

SILGAN HOLDINGS INC  
Form DEF 14A  
March 25, 2005  
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## SCHEDULE 14A

(Rule 14a-101)

### INFORMATION REQUIRED IN PROXY STATEMENT

#### SCHEDULE 14A INFORMATION

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

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

### **Silgan Holdings Inc.**

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(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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

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

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

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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.. Fee paid previously with preliminary materials.

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.. 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:

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

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(3) Filing Party:

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(4) Date Filed:

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**SILGAN HOLDINGS INC.**

**4 Landmark Square**

**Stamford, Connecticut 06901**

**(203) 975-7110**

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**Notice of Annual Meeting of Stockholders**

**To be Held on May 23, 2005**

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YOU ARE HEREBY NOTIFIED that the annual meeting of stockholders of Silgan Holdings Inc., or the Company, a Delaware corporation, will be held at the Sheraton Stamford Hotel, 2701 Summer Street, Stamford, Connecticut 06905 at 9:00 a.m. on Monday, May 23, 2005, for the following purposes:

1. To elect two directors of the Company to serve until the Company's annual meeting of stockholders in 2008 and until their successors are duly elected and qualified;
2. To approve an amendment to the Silgan Holdings Inc. 2004 Stock Incentive Plan with respect to awards to non-employee directors;
3. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2005; and
4. To transact such other business as may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

The close of business on March 24, 2005 has been fixed as the record date for determining the stockholders of the Company entitled to notice of and to vote at the annual meeting. All holders of record of Common Stock of the Company at that date are entitled to vote at the annual meeting or any adjournment or postponement of the annual meeting.

By Order of the Board of Directors,

Frank W. Hogan, III

*Secretary*

Stamford, Connecticut

March 25, 2005

**Please complete, sign and mail the enclosed Proxy in the accompanying envelope even if you intend to be present at the annual meeting. Please sign the enclosed Proxy exactly as your name appears on it. Returning the Proxy will not limit your right to vote in person or to attend the annual meeting. If you hold shares of Common Stock of the Company in more than one name, or if your shares of Common Stock of the Company are registered in more than one way, you may receive more than one copy of the proxy material. If so, please sign and return each of the Proxies that you receive so that all of your shares of Common Stock of the Company may be voted.**

**The annual meeting will be held to vote on the first three items listed above, tabulate the votes cast in respect of those items and report the results of the vote. No presentations or other business matters are planned for the annual meeting.**

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**SILGAN HOLDINGS INC.**

**4 Landmark Square**

**Stamford, Connecticut 06901**

**(203) 975-7110**

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**PROXY STATEMENT**

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**Annual Meeting of Stockholders**

**to be held on May 23, 2005**

**To Stockholders of Silgan Holdings Inc.:**

This Proxy Statement and the accompanying proxy card are furnished in connection with the solicitation of proxies by the Board of Directors of Silgan Holdings Inc., or Silgan Holdings or the Company, for use at our annual meeting of stockholders, or the Meeting, to be held at the Sheraton Stamford Hotel, 2701 Summer Street, Stamford, Connecticut 06905 on Monday, May 23, 2005, at 9:00 a.m., and at any postponements or adjournments of the Meeting. This Proxy Statement and the accompanying proxy card will first be mailed to stockholders on or about April 22, 2005.

Only holders of record of our Common Stock as of the close of business on March 24, 2005, the Record Date, will be entitled to notice of and to vote at the Meeting. As of the Record Date, we had 18,497,591 shares of our Common Stock outstanding. Each share of our Common Stock is entitled to one vote. We have no other class of voting securities issued and outstanding. The presence in person or by proxy of the holders of a majority of the outstanding shares of our Common Stock will be necessary to constitute a quorum for the transaction of business at the Meeting.

All shares of our Common Stock represented by properly executed proxies will be voted in accordance with the instructions indicated on such proxies unless such proxies previously have been revoked. If any proxies do not contain voting instructions, the shares of our Common Stock represented by such proxies will be voted **FOR** the election of the nominees for director listed below to serve until our annual meeting of stockholders in 2008 and until their successors are duly elected and qualified, **FOR** the approval of the amendment to the Silgan Holdings Inc. 2004 Stock Incentive Plan and **FOR** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2005. We do not anticipate that any other matters will be brought before the Meeting. If any other matters properly come before the Meeting, the shares of our Common Stock represented by all properly executed proxies will be voted in accordance with the judgment of the persons named on such proxies. Shares of our Common Stock abstaining, and shares of our Common Stock held in street name as to which a broker has not voted on some matters but has voted on other matters, or Broker Shares, will be included in determining whether a quorum exists at the Meeting. Approval of each matter specified in the Notice of Meeting requires the affirmative vote of a majority of shares of our Common Stock present in person or by proxy at the Meeting, assuming that a quorum exists at the Meeting. Stockholders may not cumulate their votes. Abstentions and Broker Shares that have not been voted with respect to a particular proposal will not

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be counted in determining the total number of votes cast or in determining whether such proposal has received the requisite number of affirmative votes.

You may revoke your proxy at any time before it is exercised at the Meeting by (1) delivering to the Secretary of the Company a duly executed proxy bearing a later date; (2) filing a written notice of revocation with the Secretary of the Company; or (3) appearing at the Meeting and voting in person.

In addition to solicitations by mail, some of our directors, officers and employees may solicit proxies for the Meeting personally or by telephone without extra remuneration. We will also provide persons, banks, brokerage firms, custodians, nominees, fiduciaries and corporations holding shares in their names or in the names of

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nominees, which in either case are beneficially owned by others, with proxy materials for transmittal to such beneficial owners and will reimburse such record owners for their expenses in doing so. The Company will bear the costs of soliciting proxies.

**THE COMPANY HEREBY UNDERTAKES TO PROVIDE WITHOUT CHARGE TO EACH PERSON TO WHOM A COPY OF THIS PROXY STATEMENT HAS BEEN DELIVERED, UPON THE WRITTEN REQUEST OF ANY SUCH PERSON, A COPY OF OUR ANNUAL REPORT ON FORM 10-K, INCLUDING THE FINANCIAL STATEMENTS AND THE FINANCIAL STATEMENT SCHEDULES THERETO, THAT HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 13a-1 UNDER THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004. REQUESTS FOR SUCH COPIES SHOULD BE DIRECTED TO SILGAN HOLDINGS INC., 4 LANDMARK SQUARE, STAMFORD, CONNECTICUT 06901 (TELEPHONE NUMBER: (203) 975-7110), ATTENTION: GENERAL COUNSEL.**

## **ELECTION OF DIRECTORS**

### **Nominees**

Our Board of Directors is composed of six members, divided evenly into three classes (designated Class I, Class II and Class III). At each annual meeting of stockholders, the term of office of one class of directors of the Company expires, and directors nominated to the class of directors whose term is expiring at such annual meeting will be elected for a term of three years. Our remaining directors continue in office until their respective terms expire and until their successors are duly elected and qualified. Accordingly, at each annual meeting of stockholders of the Company two of our six directors will be elected, and each of our directors will be required to stand for election once every three years. At the Meeting, the term of office for our Class II Directors expires.

Our Class II Directors currently are Messrs. D. Greg Horrigan and John W. Alden. Pursuant to the Amended and Restated Stockholders Agreement dated as of November 6, 2001, or the Stockholders Agreement, among R. Philip Silver, D. Greg Horrigan and the Company, each of Messrs. Horrigan and Alden was nominated for re-election at the Meeting as Class II Directors of the Company, to serve until our annual meeting of stockholders in 2008 and until his successor has been duly elected and qualified. You should read the section in this Proxy Statement titled "Certain Relationships and Related Transactions" Stockholders Agreement for a description of the material provisions of the Stockholders Agreement.

Each nominee for Class II Director of the Company has consented to be named in this Proxy Statement and to serve on our Board of Directors if elected. If, prior to the Meeting, any nominee should become unavailable to serve on our Board of Directors for any reason, the shares of our Common Stock represented by all properly executed Proxies will be voted for such alternate individual as shall be nominated pursuant to the Stockholders Agreement and designated by our Board of Directors.

We provide below certain information regarding each nominee for Class II Director of the Company and each Director of the Company whose term of office continues after the Meeting, including the individual's age (as of December 31, 2004), principal occupation and business experience during at least the last five years, other directorships currently held and the year in which such individual was first elected a director of the Company.

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*Nominees for election as Directors (Class II) term expiring 2008*

*D. Greg Horrigan*, age 61, has been our Co-Chairman of the Board since August 2004 and Co-Chief Executive Officer since March 1994. Mr. Horrigan is one of our co-founders and was formerly our President. Mr. Horrigan has been a Director since our inception in 1987. Prior to founding the Company in 1987, Mr. Horrigan was Executive Vice President and Operating Officer of Continental Can Company from 1984 to 1987.

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*John W. Alden*, age 63, has been one of our Directors since November 2001. From 1965 until 2000, Mr. Alden was employed by United Parcel Service of America, Inc., or UPS, serving in various management positions. Until his retirement in 2000, Mr. Alden was Vice Chairman of UPS since 1996 and a director of UPS since 1988. Mr. Alden is also a director of Barnes Group Inc. and of The D & B Corporation.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR BOTH NOMINEES FOR DIRECTOR (CLASS II) OF THE COMPANY.**

*Incumbent Directors (Class I) term expiring 2007*

*R. Philip Silver*, age 62, has been our Co-Chairman of the Board since August 2004 and Co-Chief Executive Officer since March 1994. Mr. Silver is one of our co-founders and was formerly our Chairman of the Board. Mr. Silver has been a Director since our inception in 1987. Prior to founding the Company in 1987, Mr. Silver was a consultant to the packaging industry. Mr. Silver was President of Continental Can Company from June 1983 to August 1986.

*William C. Jennings*, age 65, has been one of our Directors since July 2003. Mr. Jennings is a retired partner of PricewaterhouseCoopers LLP, where he led its risk management and internal control consulting practice from 1992 until his retirement in 1999. Prior to then, Mr. Jennings served as a senior audit partner at Coopers & Lybrand, as a Senior Executive Vice President at Shearson Lehman Brothers responsible for quality assurance, internal audit and compliance, and as an Executive Vice President and Chief Financial Officer of Bankers Trust Company. Since retiring from PricewaterhouseCoopers LLP, Mr. Jennings provides independent consulting services to a number of companies and serves as a director of Axcelis Technologies, Inc. and NYFix, Inc. Mr. Jennings also served as a director from August 1999 until September 2001 and temporarily as chief executive officer from October 2000 until November 2000 of U.S. Interactive, Inc., a company that filed for Chapter 11 bankruptcy protection in January 2001.

*Incumbent Directors (Class III) term expiring 2006*

*Jeffrey C. Crowe*, age 58, has been one of our Directors since May 1997. Mr. Crowe has been Chairman of the Board of Landstar System, Inc., or Landstar, since April 1991. Mr. Crowe was Chief Executive Officer of Landstar from April 1991 through June 2004 and President of Landstar from April 1991 through December 2001. Mr. Crowe was also Chairman of the Board of Landstar System Holdings, Inc., or LSHI, from March 1991 through June 2004 and Chief Executive Officer of LSHI from June 1989 through June 2004. Mr. Crowe has been a Director of the U.S. Chamber of Commerce since February 1998, serving as Vice Chairman from June 2002 until May 2003 and as Chairman of the U.S. Chamber of Commerce from June 2003 to June 2004. Mr. Crowe served as Chairman of the National Defense Transportation Association from October 1993 to July 2003 and as a Director for the ENO Transportation Foundation, Inc. from October 2001 until January 2004. Mr. Crowe has been a Director of SunTrust Banks, Inc. since April 2004 and a Director of the National Chamber Foundation since November 1997.

*Edward A. Lapekas*, age 61, has been one of our Directors since October 2001. Mr. Lapekas has been Non-Executive Chairman of the Board of Pliant Corporation since October 2003 and was interim Chief Executive Officer of Pliant Corporation from August 2003 until October 2003. Mr. Lapekas was Chairman of the Board and Chief Executive Officer of Nexpak Corporation from November 2002 until March 2003. From October 2000 until June 2001, Mr. Lapekas was Executive Chairman of Packtion Corporation, an e-commerce packaging venture. From May 1996 until July 2000, Mr. Lapekas was employed by American National Can Group, Inc., last serving as Chairman and Chief Executive Officer. Prior to that, Mr. Lapekas served as Deputy Chairman and Chief Operating Officer of Schmalbach-Lubeca AG. From 1971 until 1991, Mr. Lapekas was employed by Continental Can Company where he served in various strategy, planning, operating and marketing capacities.



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Messrs. Horrigan and Alden were elected as Directors of the Company at our annual meeting of stockholders in 2002. Messrs. Crowe and Lapekas were elected as Directors of the Company at our annual meeting of stockholders in 2003, and Messrs. Silver and Jennings were elected as Directors of the Company at our annual meeting of stockholders in 2004.

Each of John W. Alden, Jeffrey C. Crowe, William C. Jennings and Edward A. Lapekas is an independent director, as defined in Rule 4200(a)(15) of the listing standards of the Nasdaq Stock Market. The independent directors held four meetings during 2004 without the presence of management or any inside directors.

