisable	Unexercisable	Exercisable (\$)	Unexercisable (\$)
Manouch Moshayedi						

					<b>Value of Unexercised In-The-Money Options at December 31, 2002</b>	
Mike Moshayedi						
Mark Moshayedi						
Dan Moses			319,989	120,000	619,040	5,600
Carl Swartz	2,500	2,975	125,173	0	245,443	0
Thomas A. Beaver			32,000	176,000	560	33,740

### EMPLOYMENT AGREEMENTS AND CHANGE IN CONTROL ARRANGEMENTS

We have entered into employment agreements with each of our named executive officers. Our employment agreements generally require each employee to devote all of his working time and attention to our business. In addition, the agreement contains non-competition and/or non-solicitation restrictions and covenants, including provisions prohibiting each employee from competing with us or soliciting our employees during his period of employment with us and for a one-year period thereafter. Each employment agreement is at-will and may be terminated by either party at any time, with or without notice, and with or without cause. In addition, each employee has entered into a non-disclosure agreement relating to our intellectual property and proprietary information under which he has agreed to assign all intellectual property rights developed during the course of his employment to us. The compensation of our named executive officers are subject to annual review and adjustment by our board of directors and compensation committee. A summary of the compensation packages provided to each of our named executive officers is provided in the table below.

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#### Compensation Packages Contained in Employment Agreements

Name	Position	Date of Agreement	Initial Annual Base Salary
Manouch Moshayedi	Chairman of the Board and Chief Executive Officer	March 2000	\$ 440,000(1)
Mike Moshayedi	President	March 2000	\$ 440,000(1)
Mark Moshayedi	Chief Operating Officer, Chief Technical Officer and Secretary	March 2000	\$ 440,000(1)
Dan Moses	Chief Financial Officer	March 2000	\$ 150,000(2)
Thomas A. Beaver	Vice President and General Manager, Xiran Division	November 2002	\$ 250,000(3)
Carl Swartz	Former Vice President of Strategic Planning and General Counsel	March 2000	\$ 200,000(4)

- (1) On May 21, 2001 and September 1, 2002, each of the indicated officers voluntarily reduced his annualized base salary in order to reduce our expenses and operating costs during the general economic slow down. Accordingly, the annualized base salary for each of these officers was reduced to \$290,000 on May 21, 2002, and further reduced to \$250,000 on September 1, 2002.
- (2) In September 2000, Mr. Moses' annual base salary was increased to \$160,000 with a quarterly bonus not to exceed \$40,000 annually based on certain performance objectives. In September 2002, Mr. Moses' annual base salary was increased to \$180,000 and his quarterly bonus program not to exceed \$40,000 annually was terminated.
- (3)



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Mr. Beaver also received an option to purchase 150,000 shares of common stock, which vests in four equal annual installments. Mr. Beaver will receive an additional option grant to purchase 100,000 shares of common stock, which shall vest in four equal annual installments, and his annual base salary will increase to \$350,000 when the Xiran Division becomes profitable.

- (4) In March 2001, our compensation committee agreed to increase Mr. Swartz's annual base salary to \$225,000 retroactive to January 2001. Mr. Swartz resigned from SimpleTech in September 2002.

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### EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2002 with respect to the shares of our common stock that may be issued under our existing equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity Compensation Plans Approved by Shareholders(1)	6,753,652(2)\$	4.05	2,598,314(3)
Equity Compensation Plans Not Approved by Shareholders			
<b>Total</b>	<b>6,753,652</b>		<b>2,598,314</b>

- (1) Consists of the 2000 Stock Incentive Plan and Employee Stock Purchase Plan.
- (2) Excludes purchase rights accruing under our Employee Stock Purchase Plan. Under the Employee Stock Purchase Plan, each eligible employee may purchase up to 500 shares of common stock at semi-annual intervals on the last business day of January and July each year at a purchase price per share equal to 85% of the lower of (i) the closing selling price per share of common stock on the employee's start date of the offering period in which the employee is enrolled or (ii) the closing selling price per share on the semi-annual purchase date.
- (3) Consists of shares available for future issuance under the 2000 Stock Incentive Plan and Employee Stock Purchase Plan. As of December 31, 2002, an aggregate of 1,674,526 shares of our common stock were available for issuance under the 2000 Stock Incentive Plan and 923,788 shares of our common stock were available for issuance under the Employee Stock Purchase Plan. The number of shares of common stock available for issuance under the 2000 Stock Incentive Plan and Employee Stock Purchase Plan automatically increases on the first trading day of January each calendar year by an amount equal to 4% and 1%, respectively, of the total number of shares of common stock outstanding on the last trading day in December of the prior calendar year, but in no event will any such annual increase exceed 2,500,000 shares and 400,000 shares, respectively, of common stock.

