

CHORDIANT SOFTWARE INC
Form PRE 14A
December 05, 2008

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

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

Check the appropriate box:

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

Chordiant Software, Inc.
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
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CHORDIANT SOFTWARE, INC.

20400 Stevens Creek Boulevard, Suite 400
Cupertino, California 95014

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held On January 28, 2009

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Chordiant Software, Inc., a Delaware corporation (the "Company"). The meeting will be held on Wednesday, January 28, 2009 at 1:00 p.m. Pacific Time at our corporate headquarters located at 20400 Stevens Creek Boulevard, Suite 400, Cupertino, CA 95014 for the following purposes:

1. To elect our two (2) nominees to serve as Directors to hold office until the 2012 annual meeting of stockholders.
2. To ratify the selection by the Company's Audit Committee of the Board of Directors of BDO Seidman, LLP as the Company's independent auditors for the fiscal year ending September 30, 2009.
3. To approve the Company's 2005 Equity Incentive Plan, as amended, to increase the aggregate number of shares of common stock authorized for issuance under the plan by 650,000 shares.
4. To approve a non-binding resolution to approve the Shareholder Rights Plan that was previously adopted by the Company's Board of Directors on July 7, 2008.
5. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the 2009 Annual Meeting of Stockholders is December 1, 2008. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof. We expect to mail this Notice of Annual Meeting of Stockholders and accompanying proxy materials on or about December [], 2008

By Order of the Board of Directors

David M. Zuckerman
Vice President, General Counsel and Secretary

Cupertino, California
December [], 2008

Important Notice Regarding The Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on January 28, 2009: The Notice of Annual Meeting of Stockholders, Proxy Statement, and our 2008 Annual Report

on Form 10-K are available on our website at <http://chrd.client.shareholder.com/sec.cfm>.

You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy card, or vote over the telephone or the Internet as instructed in these materials, as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

CHORDIANT SOFTWARE, INC.

20400 Stevens Creek Boulevard, Suite 400
Cupertino, California 95014

PROXY STATEMENT
FOR THE 2009 ANNUAL MEETING OF STOCKHOLDERS
JANUARY 28, 2009

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We have sent you this proxy statement and the enclosed proxy card because the Board of Directors of Chordiant Software, Inc. (the “Company” or “Chordiant”) is soliciting your proxy to vote at the Company’s 2009 Annual Meeting of Stockholders, including at any adjournments or postponements thereof, to be held on January 28, 2009 at 1:00 p.m. Pacific Time at the Company’s corporate headquarters located at 20400 Stevens Creek Boulevard, Suite 400, Cupertino, California 95014 (the “Annual Meeting”). You are invited to attend the Annual Meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the Annual Meeting to vote your shares. Instead, you may simply complete, sign, date and return the enclosed proxy card, or follow the instructions below to submit your proxy over the telephone or on the Internet. The Company intends to mail this proxy statement and accompanying proxy card on or about December [], 2008 to all stockholders of record entitled to vote at the Annual Meeting.

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on December 1, 2008 (the “Record Date”) will be entitled to vote at the Annual Meeting. On the Record Date, there were 30,081,690 shares of common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on the Record Date your shares were registered directly in your name with Chordiant’s transfer agent, American Stock Transfer & Trust Company, then you are a stockholder of record. As a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to fill out and return the enclosed proxy card or vote by proxy over the telephone or on the Internet as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank or other Agent

If on the Record Date your shares were held not in your name, but rather in an account at a brokerage firm, bank, dealer or similar organization, then you are the beneficial owner of shares held in “street name,” and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to

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direct your broker, bank or other agent regarding how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy from your broker, bank or other agent.

What am I voting on?

There are four matters scheduled for a vote:

1. To elect our two (2) nominees to serve as Directors to hold office until the 2012 annual meeting of stockholders.

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2. To ratify the selection by the Company's Audit Committee of the Board of Directors of BDO Seidman LLP, as the Company's independent auditors for the fiscal year ending September 30, 2009.
3. To approve the Company's 2005 Equity Incentive Plan, as amended, to increase the aggregate number of shares of common stock authorized for issuance under the plan by 650,000 shares.
4. To approve a non-binding resolution to approve the Shareholder Rights Plan that was previously adopted by the Company's Board of Directors on July 7, 2008.
5. To conduct any other business properly brought before the meeting.

How do I vote?

You may either vote "For" all the nominees to the Board of Directors or you may "Withhold" your vote for any nominee you specify. For each of the other matters to be voted on, you may vote "For" or "Against" or abstain from voting. The procedures for voting are as follows:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the Annual Meeting, vote by proxy using the enclosed proxy card, vote by proxy over the telephone, or vote by proxy on the Internet. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the Annual Meeting and vote in person even if you have already voted by proxy.

1. To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive.
2. To vote using the enclosed proxy card, simply complete, sign and date the proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you instruct.
3. To vote over the telephone, dial toll-free 1-800-690-6903 using a touch-tone phone and follow the recorded instructions. You will be asked to provide the Company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m. Eastern Time on January 27, 2009 to be counted.
4. To vote on the Internet, go to <http://www.proxyvote.com> to complete an electronic proxy card. You will be asked to provide the Company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m. Eastern Time on January 27, 2009 to be counted.

Beneficial Owner: Shares Registered in the Name of Broker, Bank or other Agent

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from Chordiant. Simply complete, sign, date and mail the proxy card to ensure that your vote is counted. Alternatively, you may vote by telephone or over the Internet as instructed by your broker, bank or other agent. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker, bank or other agent to request a proxy form.

We provide Internet proxy voting to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs

associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you own as of the Record Date.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted "For" the election of both of our nominees for director, "For" the ratification of the selection of BDO Seidman, LLP as the Company's independent auditors for its fiscal year ending September 30, 2009, "For" the approval of the proposed 650,000 share increase in the number of shares of common stock authorized for issuance under the Company's 2005 Equity Incentive Plan, as amended, and "For" the approval of a non-binding resolution to approve the Shareholder Rights Plan that was previously adopted by the Company's Board of Directors on July 7, 2008. If any other matter is properly presented at the meeting, your proxyholder (one of the individuals named on your proxy card) will vote your shares using his best judgment.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors and employees and The Altman Group may also solicit proxies in person, by telephone or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies, but The Altman Group will be paid its customary fee of approximately \$5,000 plus out-of-pocket expenses if it solicits proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign, date and return each proxy card to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the Annual Meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

1. You may submit another properly completed proxy card with a later date.
2. You may send a timely written notice that you are revoking your proxy to the Company at 20400 Stevens Creek Boulevard, Suite 400, Cupertino, California 95014, Attention: Corporate Secretary.
3. You may attend the Annual Meeting and vote in person. Simply attending the meeting will not by itself, however, revoke your prior vote.

If your shares are held by your broker, bank or other agent as a nominee or agent, you should follow the instructions provided by your broker, bank or other agent.

When are stockholder proposals due for next year's annual meeting?

Our Bylaws require that for a stockholder proposal to be considered for inclusion in the proxy materials for next year's annual meeting of stockholders, it must be delivered to our Corporate Secretary not later than the close of business on

the one hundred twentieth (120th) day nor earlier than the close of business on the one hundred eightieth (180th) day prior to the first anniversary of the preceding year's annual meeting.