Our Board of Directors met four times and acted by written consent twelve times during 2004. Each of our Directors attended more than 75 percent of the aggregate of: (1) the total number of meetings of the Board of Directors held in 2004 during which he was a Director and (2) the total number of meetings held in 2004 by all committees of the Board of Directors on which he served during which he was a Director.

The Company does not have a policy with regard to director attendance at annual meetings of stockholders. Two of our directors attended last year's annual meeting of stockholders.

## **Compensation of Directors**

Directors who do not receive compensation as officers or employees of the Company or any of our affiliates are paid an annual retainer fee of \$36,000 for their service on our Board of Directors and a fee of \$2,000 for each meeting of our Board of Directors that they attend and for each meeting of a committee of our Board of Directors that they attend, plus travel and other reasonable out-of-pocket expenses. Additionally, Directors who do not receive compensation as officers or employees of the Company or any of our affiliates are granted annually, on the first business day after our annual meeting of stockholders, awards under the Silgan Holdings Inc. 2004 Stock Incentive Plan, or the 2004 Stock Incentive Plan, of (i) nonqualified stock options to purchase 1,500 shares of our Common Stock or (ii) 750 restricted shares of our Common Stock or (iii) 750 stock units related to shares of our Common Stock. As described in the section of this Proxy Statement titled "Approval of Amendment to the Silgan Holdings Inc. 2004 Stock Incentive Plan," if the stockholders of the Company approve the amendment to the 2004 Stock Incentive Plan at the Meeting which, among other things, converts the calculation of awards for non-employee directors from a fixed number of shares of our Common Stock to a fixed dollar value, then on the first business day after our annual meeting of stockholders (including the Meeting), Directors who do not receive compensation as officers or employees of the Company or any of our affiliates will receive annual awards, having an aggregate fair market value of \$50,000 as of the date of grant, of either restricted shares of our Common Stock or restricted stock units related to shares of our Common Stock, in the discretion of the Board of Directors, under the 2004 Stock Incentive Plan. Members of the Audit Committee of our Board of Directors are also paid an annual retainer fee of \$12,000 for their service on the Audit Committee, and the chairpersons of each of the Audit and Compensation Committees of our Board of Directors are also paid an annual retainer fee of \$10,000 for their service as chairperson of such committee.

Directors who receive compensation as officers or employees of the Company or any of our affiliates do not receive any annual retainer or meeting fees and are not granted any stock options under the Directors Plan.

## **Committees of the Board of Directors**

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Our Board of Directors has two standing committees. The principal responsibilities of each of the standing committees and the members of such committees are set forth below.

1. *Audit Committee.* The Audit Committee has the responsibility of overseeing the Company's financial reporting process on behalf of our Board of Directors. The functions performed by the Audit Committee are described in the section of this Proxy Statement titled "Report of the Audit Committee." During 2004, the Audit Committee held ten meetings and acted by written consent twice. The Audit Committee consists of Messrs. Jennings, Alden, Crowe and Lapekas, each of whom our Board of Directors has determined is independent as

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required by the written charter of the Audit Committee and the applicable listing standards of the Nasdaq Stock Market. All of our independent directors are members of the Audit Committee. Mr. Jennings is the Chairperson of the Audit Committee. The Board of Directors has determined that Mr. Jennings meets the criteria of an audit committee financial expert under applicable rules of the Securities and Exchange Commission, or the SEC. Mr. Jennings' extensive background and experience includes leading the risk management and internal control consulting practice of PricewaterhouseCoopers LLP, serving as senior audit partner at Coopers & Lybrand and serving as Chief Financial Officer of Bankers Trust Company.

2. *Compensation Committee.* The Compensation Committee has the responsibility of reviewing and approving matters relating to the compensation of all executive officers of the Company (including all executive officers listed in the Summary Compensation Table in the section of this Proxy Statement titled "Executive Compensation"). The Compensation Committee also is responsible for administering the 2004 Stock Incentive Plan, making awards and grants under the 2004 Stock Incentive Plan to officers and other key employees of the Company and its subsidiaries and setting performance goals and certifying performance levels in respect of performance awards made under the 2004 Stock Incentive Plan. The Compensation Committee held one meeting and acted by written consent fourteen times during 2004. The Compensation Committee consists of Messrs. Crowe, Alden, Jennings and Lapekas, each of whom is an independent director under the applicable listing standards of the Nasdaq Stock Market. Mr. Crowe is the Chairperson of the Compensation Committee.

In November 2001, the Company and Messrs. Silver and Horrigan, our Co-Chairmen of the Board and Co-Chief Executive Officers, entered into the Stockholders Agreement. You should read the section in this Proxy Statement titled "Certain Relationships and Related Transactions" Stockholders Agreement for a description of the material terms of the Stockholders Agreement. Under the Stockholders Agreement, Messrs. Silver and Horrigan have the contractual right to nominate for election all directors of the Company so long as Messrs. Silver and Horrigan beneficially own an aggregate of at least 3,576,545 shares of our Common Stock. As of the date of this Proxy Statement, Messrs. Silver and Horrigan beneficially own an aggregate of 7,016,797 shares (or approximately 37.9%) of our Common Stock. In the very unlikely event that either of Messrs. Silver or Horrigan notifies our Board of Directors that they cannot agree on an individual for any nominee for director or if at least 45 days prior to our annual meeting of stockholders they fail to nominate for election at such annual meeting the requisite number of individuals to stand for election, then our Board of Directors has the right to nominate for director the number of individuals that Messrs. Silver and Horrigan could not agree on as nominees or failed to nominate timely.

Accordingly, our Board of Directors does not have a nominating committee because the right to nominate all directors has been contractually granted to Messrs. Silver and Horrigan, and our Board of Directors deems it very unlikely at this time that they would have to nominate for election any director. As a result, the Company does not have a nominating committee charter, does not have a policy to consider director candidates recommended by stockholders and does not have a process for identifying or evaluating nominees for director. Both nominees for Class II Director of the Company to be elected at the Meeting were nominated by Messrs. Silver and Horrigan pursuant to the Stockholders Agreement.

**Stockholder Communications with the Board of Directors**

The Company's Board of Directors has a formal process for security holders to send communications to it. Security holders may send written communications addressed to the Board of Directors or to any specified Director of the Company by mail to the Company's office in Stamford, Connecticut. If the Company receives at its office in Stamford, Connecticut any such written communications, the Company will forward such written communications directly to all members of the Board of Directors or to such specified Director of the Company, as the case may be.

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**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee is governed by a written charter approved by the Company's Board of Directors. In accordance with the written charter of the Audit Committee and applicable listing standards of the Nasdaq Stock Market, all members of the Audit Committee are independent. The Audit Committee held ten meetings during 2004.

The Audit Committee provides assistance to the Board of Directors of the Company in fulfilling its oversight responsibility relating to the Company's consolidated financial statements and financial reporting process, systems of internal accounting and financial controls, internal audit activities and compliance with legal and regulatory requirements relating to accounting and financial reporting matters and the annual independent audits of the Company's consolidated financial statements and the effectiveness of the Company's internal control over financial reporting. Management of the Company is responsible for the consolidated financial statements and reporting process of the Company, including maintaining effective internal control over financial reporting and assessing the effectiveness of the Company's internal control over financial reporting. Ernst & Young LLP, the independent registered public accounting firm of the Company, is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for issuing a report thereon. The independent registered public accounting firm is also responsible for auditing management's assessment that the Company maintained effective internal control over financial reporting and the effectiveness of the Company's internal control over financial reporting. The Audit Committee's responsibility is to oversee these audits and the financial reporting process of the Company.

In fulfilling its oversight responsibilities, the Audit Committee discussed with management, the Company's internal auditors and the Company's independent registered public accounting firm the overall scope and plans for the Company's audits. The Audit Committee met with the Company's internal auditors and independent registered public accounting firm, with and without management present, to discuss the Company's audits, the Company's consolidated financial statements and the Company's internal control over financial reporting. The Audit Committee also reviewed and discussed with management and the Company's independent registered public accounting firm the audited consolidated financial statements of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004. Additionally, the Audit Committee reviewed management's report on its assessment of the effectiveness of the Company's internal control over financial reporting and the independent registered public accounting firm's report on management's assessment and the effectiveness of the Company's internal control over financial reporting.

The Audit Committee also discussed with the Company's independent registered public accounting firm its independence from management and the Company, including the matters in the written disclosures and the letter required by the Independence Standards Board, and considered the compatibility of nonaudit services with such firm's independence. Additionally, in assessing such firm's independence, the Audit Committee reviewed the amount of fees paid to Ernst & Young LLP for audit and nonaudit services.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors of the Company that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 for filing with the SEC.

The Audit Committee is also directly responsible for the appointment, compensation, retention and oversight of the work of the independent registered public accounting firm of the Company. Accordingly, the Audit Committee has approved, subject to stockholder ratification, the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2005.

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In 2004, the Audit Committee adopted a formal policy, consistent with its written charter, that requires its approval in advance for any audit, audit-related, tax and other services to be performed by the Company's independent registered public accounting firm. Pursuant to its formal policy, the Audit Committee approved in

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advance all audit, audit-related, tax and other services performed by the Company's independent registered public accounting firm in 2004. This policy provides that the Audit Committee may delegate to any of its members the authority to approve in advance any audit and nonaudit services to be performed by the Company's independent registered public accounting firm, and, in such case, requires such member to report any decisions to the Audit Committee at its next scheduled meeting.

By the Audit Committee of the Board of Directors:

William C. Jennings

John W. Alden

Jeffrey C. Crowe

Edward A. Lapekas

**EXECUTIVE OFFICERS**

Our Board of Directors appoints the officers of the Company. The officers of our subsidiaries are appointed by the respective boards of directors of our subsidiaries. We provide below certain information concerning the executive officers of the Company, including each individual's age (as of December 31, 2004). Information concerning Messrs. Silver and Horrigan, our Co-Chairmen of the Board and Co-Chief Executive Officers is set forth in the section in this Proxy Statement titled "Election of Directors." There are no family relationships among any of the directors or executive officers of the Company.

**Company Officers**

*Anthony J. Allott*, age 40, has been our President since August 2004. From May 2002 until August 2004, Mr. Allott was our Executive Vice President and Chief Financial Officer. Prior to joining us, Mr. Allott was Senior Vice President and Chief Financial Officer of Applied Extrusion Technologies, Inc., or AET, since July 1996. From July 1994 until July 1996, Mr. Allott was Vice President and Treasurer of AET. From 1992 until July 1994, Mr. Allott was Corporate Controller and Director of Financial Reporting of Ground Round Restaurants. Prior to that, Mr. Allott was a certified public accountant with Deloitte & Touche LLP.

*Robert B. Lewis*, age 40, has been our Executive Vice President and Chief Financial Officer since August 2004. Previously, Mr. Lewis was Senior Vice President and Chief Financial Officer of Velocity Express Inc. from January 2004 until August 2004. From December 2000 until December 2003, Mr. Lewis held a series of senior executive positions at Moore Corporation Limited, initially as Executive Vice President and Chief Financial Officer and later as President of Business Communication Services, an operating division of Moore Corporation Limited. Prior to joining Moore Corporation Limited, Mr. Lewis served as Executive Vice President and Chief Financial Officer of Walter Industries, Inc. and World Color Press, Inc. and in various senior financial management roles at L.P. Theabult, a U.S. based commercial printer.

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*Frank W. Hogan, III*, age 44, has been our Senior Vice President, General Counsel and Secretary since June 2002. From June 1997 until June 2002, Mr. Hogan was our Vice President, General Counsel and Secretary. From September 1995 until June 1997, Mr. Hogan was a partner at the law firm of Winthrop, Stimson, Putnam & Roberts (now Pillsbury Winthrop LLP). From April 1988 to September 1995, Mr. Hogan was an associate at that firm.

*Glenn A. Paulson*, age 61, has been a Vice President of the Company since January 1996. From August 1995 to December 1995, Mr. Paulson was employed by the Company to manage the transition of the Food Metal and Specialty Business of American National Can Company, or ANC. From January 1989 to July 1995, Mr. Paulson was employed by ANC, last serving as Senior Vice President and General Manager, Food Metal and Specialty, North America. Prior to his employment with ANC, Mr. Paulson was President of the beverage packaging operations of Continental Can Company.

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*Malcolm E. Miller*, age 37, has been our Vice President and Treasurer since October 2001. Previously, Mr. Miller was Assistant Vice President and Assistant Treasurer of Primedia Inc. from April 2000 until October 2001. Prior to that, Mr. Miller was employed by us from June 1997 until April 2000, last serving as Assistant Treasurer. From June 1995 until June 1997, Mr. Miller was employed by International Paper Company, last serving as a Senior Financial Analyst.

## **Operating Company Officers**

*James D. Beam*, age 61, has been President of Silgan Containers Corporation, or Silgan Containers, one of two wholly owned subsidiaries of the Company through which we conduct principally all of our business, since July 1990. From September 1987 to July 1990, Mr. Beam was Vice President Sales & Marketing of Silgan Containers. Mr. Beam was Vice President and General Manager of Continental Can Company, Western Food Can Division, from March 1986 to September 1987.

*Russell F. Gervais*, age 61, has been President of Silgan Plastics Corporation, or Silgan Plastics, one of two wholly owned subsidiaries of the Company through which we conduct principally all of our business, since December 1992. From September 1989 to December 1992, Mr. Gervais was Vice President Sales & Marketing of Silgan Plastics. From March 1984 to September 1989, Mr. Gervais was President and Chief Executive Officer of Aim Packaging, Inc.