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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The following table sets forth information regarding the beneficial ownership of the shares of our common stock as of March 31, 2003, except as noted in the footnotes below, by:

Each person whom we know to be the beneficial owner of 5% or more of our outstanding common stock;

Each named executive officer;

Each of our directors; and

All of our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage of ownership of that person, shares of common stock subject to options held by that person that are

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currently exercisable or that will become exercisable within 60 days after March 31, 2003, are deemed outstanding even if they have not actually been exercised. Those shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. As of March 31, 2003, 38,900,883 shares of our common stock were issued and outstanding. Unless otherwise indicated in the footnotes below, and subject to community property laws where applicable, each of the named persons have sole voting and sole investment power with respect to the shares shown as beneficially owned. The address of each individual listed below is c/o 3001 Daimler Street, Santa Ana, California 92705-5812.

Name of Beneficial Owner	Beneficial Ownership of Shares	
	Number	Percentage
<b>Executive officers and directors:</b>		
Manouch Moshayedi(1)	9,896,061	25.4%
Mike Moshayedi(2)	9,021,996	23.2%
Mark Moshayedi(3)	11,725,970	30.1%
Dan Moses(4)	324,989	*
Thomas A. Beaver(5)	38,800	*
Carl Swartz(6)	125,173	*
F. Michael Ball(7)	39,000	*
Mark. R. Hollinger(7)	34,000	*
James J. Peterson(8)	30,000	*
<b>All directors and executive officers as a group (9 persons)(9)</b>	<b>31,235,989</b>	<b>80.3%</b>

\*

Less than one percent

(1)

Includes (i) 1,098,496 shares held by Manouch Moshayedi, as a co-trustee for the D. and N. Moshayedi Investment Trust, dated 9/25/98 for the benefit of Mark Moshayedi's children and, (ii) 8,756,565 shares held by Manouch and Sophie Moshayedi, as trustees for the M. and S. Moshayedi Revocable Trust, dated 11/16/95 for the benefit of Manouch Moshayedi's family. Manouch Moshayedi

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has shared voting and dispositive power with respect to the shares held by the D. and N. Moshayedi Investment Trust and the M. and S. Moshayedi Revocable Trust. Manouch Moshayedi expressly disclaims beneficial ownership of shares held by the D. and N. Moshayedi Investment Trust.

- (2) Includes (i) 7,019,996 shares held by Mike & Parto Moshayedi, as trustees for the M. and P. Moshayedi Revocable Trust, dated 12/30/96 for the benefit of Mike Moshayedi's family, (ii) 1,000,000 shares held by Mike Moshayedi, as trustee for the Masoud Moshayedi Grantor Retained Annuity Trust for the benefit of Mike Moshayedi and his family and (iii) 1,000,000 shares held by Mike Moshayedi, as trustee for the Parto Moshayedi Grantor Retained Annuity Trust for the benefit of Mike Moshayedi and his family. Does not include 9,000 shares held by Mike Moshayedi's spouse. Mike Moshayedi has shared voting and dispositive power with respect to the shares held by the M. and P. Moshayedi Revocable Trust.
- (3) Consists of (i) 1,443,778 shares held by Mark Moshayedi, as trustee for the M. and S. Moshayedi Investment Trust, dated 11/16/95 for the benefit of Manouch Moshayedi's children, (ii) 590,173 shares held by Mark Moshayedi, as a co-trustee for the M. and P. Moshayedi Investment Trust, dated 12/30/96, FBO Kevin Moshayedi, (iii) 590,173 shares held by Mark Moshayedi, as a co-trustee for the M. and P. Moshayedi Investment Trust, dated 12/30/96, FBO Brian Moshayedi, (iv) 7,101,846 shares held by Mark and Semira Moshayedi, as trustees for the M. and S. Moshayedi Revocable Trust, dated 9/25/98 for the benefit of Mark Moshayedi's family, (v) 1,000,000 shares held by Mark Moshayedi, as trustee for the Mehrdad Moshayedi Grantor Retained Annuity Trust