If you intend to present a proposal at our 2010 annual meeting but do not intend for the proposal to be included in next year's proxy materials, or if you wish to nominate a director for election to our Board of Directors at our 2010 annual meeting, your proposal must be submitted in writing to our Corporate Secretary, 20400 Stevens Creek Boulevard., Cupertino, California 95014 no earlier than August 1, 2009 and no later than September 30, 2009. You are also advised to review our Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

If you wish to submit a stockholder proposal to be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing no later than August 17, 2009 to our Corporate Secretary, 20400 Stevens Creek Boulevard, Suite 400, Cupertino, California 95014. The proposal will need to comply with Securities and Exchange Commission ("SEC") regulations under Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") regarding the inclusion of stockholder proposals in company-sponsored proxy materials.

However, if the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, the stockholder proposal must be received not later than the close of business on the one hundred twentieth (120th) day and not earlier than the close of business on the one hundred eightieth (180th) day prior to such annual meeting, or the tenth (10th) day following the day on which the public announcement of the date of such meeting is first made.

How are votes counted?

Votes will be counted by the inspector of election appointed for the Annual Meeting, who will separately count "For" and "Withhold" and, with respect to proposals other than the election of directors, "Against" votes, abstentions and broker non-votes. Abstentions will be counted towards the vote total for each proposal, and will have the same effect as an "Against" vote. Broker non-votes have no effect and will not be counted towards the vote total for any proposal.

What are "broker non-votes"?

Broker non-votes occur when a beneficial owner of shares held in "street name" does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed "non-routine." Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the shares with respect to matters that are considered to be "routine," but not with respect to "non-routine" matters. "Non-routine" matters are generally those involving a contest or a matter that may substantially affect the rights or privileges of shareholders, such as mergers or shareholder proposals.

How many votes are needed to approve each proposal?

- On Proposal No. 1, the election of directors, the two (2) nominees receiving the most "For" votes from the holders of shares present in person or by proxy and entitled to vote on the matter will be elected. Only votes "For" or "Withheld" will affect the outcome.
- To be approved, Proposal No. 2, the ratification of the selection of BDO Seidman, LLP as the Company's independent auditors for the fiscal year ending September 30, 2009, must receive "For" votes from the holders of a majority of the shares present in person or by proxy and entitled to vote on the matter. If you "Abstain" from voting, it will have the same effect as an "Against" vote. Broker non-votes are not deemed to be votes cast, and therefore will have no effect on the outcome of this proposal.
- To be approved, Proposal No. 3, the approval of the proposed 650,000 share increase in the number of shares of common stock authorized for issuance under the Company's 2005 Equity Incentive Plan, as amended, must receive "For" votes from the holders of a majority of shares present in person or by proxy and entitled to vote on the matter. If you "Abstain" from voting, it will have the same effect as an "Against" vote. Broker non-votes are not deemed to be votes cast, and therefore will have no effect on the outcome of this proposal.
- To be approved, Proposal No. 4, the non-binding resolution to approve the Shareholder Rights Plan that was previously adopted by the Company's Board of Directors on July 7, 2008, must receive "For" votes from the holders

of a majority of the shares present in person or by proxy and entitled to vote on the matter. If you “Abstain” from voting, it will have the same effect as an “Against” vote. Broker non-votes are not deemed to be votes cast, and therefore will have no effect on the outcome of this proposal.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid annual meeting. A quorum will be present if stockholders holding at least a majority of the outstanding shares as of the Record Date are present at the Annual Meeting in person or by proxy. On the Record Date, there were 30,081,690 shares outstanding and entitled to vote. Thus, the holders of 15,040,846 shares must be present in person or by proxy at the Annual Meeting to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the Annual Meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the holders of a majority of shares present at the meeting in person or by proxy may adjourn the Annual Meeting to another date.

How can I find out the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in the Company's quarterly report on Form 10-Q for the second quarter of fiscal year 2009.

PROPOSAL 1

ELECTION OF DIRECTORS

Chordiant's Board of Directors is divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three-year term. Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy in a class, including vacancies created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is elected and qualified.

The Board of Directors presently has seven members. There are two directors in the class whose term of office expires in 2009. One nominee for election to this class, William J. Raduchel, is a director of ours who was previously elected by the stockholders. One nominee for election to this class, Allen A. A. Swann, was elected by our Board to fill a vacancy. Mr. Swann was recommended to the Board by the Nominating and Corporate Governance Committee to serve as a director until the 2009 Annual Meeting. If elected at the Annual Meeting, each of these nominees would serve until the 2012 annual meeting of stockholders and until his successor is elected and has qualified, or, if sooner, until his death, resignation or removal. It is the Company's policy to encourage directors and nominees for director to attend the Company's annual meetings. The following directors attended the 2008 annual meeting of stockholders in person or via telephone: Messrs. Springsteel (Chairman), Hoffman, Raduchel, Springett and Stevens.

The following is a brief biography of each nominee and each director whose term will continue after the Annual Meeting.

Nominees for Election for Three-Year Terms Expiring at the 2012 Annual Meeting of Stockholders

William J. Raduchel, Ph.D., age 62, has served on our Board of Directors since February 2003, and previously served on our Board between August 1998 and May 2001. From June 2006, Dr. Raduchel has served as a director of Opera Software ASA, a Norwegian web browser company, and since June 2007, its Chairman of the Board. Since December 2005, Dr. Raduchel has served as a director of Silicon Image, Inc., a provider of semiconductors and intellectual property for the secure storage, distribution and presentation of high-definition content, and from April 2003 until joining their board was a strategic advisor to that company. Since February 2005, he has served as a director of Blackboard Inc., a provider of educational enterprise technology. From March 2004 until June 2006, Dr. Raduchel served as the Chairman, and from May 2004 to February 2006, Chief Executive Officer, of Ruckus Network, Inc., a privately-held digital entertainment network designed specifically for college students. From September 1999 through January 2001, he served as Chief Technology Officer of AOL, becoming Chief Technology Officer of AOL Time Warner (now known as Time Warner Inc.) in January 2001, a position he held through December 2002. Dr. Raduchel received a Bachelor of Arts degree in Economics from Michigan State University, and A.M. and Ph.D. degrees in Economics from Harvard University.

Allen A.A. Swann, age 58, joined our Board of Directors in February 2008. Since June 2008, Mr. Swann has served as the Business Development Director of Manpower Software plc, a world leader in workforce planning. From January 2006 to May 2008, Mr. Swann was the Interim Sales Director of Manpower Software plc. From March 2001 to October 2004, Mr. Swann was President of International Operations at Chordiant following the merger of Chordiant and Prime Response Ltd. in March 2001. From February 1998 to March 2001, he served in various capacities at Prime Response Ltd., including Senior Vice President of International Operations, President of International Operations, and most recently as Chief Executive Officer. Since June 2008, Mr. Swann has served on the board of directors of Manpower Software plc. Since October 2007, Mr. Swann has served as Chairman of the Board, of CopperEye, a privately-held UK software company that provides enterprise data management solutions. From July

2005 to January 2008, Mr. Swann served as a director of Solid Oy, a Finnish database and distributed data synchronization software company, which was sold to IBM Plc in January 2008. Mr. Swann holds a Bachelor of Science degree in Operational Research and Statistics from Salford University in the UK.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH NAMED NOMINEE.

Directors Continuing in Office Until the 2010 Annual Meeting

Charles E. Hoffman, age 59, has served on our Board of Directors since January 2005. From June 2001 until his retirement in April 2008, Mr. Hoffman served as the President, Chief Executive Officer and a director of Covad Communications Group, Inc., a nationwide provider of integrated voice and data communications. From January 1998 to June 2001, Mr. Hoffman served as President and Chief Executive Officer of Rogers Wireless, Inc., a Canadian communications and media company. Since June 2006, Mr. Hoffman has served as a director of Synchronoss Technologies Inc., a provider of on-demand transaction management solutions to the communication service provider market. Mr. Hoffman holds a Bachelor of Science degree and a Masters of Business Administration from the University of Missouri at St. Louis.