*Gary M. Hughes*, age 62, has been Executive Vice President of Silgan Containers since January 1998. Previously, Mr. Hughes was Vice President-Sales & Marketing of Silgan Containers since July 1990. From February 1988 to July 1990, Mr. Hughes was Vice President, Sales and Marketing of the Beverage Division of Continental Can Company. Prior to February 1988, Mr. Hughes was employed by Continental Can Company in various sales positions.

## **Code of Ethics**

Our Board of Directors has adopted a Code of Ethics applicable to our principal executive officers, principal financial officer, principal accounting officer or controller in order to deter wrongdoing and to promote the conduct of the Company's business in an honest, lawful and ethical manner. A copy of this Code of Ethics was filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### **Stockholders Agreement**

In November 2001, Messrs. Silver and Horrigan and the Company entered into the Stockholders Agreement. The Stockholders Agreement replaced in its entirety the Stockholders Agreement dated as of February 14, 1997, or the 1997 Stockholders Agreement, among Messrs. Silver and Horrigan and The Morgan Stanley Leveraged Equity Fund II, L.P., or MSLEF II, a former stockholder of the Company and an affiliate of Morgan Stanley & Co. Incorporated, or Morgan Stanley.

Under the Stockholders Agreement, the Group (as defined in the Stockholders Agreement) has the right to nominate for election all directors of the Company until the Group holds less than one-half of the number of shares of our Common Stock held by it in the aggregate on February 14, 1997. The Group generally includes Messrs. Silver and Horrigan and their affiliates and related family transferees and estates. At least one of the Group's nominees must be either Mr. Silver or Mr. Horrigan. On February 14, 1997, the Group held 7,153,090 shares of our Common Stock in the aggregate. Additionally, the Group has the right to nominate for election either Mr. Silver or Mr. Horrigan as a member of our Board of Directors when the Group no longer holds at least one-half of the number of shares of our Common Stock held by it in the aggregate on February 14, 1997 but beneficially owns 5% of our Common Stock. The Stockholders Agreement continues until the death or disability of both of Messrs. Silver and Horrigan.

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If either Mr. Silver or Mr. Horrigan notifies our Board of Directors that the Group cannot agree on an individual for any of its nominees under the Stockholders Agreement or if at least 45 days prior to our annual meeting of stockholders the Group fails to nominate for election at such annual meeting the requisite number of individuals to stand for election to our Board of Directors at such annual meeting, then our Board of Directors has the right to nominate for election to our Board of Directors the number of individuals that Messrs. Silver and Horrigan could not agree on as nominees or that the Group failed to nominate timely.

The provisions of the Stockholders Agreement could have the effect of delaying, deferring or preventing a change of control of the Company and preventing our stockholders from receiving a premium for their shares of our Common Stock in any proposed acquisition of the Company.

**Other**

In 2004, Landstar provided transportation services to our subsidiaries. We expect that Landstar will continue to provide transportation services to our subsidiaries in 2005. We believe that these transportation services were provided on terms no less favorable to us than provided generally to Landstar's other customers. We paid Landstar approximately \$1.4 million in 2004 for such transportation services, which amount represented approximately 0.06% of Landstar's revenues in 2004. Mr. Jeffrey C. Crowe, a Director of the Company, is the Chairman of the Board of Landstar.

**Table of Contents****EXECUTIVE COMPENSATION**

In the table below, we provide information concerning the annual and long-term compensation for services rendered in all capacities to the Company during the fiscal years ended December 31, 2004, 2003 and 2002 of certain persons, collectively referred to as the Named Executive Officers, who at December 31, 2004 were the Chief Executive Officer of the Company and the other four most highly compensated executive officers of the Company.

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation	All Other Compensation(c)
		Salary(a)	Bonus(b)	Awards Securities Underlying Stock Options	
R. Philip Silver (Co-Chairman of the Board and Co-Chief Executive Officer of the Company and Chairman of the Board of Silgan Plastics)	2004	\$ 766,875	\$ 1,669,692		
	2003	750,000	1,621,060		
	2002	2,302,000			
D. Greg Horrigan (Co-Chairman of the Board and Co-Chief Executive Officer of the Company and Chairman of the Board of Silgan Containers)	2004	\$ 766,875	\$ 1,669,692		
	2003	750,000	1,621,060		
	2002	2,302,000			
Anthony J. Allott(d) (President)	2004	\$ 524,181	\$ 157,254		\$
	2003	485,759		50,000	
	2002	248,712	100,000	100,000	143,445
James D. Beam (President of Silgan Containers)	2004	\$ 518,232	\$ 251,449		\$187,113
	2003	506,832	266,087	17,000	158,328
	2002	448,200	162,293		109,347
Gary M. Hughes (Executive Vice President of Silgan Containers)	2004	\$ 289,932	\$ 140,676		\$ 92,064
	2003	283,548	148,863	8,500	61,582
	2002	275,820	99,874		63,269

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- (a) The salaries for Messrs. Silver, Horrigan and Allott in 2002 were paid by S&H Inc., a corporation wholly owned by Messrs. Silver and Horrigan which had provided management services to the Company and its subsidiaries during such years and received fees from the Company and its subsidiaries for such services pursuant to management services agreements that were terminated effective January 1, 2003. Each of them received no direct compensation from the Company or its subsidiaries during such year, except that Mr. Allott received stock options from the Company in 2002 under our 1989 Amended and Restated Stock Option Plan, or the 1989 Plan. Messrs. Silver, Horrigan and Allott became employees of the Company effective January 1, 2003 upon termination of the management services agreements. Neither the Company nor any of its subsidiaries made any payment in 2003 under the management services agreements.
- (b) Bonuses for Messrs. Silver and Horrigan were earned by them in the year reported in the table and paid in the following year pursuant to the Company's Senior Executive Performance Plan. The bonus for Mr. Allott in 2004 was earned by him in the year reported in the table and paid in the following year pursuant to his employment agreement. The bonus for Mr. Allott in 2002 was a relocation bonus earned by him in the year reported in the table and paid in the following year. Bonuses for Messrs. Beam and Hughes were earned by them in the year reported in the table and paid in the following year pursuant to a performance incentive

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plan of Silgan Containers. Under such plan, executive officers and other key employees were awarded cash bonuses based on financial targets and organizational goals that were met.

- (c) In the case of Mr. Allott, this consists of amounts reimbursed for relocation and temporary living expenses incurred by Mr. Allott during 2002. In the case of Messrs. Beam and Hughes, this consists of amounts contributed by Silgan Containers for them to the grantor trust for the Silgan Containers Corporation Supplemental Executive Retirement Plan, or the Containers Supplemental Plan, and to the grantor trust for the Silgan Containers Corporation Deferred Incentive Savings Plan, or the Containers Savings Plan. The Containers Supplemental Plan is a nonqualified defined contribution plan that provides for contributions that are intended to make up for benefits not payable under qualified savings and pension plans of Silgan Containers because of certain limits imposed by the Internal Revenue Code of 1986, as amended, or the Code. The Containers Savings Plan is a nonqualified deferred compensation plan. For 2004, Silgan Containers contributed \$165,383 under the Containers Supplemental Plan and \$21,730 under the Containers Savings Plan for the benefit of Mr. Beam, and \$70,334 under the Containers Supplemental Plan and \$21,730 under the Containers Savings Plan for the benefit of Mr. Hughes.
- (d) Mr. Allott joined the Company in May 2002.

In the table below, we provide information concerning the exercise in 2004 of stock options by, and the value at December 31, 2004 of unexercised stock options of, each of the Named Executive Officers.

**Aggregate Option Exercises In 2004 And Option Values At December 31, 2004**

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at		Value of Unexercised in-the-Money Options at	
			December 31, 2004		December 31, 2004(a)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
R. Philip Silver						
D. Greg Horrigan						
Anthony J. Allott			50,000	100,000	\$ 1,325,400	\$ 3,005,600
James D. Beam	30,000	\$ 1,004,453	70,250	36,750	\$ 3,211,910	\$ 1,480,350
Gary M. Hughes	12,000	\$ 321,900	38,125	18,375	\$ 1,746,565	\$ 740,175

- (a) The value of an unexercised option is based upon the difference between \$60.96, the closing sales price for a share of our Common Stock on the last business day of 2004 (December 31, 2004) as quoted by the Nasdaq National Market System, and the exercise price per share of our Common Stock for such option.

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In the table below we provide information about equity securities of the Company authorized for issuance under all of the Company's equity compensation plans. The information is as of December 31, 2004.

**Equity Compensation Plan Information**

<u>Plan Category</u>	<u>(a)</u>	<u>(b)</u>	<u>(c)</u>
	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted average exercise price of outstanding options, warrants and rights(2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))
Equity compensation plans approved by security holders	842,010(3)	\$25.10	800,000(4)
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>842,010</b>	<b>\$25.10</b>	<b>800,000</b>

- (1) This column contains information regarding options to purchase our Common Stock and restricted stock units that represent the right to receive our Common Stock only. We do not have any warrants or other rights outstanding.
- (2) This column contains the weighted average exercise price for all options outstanding under the 1989 Plan, our 2002 Non-Employee Directors Stock Option Plan, or the Directors Plan, and the 2004 Stock Incentive Plan.
- (3) This includes options to purchase 773,760 shares of our Common Stock granted under the 1989 Plan, options to purchase 9,000 shares of our Common Stock granted under the Directors Plan and options to purchase 20,000 shares of our Common Stock and restricted stock units that represent the right to receive 39,250 shares of our Common Stock granted under the 2004 Stock Incentive Plan.
- (4) This consists of awards related to shares of our Common Stock available for future issuance under the 2004 Stock Incentive Plan.

**Pension Plans**

The Company has established pension plans covering a substantial number of its salaried employees. These pension plans are defined benefit plans intended to be qualified pension plans under Section 401(a) of the Code under which pension costs are determined annually on an actuarial basis with contributions made accordingly.



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The table below illustrates the estimated annual normal retirement benefits that are payable under the pension plan, or the Containers Pension Plan, covering salaried employees of Silgan Holdings (with the exception of Messrs. Silver, Horrigan, Allott and Lewis, each of whom participate in no pension plan of the Company) and salaried employees of Silgan Containers. The benefit levels assume retirement at age 65, the years of service shown, continued existence of the Containers Pension Plan without substantial change and payment in the form of a single life annuity.

**Containers Pension Plan Table**

Final Average Earnings	Years of Service					
	10	15	20	25	30	35
\$100,000	\$ 9,917	\$ 17,351	\$ 25,059	\$ 32,768	\$ 40,477	\$ 48,185
150,000	15,917	27,588	39,672	51,756	63,839	75,923
200,000	21,917	37,826	54,284	70,743	87,202	103,660
250,000	27,917	48,063	68,897	89,731	110,564	131,398
300,000	33,917	58,301	83,509	108,718	133,927	159,135
350,000	39,917	68,538	98,122	127,706	157,289	186,873
400,000	45,917	78,776	112,734	146,693	180,652	214,610
450,000	51,917	89,013	127,347	165,681	204,014	242,348
500,000	57,917	99,251	141,959	184,668	227,377	270,085
550,000	63,917	109,488	156,572	203,656	250,739	297,823
600,000	69,917	119,726	171,184	222,643	274,102	325,560
650,000	75,917	129,963	185,797	241,631	297,464	353,298

Benefits under the Containers Pension Plan are based on the participant's average base pay (the Salary column in the Summary Compensation Table) over the final three years of employment. The amount of average base pay taken into account for any year is limited by Section 401(a)(17) of the Code, which imposes a cap of \$205,000 (to be indexed for inflation) on compensation taken into account for 2004. Benefits under the Containers Pension Plan are not subject to any deduction for social security or other offset amounts.

As of December 31, 2004, Messrs. Beam and Hughes, the only Named Executive Officers who are eligible participants under the Containers Pension Plan, had approximately seventeen and fifteen years of credited service under the Containers Pension Plan, respectively. Messrs. Beam and Hughes also participate in the Containers Supplemental Plan, a nonqualified defined contribution plan that provides for contributions that are intended, among other things, to make up for benefits not payable under the Containers Pension Plan due to Code limitations. Amounts contributed by Silgan Containers for Messrs. Beam and Hughes under the Containers Supplemental Plan are included in the All Other Compensation column of the Summary Compensation Table.

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The table below illustrates the estimated annual normal retirement benefits that are payable under the pension plan, or the Plastics Pension Plan, covering substantially all of the salaried employees of Silgan Plastics. The benefit levels assume retirement age at 65, the years of service shown, continued existence of the Plastics Pension Plan without substantial change and payment in the form of a single life annuity.