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for the benefit of Mark Moshayedi and his family and (vi) 1,000,000 shares held by Mark Moshayedi, as trustee for the Semira Moshayedi Grantor Retained Annuity Trust for the benefit of Mark Moshayedi and his family. Mark Moshayedi has shared voting and dispositive power with respect to the shares held by the M. and S. Moshayedi Revocable Trust, the M. and P. Moshayedi Investment Trust FBO Kevin Moshayedi and the M. and P. Moshayedi Investment Trust FBO Brian Moshayedi. Mark Moshayedi expressly disclaims beneficial ownership of shares held by the M. and S. Moshayedi Investment Trust, the M. and P. Moshayedi Investment Trust FBO Kevin Moshayedi and the M. and P. Moshayedi Investment Trust FBO Brian Moshayedi.

- (4) Includes 324,989 shares subject to options, all of which are presently exercisable or will become exercisable within 60 days after March 31, 2003.
- (5) Includes 34,000 shares subject to options, all of which are presently exercisable or will become exercisable within 60 days after March 31, 2003.
- (6) Includes 125,173 shares subject to options, all of which are presently exercisable or will become exercisable within 60 days after March 31, 2003.
- (7) Includes 34,000 shares subject to options, all of which are presently exercisable or will become exercisable within 60 days after March 31, 2003.
- (8) Includes 30,000 shares subject to options, all of which are presently exercisable or will become exercisable within 60 days after March 31, 2003.
- (9) Includes 582,162 shares subject to options, all of which are presently exercisable or will become exercisable within 60 days after March 31, 2003.

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The information contained in this report is not to be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor is such information to be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.

The Compensation Committee (the "Committee") of the Board of Directors (the "Board") of SimpleTech, Inc. (the "Company") administers the compensation program for the Company's executive officers. The role of the Committee, which is comprised of three outside non-employee directors, is to review and recommend or approve the base salaries, bonuses and other cash compensation of the executive officers. The Committee also administers the Company's 2000 Stock Incentive Plan (the "2000 Plan") with respect to all executive officers and has the exclusive authority to make option grants to them under the 2000 Plan.

The Company's executive compensation program utilizes a combination of Company performance, individual performance and increases in shareholder value over time as determinants of executive pay levels. These principles are intended to motivate executive officers to improve the financial position of the Company, to hold executives accountable for the performance of the organizations for which they are responsible, to attract key executives into the service of the Company and to create value for the Company's shareholders. The compensation for executive officers is based on two elements: cash compensation and equity-based compensation.

### **Cash Compensation**

The Committee administers the Company's executive compensation programs to ensure that the total cash compensation paid to executive officers and senior management remains at a competitive level to enable the Company to attract and retain management personnel with the talents and skills required to meet the challenges of a highly competitive industry. The base salary for each officer reflects the salary levels for comparable positions for comparable companies, as well as the individual's personal performance and internal alignment considerations. The relative weight given to each factor varies with each individual in the sole discretion of the Committee. Each executive officer's base salary may be adjusted each year on the basis of (i) the Committee's evaluation of the officer's personal performance for the year and (ii) the competitive marketplace for persons in comparable positions. The Company's performance and profitability may also be a factor in determining the base salaries of executive officers. The compensation of executive officers is expected to be reviewed annually by the Committee.

The Committee does not rely on any external compensation surveys in setting the cash compensation of the executive officers and does not attempt to target their cash compensation at any specific percentile of the levels of compensation in effect for other executives in comparable positions in the industry.