David R. Springett, Ph.D., age 73, has served on our Board of Directors since January 2000. From February 1994 to July 2007, Dr. Springett served as President of the Community College Foundation, an educational foundation. Dr. Springett held various positions during his 26-year career with Xerox Corporation, retiring in 1992 as Vice President of Strategic Marketing. He is a board member of the California Vehicle Foundation and the California State Commission on Welfare Reform and Training. Dr. Springett holds a Bachelor of Science degree in Mechanical Engineering from the University of Toronto and a Doctorate in Engineering from Queens University in Canada.

Daniel A. Gaudreau, age 61, has served on our Board of Directors since February 2008. Since April 1997, Mr. Gaudreau has served as Senior Vice President, Operations and Chief Financial Officer of Actuate Corporation, an enterprise reporting and performance management applications company. Prior to joining Actuate, Mr. Gaudreau served as Vice President, Finance and Administration and Chief Financial Officer at Plantronics, Inc., an audio products company. Prior to joining Plantronics, Mr. Gaudreau was Vice President, Finance and Administration and Chief Financial Officer at Ready Systems, a privately-held operating system company. Prior to joining Ready Systems, Mr. Gaudreau was the Controller, U.S. Manufacturing Operations at Apple Computer. Mr. Gaudreau holds a Bachelor of Science degree in Industrial Management from Clarkson University, Potsdam, New York.

Directors Continuing in Office Until the 2011 Annual Meeting

Steven R. Springsteel, age 51, has served as a Director of the Company since January 2004 and has served as the Chairman of our Board of Directors since November 2006. He has served as our President and Chief Executive Officer since February 2006. From January 2003 to September 2005, he served as Senior Vice President of Finance and Administration and Chief Financial Officer of Verity, Inc., a public intellectual capital management software company, and from September 2005 to December 2005, its President and Chief Financial Officer, at which point Verity was purchased by Autonomy Corporation, plc. From November 2001 to January 2003, Mr. Springsteel served as the Chief Operating Officer and Chief Financial Officer of Sagent Technology, Inc., a public business intelligence software company, whose assets were acquired by Group 1 Software, Inc. in January 2003. From October 2000 to November 2001, Mr. Springsteel served as the Chief Operating Officer and Chief Financial Officer of NOCpulse, a privately-held software company subsequently acquired by Red Hat. From November 1996 to October 2000, Mr. Springsteel served as our Executive Vice President and Chief Financial Officer. Mr. Springsteel also serves on the boards of Zend Technologies Ltd., a privately-held provider of products and services for PHP applications, and the California State Parks Foundation. Mr. Springsteel holds a Bachelor of Business Administration from Cleveland State University.

Richard G. Stevens, age 62, has served on our Board of Directors since March 2006. Mr. Stevens is the Founder and Managing Director of Hunter Stevens, LLC, a professional services firm he founded in 1995. Prior to founding Hunter Stevens, Mr. Stevens served as a partner with Ernst & Young LLP and Coopers & Lybrand LLP, both of which are public accounting firms. Mr. Stevens has previously served as a director and the Chairman of the Audit Committee of Verity, Inc., a public intellectual capital management software company and of Pain Therapeutics, Inc.,

a public biopharmaceutical company. Mr. Stevens holds a Bachelor of Science degree with honors from the University of San Francisco, and is a licensed Certified Public Accountant (CPA) in the State of California and a Certified Fraud Examiner.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Independence of the Board of Directors

As required under the listing standards of the National Association of Securities Dealers Automated Quotations Stock Market (“NASDAQ”), a majority of the members of a listed company’s Board of Directors must qualify as “independent,” as affirmatively determined by the Board of Directors. The Board consults with the Company’s counsel to ensure that the Board’s determinations are consistent with relevant securities and other laws and regulations regarding the definition of “independent,” including those set forth in pertinent listing standards of NASDAQ, as in effect time to time.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and the Company, its senior management and its independent auditors, the Board has affirmatively determined that the following five (5) directors are independent directors within the meaning of the applicable NASDAQ listing standards: Mr. Gaudreau, Mr. Hoffman, Dr. Raduchel, Dr. Springett and Mr. Stevens. In making this determination, the Board found that none of these directors or nominees for director had a material or other disqualifying relationship with the Company. Mr. Springsteel, our Chairman, President and Chief Executive Officer, is not an independent director due to his employment with the Company. The Board determined that Mr. Swann is not an independent director because he was entitled to benefits from the Company within the past three years in connection with his prior employment with the Company. However, the Board has affirmatively determined that effective January 1, 2009, Mr. Swann shall be an independent director within the meaning of the applicable NASDAQ listing standards.

Meetings of the Board of Directors

The Board of Directors met seventeen (17) times, and acted by Unanimous Written Consent two (2) times, during the last fiscal year. Each Board member attended 75% or more of the aggregate number of the meetings of the Board and of the committees on which he served held during the period for which he was a director or committee member.

As required under NASDAQ listing standards, our independent directors meet in regularly scheduled executive sessions at which only independent directors are present. Executive sessions are typically chaired by Dr. Springett, the Board's Lead Independent Director.

Information Regarding Committees of the Board of Directors

The Board has three standing committees: an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. The following table provides membership information for fiscal 2008 for each of the Board committees:

Name	Audit	Compensation	Nominating and Corporate Governance
Daniel A. Gaudreau (1)	X		
Charles E. Hoffman		X	X(2)
William J. Raduchel		X(2)	
David R. Springett	X	X	X
Steven R. Springsteel			
Richard G. Stevens	X(2)		
Allen A.A. Swann (1)			

David A. Weymouth (1)

X

(1) Effective February 1, 2008, Mr. Weymouth resigned as a director and member of the Audit Committee, Mr. Gaudreau was elected as a director and appointed to serve on the Audit Committee, and Mr. Swann was elected as a director.

(2)

Committee Chairman

Below is a description of each committee of the Board of Directors. Each of the committees has authority to engage legal

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counsel or other experts or consultants as it deems appropriate to carry out its responsibilities. The Board of Directors has determined that each member of each committee meets the applicable NASDAQ rules and regulations regarding “independence” and that each member is free of any relationship that would impair his or her individual exercise of independent judgment with regard to the Company.

Audit Committee

The Audit Committee is composed of Messrs. Gaudreau, Springett and Stevens, each of whom is a non-employee member of the Board of Directors. Mr. Stevens serves as the Chairman of the Audit Committee. During the last fiscal year, David Weymouth was a member of the Audit Committee from October 1, 2007 to February 1, 2008. Effective February 1, 2008, Mr. Weymouth resigned as a director and as a member of the Audit Committee, and Mr. Gaudreau was elected as a director and appointed to the Audit Committee. Our Board of Directors has determined that each of the directors currently serving, or who previously served, on the Audit Committee meets, or then met, the requirements for independence under the NASDAQ listing standards and SEC rules. The Audit Committee met six (6) times during the fiscal year. The Audit Committee operates under a written charter adopted by our Board of Directors that is available to stockholders on the Company’s website at <http://chrd.client.shareholder.com/documents.cfm>.