**Plastics Pension Plan Table**

Final Average Earnings	Years of Service					
	10	15	20	25	30	35
\$100,000	\$ 11,000	\$ 16,500	\$ 22,000	\$ 27,500	\$ 33,000	\$ 38,500
150,000	16,500	24,750	33,000	41,250	49,500	57,750
200,000	22,000	33,000	44,000	55,000	66,000	77,000
250,000	27,500	41,250	55,000	68,750	82,500	96,250
300,000	33,000	49,500	66,000	82,500	99,000	115,500
350,000	38,500	57,750	77,000	96,250	115,500	134,750
400,000	44,000	66,000	88,000	110,000	132,000	154,000
450,000	49,500	74,250	99,000	123,750	148,500	173,250
500,000	55,000	82,500	110,000	137,500	165,000	192,500
550,000	60,500	90,750	121,000	151,250	181,500	211,750
600,000	66,000	99,000	132,000	165,000	198,000	231,000
650,000	71,500	107,250	143,000	178,750	214,500	250,250

Benefits under the Plastics Pension Plan are based on the participant's average total cash compensation (the Salary and Bonus columns in the Summary Compensation Table) over the final 36 months of employment or over the highest three of the final five calendar years of employment, whichever produces the greater average compensation. In computing this average, compensation for any year cannot exceed 125% of base pay. Compensation used in determining benefits is also limited by Section 401(a)(17) of the Code, which imposes the cap indicated above.

Benefits under the Plastics Pension Plan are determined based on two methods. Under the first method, the Plastics Pension Plan provides for benefits based on a formula without any offset for social security. Most of Silgan Plastics' officers are eligible participants under the Plastics Pension Plan based on this first method and the above table is based on this first method. Under the second method, benefits under the Plastics Pension Plan are based on one of three formulas, one of which provides for an offset for social security. Additionally, officers of Silgan Plastics are eligible to participate in the Plastics Supplemental Plan, a nonqualified defined contribution plan that provides for contributions that are intended, among other things, to make up for benefits not payable under the Plastics Pension Plan due to Code limitations.

**Employment Agreements**

Anthony J. Allott, President of the Company, entered into an employment agreement with the Company in April 2004. Mr. Allott's employment agreement provides for, among other things, a severance benefit if Mr. Allott is terminated by the Company without cause in an amount equal to (i) the sum of his then current annual salary plus (ii) his annual bonus, calculated at 30% of his then current annual salary.

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James D. Beam, President of Silgan Containers, has entered into an employment agreement with Silgan Containers. The initial term of his employment agreement was three years from its effective date, and the term has been, and will continue to be, automatically extended for successive one year periods unless terminated pursuant to the terms of his employment agreement. Mr. Beam's employment agreement provides for, among other things, a minimum severance benefit equal to his then current base salary and benefits for a period of up to

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one year following termination if (i) Mr. Beam is terminated by Silgan Containers for any reason other than death, disability or for cause as specified in his employment agreement or (ii) Mr. Beam voluntarily terminates his employment due to a demotion, all as specified in his employment agreement.

## **REPORT ON EXECUTIVE COMPENSATION**

### **General**

The goals of the Company's executive compensation program are as follows: (i) to attract and retain executives and to provide fair compensation to them taking into account the responsibilities undertaken by them; (ii) to motivate the Company's executives to achieve the Company's business strategy; and (iii) to align the interests of the Company's executives and stockholders through the granting or awarding of equity based compensation. The principal components of the Company's executive officer compensation program are base salary, annual cash bonuses and equity based compensation. Certain of the Company's executive officers also receive additional forms of compensation as described in the Summary Compensation Table of this Proxy Statement and footnote (c) to the Summary Compensation Table and in the section in this Proxy Statement titled "Executive Compensation Pension Plans."

For 2004, the Compensation Committee approved the compensation of executive officers of the Company, including all Named Executive Officers. The compensation of officers of the Company's subsidiaries who are not Named Executive Officers is determined by the board of directors of Silgan Containers or Silgan Plastics, as the case may be, which boards of directors are comprised of Messrs. Silver and Horrigan.

### **Base Salary**

Base salaries for the Company's executive officers are determined, in part, through general geographic market conditions and comparisons with companies in the packaging industry and other companies with which the Company competes for personnel. Additionally, other factors are considered such as individual experience and performance and the overall performance of the Company. Each executive's base salary is reviewed on an annual basis and may be adjusted, consistent with the terms of any applicable employment agreement, based on (i) the individual's contribution to the Company over the preceding year; (ii) a change in the individual's responsibilities over the preceding year; (iii) any change in median competitive pay levels; or (iv) a general increase in the cost of living.

### **Annual Cash Bonuses**

Annual cash bonuses are paid to Messrs. Silver and Horrigan pursuant to the Company's Senior Executive Performance Plan. At the beginning of each year, the Compensation Committee establishes one or more performance goals and related performance goal targets for such year pursuant to the Senior Executive Performance Plan. Following such year, the Compensation Committee certifies the extent to which the performance goal targets for such year were met and then cash bonuses are paid accordingly to Messrs. Silver and Horrigan pursuant to the Senior Executive Performance Plan. Annual cash bonuses are paid to Messrs. Allott and Lewis pursuant to their employment agreements based on the same performance goal targets established by the Compensation Committee pursuant to the Senior Executive Performance Plan and the extent to which such performance goal targets were met. Annual cash bonuses are paid to the other officers of the Company calculated on the basis of a weighted average of the levels of bonuses paid to officers of the Company's business units. Annual cash bonuses are paid in the beginning of the year following the year in which they are earned.

Annual cash bonuses are paid to officers of the Company's business units based upon such business unit achieving certain financial targets and, in some years, meeting certain organizational goals. The financial target levels and, if applicable, organizational goals of the Company's business units for a given year are established at the beginning of such year. The amount of the bonus of each such officer is determined by a formula which calculates such bonus based on the percentage that the actual applicable financial target represents of the

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applicable financial target level and, if applicable, based on whether such organizational goals were met. In the case of officers of Silgan Containers, a significant portion of their annual cash bonuses for 2004 was payable to them if Silgan Containers met certain organizational goals as established by its board of directors at the beginning of the year, including management development, market related, operational and safety, working capital management, cost management and financial reporting goals. In the case of officers of Silgan Plastics, a significant portion of their annual cash bonuses for 2004 was payable to them if Silgan Plastics met certain working capital management goals as established by its board of directors at the beginning of the year. Annual cash bonuses are paid in the beginning of the year following the year in which they are earned.

## **Stock Plans**

The Compensation Committee of the Board of Directors is responsible for administering the 2004 Stock Incentive Plan. The Compensation Committee selects or approves award recipients, sets the terms and conditions of awards, makes adjustments to outstanding awards and to the share reserve as permitted by the 2004 Stock Incentive Plan, interprets the 2004 Stock Incentive Plan and prescribes rules for administering the 2004 Stock Incentive Plan. While the Compensation Committee is permitted to amend outstanding awards, it is not permitted to reduce the exercise price of any outstanding stock option or stock appreciation right without obtaining approval of the stockholders of the Company. The 2004 Stock Incentive Plan currently forms the basis of the Company's long-term incentive compensation plan. The Compensation Committee believes that placing a portion of compensation in the form of equity achieves certain objectives: it aligns the interest of the Company's executive officers and key employees with those of the Company's stockholders; it gives executive officers and key employees a significant long-term interest in the Company's success; and it helps the Company attract and retain executive officers and key employees. In determining to whom awards are granted, the terms of awards and the amount of an award for an executive officer or key employee, the Compensation Committee primarily considers the value of unvested awards previously granted and the prospective value of the awards to be granted. In 2004, stock options were granted to one new officer of a subsidiary of the Company under the 1989 Plan with respect to 15,000 underlying shares of our Common Stock. Additionally, in 2004 stock options were granted to one new executive officer of the Company with respect to 20,000 underlying shares of our Common Stock and restricted stock units were awarded to four executive officers and key employees of the Company and its subsidiaries representing the right to receive an aggregate of 37,000 shares of our Common Stock under the 2004 Stock Incentive Plan. No awards were made to any of the Named Executive Officers listed in the Summary Compensation Table in 2004 under the 1989 Plan or the 2004 Stock Incentive Plan.

## **Compensation of Co-Chief Executive Officers**

For 2004, the base salary for each of Messrs. Silver and Horrigan was \$766,875. The Compensation Committee used the factors described above under "Base Salary" to set Messrs. Silver's and Horrigan's base salary for 2004.

Additionally, for 2004, each of Messrs. Silver and Horrigan was awarded bonuses of \$1,669,692 pursuant to the Company's Senior Executive Performance Plan. They were awarded such bonuses because the maximum performance goal target relating to such bonuses established by the Compensation Committee pursuant to the Senior Executive Performance Plan at the beginning of 2004 was achieved in 2004. The amount of the bonuses awarded was the maximum amount that could be awarded to Messrs. Silver and Horrigan for 2004 under the Senior Executive Performance Plan. The performance goal for 2004 was based on the Company's earnings before interest expense, provision for income taxes, depreciation and amortization expenses, or EBITDA, and the maximum performance goal target for 2004 was based on the Company's EBITDA for 2003.

## **Tax Deductibility**

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Section 162(m) of the Code disallows a federal income tax deduction to any publicly held corporation for compensation paid in excess of \$1 million in any taxable year to an individual who is the chief executive officer or any of the four most highly compensated executive officers (other than the chief executive officer) employed

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by such corporation (or a member of its affiliated group) on the last day of such taxable year, but does allow a deduction for performance-based compensation in excess of \$1 million the material terms of which are disclosed to and approved by stockholders. The Company's intention is to maximize the tax deductibility of its compensation programs. However, because the Company believes that the use of prudent judgment in determining compensation levels is in the best interests of the Company and its stockholders, under some circumstances it may determine to pay amounts of compensation that may not be fully deductible. The Company reserves the right to use prudent judgment in establishing compensation policies to attract and retain qualified executives to manage the Company and to reward such executives for outstanding performance, while taking into consideration the financial impact of such actions on the Company.

By the Compensation Committee of the Board of Directors:

Jeffrey C. Crowe

John W. Alden

William C. Jennings

Edward A. Lapekas

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

In 2004, the Compensation Committee of our Board of Directors consisted of Messrs. Crowe, Alden, Jennings and Lapekas. During 2004, none of our executive officers served as: (i) a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on the Compensation Committee of our Board of Directors, (ii) a director of another entity, one of whose executive officers served on our Board of Directors, or (iii) a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Board of Directors. As described in the section of this Proxy Statement titled "Certain Relationships and Related Transactions - Other," Landstar, a company of which Mr. Crowe is Chairman of the Board, provided transportation services to our subsidiaries in 2004 and is expected to continue to provide transportation services to our subsidiaries in 2005, all on terms, we believe, no less favorable to us than provided generally to Landstar's other customers.

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**COMPANY PERFORMANCE**

The graph below compares the Company's Common Stock performance for the five year period ended December 31, 2004 with the performance of the Dow Jones Containers & Packaging Index and the Standard & Poor's 500 Composite Stock Price Index, or the S&P 500 Index, for the same period by valuing the changes in common stock prices from December 31, 1999 through December 31, 2004 plus reinvested dividends. The companies included in the Dow Jones Containers & Packaging Index are: AptarGroup, Inc.; Ball Corporation; Bemis Company, Inc.; Chesapeake Corporation; Crown Holdings, Inc.; Owens-Illinois, Inc.; Packaging Corporation of America; Pactiv Corporation; Sealed Air Corporation; Smurfit Stone Container Corporation; Sonoco Products Company; and Temple-Inland, Inc. The graph below assumes in each case an initial investment of \$100.00 on December 31, 1999 plus reinvestment of dividends, with the investment in the Dow Jones Containers & Packaging Index weighted on the basis of market capitalization.

**Comparison Of Cumulative Total Return Among Silgan Holdings Inc.,**

**Dow Jones Containers & Packaging Index and S&P 500 Index**

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

In the table below, we provide information, as of the Record Date, with respect to the beneficial ownership of our Common Stock by (i) each current director and each Named Executive Officer of the Company, (ii) each person or entity who is known by the Company to own beneficially more than 5% of our Common Stock and (iii) by all executive officers and directors of the Company as a group. Except as otherwise described below, each of the persons named in the table below has sole voting and investment power with respect to the securities beneficially owned.

	Number of Shares of Common Stock Owned	Percentage Ownership of Common Stock(1)
R. Philip Silver(2)	3,563,244	19.26%
D. Greg Horrigan(3)	3,453,553	18.67%
John W. Alden(4)	6,750	*
Jeffrey C. Crowe(5)	5,750	*
William C. Jennings(6)	2,750	*
Edward A. Lapekas(7)	5,080	*
Anthony J. Allott(8)	85,000	*
James D. Beam(9)	194,523	1.05%
Gary M. Hughes(10)	59,823	*
FMR Corp. and related parties(11)	1,231,298	6.66%
All executive officers and directors as a group (14 persons)(12)	7,513,565	39.82%

(1) An asterisk denotes beneficial ownership of 1% or less of our Common Stock.

(2) Mr. Silver is a Director of the Company, Silgan Containers and Silgan Plastics. The amount beneficially owned by Mr. Silver includes (a) 2,372,470 shares of our Common Stock owned directly by him over which he has sole voting and dispositive power, (b) 344,855 shares of our Common Stock owned by the Robert Philip Silver 2002 GRAT Article III Trust for Benefit of Spouse and Descendants (of which Mr. Silver's spouse is a co-trustee), over which Mr. Silver may be deemed to have shared voting and dispositive power, (c) 691,721 shares of our Common Stock owned by the Robert Philip Silver 2003 GRAT of which he is the sole trustee with sole voting and dispositive power and (d) 154,198 shares of our Common Stock owned by the Silver Family Limited Partnership of which he is the sole general partner with sole voting and dispositive power. The address for Mr. Silver is 4 Landmark Square, Stamford, Connecticut 06901.