### **Equity-Based Compensation**

The Committee believes that stock option grants under the 2000 Plan serve to align the interests of an executive officer with those of the Company's shareholders and provide each individual with a significant incentive to manage the Company from the perspective of an owner with an equity stake in the business. Each grant allows the officer to acquire shares of the Company's common stock at a fixed price per share over a specified period of time up to ten years, unless sooner terminated in accordance with the provisions of the 2000 Plan. Each option generally becomes exercisable in a series of equal installments over a specified period, contingent upon the officer's continued employment with the Company. Accordingly, the option will provide a return to the executive officer only if he remains

employed by the Company during the vesting period, and then only if the market price of the shares appreciates over the option term. The size of the option grant to each executive officer is set at a level that is intended to create a meaningful opportunity for stock ownership based upon the individual's current position with the Company, the individual's personal performance in recent periods and his or her potential for future responsibility and promotion over the option term. Other factors include the number of unvested options held by the executive officer in order to maintain an appropriate level of equity incentive for that individual. The relevant weight given to each of these factors varies from individual to individual.

### **Compensation of the Chief Executive Officer**

The base salary of Manouch Moshayedi, our Chairman and Chief Executive Officer, is set at a level that the Committee believes is competitive with the compensation paid to the chief executive officers of companies of comparable size and similar industries. It is the Committee's intent to provide him with a level of stability and certainty each year and not have this particular component of compensation affected to any significant degree by Company performance factors. Mr. Moshayedi has not been granted stock options due to his substantial equity ownership in the Company. The Committee set Mr. Moshayedi's annual base salary for 2002 and 2003 at \$440,000. However, Mr. Moshayedi voluntarily reduced his annualized base salary on May 21, 2001 from \$440,000 to \$290,000 and again on September 1, 2002 to

\$250,000 in order to reduce the Company's expenses and operating costs during the general economic slow down. As a result of these two successive voluntary salary reductions, Mr. Moshayedi's annualized base salary for 2002 was \$278,300. The Committee has agreed that Mr. Moshayedi's can rescind his voluntary salary reduction at any time, which would result in his annualized base salary returning to \$440,000.

### **2001 Option Exchange Program**

The market price of the Company's common stock decreased substantially from a high of \$11.53 in September 2000 to a low of \$1.03 in September 2001. In light of this substantial decline in market price, many of the outstanding options held by the Company's executive officers and employees had exercise prices significantly higher than the market price of the Company's common stock. The Committee believed that these options had little or no value and were unlikely to be exercised in the foreseeable future. As a result, the Committee decided that these options were no longer effective in achieving the desired objectives of retaining and incentivizing employees important to the Company's attainment of its business and financial objectives and the creation of value for the shareholders.

Accordingly, on October 29, 2001, the Committee authorized the Company to implement an option exchange program pursuant to which the Company's current United States employees, including executive officers, were given the opportunity to exchange their outstanding options to purchase shares of the Company's common stock for new stock options for the same number of shares to be granted to them at a date not earlier than 6 months and 1 day following the date of the cancellation of their outstanding options. Options for approximately 3,921,725 shares of common stock were eligible for participation in the option exchange program, and 9.7% of those options had exercise prices below the \$2.70 market price per share of the Company's common stock at the time the program commenced. Options for 377,500 shares were held by the Company's then named executive officers and were eligible for exchange. Non-employee members of the Company's Board of Directors were not eligible to participate in the program. At the conclusion of the option exchange program on December 20, 2001, the Company accepted for exchange and cancelled options to purchase an aggregate of 2,309,500 shares of the Company's common stock, which represented 58.9% of the total number of shares covered by the options subject to the option exchange program. On June 24, 2002, the Company granted new replacement options under the 2000 Plan to purchase an aggregate of 2,202,500 shares of common stock to replace the eligible options that had been tendered and cancelled under the option exchange

program. The exercise price per share for the replacement options was \$5.75, the last reported trading price of the Company's common stock on the grant date. In general, each replacement option vests and becomes exercisable in a series of three successive equal annual installments upon the optionee's completion of each year of service over the three-year period measured from the grant date of the replacement option. Each replacement option has a maximum term of ten years, subject to earlier termination upon the optionee's cessation of employment with the Company.