The Audit Committee of the Board of Directors was established by the Board in accordance with Section 3(a)(58)(A) of the Exchange Act to oversee the Company’s corporate accounting and financial reporting processes and audits of its financial statements. The Audit Committee of the Board performs several functions, including:

- approving the engagement of the independent auditors and evaluating the performance of and assessing the qualifications of the independent auditors;
- approving the engagement of the independent auditors to perform non-audit services and approving other public accounting firm engagements;
 - monitoring the rotation of partners of the independent auditors on the Company’s audit team;
- receiving and reviewing written statements from the independent auditors delineating all relationships between the independent auditors and the Company;
- discussing with management and with the independent auditors the results of the annual audit and the Company’s disclosures contained under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in its periodic reports filed with the SEC, and the Company’s guidelines and policies with respect to risk assessment and risk management;
- reviewing and discussing with the independent auditors, and, if appropriate, management, any management or internal control letter issued, or proposed to be issued, by the independent auditors, and any material conflicts or materials disagreements between management and the independent auditors;
- conferring with management and the independent auditors regarding the scope, adequacy and effectiveness of internal control over financial reporting;
- establishing procedures, when and as required by applicable laws and rules, for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
-

reviewing the results of management's efforts to monitor compliance with the Company's programs and policies designed to ensure adherence to applicable laws and rules.

The Board of Directors reviews the NASDAQ listing standards definition of independence for Audit Committee members on an annual basis and has determined that all members of the Company's Audit Committee are independent (as independence is currently defined in Rule 4350(d)(2)(A)(i) and (ii) of the NASDAQ listing standards). The Board of Directors has also determined that Mr. Stevens and Mr. Gaudreau each qualifies as an "audit committee financial expert," as defined in applicable SEC rules. The Board made a qualitative assessment of Mr. Stevens' and Mr. Gaudreau's level of knowledge and

experience based on a number of factors, including Mr. Steven's formal education and experience as a partner in public accounting firms, and Mr. Gaudreau's experience as a Chief Financial Officer of several public companies.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee has reviewed and discussed the Company's audited financial statements for the fiscal year ended September 30, 2008 with the management of the Company. The Audit Committee has discussed with BDO Seidman, LLP the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T. The Audit Committee has also received the written disclosures and the letter from the independent accountants required by applicable requirements of the PCAOB regarding the independent accountants' communications with the Audit Committee concerning independence, and has discussed with the independent accountants the independent accountants' independence.

Based on the Audit Committee's discussion with management and BDO Seidman, LLP, and the Audit Committee's review of the representation of management and the report of BDO Seidman, LLP to the Audit Committee, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2008.

Audit Committee

Richard G. Stevens (Chairman)
Daniel A. Gaudreau
David R. Springett

The material in this report is not "soliciting material" is not deemed "filed" with the Commission and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended (the "Securities Act") or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Compensation Committee

The Compensation Committee is composed of Mr. Hoffman, Dr. Raduchel and Dr. Springett, each of whom is a non-employee member of the Board of Directors. Dr. Raduchel serves as the Chairman of the Compensation Committee. Our Board of Directors has determined that each of the directors serving on the Compensation Committee meets the requirements for independence under NASDAQ listing standards and SEC rules. The Compensation Committee met six (6) times during the fiscal year. The Compensation Committee operates under a written charter adopted by our Board of Directors that is available to stockholders on the Company's website at <http://chrd.client.shareholder.com/documents.cfm>.

Compensation Committee Charter

Under the charter of the Compensation Committee, the purpose of the Compensation Committee is to act on behalf of the Board of Directors in overseeing our compensation policies, plans and programs for all employees and to review and recommend to the Board the compensation to be paid to our executive officers and directors. The term compensation includes salary, long-term incentives, bonuses, perquisites, equity incentives, severance arrangements,

retirement benefits and other related benefits and benefit plans.

The Duties of the Compensation Committee

The Compensation Committee acts on behalf of the Board to review, modify and approve the Company's compensation strategy, policies, plans and programs, including:

- approving our overall compensation strategy and policies, including reviewing and recommending to the Board corporate performance goals and objectives relevant to the compensation of our executive officers and other senior management;
- evaluating and recommending to the Board the compensation plans and programs advisable for the Company;
 - establishing policies with respect to equity compensation arrangements;
- reviewing and recommending to the Board the terms of any employment agreements, severance arrangements, change of control arrangements and any other compensatory arrangements for our executive officers and other senior management;
- determining and recommending to the Board the compensation and other terms of employment of our Chief Executive Officer, and in combination with the Nominating and Corporate Governance Committee, evaluating the Chief Executive Officer's performance in light of relevant corporate performance goals and objectives;
- reviewing and recommending to the Board the individual and corporate performance goals and objectives of the Company's executive officers that are periodically established in conjunction with the Chief Executive Officer;
- reviewing and approving the corporate performance goals and objectives for the Company that are periodically established;
- reviewing and recommending to the Board the type and amount of compensation to be paid or awarded to Board members and any programs for director compensation; and
- adopting, amending, administering, interpreting and terminating as appropriate our stock option and other equity plans, pension and profit sharing plans, stock purchase plans, bonus plans, deferred compensation plans and similar programs.

Compensation Committee Processes and Procedures

Typically, the Compensation Committee meets at least once each quarter and with greater frequency if necessary. The agenda for each meeting is usually developed by the Chairman of the Compensation Committee, after receiving the suggestions of the Vice President, Human Resources and Hewitt Associates ("Hewitt"), the compensation consultant to the Compensation Committee. Our Chief Financial Officer, General Counsel and Vice President, Human Resources typically participate in Compensation Committee meetings, and provide information on our financial forecasts, legal issues associated with proposed compensation structures, and compensation practices at peer companies. However, they do not participate in and are not present during decisions with respect to the amount of their own compensation. Similarly, the Chief Executive Officer typically participates in Compensation Committee meetings, but may not participate in or be present during any determinations of the Compensation Committee regarding his compensation or individual performance objectives. From time to time, other members of management and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, provide financial or other background information or advice or otherwise participate in Compensation Committee meetings. Nonetheless, the Compensation Committee meets regularly in executive session to deliberate on and make determinations regarding executive compensation.

The charter of the Compensation Committee grants the Compensation Committee full access to all books, records, facilities and personnel of the Company, as well as authority to obtain, at the expense of the Company, advice and

assistance from internal and external legal, accounting or other advisors and consultants and other external resources that the Compensation Committee considers necessary or appropriate in the performance of its duties. In particular, the Compensation Committee has the sole authority to retain compensation consultants to assist in its evaluation of executive and director compensation, including the authority to approve the consultants' reasonable fees and other retention terms. The Compensation Committee may form and delegate authority to subcommittees as it deems appropriate, including subcommittees consisting of one or more members of the Board, to grant stock awards to persons other than executive officers or individuals with respect to whom the Company wishes to comply with Section 162(m) of the Internal Revenue Code.

During the past fiscal year, the Compensation Committee engaged Hewitt as compensation consultants. Hewitt reports directly to the Compensation Committee and does not provide any other services to the Company. The Compensation Committee has requested that Hewitt:

- evaluate the efficacy of the Company's existing compensation strategy and practices in supporting and reinforcing the Company's long-term strategic goals; and
- assist in refining the Company's compensation strategy and in developing and implementing an executive compensation program to execute that strategy.

As part of its engagement, Hewitt was requested by the Compensation Committee to develop a comparative group of companies and to perform analyses of competitive performance and compensation levels for that group. Hewitt ultimately developed information, data and analysis on compensation trends that were presented to the Compensation Committee for its consideration. Following an active dialogue with Hewitt, the Compensation Committee made recommendations to the Board on the specific elements of compensation for the executive officers of the Company. These recommendations were consistent with the analysis provided by Hewitt. These recommendations are discussed in the Compensation Discussion and Analysis section of this proxy statement.