(3) Mr. Horrigan is a Director of the Company, Silgan Containers and Silgan Plastics. The amount beneficially owned by Mr. Horrigan includes (a) 3,136,591 shares of our Common Stock owned directly by him and over which he has sole voting and dispositive power, (b) 81,382 shares of our Common Stock owned by the David Gregory Horrigan 2002 GRAT Article IV Trust (of which Mr. Horrigan's spouse is the sole trustee), over which Mr. Horrigan may be deemed to have shared voting and dispositive power, (c) 81,382 shares of our Common Stock owned by another David Gregory Horrigan 2002 GRAT Article IV Trust (of which Mr. Horrigan's spouse is the sole trustee), over which Mr. Horrigan may be deemed to have shared voting and dispositive power, and (d) 154,198 shares of our Common Stock owned by the Horrigan Family Limited Partnership of which he is the sole general partner with sole voting and dispositive power. The address for Mr. Horrigan is 4 Landmark Square, Stamford, Connecticut 06901.

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- (4) Mr. Alden is a Director of the Company. The number of shares of our Common Stock owned by Mr. Alden includes 3,000 shares of our Common Stock owned by him, 3,000 shares of our Common Stock that may be acquired by him through the exercise of vested stock options granted pursuant to the Directors Plan and 750 shares of our Common Stock that are issuable to him related to vested restricted stock units granted to him pursuant to the 2004 Stock Incentive Plan for which he has deferred receipt.
- (5) Mr. Crowe is a Director of the Company. The number of shares of our Common Stock owned by Mr. Crowe includes 2,750 shares of our Common Stock owned by him and 3,000 shares of our Common Stock that may be acquired by him through the exercise of vested stock options granted pursuant to the Directors Plan.
- (6) Mr. Jennings is a Director of the Company. The number of shares of our Common Stock owned by Mr. Jennings includes 2,000 shares of our Common Stock owned by him and 750 shares of our Common Stock that are issuable to him related to vested restricted stock units granted to him pursuant to the 2004 Stock Incentive Plan for which he has deferred receipt.
- (7) Mr. Lapekas is a Director of the Company. The number of shares of our Common Stock owned by Mr. Lapekas includes 1,330 shares of our Common Stock owned by him, 3,000 shares of our Common Stock that may be acquired by him through the exercise of vested stock options granted pursuant to the Directors Plan and 750 shares of our Common Stock that are issuable to him related to vested restricted stock units granted to him pursuant to the 2004 Stock Incentive Plan for which he has deferred receipt.
- (8) The number of shares of our Common Stock owned by Mr. Allott includes 5,000 shares of our Common Stock owned by Mr. Allott and 80,000 shares of our Common Stock that may be acquired by Mr. Allott through the exercise of (i) vested stock options granted pursuant to the 1989 Plan and (ii) stock options granted pursuant to the 1989 Plan that will vest within 60 days after the Record Date.
- (9) The number of shares of our Common Stock owned by Mr. Beam includes 100,273 shares of our Common Stock owned by Mr. Beam and 94,250 shares of our Common Stock that may be acquired by Mr. Beam through the exercise of (i) vested stock options granted pursuant to the 1989 Plan and (ii) stock options granted pursuant to the 1989 Plan that will vest within 60 days after the Record Date.
- (10) The number of shares of our Common Stock owned by Mr. Hughes includes 9,698 shares of our Common Stock owned by Mr. Hughes and 50,125 shares of our Common Stock that may be acquired by Mr. Hughes through the exercise of (i) vested stock options granted pursuant to the 1989 Plan and (ii) stock options granted pursuant to the 1989 Plan that will vest within 60 days after the Record Date.
- (11) This information is based solely upon our review of Amendment No. 4 to Schedule 13G filed by FMR Corp. and certain related parties with the Securities and Exchange Commission on or about February 14, 2005, reporting beneficial ownership as of December 31, 2004. FMR Corp. is a parent holding company which, along with Edward C. Johnson 3d (the Chairman of FMR Corp.) and Abigail P. Johnson (a director of FMR Corp.), reports that it has the sole power to dispose or direct the disposition of 1,231,298 shares of our Common Stock and the sole power to vote or direct the voting of 269,968 of such shares beneficially owned by Fidelity Management Trust Company, a wholly owned subsidiary of FMR Corp. Voting power with respect to the remainder of the shares is held by the boards of trustees of the respective funds which own the shares. Fidelity International Limited is an advisor to several international funds and reports that it is an affiliate of FMR Corp. (though disclaims group status) and that it has the sole power to dispose or direct the disposition of and to vote or direct the voting of 2,700 shares of our Common Stock. The business address for FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02109.
- (12) The number of shares of our Common Stock owned by all executive officers and directors of the Company as a group includes (i) 368,917 shares of our Common Stock that may be acquired through the exercise of (a) vested stock options granted pursuant to the 1989 Plan and (b) stock options granted pursuant to the 1989 Plan that will vest within 60 days after the Record Date and (ii) 2,250 shares of our Common Stock that are issuable related to vested restricted stock units granted pursuant to the 2004 Stock Incentive Plan for which receipt has been deferred.

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**APPROVAL OF AMENDMENT TO THE SILGAN HOLDINGS INC.**

**2004 STOCK INCENTIVE PLAN**

You are being asked to approve an amendment to the Silgan Holdings Inc. 2004 Stock Incentive Plan. This amendment to the 2004 Stock Incentive Plan was approved and adopted by the Board of Directors of the Company, effective as of March 15, 2005, subject to stockholder approval at the Meeting. The amendment to the 2004 Stock Incentive Plan will (i) convert the calculation of awards for non-employee directors from a fixed number of shares of our Common Stock to a fixed dollar value, (ii) eliminate awards to non-employee directors granted in the form of stock options, and (iii) lengthen the vesting schedule of awards for non-employee directors.

The purpose of the 2004 Stock Incentive Plan is to promote the long-term success of the Company and the creation of stockholder value by (i) encouraging officers and other key employees and outside directors of the Company to focus on critical long-range objectives, (ii) encouraging the attraction and retention of officers and other key employees and outside directors with exceptional qualifications, and (iii) linking officers and other key employees and outside directors of the Company directly to stockholder interests through increased stock ownership. The 2004 Stock Incentive Plan provides for awards of stock options, stock appreciation rights, restricted stock, stock units and performance awards.

A copy of the 2004 Stock Incentive Plan, along with the Amendment to the 2004 Stock Incentive Plan, is set forth together in Appendix A to this Proxy Statement.

Approval of material amendments to the 2004 Stock Incentive Plan requires the favorable vote of a majority of the shares of our Common Stock present in person or by proxy at the Meeting. If stockholders do not approve the amendment to the 2004 Stock Incentive Plan, such amendment will have no effect. In such case, awards for non-employee directors under the 2004 Stock Incentive Plan will continue to be granted under the terms of the 2004 Stock Incentive Plan as currently in effect.

**Description of the 2004 Stock Incentive Plan**

**Shares Available Under The Plan**

No more than 900,000 shares of our Common Stock were available initially for issuance under the 2004 Stock Incentive Plan. As of March 15, 2005, options to purchase 20,000 shares of our Common Stock and restricted stock units that represent the right to receive 48,000 shares of our Common Stock have been awarded under the 2004 Stock Incentive Plan.

Each award of stock options or stock appreciation rights under the 2004 Stock Incentive Plan reduces the number of shares of our Common Stock available for future issuance under the 2004 Stock Incentive Plan by the number of shares of our Common Stock subject to the award. For this purpose, if a stock option and stock appreciation right are awarded in tandem so that the exercise of one results in the cancellation of the other, then the stock option and stock appreciation right are deemed to relate to the same share. Each award of restricted shares or stock units under the 2004 Stock Incentive Plan, in contrast, reduces the number of shares of our Common Stock available for future issuance under the 2004 Stock Incentive Plan by two shares for every one restricted share or stock unit awarded.

Accordingly, no more than 784,000 shares of our Common Stock are available for issuance under the 2004 Stock Incentive Plan as of March 15, 2005. The closing sales price of our Common Stock was \$67.63 per share as of March 15, 2005.

Shares of our Common Stock subject to awards that are forfeited are added back to the share reserve under the 2004 Stock Incentive Plan. If the Company assumes or converts awards made under a plan of another entity

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that the Company acquires or merges with, those assumed or converted awards do not reduce the number of shares of our Common Stock available for future issuance under the 2004 Stock Incentive Plan.

Appropriate adjustments may be made to the maximum number of shares of our Common Stock available for issuance under the 2004 Stock Incentive Plan in the event of a stock split, stock dividend, reclassification or similar event. Such events may also result in adjustments to the number of shares of our Common Stock subject to awards previously granted under the 2004 Stock Incentive Plan and to the exercise price of options and stock appreciation rights previously granted under the 2004 Stock Incentive Plan.

## **Administration**

The Compensation Committee of the Board of Directors is responsible for administering the 2004 Stock Incentive Plan. The Compensation Committee selects or approves award recipients, sets the terms and conditions of awards, makes adjustments to outstanding awards and to the share reserve as permitted by the 2004 Stock Incentive Plan, interprets the 2004 Stock Incentive Plan and prescribes rules for administering the 2004 Stock Incentive Plan. While the Compensation Committee is permitted to amend outstanding awards, it is not permitted to reduce the exercise price of any outstanding stock option or stock appreciation right without obtaining approval of the stockholders of the Company.

## **Eligibility and Limits on Awards**

The Compensation Committee retains the sole discretion to select or approve the selection of employees to receive awards under the 2004 Stock Incentive Plan. Each of the approximately 25 officers and other key employees of the Company and its consolidated subsidiaries is potentially eligible to receive awards under the 2004 Stock Incentive Plan. Currently, each of the non-employee directors of the Company receives restricted shares, stock units or stock options under and in accordance with the 2004 Stock Incentive Plan. If the amendment to the 2004 Stock Incentive Plan is approved by the stockholders of the Company at the Meeting, non-employee directors will no longer be eligible to receive stock options. We currently have four non-employee directors.

No more than 225,000 shares of our Common Stock in the aggregate may be granted to any employee in any period of 36 consecutive months pursuant to stock options and stock appreciation rights. In addition, no more than 112,500 shares of our Common Stock in the aggregate may be awarded to any one employee during any period of 36 consecutive months pursuant to awards of restricted shares or stock units or otherwise pursuant to performance awards. Each of the foregoing maximum aggregate number of shares of our Common Stock set forth in this paragraph is subject to adjustment in the event of a stock split, stock dividend, reclassification or similar event.

The limits described above are not intended to indicate that all of these awards are or will be made, or that awards are or will be made up to these limits.

## **Types of Awards**

***Stock Options and Stock Appreciation Rights.*** Stock options give the holder the right to purchase shares of our Common Stock at a specified exercise price. Stock appreciation rights give the holder the right to receive, without any payment on the holder's part, the excess of the fair market value of the shares of our Common Stock subject to the right at the time of exercise over a specified exercise price. All stock options granted under the 2004 Stock Incentive Plan are and will be nonqualified stock options for federal income tax purposes.

The exercise price of a stock option or stock appreciation right may not be less than the fair market value of the shares of our Common Stock subject to the award on the date of grant. Awards to employees become fully vested over a period no shorter than twelve months, and have a term no longer than seven years. Awards to non-

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employee directors become fully vested over a period no shorter than six months, and have a term no longer than ten years. The ability to exercise vested stock options and stock appreciation rights after termination of employment is limited.

Stock appreciation rights may be granted alone or in tandem with a grant of stock options. When granted in tandem, the exercise of a stock option for a specified number of shares cancels the stock appreciation right for the same number of shares, and exercise of the stock appreciation right has a similar impact on the shares available under the stock option. Stock appreciation rights may be payable in cash or in shares of our Common Stock, or a combination, in each case having a value equal to the excess of the fair market value of the shares of our Common Stock subject to the stock appreciation right at the time of exercise over the exercise price. The Compensation Committee may permit or require such payments to be made in a lump sum or in installments.

***Restricted Shares and Restricted Stock Units.*** Restricted shares are actual shares of our Common Stock that are subject to vesting requirements and transfer restrictions. A stock unit represents the right to receive one share of our Common Stock at a future date. Restricted stock units are subject to vesting requirements and may permit the holder to defer receipt of actual shares of our Common Stock to a date subsequent to the date the stock units vest. Awards of restricted shares and restricted stock units generally do not require the recipient to pay for the shares of our Common Stock, but the Compensation Committee has the right to require payment for restricted shares.

Restricted shares and restricted stock units awarded to employees may become vested over a period no shorter than three years from the date of grant, except that awards to new employees may vest more quickly. Awards of restricted shares to non-employee directors may become vested over a period no shorter than six months. Holders of restricted shares have the same voting and dividend rights as other holders of our Common Shares. While holders of stock units have no voting and dividend rights, as they do not hold actual shares of our Common Stock, awards of stock units may provide for dividend equivalents, which will be paid immediately.