The Committee determined that this program was necessary because equity incentives in the form of stock option grants are a critical component of the compensation package provided to key employees of the Company and play a substantial role in the Company's ability to retain the services of individuals essential to the Company's long-term financial success. The Committee felt that the Company's ability to retain key employees would be significantly impaired, unless value were restored to their options in the form of replacement options to be granted with an exercise price equal to the fair market value of the common stock at the time of grant.

The Committee believes that the option exchange program strikes an appropriate balance between the interests of the Company's employees and those of the shareholders. The replacement option provides an opportunity for executive officers and other employees essential to the Company's long-term financial success to restore value to the equity component of their compensation package. However, those individuals will enjoy the benefits of the replacement options only if they in fact remain in the Company's employ and contribute to the Company's financial success in a manner which creates shareholder value in the form of increases to the market value of the Company's common stock.

### **Compliance with Internal Revenue Code Section 162(m)**

Section 162(m) of the Internal Revenue Code disallows a tax deduction to publicly held companies for compensation paid to certain of their executive officers, to the extent that compensation, whether payable in cash or stock, exceeds \$1 million per covered officer in any fiscal year. The limitation applies only to compensation that is not considered to be performance-based. Non-performance-based compensation paid to the Company's executive officers for the 2002 fiscal year did not exceed the \$1 million limit per officer, and the Committee does not anticipate that any non-performance-based compensation payable in cash to the executive officers for the 2003 fiscal year will exceed that limit. Accordingly, the Committee has decided not to take any action at this time to limit or restructure the elements of cash compensation payable to the Company's executive officers but will reconsider this decision should the individual cash compensation of any executive officer ever approach the \$1 million level. The 2000 Plan has been structured so that any compensation deemed paid by the Company in connection with the exercise of option grants made under that plan with an exercise price equal to the fair market value of the option shares on the grant date will qualify as

performance-based compensation that will not be subject to the \$1 million limitation on deductibility.

Submitted by the Compensation Committee of  
the Board of Directors,

F. Michael Ball  
Mark R. Hollinger  
James J. Peterson

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### **AUDIT COMMITTEE REPORT**

The following is the report of the Audit Committee (the "Audit Committee") of the Board of Directors of SimpleTech, Inc. (the "Company") with respect to the Company's consolidated audited financial statements for the fiscal year ended December 31, 2002, which include the consolidated balance sheets of the Company as of December 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2002, and the notes thereto. The information contained in this report shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.

#### **Review with Management**

The Audit Committee has reviewed and discussed the Company's audited financial statements with management.

#### **Review and Discussions with Independent Accountants**

The Audit Committee has discussed with PricewaterhouseCoopers LLP, the Company's independent accountants, the matters required to be discussed by SAS 61 (Codification of Statements on Accounting Standards) which include, among other items, matters related to the conduct of the audit of the Company's financial statements.

The Audit Committee has also received written disclosures and the letter from PricewaterhouseCoopers LLP required by Independence Standards Board Standard No. 1 (which relates to the accountant's independence from the Company and its related entities) and has discussed with PricewaterhouseCoopers LLP their independence from the Company.

#### **Conclusion**

Based on the review and discussions referred to above, the Audit Committee recommended to the Company's Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

Submitted by the Audit Committee of  
the Board of Directors,

F. Michael Ball  
Mark R. Hollinger  
James J. Peterson

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### **STOCK PERFORMANCE GRAPH**

The following graph shows a comparison of cumulative total shareholder return, calculated on a dividend reinvested basis, for us, the Nasdaq Stock Market (U.S.) Index and the Standard & Poor's Semiconductors Index, assuming an investment of \$100. No cash dividends have been declared on our common stock. The graph covers the period from September 29, 2000, the commencement date of our initial public

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offering of shares of common stock, to December 31, 2002. The comparisons in the graph below are based upon historical data and are not indicative of, nor intended to forecast, the future performance of our common stock.

\*\$100 invested on 9/29/00 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

	Cumulative Total Returns			
	Sept. 29, 2000	Dec. 31 2000	Dec. 31, 2001	Dec. 31, 2002
SIMpletech, INC.	100.00	35.23	26.82	27.45
NASDAQ NATIONAL MARKET (U.S.)	100.00	66.96	53.12	36.73
S & P SEMICONDUCTORS	100.00	68.93	58.02	28.30

Notwithstanding anything to the contrary set forth in any of our previous filings made under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate future filings made by us under those statutes, the preceding Stock Performance Graph is not to be incorporated by reference into any such prior filings, nor shall such graph be incorporated by reference into any future filings made by us under those statutes.