Historically, the Compensation Committee has recommended most significant adjustments to annual compensation, determined bonus and equity awards and established new performance objectives at one or more meetings held prior to and during the first quarter of the fiscal year. However, the Compensation Committee also considers matters related to individual compensation, such as compensation for new executive hires, as well as high-level strategic issues, such as the efficacy of the Company's compensation strategy, potential modifications to that strategy and new trends, plans or approaches to compensation, at various meetings throughout the year. Generally, the Compensation Committee's process consists of two related elements: the determination of compensation levels and the establishment of performance objectives for the current year. For executives other than the Chief Executive Officer, the Compensation Committee solicits and considers evaluations and recommendations submitted to the Compensation Committee by the Chief Executive Officer. In the case of the Chief Executive Officer, the evaluation of his performance is conducted jointly by the Nominating and Corporate Governance Committee and the Compensation Committee after consultation with the other independent members of the Board, which determines any adjustments to his compensation as well as awards to be granted. For all executives and directors, as part of its deliberations, the Compensation Committee may review and consider, as appropriate, materials such as financial reports and projections, operational data, tax and accounting information, tally sheets that set forth the total compensation that may become payable to executives in various hypothetical scenarios, executive and director stock ownership information, company stock performance data, analyses of historical executive compensation levels and current Company-wide compensation levels, and analyses by the Compensation Committee's compensation consultant, including analyses of executive and director compensation paid at other companies identified by the consultant.

The specific determinations of the Compensation Committee with respect to executive compensation for fiscal 2008 are described in greater detail in the Compensation Discussion and Analysis section of this proxy statement.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee has at any time been an officer or employee of the Company. None of our executive officers serve as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board or Compensation Committee.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is composed of Mr. Hoffman and Dr. Springett, each of whom is a non-employee member of the Board of Directors. Mr. Hoffman serves as the Chairman of the Nominating and Corporate Governance Committee. Our Board of Directors has determined that each of the directors serving on the Nominating and Corporate Governance Committee meets the requirements for independence under NASDAQ listing standards and SEC rules. The Nominating and Corporate Governance Committee met two (2) times during the fiscal year. The Nominating and Corporate Governance Committee operates under a written charter adopted by our Board of Directors that is available to stockholders on the Company's website at <http://chrd.client.shareholder.com/documents.cfm>.

The Nominating and Corporate Governance Committee of the Board of Directors is responsible for identifying, reviewing and evaluating candidates to serve as directors of the Company (consistent with criteria approved by the Board), reviewing and evaluating incumbent directors, recommending to the Board candidates for election to the Board, making recommendations to the Board regarding the membership of the committees of the Board, assessing the performance of the Board, and developing a set of corporate governance principles for the Company.

The Nominating and Corporate Governance Committee believes that candidates for director should have certain minimum qualifications, including the ability to read and understand basic financial statements, and having the highest personal integrity and ethics. The Nominating and Corporate Governance Committee also intends to consider such factors as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to the affairs of the Company, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of the Company's stockholders. The Nominating and Corporate Governance Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of the Board, the operating requirements of the Company and the long-term interests of stockholders. In conducting this assessment, the Nominating and Corporate Governance Committee considers diversity, age, skills, and such other factors as it deems appropriate given the current needs of the Board and the Company, to maintain a balance of knowledge, experience and capability. In the case of incumbent directors whose terms of office are set to expire, the Nominating and Corporate Governance Committee reviews these directors' overall service to the Company during their terms, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair the directors' independence. In the case of new director candidates, the Nominating and Corporate Governance Committee uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Nominating and Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board. The Nominating and Corporate Governance Committee also determines whether the nominee is independent based upon applicable NASDAQ listing standards, SEC rules and regulations and the advice of counsel, if necessary. The Nominating and Corporate Governance Committee meets to discuss and consider the candidates' qualifications and then selects a nominee for recommendation to the Board. The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders, who may make written suggestions for nominees to the Board in accordance with the Company's Bylaws.

STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

The Company's Board of Directors has adopted a formal process by which stockholders may communicate with the Board or any of its directors. This information is available on the Company's website at <http://chrd.client.shareholder.com/committees.cfm>.

CODE OF ETHICS

The Company has adopted the Chordiant Code of Business Conduct and Ethics that applies to all officers, directors and employees. The Code of Business Conduct and Ethics is available on the Company's website at <http://chrd.client.shareholder.com/documents.cfm>. If the Company makes any substantive amendments to the Code of Business Conduct and Ethics or grants any waiver from a provision thereof to any executive officer or director, the Company will promptly disclose the nature of the amendment or waiver on its website.

CORPORATE GOVERNANCE GUIDELINES

In April 2004, the Board of Directors documented the governance practices followed by the Company by adopting Corporate Governance Guidelines to assure that the Board will have the necessary authority and practices in place to review and evaluate the Company's business operations as needed and to make decisions that are independent of the Company's management. The guidelines are also intended to align the interests of directors and management with those of the

Company's stockholders. The Corporate Governance Guidelines set forth the practices the Board intends to follow with respect to board composition and selection, board meetings and involvement of senior management, Chief Executive Officer performance evaluation and succession planning, and board committees and compensation. The Corporate Governance Guidelines were adopted by the Board to, among other things, reflect changes to NASDAQ listing standards and SEC rules adopted to implement provisions of the Sarbanes-Oxley Act of 2002. The Corporate Governance Guidelines, as well as the charters for each committee of the Board, may be viewed on the Company's website at <http://chrd.client.shareholder.com/documents.cfm>. Such guidelines, policies and charters shall not constitute "soliciting material," shall not be deemed "filed" with the SEC, and is not to be incorporated by reference into any other company filings under the Securities Act or the Exchange Act, except to the extent we specifically incorporate such charters and additional information by reference therein.

PROPOSAL 2

RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

The Audit Committee of the Board of Directors has selected BDO Seidman, LLP as the Company's independent auditors for the fiscal year ending September 30, 2009, and has further directed that management submit this selection of independent auditors for ratification by the stockholders at the Annual Meeting. BDO Seidman, LLP has been the Company's independent auditors since July 2005. Representatives of BDO Seidman, LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither the Company's Bylaws nor other governing documents or law require stockholder ratification of the selection of BDO Seidman, LLP as the Company's independent auditors. However, the Audit Committee of the Board is submitting the selection of BDO Seidman, LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee of the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee of the Board in its discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

The affirmative vote of the holders of a majority of the shares present in person or by proxy and entitled to vote at the Annual Meeting will be required to ratify the selection of BDO Seidman, LLP. Abstentions will be counted toward the tabulation of votes cast on this proposal and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this proposal is approved.

Principal Accountant Fees and Services

The following table represents aggregate fees for professional services billed (including estimated final billing for fiscal year 2008 audit fees) to the Company for services rendered for the years ended September 30, 2008 and 2007 by BDO Seidman, LLP, the Company's independent registered public accounting firm since July 2005.

	Year Ended September 30, 2008	Year Ended September 30, 2007
Audit Fees		
Aggregate fees for professional services rendered for the audits of the consolidated financial statements of the Company, reviews of our interim financial statements, statutory and subsidiary audits, consents, consultations on accounting and financial reporting matters, internal control over financial reporting, and assistance with review of documents filed with the SEC	\$ 1,073,607	\$ 1,242,900(1)
Audit-Related Fees		
Aggregate fees for assurance and related services including benefit plan audits and consultation on acquisitions	—	—
Tax Fees		

Aggregate fees for tax services rendered for tax return preparation, tax-payment planning services, tax audits and appeals, tax services for employee benefit plans and requests for rulings or technical advice		12,737		21,434(2)
All Other Fees		—		—
Total	\$	1,086,344	\$	1,264,334

(1) Includes \$42,200 in connection with BDO Seidman, LLP's audit of the Company's financial statements and proxy statement for the fiscal year ended September 30, 2007 not yet billed as of last year's proxy statement and thus not reported in that proxy statement.