***Performance Awards.*** A performance award under the 2004 Stock Incentive Plan is an award of restricted shares or stock units where the grant of the award, or the vesting of the award, is subject to the attainment of specified performance goals. The Compensation Committee sets performance goals over periods that it selects in advance, which cannot be shorter than twelve months, and after the end of each period the Compensation Committee certifies the extent to which those goals are attained. The performance goals are based on the attainment by the Company, or by one or more business units or subsidiaries of the Company, of specified levels of performance criteria, which may include one or more of the following:

Pre-tax or after-tax income;

Earnings per share;

Income from operations;

Earnings before interest expense and provision for income taxes (EBIT);

Earnings before interest expense, provision for income taxes, depreciation and amortization expenses (EBITDA);

Net income;

Revenue growth;

Economic value added (EVA);

Return on net or total assets;

Free cash flow from operations;

Free cash flow per share;

Return on invested capital;

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Return on stockholders' equity;

Expense reduction;

Working capital;

Total stockholder return; and

Performance of the Company's stock price.

The Compensation Committee determines whether to measure performance under these criteria in absolute terms or in comparison to the performance of other corporations. In applying these criteria to a particular period, the Compensation Committee may, in its discretion, exclude the impact of the following: unusual or infrequently occurring charges; the amount of all charges and expenses incurred or income earned in connection with any refinancing, restructuring, rationalization, recapitalization or reorganization; the cumulative effect of accounting changes; discontinued operations; and any business units, divisions, subsidiaries or other entities sold or acquired. Notwithstanding the attainment of the performance goals for a particular period, the Compensation Committee may decrease the amount payable under any individual's performance award, as long as that action does not increase the payment to any other holder of a performance award.

**Deferral**

The Compensation Committee may permit a plan participant to defer receipt of any cash that otherwise would be paid as a result of the exercise of a stock appreciation right, or of any Common Stock that otherwise would be delivered as restricted shares or as a result of the exercise of a stock option or stock appreciation right or the settlement of stock units. The Compensation Committee may also prescribe rules for the treatment of deferred amounts in the event of a participant's termination of service. A deferral may be credited with dividend equivalents, interest or other forms of investment return, as determined by the Compensation Committee. Any dividend equivalents provided on the deferral amounts are paid immediately to the participant. A participant does not have voting rights with respect to deferred shares of Common Stock until the shares are distributed to the participant.

**Change in Control**

In the event of a change in control of the Company, as defined in the 2004 Stock Incentive Plan, all outstanding stock options and stock appreciation rights will become vested and exercisable, unless the acquiring or surviving corporation assumes those awards or substitutes its own stock for the shares underlying the awards. A change in control will also result in the waiver of all restrictions with respect to outstanding restricted shares and stock units. Any performance awards that have been earned but remain unvested will immediately become vested unless the acquiring or surviving corporation assumes the performance awards or substitutes its own stock for the shares underlying the awards.

A participant's assumed or substituted stock options, stock appreciation rights, restricted shares, stock units and performance awards will immediately vest if the participant's service with the Company or the acquiring or surviving corporation is terminated involuntarily without cause within 24 months after the change in control.

Unless an award provides otherwise, any amounts credited to a deferred compensation account will continue to be deferred following a change in control if the Common Stock of the Company continues to be publicly traded. If the Common Stock of the Company is not publicly traded following the change in control, the full value of the deferred amounts will be settled in cash and immediately distributed to the participant.

**Transfer**

Awards may not be transferred by a participant other than by will or the laws of descent and distribution, except that restricted shares may be freely transferred after the restrictions lapse or are satisfied and shares of Common Stock are delivered.

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### **Amendment and Termination**

The 2004 Stock Incentive Plan may be amended or terminated by the Company's Board of Directors at any time without stockholder approval, except that any material revision to the terms of the plan requires stockholder approval before it can be effective. A revision is material for this purpose if, among other changes, it materially increases the number of shares of our Common Stock that may be issued under the plan (other than an increase pursuant to an adjustment for stock splits, stock dividends or other events permitting adjustments under the plan), changes the types of awards under the plan, materially expands the class of persons eligible to receive awards under the plan, materially extends the term of the plan, materially decreases the exercise price at which stock options or stock appreciation rights may be granted in the future, reduces the exercise price of outstanding stock options or stock appreciation rights, or results in the replacement of outstanding stock options or stock appreciation rights with awards that have a lower exercise price. No amendment of the 2004 Stock Incentive Plan can adversely affect the rights of any holder of an outstanding award without the holder's written consent.

If not terminated earlier by the Company's Board of Directors, the 2004 Stock Incentive Plan will automatically terminate on May 27, 2011. No awards may be granted under the plan after it is terminated, but any previously granted awards will remain in effect until they expire in accordance with the terms of the plan and the applicable award agreements.

### **Changes Effected by the Amendment to the 2004 Stock Incentive Plan**

The amendment to the 2004 Stock Incentive Plan will effect the following changes to awards granted to non-employee directors under the plan:

As of the first business day following the day of each annual meeting of the stockholders of the Company (including the Meeting), each non-employee director will be awarded either restricted shares of our Common Stock or restricted stock units related to shares of our Common Stock, with an aggregate fair market value of \$50,000 as of the date of grant, rounded down to the nearest number of whole shares or whole stock units. Currently, non-employee directors are awarded 750 restricted shares, 750 restricted stock units or 1,500 stock options, regardless of their fair market value, on the first business day following the day of our annual meeting of stockholders of the Company.

Awards to non-employee directors will no longer be made in the form of stock options.

Awards to non-employee directors will vest over a period no shorter than twelve months. Currently, awards to non-employee directors may vest over a period as short as six months.

In addition to these changes, the Board of Directors of the Company has approved certain technical amendments to the 2004 Stock Incentive Plan to ensure compliance with recent federal income tax legislation governing deferred compensation. As these technical amendments would not ordinarily be subject to stockholder approval, the Board of Directors of the Company will implement these changes even if the stockholders of the Company do not approve the amendment to the 2004 Stock Incentive Plan at the Meeting.

**Table of Contents****New Benefits**

The awards that will be granted in the future under the 2004 Stock Incentive Plan are not currently determinable, other than awards to non-employee directors. The following table sets forth information with respect to awards to be granted to non-employee directors under the 2004 Stock Incentive Plan for the remaining duration of the plan (assuming the plan continues in effect until May 27, 2011 and assuming that the Company has four non-employee directors through such date) if the amendment to the 2004 Stock Incentive Plan is approved by the stockholders of the Company at the Meeting.

<b>Name and Position</b>	<b>Dollar Value (\$)</b>	<b>Types of Awards and Number of Units</b>
All current directors who are not employees, as a group	\$ 1,400,000	Restricted shares and/or restricted stock units

The options that will be granted in the future under the 2004 Stock Incentive Plan are not currently determinable. In 2004, options to purchase 20,000 shares of our Common Stock were granted under the 2004 Stock Incentive Plan to one executive officer of the Company. There were no other options granted in 2004 under the 2004 Stock Incentive Plan.

**Federal Income Tax Consequences**

The following is a brief summary of the current principal United States federal income tax consequences of the grant, exercise and disposition of awards under the 2004 Stock Incentive Plan. This summary is not intended to be exhaustive and, among other things, does not describe state, local or foreign tax consequences.

**Stock Options and Stock Appreciation Rights**

A participant does not recognize any income at the time a stock option or stock appreciation right is granted, nor is the Company entitled to a deduction at that time. When a stock option is exercised, the holder recognizes ordinary income in an amount equal to the excess of the fair market value of shares of Common Stock received as of the date of exercise over the exercise price. When a stock appreciation right is exercised, the holder recognizes ordinary income in an amount equal to the cash received or, if the right is paid in shares of Common Stock, the fair market value of our Common Stock received as of the date of exercise. Payroll taxes are required to be withheld from the holder on the amount of ordinary income recognized by the holder. The Company is entitled to a tax deduction with respect to a stock option or stock appreciation right at the same time and in the same amount as the holder recognizes income.

**Restricted Shares**

A participant does not recognize any income at the time restricted shares of our Common Stock are granted, nor is the Company entitled to a deduction at that time. In the year in which restrictions on restricted shares lapse, the participant recognizes ordinary income in an amount equal

to the excess of the fair market value of the shares on the date of vesting over the amount, if any, that the participant paid for the shares. A participant may, however, elect within 30 days after receiving restricted shares to recognize ordinary income in the year of receipt instead of the year of vesting. If an election is made, the amount of income recognized by the participant is equal to the excess of the fair market value of the shares on the date of receipt over the amount, if any, the participant paid for the shares. Payroll taxes are required to be withheld on the income recognized by the participant. The Company will be entitled to a tax deduction at the same time and in the same amount as the participant recognizes income.

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### **Stock Units**

A participant does not recognize any income at the time a stock unit is granted, nor is the Company entitled to a deduction at that time. When payment on a stock unit is made, the participant recognizes ordinary income in an amount equal to the fair market value of the shares of Common Stock received. Payroll taxes are required to be withheld on the income recognized by the participant. The Company is entitled to a tax deduction at the same time and in the same amount as the participant recognizes income.

### **Performance Awards**

A participant does not recognize any income at the time a performance award is granted, nor is the Company entitled to a deduction at that time. To the extent a performance award is paid in restricted shares, a participant recognizes compensation income in the year in which the award vests and in the amount of the fair market value of the shares of Common Stock as of the vesting date. To the extent a performance award is paid in stock units, a participant recognizes compensation in the year of payment in the amount of the fair market value of the shares of Common Stock as of the payment date. Payroll taxes are required to be withheld on performance awards on the vesting date (or, if the award is not subject to a vesting schedule, on the payment date). The Company is entitled to a deduction at the same time and in the same amount as the participant recognizes income.

### **Code Section 162(m)**

With certain exceptions, Section 162(m) of the Code limits the Company's deduction for compensation in excess of \$1 million paid to covered employees. Compensation paid to covered employees is not subject to the deduction limitation, however, if it is considered "qualified performance-based compensation" within the meaning of Section 162(m). The Company believes that all stock options, stock appreciation rights and awards of restricted shares and stock units that are performance awards granted to covered employees under the 2004 Stock Incentive Plan will be "qualified performance-based compensation," and therefore may be deducted for federal income tax purposes by the Company.

### **Code Section 409A**

Awards that result in the deferral of compensation are subject to ordinary income tax and penalties in the year of vesting unless they satisfy the requirements of Section 409A of the Code. It is the intent of the Company to structure awards and administer the 2004 Stock Incentive Plan in a manner that complies with the requirements of Section 409A.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE SILGAN HOLDINGS INC. 2004 STOCK INCENTIVE PLAN.**

**RATIFICATION OF APPOINTMENT OF**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**Appointment of Independent Registered Public Accounting Firm**

The Audit Committee of the Board of Directors of the Company has appointed Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2005. The Board of Directors of the Company is requesting ratification of this appointment by the stockholders of the Company.

A representative of Ernst & Young LLP is expected to be present at the Meeting and to be available to respond to appropriate questions from those attending the Meeting, but is not otherwise expected to make a statement.

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**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2005.**

**Independent Registered Public Accounting Firm Fee Information**

*Audit Fees*

Fees for audit services rendered by Ernst & Young LLP in 2004 and 2003 totaled \$3.6 million and \$1.8 million, respectively, in connection with the audit of the Company's consolidated financial statements for such years, reviews of the Company's unaudited financial statements included in its Quarterly Reports on Form 10-Q for such years, the audit of management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004 and the audit of the effectiveness of the Company's internal control over financial reporting for 2004. Approximately \$2.0 million of the audit fees for 2004 relate to the audit of management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004 and the audit of the effectiveness of the Company's internal control over financial reporting for 2004.

*Audit-Related Fees*

Fees for audit-related services rendered by Ernst & Young LLP in 2004 and 2003 totaled \$0.1 million in each year. Services provided in 2004 were in respect of employee benefit plan audits and examinations of certain contracts. Services provided in 2003 were in respect of the Company's procedures related to internal controls over financial reporting and employee benefit plan audits.

*Tax Fees*

Fees for tax services rendered by Ernst & Young LLP in 2004 and 2003 totaled \$0.1 million in each year, and were provided in connection with tax compliance services and advice.

*All Other Fees*

In 2004 and 2003, Ernst & Young LLP did not render any other services to the Company.

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

## Edgar Filing: SILGAN HOLDINGS INC - Form DEF 14A

Section 16(a) of the Exchange Act requires our directors and officers and persons holding more than ten percent of a registered class of our equity securities to file with the Securities and Exchange Commission initial reports of ownership, reports of changes in ownership and annual reports of ownership of Common Stock and other equity securities of the Company. These directors, officers and ten percent stockholders are also required to furnish us with copies of all such filed reports.

Based solely upon a review of the copies of reports furnished to us and/or representations that no reports were required, we believe that all of our directors, officers and ten percent stockholders complied with all filing requirements under Section 16(a) of the Exchange Act in 2004, except that we have no knowledge whether FMR Corp. and certain related parties filed a Form 4 reporting changes in their beneficial ownership of our Common Stock in 2004.

### **STOCKHOLDER PROPOSALS FOR 2006 ANNUAL MEETING**

Stockholders may submit proposals on matters appropriate for stockholder action at our annual meetings consistent with the rules and regulations adopted by the Securities and Exchange Commission. Proposals to be considered for inclusion in the Proxy Statement and the form of proxy for our annual meeting of stockholders in

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2006 must be received by us at our principal executive offices not later than December 23, 2005. In accordance with the Exchange Act and the rules and regulations promulgated under the Exchange Act, proxies solicited by our Board of Directors will confer discretionary voting authority with respect to any proposal raised at our annual meeting of stockholders in 2006 as to which the proponent has not notified us by March 8, 2006. Proposals should be directed to the attention of the General Counsel, Silgan Holdings Inc., 4 Landmark Square, Stamford, Connecticut 06901.