### CERTAIN TRANSACTIONS

#### Indemnification Agreements

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In addition to the indemnification provisions contained in our Articles of Incorporation and Bylaws, we have entered into separate indemnification agreements with each of our officers and directors. These agreements contain provisions that may require us, among other things, to indemnify these officers and directors against liabilities that may arise because of their status or service as officers or directors, except for liabilities arising from willful misconduct of a culpable nature, advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified, and obtain officers' and directors' liability insurance if it is maintained for other officers and directors. These agreements do not require us to indemnify our directors and officers in situations where:

The remuneration rendered against our officer or director is determined by final judgment or other final adjudication that such remuneration was in violation of law;

A judgment is rendered against the director or officer for an accounting of profits made from the purchase or sale of our securities under the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of any federal, state or local statutory laws;

The officer's or director's conduct is adjudged to have been knowingly fraudulent or deliberately dishonest, or constitutes willful misconduct; or

A court determines that indemnification under the circumstances is not lawful.

### **MDC Land Corporation and MDC Land LLC**

We occupy two leased facilities of approximately 24,500 and 48,600 square feet in Santa Ana, California, in which our executive offices, manufacturing, engineering, research and development, and test engineering operations are located. We lease both facilities from MDC Land LLC, which is wholly owned by Manouch Moshayedi, Mark Moshayedi, and Mike Moshayedi, each of whom is an executive officer and director of SimpleTech, and has no operations other than its leasing transactions with us. We also leased some of the equipment used in our manufacturing and test engineering operations from MDC Land Corporation.

*24,500 square foot facility.* We lease the 24,500 square foot facility from MDC Land LLC for a base rent of approximately \$17,000 per month. This lease expires in March 2005. Our lease of the 24,500 square foot facility with MDC Land LLC is on terms no less favorable to us than could be obtained from an unaffiliated third party.

*48,600 square foot facility.* We lease the 48,600 square foot facility from MDC Land LLC for a base rent of approximately \$33,000 per month. This lease expires in May 2005. Our lease of the 48,600 square foot facility with MDC Land LLC is on terms no less favorable to us than could be obtained from an unaffiliated third party.

### **SimpleTech Subsidiary Ownership**

In February 1995, we formed Simple Technology Canada Ltd., a Canadian corporation with headquarters in Mississauga, Canada, with Manouch Moshayedi, Mike Moshayedi and Mark Moshayedi, each of whom is an executive officer and director of SimpleTech. We initially owned 79% of the membership interests in Simple Technology Canada and the Moshayedis initially owned the remaining 21%. Simple Technology Canada was formed for the purpose of manufacturing, selling and marketing our products in Canada. Under U.S. law at the time of formation of Simple Technology Canada, we could not wholly own a subsidiary since we were an S corporation. Accordingly, we formed Simple Technology Canada with the Moshayedis to meet this ownership requirement. Simple

Technology Canada has been inactive since April 1998 when we discontinued our Canadian operations, and we are presently in the process of dissolving the company. In June 2000, Simple Technology Canada distributed all of its assets totaling approximately \$92,000 to its shareholders through the establishment of an escrow account. Subsequently, we made filings with the Canadian tax authorities to dissolve Simple Technology Canada and we are currently awaiting their approval. In June 2000, the Moshayedis sold their 21% interest to us for approximately \$2.00, the then-current fair market value. Upon dissolution, the amount held in escrow will be distributed to the Moshayedis and us in proportion to our previous ownership interests.



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In May 1996, we formed S.T.I., LLC, a California limited liability company, with Manouch Moshayedi, Mike Moshayedi and Mark Moshayedi, each of whom is an executive officer and director of SimpleTech. We own 97% of the membership interests in S.T.I., LLC and the Moshayedis own the remaining 3%. S.T.I., LLC was formed to limit our potential liability from our European manufacturing, sales and marketing operations. Under California law at the time of formation of S.T.I., LLC, limited liability companies were required to have more than one member. Accordingly, we formed S.T.I., LLC with the Moshayedis to meet this ownership requirement. To date, S.T.I. LLC has made no withdrawals or distributions of any kind in favor of any owner. We intend to acquire the Moshayedis' interest in S.T.I., LLC for approximately \$100, eliminating the Moshayedi's interest in S.T.I., LLC and making it our wholly owned subsidiary.