(2) Reflects final adjustments not reported in last year's proxy statement.

All fees described above were approved by the Audit Committee. In connection with the audit of our 2008 financial statements, the Company entered into an engagement agreement with BDO Seidman, LLP which sets forth the terms by which BDO Seidman, LLP will perform audit services for the Company. That agreement is subject to alternative dispute resolution procedures and an exclusion of punitive damages.

During the fiscal year ended September 30, 2008, none of the total hours expended on the Company's financial audit by BDO Seidman, LLP were provided by persons other than BDO Seidman, LLP's full-time permanent employees or those of their international affiliates.

Pre-Approval Policies and Procedures

Before the independent registered public accounting firm is engaged by us or our subsidiaries to render audit or non-audit services, the Audit Committee shall pre-approve the engagement. Audit Committee pre-approval of audit and non-audit services will not be required if the engagement for the services is entered into pursuant to pre-approval policies and procedures established by the Audit Committee regarding our engagement of the independent auditors, provided the policies and procedures are detailed as to the particular service, the Audit Committee is informed of each service provided and such policies and procedures do not include delegation of the Audit Committee's responsibilities under the Exchange Act to our management. The Audit Committee may delegate to one or more designated members of the Audit Committee the authority to grant pre-approvals, provided such approvals are presented to the Audit Committee at a subsequent meeting. If the Audit Committee elects to establish pre-approval policies and procedures regarding non-audit services, the Audit Committee must be informed of each non-audit service provided by the independent auditors. The Audit Committee pre-approval of non-audit services (other than review and attest services) also will not be required if such services fall within available exceptions established by the SEC. As such, the engagement of BDO Seidman, LLP to render all of the services described in the categories above was approved by the Audit Committee in advance of the rendering of those services.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL 2.

PROPOSAL 3

APPROVAL OF 2005 EQUITY INCENTIVE PLAN, AS AMENDED

Chordiant's stockholders are being asked to approve an amendment of Chordiant's 2005 Equity Incentive Plan, as amended (the "2005 Plan"), to increase the number of shares authorized and reserved for issuance under the 2005 Plan by an additional 650,000 shares of common stock.

Background

2005 Equity Incentive Plan. The 2005 Equity Incentive Plan, or 2005 Plan, was approved at the 2005 annual meeting of stockholders held on September 27, 2005. The 2005 Plan replaced the 1999 Equity Incentive Plan, or 1999 Plan, and provides for the grant of incentive stock options, nonstatutory stock options, stock purchase awards, restricted stock awards, restricted stock unit awards and other forms of equity compensation (collectively, "stock awards"). The exercise price of stock options shall not be less than the fair market value of the shares on the date of grant, and no portion may be exercised beyond ten years from that date. Under the 2005 Plan, stock options generally vest over a period of four years, with 25% of the shares vesting after one year, and the remainder vesting in equal monthly installments over the remaining three years. However, the Board (or a committee of the Board) may and has in the past issued stock awards with different vesting terms. Stock option grant agreements under the 1999 Plan allow for the early exercise of options granted to employees. Exercised but unvested shares are subject to repurchase by the Company at the initial exercise price. Beginning September 27, 2005, no additional stock awards will be granted under the 1999 Plan. Shares remaining available for issuance pursuant to the exercise of stock options or settlement of stock awards under the 1999 Plan of 496,603 shares were added to the share reserve of the 2005 Plan and, as of September 27, 2005, became available for issuance pursuant to stock awards granted under the 2005 Plan. All outstanding stock awards granted under the 1999 Plan will remain subject to the terms of the 1999 Plan, except that the Board may elect to extend one or more of the features of the 2005 Plan to stock awards granted under the 1999 Plan. Any shares subject to outstanding stock awards granted under the 1999 Plan that expire or terminate for any reason prior to exercise or settlement shall be added to the share reserve of the 2005 Plan and become available for issuance pursuant to stock awards granted under the 2005 Plan. The 2005 Plan increased the number of shares available for issuance by 2,200,000 shares of common stock from an aggregate total of 496,603 shares available under the 1999 Plan as of September 27, 2005, resulting in an aggregate of 2,696,603 shares available for future grant and issuance under the 2005 Plan. In January 2007, the Board amended the 2005 Plan to increase the number of shares reserved for future issuance by 1,600,000 shares. This amendment was approved by the stockholders at the 2007 annual meeting of stockholders held on April 24, 2007. In November 2007, the Board amended the 2005 Plan to increase the number of shares reserved for future issuance by 700,000 shares. This amendment was approved by the stockholders at the 2008 annual meeting of stockholders held on February 1, 2008. As of September 30, 2008, there were 2,860,834 shares reserved for future issuance and 3,080,729 shares outstanding under the 2005 Plan. Assuming approval of the proposed amendment to the 2005 Plan, the number of shares available for future issuance will increase by 650,000 shares of common stock, resulting in an aggregate of 3,510,834 shares reserved for future issuance under the 2005 Plan.

2000 Nonstatutory Equity Incentive Plan. In March 2000, the Board adopted the 2000 Nonstatutory Equity Incentive Plan, or 2000 Plan. Stockholder approval of this plan was not required and has not been obtained by the Company. In April 2002 and October 2002, the Board approved increases to the number of shares reserved under the 2000 Plan from 360,000 shares to 960,000 shares and then to 1,760,000 shares, also without stockholder approval as such approval was not required by the 2000 Plan or by applicable law. The 2000 Plan does not have a termination date, and will continue indefinitely until suspended or terminated by the Board. The 2000 Plan provides for the grant of nonstatutory stock options and the issuance of restricted stock and stock bonuses to employees (other than officers, directors, or beneficial owners of ten percent (10%) or more of the Company's common stock and consultants who

meet certain eligibility requirements). The terms and price of nonstatutory stock options granted under the 2000 Plan are determined by the Board (or a committee of the Board) and are set forth in each optionee's option agreement. The exercise price of nonstatutory stock options granted under the 2000 Plan has been 100% of the fair market value on the date of grant, and the term of the options has been ten years. Generally, stock options under the 2000 Plan vest over a period of four years with 25% of the shares vesting after one year, and the remainder vesting in equal monthly installments over the remaining three years. The Board (or a committee of the Board) sets the terms of stock bonuses and rights to purchase restricted stock. In January 2007, the Board amended the 2000 Plan to reduce the number of shares available for future issuance to zero. No additional stock options will be granted under the 2000 Nonstatutory Equity Incentive Plan. As of September 30, 2008, there were 372,829 shares outstanding under the 2000 Plan.

1999 Equity Incentive Plan. The 1999 Equity Incentive Plan, or 1999 Plan, provided for the grant to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986 and for grants to employees, directors and consultants of nonstatutory stock options and stock purchase rights. Unless terminated sooner, the 1999 Plan will terminate automatically in 2009. The option price shall not be less than the fair market value of the shares on the date of grant and no portion may be exercised beyond ten years from that date. Under the 1999 Plan, stock options vest over a period that is limited to five years, but were typically granted with a four-year vesting period. Each option outstanding under the 1999 Plan may be exercised in whole or in part at any time. Exercised but unvested shares are subject to repurchase by us at the initial exercise price. As of September 27, 2005, 496,603 available shares under the 1999 Plan were added to the share reserve of the 2005 Plan. No additional stock options will be granted under the 1999 Plan subsequent to September 27, 2005. Any shares subject to outstanding stock awards granted under the 1999 Plan that expire or terminate for any reason prior to the exercise or settlement are added to the share reserve of the 2005 Plan and become available for issuance under the 2005 Plan.