**OTHER MATTERS**

As of the date of this Proxy Statement, our Board of Directors and management have no knowledge of any other business matters that will be presented for consideration at the Meeting other than those referred to in this Proxy Statement. However, persons named in the accompanying proxy card shall have authority to vote such proxy as to any other matters that properly come before the Meeting and as to matters incidental to the conduct of the Meeting in accordance with their discretion.

By Order of the Board of Directors,

Frank W. Hogan, III

*Secretary*

Stamford, Connecticut

March 25, 2005

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**Appendix A**

**SILGAN HOLDINGS INC.**

**2004 STOCK INCENTIVE PLAN**

(Adopted by the Board of Directors effective as of April 12, 2004)

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**SILGAN HOLDINGS INC.**

**2004 STOCK INCENTIVE PLAN**

**SECTION 1. ESTABLISHMENT AND PURPOSE.**

The Plan was adopted by the Board of Directors effective as of April 12, 2004. The purpose of the Plan is to promote the long-term success of the Company and the creation of stockholder value by (a) encouraging officers, other Key Employees and Outside Directors to focus on critical long-range objectives, (b) encouraging the attraction and retention of officers, other Key Employees and Outside Directors with exceptional qualifications and (c) linking officers, other Key Employees and Outside Directors directly to stockholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for Awards in the form of Restricted Shares, Options, SARs, Stock Units and/or Performance Awards. Any Awards granted under the Plan shall be contingent on the approval of the Plan by the Company's stockholders. If their approval is not obtained, the Plan will have no effect, and any Awards granted under the Plan shall be rescinded.

**SECTION 2. DEFINITIONS.**

*162(m) Employee* shall mean an Employee who is a covered employee within the meaning of Section 162(m)(3) of the Code.

*Affiliate* shall mean any entity other than a Subsidiary, if the Company and/or one of more Subsidiaries own less than 50% of such entity.

*Award* shall mean any award of a Restricted Share, an Option, a SAR or a Stock Unit or a Performance Award under the Plan.

*Award Agreement* shall mean the agreement between the Company and the recipient of an Award, which contains the terms, conditions and restrictions pertaining to such Award.

*Board of Directors* shall mean the Board of Directors of the Company, as constituted from time to time.

*Cause* shall have the definition given to such term in the Employee's employment agreement if the Employee has such an agreement containing a definition of Cause. If the Employee does not have such an agreement, Cause shall mean gross misconduct or willful and material breach of the individual's duties as an Employee, as determined by the Committee in its sole discretion.

*Change in Control* shall mean the occurrence of any of the following events:

(i) an acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a Person ) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (A) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the Outstanding Company Voting Securities ) or (B) the then outstanding shares of common stock of the Company (the Outstanding Company Common Stock ); excluding, however, the following: (i) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege, unless the security being so converted was itself directly acquired from the Company, (ii) any acquisition by the Company, (iii) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company, or (iv) any acquisition pursuant to a transaction that complies with clauses (A) and (B) of paragraph (iii) of this definition; or

(ii) a change in the composition of the Board of Directors such that the individuals who, as of the effective date of the Plan, constitute the Board of Directors (such Board of Directors shall be hereinafter referred to as the Incumbent Board ) cease for any reason to constitute two thirds of the Board of Directors; *provided, however*, for purposes of this paragraph, that any individual (i) who was nominated to the Board of Directors in accordance with the procedures described in the Stockholders Agreement between

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R. Philip Silver and D. Greg Horigan and the Board of Directors, dated as of February 14, 1997, as that agreement may be amended from time to time, or (ii) whose election or nomination for election by the Company's stockholders was approved by a vote of a majority of those individuals who are members of the Board of Directors and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual was a member of the Incumbent Board; but, *provided further*, that any such individual whose initial assumption of office occurs as a result of any actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors shall not be so considered as a member of the Incumbent Board; or

(iii) consummation of a reorganization, merger, consolidation or sale or other disposition of all or substantially all of the assets of the Company ( Corporate Transaction ); excluding, however, such a Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are beneficial owners of the Outstanding Company Voting Securities and Outstanding Company Common Stock, respectively, immediately prior to such Corporate Transaction shall beneficially own, directly or indirectly, more than 50% of, respectively, the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors or the outstanding shares of common stock, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation that as the result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Corporate Transaction of the Outstanding Company Voting Securities or Outstanding Company Common Stock, as the case may be, and (B) individuals who were members of the Incumbent Board shall constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction.

*Code* shall mean the Internal Revenue Code of 1986, as amended.

*Committee* shall mean the committee designated by the Board of Directors, which is authorized to administer the Plan, as described in Section 3 hereof.

*Company* shall mean Silgan Holdings Inc., a Delaware corporation.

*Disability* shall mean a condition entitling an Employee to long-term disability benefits under a long-term disability plan sponsored by the Company or a Parent or Subsidiary of the Company, or under the U.S. Social Security Act. For Outside Directors, *Disability* shall mean the inability by reason of illness or injury to perform substantially all duties as an Outside Director during any continuous period of 180 days.

*Employee* shall mean any individual who is classified as an employee on the payroll records of the Company, a Parent or a Subsidiary.

*Exchange Act* shall mean the Securities Exchange Act of 1934, as amended.

*Exercise Price* shall mean, in the case of an Option, the amount for which one Common Share may be purchased upon exercise of such Option, as specified in the applicable Award Agreement. *Exercise Price*, in the case of a SAR, shall mean an amount, as specified in the applicable Award Agreement, which is subtracted from the Fair Market Value of one Common Share in determining the amount payable upon exercise of such SAR.

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*Fair Market Value* with respect to a Share, shall mean, for any particular determination date, (i) if the Stock is listed or admitted to trade on a national securities exchange, the average of the high and low sales prices for the Stock on such date on the composite tape of the principal national securities exchange on which the Stock is so listed or admitted to trade, (ii) if the Stock is not listed or admitted to trade on a national securities exchange, the average of the high and low sales prices for the Stock on such date as furnished by the National Association of Securities Dealers, Inc. through NASDAQ (or a similar organization if NASDAQ is no longer reporting such information), or (iii) if the Stock is not listed or admitted to trade on a national securities exchange

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and if sales prices for the Stock are not so furnished through NASDAQ or a similar organization, the fair market value of the Stock on such date as determined in good faith by the Committee, taking into consideration, among other things, recent sales of the Stock.

*Key Employee* means any Employee (including any officer) who is designated by the Committee as eligible to receive Awards under the Plan.

*Maximum Amount* shall mean the maximum amount of Performance Awards that can be earned if the Performance Criteria are satisfied, as determined by the Committee.

*Option* shall mean a nonstatutory stock option granted under Section 8 of the Plan and entitling the holder to purchase Shares.

*Outside Director* shall mean a member of the Board of Directors who is not an Employee of the Company, a Parent or a Subsidiary. Service as an Outside Director shall be considered Service for all purposes of the Plan.

*Parent* shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be a Parent commencing as of such date.

*Participant* shall mean an individual or estate who holds an Award.

*Performance Award* shall mean an Award granted under Section 12 of the Plan.

*Performance Criteria* shall mean, with respect to any Performance Award, the business criteria selected by the Committee to measure the level of performance of the Company during the Performance Cycle. The Committee may select as the Performance Criteria for a Performance Cycle any one or combination of the measures set forth on Exhibit A. Any such amendment of the Performance Criteria shall have no effect on Awards granted before the date of such amendment.

*Performance Cycle* shall mean, with respect to any Award that vests based on Performance Measures, the period of 12 months or longer over which the level of performance will be assessed. The first Performance Cycle under the Plan shall begin on such date as is set by the Committee, in its discretion, but in no event earlier than January 1, 2004, provided that 162(m) Employees may not receive Performance Awards under this Plan for any Performance Cycle beginning prior to January 1, 2005.

*Plan* shall mean this 2004 Stock Incentive Plan of Silgan Holdings Inc., as amended from time to time.

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*Prior Plans* shall mean the Silgan Holdings Inc. Fourth Amended and Restated 1989 Stock Option Plan and the Silgan Holdings, Inc. 2002 Non-Employee Directors Stock Option Plan.

*Purchase Price* shall mean the consideration for which one Share may be acquired under the Plan (other than upon exercise of an Option), as specified by the Committee.

*Restricted Share* shall mean a Share awarded under Section 6 of the Plan.

*Restricted Stock Unit* shall mean a Stock Unit awarded under Section 11 of the Plan.

*Retirement* shall mean voluntary termination of Service on or after age 60 with 10 years of Service.

*SAR* shall mean a stock appreciation right granted under Section 10 of the Plan.

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*Service* shall mean service as an Employee or Outside Director.

*Share* shall mean one share of Stock, as adjusted in accordance with Section 17 (if applicable).

*Stock* shall mean the authorized and issuable common stock of the Company (\$.01 par value).

*Stock Unit* shall mean a bookkeeping entry representing the equivalent of one Share, as awarded under Section 11 of the Plan.

*Subsidiary* shall mean any corporation, if the Company and the other subsidiaries of the Company own, in the aggregate, not less than 50% of the total combined voting power of all classes of outstanding stock of such corporation. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

**SECTION 3. ADMINISTRATION.**

(a) *Committee Composition.* The Plan shall be administered by the Committee. The Committee shall consist of two or more directors of the Company, who shall be appointed by the Board of Directors. In addition, the composition of the Committee shall satisfy

(i) such requirements as the Securities and Exchange Commission may establish for administrators acting under plans intended to qualify for exemption under Rule 16A-3 (or its successor) under the Exchange Act;

(ii) such requirements as the Internal Revenue Service may establish for outside directors acting under plans intended to qualify for exemption under Section 162(m)(4)(C) of the Code; and

(iii) such rules as the applicable national securities exchange may establish for directors serving on the compensation committee of a company listed on such exchange or, if the Stock is not listed on any national securities exchange, such rules as the National Association of Securities Dealers may establish for directors serving on the compensation committee of a company listed on NASDAQ.

(b) *Committee Procedures.* The Board of Directors shall designate one of the members of the Committee as chairman. The Committee may hold meetings at such times and places as it shall determine. The acts of a majority of the Committee members present at meetings at which a quorum exists, or acts reduced to or approved in writing by all Committee members, shall be valid acts of the Committee.

(c) *Committee Responsibilities.* Subject to the provisions of the Plan, the Committee shall have full authority and discretion to take the following actions:

- (i) To interpret the Plan and to apply its provisions;
- (ii) To adopt, amend or rescind rules, procedures and forms relating to the Plan;
- (iii) To authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan;
- (iv) To determine when Shares are to be awarded or offered for sale and when Options are to be granted under the Plan;
- (v) To select the Award recipients;
- (vi) To determine the number of Shares to be offered to each Participant or to be made subject to each Option;
- (vii) To prescribe the terms and conditions of each award or sale of Shares, including (without limitation) the Purchase Price and the vesting of the Award, and to specify the provisions of the Award Agreement relating to such award or sale;

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(viii) To prescribe the terms and conditions of each Option, including (without limitation) the Exercise Price and the vesting or duration of the Option, and to specify the provisions of the Award Agreement relating to such Option;

(ix) To prescribe the terms and conditions of each Performance Award, including (without limitation) the applicable Performance Criteria, the vesting of the Award and the timing of distributions, to specify the provisions of the Award Agreement relating to such Performance Award, to evaluate the applicable level of performance over a Performance Cycle, and to certify the level of performance attained with respect to the Performance Criteria;

(x) To amend any outstanding Award Agreement, subject to applicable legal restrictions, to applicable stock exchange or stock market rules, and to the consent of the Participant who entered into such agreement, provided that the prohibitions on the repricing of Stock Options and Stock Appreciation Rights, as described in Sections 8(h) and 10(f), respectively, may not be waived, and the terms and conditions of Awards to officers and directors subject to Section 16 of the Exchange Act cannot be modified, amended or waived other than on account of death, disability, retirement, a change in control, or a termination of employment in connection with a business transfer;

(xi) To prescribe the consideration for the grant of each Award under the Plan and to determine the sufficiency of such consideration;

(xii) To make any adjustments to the Plan (including, but not limited to, adjustment of the number of Shares available under the Plan or any Award) and any Award granted under the Plan as may be appropriate pursuant to Section 17;

(xiii) To make any modifications to the Plan that the Committee may determine to be necessary to implement and administer the Plan in countries outside the United States;

(xiv) To determine under which circumstances Awards may be deferred by a Participant and the extent to which a deferral shall be credited with dividend equivalents, interest or any other form of investment return;

(xv) To determine the disposition of each Award under the Plan in the event of a Participant's divorce or dissolution of marriage;

(xvi) To determine whether Awards under the Plan shall be granted in replacement of other grants under an incentive or other compensation plan of an acquired business;

(xvii) To correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award Agreement; and

(xviii) To take any other actions deemed necessary or advisable for the administration of the Plan.

(d) *Delegation.* The Committee may not delegate any authority or responsibility granted to the Committee in subsection (c) of this Section 3.

**SECTION 4. ELIGIBILITY.**

Only officers and other Key Employees shall be eligible for the grant of SARs and Performance Awards. Officers, other Key Employees and Outside Directors shall be eligible for the grant of Restricted Shares, Stock Units and Options.