In June 1996, S.T.I., LLC and MDC Land Corporation formed Simple Technology Europe, a privately-held unlimited company registered in Scotland. Simple Technology Europe was set up to serve as the sales and marketing entity for our European operations and currently employs our sales and marketing team located in Scotland and England. S.T.I., LLC owns 99% and MDC Land Corporation owns 1% of the outstanding shares of capital stock of Simple Technology Europe. Other than the 1% ownership interest in Simple Technology Europe held by MDC Land Corporation, MDC Land Corporation does not have any other relationship, either business, financial or otherwise, with Simple Technology Europe. To date, there has been no withdrawal from, or distribution of any kind by, Simple Technology Europe in favor of any owner.

In January 1996, we formed Simple Technology Limited, a privately-held limited company registered in Scotland, to serve as the manufacturing entity for our European headquarters to take advantage of local U.K. tax laws. Simple Technology Limited is a wholly owned subsidiary of Simple Technology Europe. Simple Technology Limited concluded its manufacturing operations in April 1999 and is currently inactive. To date, Simple Technology Limited has made no withdrawals or distributions of any kind in favor of any owner. We intend to dissolve Simple Technology Limited in 2003 or as soon as possible thereafter.

Many of the transactions set forth above were made while we were a privately held corporation. All future transactions, if any, between us and our officers, directors and principal shareholders and their affiliates, and any transactions between us and any entity with which our officers, directors or principal shareholders or their affiliates are affiliated, will be approved by a majority of our board of directors, including a majority of the independent and disinterested outside directors of our board of directors, and will be on terms no less favorable to us than could be obtained from unaffiliated third parties.

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### OTHER MATTERS

Notwithstanding anything to the contrary set forth in any of our previous or future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate this Proxy Statement or future filings made by us under those statutes, the Compensation Committee Report, the Audit Committee Report, reference to the independence of the Audit Committee members and Stock Performance Graph are not deemed filed with the Securities and Exchange Commission and shall not be deemed incorporated by reference into any of those prior filings or into any future filings made by us under those statutes.

We have filed an Annual Report on Form 10-K for the year ended December 31, 2002 with the Securities and Exchange Commission. **You may obtain, free of charge, a copy of the Form 10-K by writing to Dan Moses, Chief Financial Officer, SimpleTech, Inc., 3001 Daimler Street, Santa Ana, California 92705-5812.**

Our board of directors knows of no other business that will be presented to the 2003 annual meeting. If any other business is properly brought before the 2003 annual meeting, proxies received will be voted in respect thereof in accordance with the recommendation of the board of directors. Discretionary authority with respect to such other matters is granted by the execution of the enclosed proxy.

It is important that the proxies be returned promptly and that your shares be represented. You are urged to sign, date and promptly return the enclosed proxy card in the enclosed envelope.

A copy of our Annual Report for the 2002 Fiscal Year has been mailed concurrently with this Proxy Statement to all shareholders entitled to notice of and to vote at the 2003 annual meeting. This Annual Report is not incorporated into this Proxy Statement and is not considered proxy solicitation material.

By Order of the Board of Directors,

Manouch Moshayedi  
 Chief Executive Officer and  
 Chairman of the Board of Directors

Dated: April 1, 2003  
 Santa Ana, California

**SIMPLETECH, INC. PROXY**

Annual Meeting of Shareholders, May 14, 2003

**This Proxy is Solicited on Behalf of the Board of Directors of  
 SimpleTech, Inc.**

The undersigned revokes all previous proxies, acknowledges receipt of the Notice of the Annual Meeting of Shareholders to be held May 14, 2003 and the Proxy Statement and appoints Manouch Moshayedi and Dan Moses, and each of them, the Proxy of the undersigned, with full power of substitution, to vote all shares of Common Stock of SimpleTech, Inc. (the "Company") which the undersigned is entitled to vote, either on his or her own behalf or on behalf of any entity or entities, at the Annual Meeting of Shareholders of the Company to be held at the Irvine Marriott, located at 18000 Von Karman Avenue, Irvine, California 92612, on Wednesday, May 14, 2003 at 10:00 a.m. local time (the "Annual Meeting"), and at any adjournment or postponement thereof, with the same force and effect as the undersigned might or could do if personally present thereat. The shares represented by this Proxy shall be voted in the manner set forth on the reverse side.