Amended and Restated 1999 Non-Employee Directors' Option Plan. The 1999 Non-Employee Directors' Stock Option Plan was adopted by the Board of Directors and became effective on the date of our initial public offering in 2000. In November 2007, the Board adopted the Amended and Restated 1999 Non-Employee Directors' Stock Option Plan, or Directors' Plan. The Directors' Plan was approved by the stockholders at the 2008 annual meeting of stockholders held on February 1, 2008. Prior to that date, the Directors' Plan provided for the automatic grant of a nonstatutory option to purchase 10,000 shares of common stock to each new non-employee director on the date that such person became a director, vesting over a period of three years with one-third of the shares vesting after one year, and the remainder vesting in equal monthly installments over the remaining two years. Each current and future non-employee director was automatically granted an additional nonstatutory option to purchase 3,000 shares on the day after each of our annual meetings of stockholders, vesting in equal monthly installments over one year. Each director who was a member of a Board committee was automatically granted an additional nonstatutory stock option to purchase 2,000 shares for each committee they served on, on the day after each annual meeting of stockholders, vesting in equal monthly installments over one year. Since February 1, 2008, directors no longer receive stock options under the Directors' Plan. Instead, continuing directors are issued a single grant at each year's annual meeting of stockholders equal to a number of shares of restricted stock equal to \$100,000 divided by the fair market value of the Company's common stock on the date of the annual meeting. Effective November 2008, the Board amended the Directors' Plan to provide that such annual grants of restricted stock shall not exceed 15,000 shares. This amendment did not require stockholder approval. These shares of restricted stock will vest on the earlier to occur of (1) the next annual meeting or (2) twelve (12) months from the date of grant. New non-employee directors will receive a grant of restricted stock on substantially the same terms but with the number of shares and vesting schedule pro rated in proportion to the amount time remaining between the grant and the first anniversary of the most recent annual meeting of stockholders. Such shares of restricted stock will be subject to a post-vesting holding period, such that the director may not sell or otherwise transfer any of the shares until the earliest of (1) the second anniversary of the vesting date, (2) the closing of a merger or sale of substantially all of the assets of the Company, (3) the certification by the Board that the director has suffered an unforeseeable emergency, or (4) the death or disability of the director. Shares sold or withheld by the Company to cover applicable tax withholdings will not be deemed a violation of this holding period. As of September 30, 2008, 196,246 shares of common stock have been reserved for issuance, and 195,666 shares are outstanding, under the Directors' Plan.

Employee Stock Purchase Plan. In November 1999 the Board adopted our 1999 Employee Stock Purchase Plan, or the 1999 ESPP, which was approved by our stockholders in December 1999. The 1999 ESPP became effective on February 14, 2000. In January 2007, the Board amended the 1999 ESPP to reduce the number of shares available for grant to 400,000. Eligible employees can have up to 15% of their earnings withheld to be used to purchase shares of our common stock at 85% of the lower of the fair market value of the common stock on the commencement date of each nine-month offering period or the specified purchase date. The amount of shares reserved under the 1999 ESPP automatically increases on October 1st of each year by the greater of (1) 2% of the outstanding shares of Company

common stock on such date or (2) the number of shares subject to stock awards granted under this plan during the prior twelve (12) month period. However, the automatic increase is subject to reduction by the Board of Directors. Notwithstanding the foregoing, the aggregate number of shares that may be issued under the 1999 ESPP shall not exceed 5,200,000 shares. As of September 30, 2008, 1,081,136 shares of common stock were available for grant under this plan. There were no purchases of common stock under the 1999 ESPP for the year ended September 30, 2008 and 2007, as the plan is currently suspended.

General

Chordiant believes that an employee equity compensation program is a necessary and powerful incentive and retention tool that benefits all of its stockholders. We believe equity compensation gives employees and directors a stake in our future success and view it as a vital component of our ability to offer competitive compensation packages within a highly competitive industry. As of September 30, 2008, there were 2,860,834 shares available for grant under the 2005 Plan. The Board believes the current number of shares available for grant is insufficient and will seriously harm our ability to attract and retain qualified employees and directors. The proposed amendment to the 2005 Plan is designed to assist us in recruiting, motivating and retaining talented employees and directors who will help us to continue achieving our business goals, including creating long-term value for stockholders.

In this Proposal 2, you are requested to approve the amendment to the 2005 Plan to increase the aggregate number of shares available for future issuance by 650,000 shares, resulting in an aggregate of 3,510,834 shares available for grant under the 2005 Plan. The affirmative vote of the holders of a majority of the shares present in person or by proxy and entitled to vote at the Annual Meeting will be required to approve the amendment to the 2005 Plan. Abstentions will be counted toward the tabulation of votes cast on this proposal and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this proposal is approved.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” PROPOSAL 3.

The terms and provisions of the 2005 Plan are summarized below. This summary, however, does not purport to be a complete description of the 2005 Plan. The 2005 Plan has been filed with the SEC as an attachment to this proxy statement and may be accessed from the SEC's website at www.sec.gov. The following summary is qualified in its entirety by reference to the complete text of the 2005 Plan. Any stockholder that wishes to obtain a copy of the actual plan document may do so by written request to our Corporate Secretary, 20400 Stevens Creek Boulevard, Suite 400, Cupertino, California 95014.

The following is a summary of the material features of the 2005 Plan:

General

The 2005 Plan provides for the grant of incentive stock options, nonstatutory stock options, stock purchase awards, restricted stock awards, restricted stock unit awards, stock appreciation rights, performance stock awards, performance cash awards, and other forms of equity compensation (collectively, the “stock awards”).

Incentive stock options granted under the 2005 Plan are intended to qualify as “incentive stock options” within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”). Nonstatutory stock options granted under the 2005 Plan are not intended to qualify as incentive stock options under the Code. See “Federal Income Tax Information” for a discussion of the tax treatment of awards.

Purpose

The Board adopted the 2005 Plan to provide a means by which employees, directors and consultants of Chordiant and its affiliates may be given an opportunity to purchase or otherwise acquire stock in Chordiant, to assist in retaining the services of such persons, to secure and retain the services of persons capable of filling such positions and to provide incentives for such persons to exert maximum efforts for the success of Chordiant and its affiliates.

As of September 30, 2008, approximately 272 employees were eligible to participate in the 2005 Plan. Directors and consultants of Chordiant and its affiliates are also eligible to participate in the 2005 Plan.

Administration

The Board administers the 2005 Plan. Subject to the provisions of the 2005 Plan, the Board has the authority to construe and interpret the 2005 Plan and to determine the persons to whom and the dates on which awards will be granted, the number of

shares of common stock to be subject to each award, the time or times during the term of each award within which all or a portion of such award may be exercised, the exercise price, the type of consideration and other terms of the award. The Board also has the authority to settle all controversies, accelerate vesting of stock awards, suspend or terminate the 2005 Plan, amend the 2005 Plan, submit any amendment for stockholder approval, amend the 2005 Plan with regard to incentive stock options, amend any stock awards, and adopt procedures or sub-plans for non-U.S. participants.

The Board has the authority to delegate administration of the 2005 Plan to a committee composed of not fewer than two members of the Board. In the discretion of the Board, a committee may consist solely of two or more outside directors in accordance with Section 162(m) of the Code or solely of two or more non-employee directors in accordance with Rule 16b-3 of the Exchange Act. As used herein with respect to the 2005 Plan, the "Board" refers to any committee the Board appoints as well as to our Board itself.