**SECTION 5. STOCK SUBJECT TO PLAN.**

(a) *Basic Limitation.* Shares offered under the Plan shall be authorized but unissued Shares or treasury Shares. The maximum aggregate number of Shares that may be issued in connection with Options, SARs, Stock Units, Restricted Shares and Performance Awards awarded under the Plan shall not exceed 900,000 Shares,

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which includes the number of Shares remaining available for future grants under the Prior Plans as of the date this Plan is approved by stockholders. The limitation of this Section 5(a) shall be subject to adjustment pursuant to Section 17.

(b) *Application of Limitation.* The number of Shares available for future Awards under the Plan shall be reduced (i) in the case of Awards of Options and SARs, by the number of Shares issuable upon exercise of such Options, and (ii) in the case of Awards of Restricted Shares or Stock Units by two Shares for every one Restricted Share or Stock Unit awarded. For this purpose, when an Option and SAR are awarded in tandem, so that exercise of one results in cancellation of the other, the Option and SAR shall be deemed to relate to the same Share. If Awards are forfeited or cancelled or expire or terminate for any other reason before being exercised, then the corresponding Shares shall again become available for Awards under the Plan. Shares granted under this Plan in connection with Awards that are assumed, converted or substituted as a result of the acquisition of another business, corporation or other entity by the Company or a combination of the Company with another business, corporation or entity shall not reduce the number of Shares available for Awards under the Plan. Shares granted under the Prior Plans shall not again become available for Awards under the Plan, even if the Shares expire or terminate or are forfeited, cancelled, or settled in cash.

(c) *Dividends and Dividend Equivalents.* The Committee in its discretion may provide in any Award Agreement that dividends and dividend equivalents shall be paid or credited on vested Awards or on all Awards granted under the Award Agreement. Any dividend equivalents paid or credited under the Plan shall not be applied against the number of Awards available under the Plan. Dividends and dividend equivalents may be distributed immediately or credited to a deferred compensation account established for the Participant by the Committee as an entry on the Company's books, as elected by the Participant. The Committee shall determine any terms and conditions on deferral of a dividend or dividend equivalent, including any interest or other form of investment return.

(d) *Limits on Individual Grants.* Subject to Section 17, no Participant may be granted Awards of more than 112,500 Restricted Shares or Stock Units (or any combination thereof) during any period of 36 consecutive months. Performance Awards shall be paid in Restricted Shares or Stock Units, and shall be subject to the limit set forth in the preceding sentence. Subject to Section 17, no Participant may be granted Awards of Options or SARs (or any combination thereof) with respect to more than 225,000 Shares during any period of 36 consecutive months (for this purpose, when an Option and SAR are awarded in tandem, so that exercise of one results in cancellation of the other, the Option and SAR shall be deemed to relate to the same Shares).

## **SECTION 6. RESTRICTED SHARES.**

(a) *Award Agreement.* Each grant of Restricted Shares under the Plan shall be evidenced by an Award Agreement between the recipient and the Company. Such Restricted Shares shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The Committee may condition a Participant's eligibility for a grant of Restricted Shares on the achievement by the Company or a Subsidiary or business unit of the Company of a target level of performance for a specified Performance Cycle, in which case the Award shall be a Performance Award subject to Section 12. The provisions of the various Award Agreements granting Restricted Shares under the Plan need not be identical.

(b) *Payment for Awards.* Subject to the following sentence, Restricted Shares may be sold or awarded under the Plan for such consideration as the Committee may determine, including (without limitation) cash, cash equivalents, past service and future service. To the extent that an Award consists of newly issued Restricted Shares, the Award recipient shall furnish consideration with a value not less than the par value of such Restricted Shares in the form of cash, cash equivalents, or past services rendered to the Company (or a Parent or Subsidiary), as the Committee may determine.



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(c) *Vesting.* Each Award of Restricted Shares to an Employee shall become fully vested, in the discretion of the Committee, over a period no shorter than three years from the date of grant, as specified in the Award Agreement, except that Restricted Shares granted to a new Employee in the fiscal year of the Company in which his or her Service first commences may become vested more quickly, but over a period no shorter than one year from the date of grant. Vesting shall occur, at once or in installments, upon satisfaction of the conditions specified in the Award Agreement. If the conditions on vesting have not been satisfied as of the Employee's termination of employment, the unvested Shares shall be forfeited, provided that an Award Agreement may provide for accelerated vesting in the event of the Employee's death, Disability or Retirement or other events. Restricted Shares shall immediately become vested in the event of a Change in Control unless the Shares vest on the basis of the performance of the Company, a Subsidiary or a business unit, in which case the provisions of Section 12 shall control, or the acquiring or surviving corporation or its parent or subsidiary assumes the outstanding Restricted Shares or substitutes its own stock for the outstanding Restricted Shares or the outstanding Restricted Shares are converted into stock of the surviving corporation or its parent or subsidiary. If the acquiring or surviving corporation or its parent or subsidiary assumes the outstanding Restricted Shares or substitutes its own stock for the Restricted Stock, a Participant's assumed or substituted Shares shall become fully vested in the event the Participant's service with the Company or the acquiring or surviving corporation (or with any of their respective parent or subsidiary corporations) is terminated involuntarily without Cause within 24 months after the Change in Control. The vesting requirements of Restricted Shares granted to Outside Directors shall be subject to Section 15(b).

(d) *Voting and Dividend Rights.* Participants holding Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as the Company's other stockholders, except that Restricted Shares shall be forfeited if the Participant attempts to sell, transfer, assign, pledge or otherwise encumber or dispose of the Shares before the Award vests.

**SECTION 7. OTHER TERMS AND CONDITIONS OF AWARDS OR SALES.**

(a) *Duration of Offers and Nontransferability of Rights.* Any right to acquire Shares under the Plan (other than pursuant to an Option) shall automatically expire if not exercised by the Participant 30 days after the grant of such right was communicated to him or her by the Committee. Such right shall not be transferable and shall be exercisable only by the Participant to whom such right was granted.

(b) *Withholding Taxes.* As a condition to the purchase of Shares, the Participant shall make such arrangements as the Committee may require for the satisfaction of any federal, state or local withholding tax obligations that may arise in connection with such purchase.

**SECTION 8. TERMS AND CONDITIONS OF OPTIONS.**

(a) *Award Agreement.* Each grant of an Option under the Plan shall be evidenced by an Award Agreement between the recipient and the Company. All Options granted under the Plan shall be nonstatutory stock options. Such Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan and that the Committee deems appropriate for inclusion in an Award Agreement. The provisions of the various Award Agreements granting Options under the Plan need not be identical.

(b) *Exercise Price.* Each Award Agreement granting Options shall specify the Exercise Price. The Exercise Price of an Option shall not be less than 100% of the Fair Market Value of a Share on the date of grant, except for Options granted in connection with Awards that are assumed, converted or substituted as a result of the acquisition of another business, corporation or other entity by the Company or a combination of the Company with another business, corporation or entity. Subject to the foregoing in this Section 8(b), the Exercise Price under any Option shall be determined by the Committee at its sole discretion. The Exercise Price shall be payable in one of the forms described in Section 9.

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(c) *Withholding Taxes.* As a condition to the exercise of an Option, the Participant shall make such arrangements as the Committee may require for the satisfaction of any federal, state or local withholding tax obligations that may arise in connection with such exercise.

(d) *Exercisability.* Each Award Agreement granting Options shall specify the date when all or any installment of the Option is to become exercisable. Each Option granted to an Employee shall become fully vested, in the discretion of the Committee, over a period no shorter than 12 months. Vesting shall occur, at once or in installments, upon satisfaction of the conditions specified in the Award Agreement. If the conditions on vesting have not been satisfied as of the Employee's termination of employment, the unvested Options shall be forfeited. Subject to the foregoing in this subsection (d), the Committee at its sole discretion shall determine when all or any installment of an Option is to become exercisable. Such provisions need not be uniform among all Options issued pursuant to the Plan. The vesting requirements of Options granted to Outside Directors shall be subject to Section 15(b).

(e) *Term of the Option.* The Award Agreement granting Options to an Employee shall also specify the term of the Option, which term shall not be longer than seven years, and shall provide for extension of the Option term or expiration of the Option prior to the end of the term in the event of the termination of the Employee's Service, as described below:

(i) In the event of the Employee's termination of Service due to death or Disability, the term of the Option shall expire as of the earlier of the first anniversary of such termination of Service or the original expiration date specified in the Award Agreement; provided, however, that there shall be a minimum period of six months following such death to exercise any vested Options, regardless of the original expiration date specified in the Award Agreement.

(ii) In the event of the Employee's Retirement, the term of the Option shall expire as of the earlier of the first anniversary of the Employee's Retirement or the original expiration date specified in the Award Agreement; provided, however, that if the Employee dies during such post-Retirement period, there shall be a minimum period of six months following such death to exercise any vested Options, regardless of the original expiration date specified in the Award Agreement.

(iii) In the event of the involuntary termination of the Employee's Service without Cause, the term of the Option shall expire as of the earlier of 90 days following the date of the Employee's termination or the original expiration date specified in the Award Agreement; provided, however, that if the Employee dies during such 90-day period there shall be a minimum period of six months following such death to exercise any vested Options, regardless of the original expiration date specified in the Award Agreement.

(iv) In the event of the Employee's voluntary resignation (other than Retirement) or the Employee's involuntary termination of Service for Cause, all outstanding Options shall immediately be cancelled.

Options granted to an Employee may be awarded in combination with SARs, and such an Award shall provide that the Options shall not be exercisable unless the related SARs are forfeited. Subject to the foregoing in this subsection (e), the Committee at its sole discretion shall determine when an Option is to expire. Such provisions need not be uniform among all Options issued pursuant to the Plan.

The term of any Option granted to Outside Directors shall conform to the requirements of Section 15(c).

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(f) *Effect of Change in Control.* An Option shall become exercisable as to all of the Shares subject to such Option in the event of a Change in Control, unless the acquiring or surviving corporation or its parent or subsidiary assumes the outstanding Options or substitutes its own stock for the Shares underlying the outstanding Options. If the acquiring or surviving corporation or its parent or subsidiary assumes the outstanding Options or substitutes its own stock for the Shares underlying the outstanding Options, a Participant's assumed Options or substituted options shall become exercisable as to all of the shares subject to such options in the event the

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Participant's service with the Company or the acquiring or surviving corporation (or with any of their respective parent or subsidiary corporations) is terminated involuntarily without Cause within 24 months after the Change in Control.

(g) *No Rights as a Stockholder.* A Participant or a transferee of a Participant shall have no rights as a stockholder with respect to any Shares covered by his Option until the date of the issuance of a stock certificate for such Shares. No adjustments shall be made to the Award, except as provided in Section 17.

(h) *Prohibition on Repricing.* The Committee shall not reduce the Exercise Price of an Option (except for adjustments permitted by Section 17), or cancel and replace an existing Option with an Option having a lower Exercise Price, without first obtaining approval for such actions from the Company's stockholders.

## **SECTION 9. PAYMENT FOR SHARES.**

(a) *General Rule.* The entire Exercise Price of Shares issued under the Plan shall be payable in lawful money of the United States of America or an approved cash equivalent at the time when such Shares are purchased, either alone or in combination with one or both of the payment methods permitted under Section 9(b) and 9(c) below.

(b) *Surrender of Stock.* To the extent that an Award Agreement so provides, payment may be made all or in part by surrendering, or attesting to the ownership of, Shares that have already been owned by the Participant or his representative for more than six months. Such Shares shall be valued at their Fair Market Value on the date when the new Shares are purchased under the Plan. Notwithstanding the foregoing, the Participant shall not surrender, or attest to the ownership of, Shares in payment of the Exercise Price if such action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to the Option for financial reporting purposes.

(c) *Cashless Exercise.* To the extent that an Award Agreement so provides, payment may be made all or in part by delivery (on a form prescribed by the Committee) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate Exercise Price.

## **SECTION 10. STOCK APPRECIATION RIGHTS.**

(a) *Award Agreement.* Each grant of a SAR under the Plan shall be evidenced by an Award Agreement between the recipient and the Company. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Award Agreements granting SARs under the Plan need not be identical.

(b) *Exercise Price.* Each Award Agreement granting SARs shall specify the Exercise Price. The Exercise Price of a SAR shall not be less than 100% of the Fair Market Value of a Share on the date of grant, except for SARs granted in combination with Options or in connection with Awards that are assumed, converted or substituted as a result of the acquisition of another business, corporation or other entity by the Company or a combination of the Company with another business, corporation or entity. Subject to the foregoing in this Section 10(b), the Exercise Price

under any SAR shall be determined by the Committee at its sole discretion.

(c) *Exercisability.* Each Award Agreement granting SARs shall specify the date when all or any installment of the SAR is to become exercisable. Each SAR shall become fully vested, in the discretion of the Committee, over a period no shorter than 12 months. Vesting shall occur, at once or in installments, upon satisfaction of the conditions specified in the Award Agreement. If the conditions on vesting have not been satisfied as of the Participant's termination of employment, the unvested SAR shall be forfeited. Subject to the foregoing in this Section 10(c), the Committee at its sole discretion shall determine when all or any installment of a SAR is to become exercisable. Such provisions need not be uniform among all SARs issued pursuant to the Plan.