SEE REVERSE  
 SIDE

CONTINUED AND TO BE SIGNED ON REVERSE SIDE

SEE REVERSE  
 SIDE

**Please detach and return in the envelope provided**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF DIRECTORS AND "FOR" EACH OF THE OTHER LISTED PROPOSALS.**

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ý**

- |   |   | FOR | AGAINST | ABSTAIN |
|---|---|-----|---------|---------|
| 1. To elect seven directors of the Company to serve until the 2004 Annual Meeting of Shareholders or until their successors are duly elected and qualified. |   | o   | o       | o       |
|   | 2. To ratify the appointment of PricewaterhouseCoopers LLP as independent accountants of the Company for the fiscal year ending December 31, 2003.  |     |         |         |
| o FOR ALL NOMINEES  | NOMINEES<br>( ) Manouch Moshayedi<br>( ) Mike Moshayedi   |     |         |         |
|   | 3. In accordance with the discretion of the proxy holders, to act upon all matters incident to the conduct of the meeting and upon other matters as may properly come before the meeting. |     |         |         |
| o WITHHOLD AUTHORITY FOR ALL NOMINEES   | ( ) Mark Moshayedi<br>( ) Dan Moses   |     |         |         |
- This proxy, when properly executed, will be vote as specified above. **If no**

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specification is made, this Proxy will be voted "FOR" the election of the directors listed at left and "FOR" the other listed proposals.

- FOR ALL EXCEPT (See instructions below)
- F. Michael Ball
- Mark R. Hollinger
- James J. Peterson

**WHETHER OR NOT YOU ATTEND THE ANNUAL MEETING IN PERSON, YOU ARE URGED TO SIGN AND PROMPTLY MAIL THIS PROXY IN THE RETURN ENVELOPE SO THAT YOUR STOCK MAY BE REPRESENTED AT THE ANNUAL MEETING.**

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and fill in the circle next to each nominee you wish to withhold, as shown here: ( )

**Please print the name(s) appearing on each share certificate(s) over which you have voting authority:**

\_\_\_\_\_

To change your address on your account, please check the box at the right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Please check here if you plan to attend the meeting.

Signature of Shareholder	Date	Signature of Shareholder	Date

**Note:** This proxy must be signed exactly as the name appears hereon. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

QuickLinks

- [SCHEDULE 14A](#)
- [SIMPLETECH, INC. NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MAY 14, 2003](#)
- [SIMPLETECH, INC. 3001 Daimler Street Santa Ana, California 92705-5812 \(949\) 476-1180](#)
- [PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 14, 2003](#)
- [GENERAL INFORMATION ABOUT VOTING](#)
- [SHAREHOLDER PROPOSALS](#)
- [MATTERS TO BE CONSIDERED AT ANNUAL MEETING OVERVIEW OF PROPOSALS](#)
- [PROPOSAL NO. 1 ELECTION OF DIRECTORS](#)
- [PROPOSAL NO. 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS](#)
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- [EXECUTIVE COMPENSATION AND RELATED INFORMATION](#)
- [Option Grants in Last Fiscal Year](#)
- [Aggregated Option Exercises In Last Fiscal Year and Fiscal Year-End Option Values](#)
- [EMPLOYMENT AGREEMENTS AND CHANGE IN CONTROL ARRANGEMENTS](#)
- [EQUITY COMPENSATION PLAN INFORMATION](#)
- [SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT](#)
- [COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION](#)
- [AUDIT COMMITTEE REPORT](#)
- [STOCK PERFORMANCE GRAPH](#)

CERTAIN TRANSACTIONS

OTHER MATTERS

SIMpletech, INC. PROXY