The regulations under Section 162(m) of the Code require that the directors who serve as members of the committee must be "outside directors." The 2005 Plan provides that, in the Board's discretion, directors serving on the committee may be "outside directors" within the meaning of Section 162(m). This limitation would exclude from the committee directors who are (i) current employees of Chordiant or an affiliate, (ii) former employees of Chordiant or an affiliate receiving compensation for past services (other than benefits under a tax-qualified pension plan), (iii) current and former officers of Chordiant or an affiliate, (iv) directors currently receiving direct or indirect remuneration from Chordiant or an affiliate in any capacity (other than as a director) and (v) any other person who is otherwise not considered an "outside director" for purposes of Section 162(m).

The Board also has the authority to delegate to one or more of our officers the authority to do one or both of the following: (i) designate employees who are not officers to be recipients of stock awards and the terms thereof, and (ii) determine the number of shares of common stock to be subject to such stock awards granted to such employees; provided, however, that the Board shall specify the total number of shares of common stock that may be subject to the stock awards granted by such officer and that such officer may not grant a stock award to himself or herself.

In the event of a decline in the value of our common stock, the Board does not have the authority to reprice any outstanding stock awards under the 2005 Plan or cancel and re-grant any outstanding stock awards under the 2005 Plan, unless Chordiant's stockholders have approved such an action within twelve (12) months prior to such an event.

Stock Subject to the 2005 Plan

If stockholders approve this Proposal 2, an aggregate of 3,510,834 shares of common stock will be available for grant under the 2005 Plan. If options granted under the 2005 Plan and previously granted under the 1999 Plan expire or otherwise terminate without being exercised, the shares of common stock not acquired pursuant to such options will again become available for issuance under the 2005 Plan. If shares of common stock are not issued because such shares instead are used to satisfy an applicable tax withholding requirement or other obligation to Chordiant in connection with the exercise of an option, then such shares will again be available for issuance under the 2005 Plan. In addition, if the exercise price of any option is satisfied by the tender of shares of common stock to us (whether by actual delivery or attestation) only the number of shares of common stock issued, net of any shares so tendered, will be deemed issued to the participant. If we reacquire unvested stock issued under the 2005 Plan, or the stock award is settled in cash, the reacquired stock will become available again for reissuance under the 2005 Plan.

If stockholders approve this Proposal 2, the maximum number of shares that may be granted under the 2005 Plan pursuant to the exercise of incentive stock options is 3,510,834 shares.

Eligibility

Incentive stock options may be granted under the 2005 Plan only to employees (including officers) of Chordiant and its affiliates. Employees (including officers), directors, and consultants of both Chordiant and its affiliates are eligible to receive all other types of awards under the 2005 Plan.

No incentive stock option may be granted under the 2005 Plan to any person who, at the time of the grant, owns (or is deemed to own) stock possessing more than 10% of the total combined voting power of Chordiant or any affiliate of

Chordiant, unless the exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant and the term of the option does not exceed five years from the date of grant. In addition, the aggregate fair market value, determined at the time of grant, of the shares of common stock with respect to which incentive stock options are exercisable for the first time by a participant during any calendar year (under the 2005 Plan and all other such plans of Chordiant and its affiliates) may not exceed \$100,000.

No employee may be granted stock options and stock appreciation rights under the 2005 Plan exercisable for more than 2,000,000 shares of common stock during any calendar year ("Section 162(m) Limitation").

Terms of Options

The following is a description of the permissible terms of options under the 2005 Plan. Individual option grants may be more restrictive as to any or all of the permissible terms described below.

Exercise Price; Payment. The exercise price of incentive stock options may not be less than 100% of the fair market value of the stock subject to the option on the date of the grant and, in some cases (see "Eligibility" above), may not be less than 110% of such fair market value. The exercise price of nonstatutory stock options may not be less than 100% of the fair market value of the stock on the date of grant. At December 1, 2008, the closing price of our common stock as reported on NASDAQ was \$2.26 per share.

The exercise price of options granted under the 2005 Plan must be paid in cash at the time the option is exercised, or, at the discretion of the Board, (i) by delivery of other common stock of Chordiant owned by the participant for at least six months (or such other period of time required to avoid a charge in earnings for financial accounting purposes); (ii) pursuant to a deferred payment arrangement; (iii) pursuant to a net exercise arrangement; or (iv) in any other form of legal consideration acceptable to the Board.

Option Exercise. Options granted under the 2005 Plan may become exercisable in cumulative increments ("vest") as determined by the Board. Shares covered by options granted under the 2005 Plan typically vest at the rate of 25% on the first anniversary of the date the option holder commenced providing services to us if a new hire, and on the first anniversary of the date of grant for other employees, and 1/48th per month thereafter, such that all shares are vested on the fourth anniversary of the date the option holder commenced providing services to us or the date of grant, as applicable, provided that vesting only continues during the participant's employment by, or service as a director or consultant to, Chordiant or an affiliate, after the first year of employment. However, shares covered by options granted under the 2005 Plan in the future may be subject to different vesting terms, and the Board has in the past granted stock options (and other stock awards) with different vesting terms.. The Board has the power to accelerate the time during which an option may vest or be exercised. To the extent provided by the terms of an option, a participant may satisfy any federal, state or local tax withholding obligation relating to the exercise of such option by a cash payment upon exercise, by authorizing us to withhold a portion of the stock otherwise issuable to the participant, by delivering already-owned shares of our common stock or by a combination of these means.

Term. The maximum term of options under the 2005 Plan is 10 years, except that in certain cases (see "Eligibility") the maximum term is 5 years.

Termination of Service. Options under the 2005 Plan generally terminate 3 months after termination of the participant's service unless (i) such termination is due to the participant's disability in which case the option may, but need not, provide that it may be exercised (to the extent the option was exercisable at the time of the termination of service) at any time before the earlier of 12 months from the date such termination or the expiration of the option; (ii) the participant dies before the participant's service has terminated, in which case the option may, but need not, provide that it may be exercised (to the extent the option was exercisable at the time of the participant's death) at any

time before the earlier of 18 months from the date of the participant's death or the expiration of the option, by the person or persons to whom the rights to such option pass by will or by the laws of descent and distribution; or (iii) the option by its terms specifically provides otherwise. A participant may designate a beneficiary who may exercise the option following the participant's death. Individual option grants by their terms may provide for exercise within a longer period of time following termination of service.

A participant's option agreement may provide that if the exercise of the option following the termination of the participant's service would be prohibited because the issuance of stock would violate the registration requirements under the Securities

Act, then the option will terminate on the earlier of (i) the expiration of the term of the option or (ii) three months after the termination of the participant's service during which the exercise of the option would not be in violation of such registration requirements.

Except as explicitly provided otherwise in a participant's option agreement, in the event that a participant's service is terminated for cause, the option will terminate upon the termination date of such participant's service, and the participant will be prohibited from exercising his or her option.

Restrictions on Transfer. The Board has the authority to determine the limitations on transferability of options. Generally, the following restrictions apply: (i) participant may not transfer an option otherwise than by will or by the laws of descent and distribution; and (ii) during the lifetime of the participant, only the participant may exercise an option.

Terms of Stock Purchase Awards

Payment. Our Board determines the purchase price under a stock purchase award agreement. The purchase price may be paid either (i) in cash; (ii) by past or future services to Chordiant or an affiliate; or (iii) in any other form of legal consideration acceptable to the Board.

Vesting. Shares of common stock acquired under a stock purchase award agreement may be subject to vesting in accordance with a schedule determined by the Board.

Termination of Service. In the event that a participant's service terminates, Chordiant may repurchase any or all of the unvested shares of common stock held by the participant.

Restrictions on Transfer. Rights under a stock purchase award agreement may be transferred as may be expressly authorized by the terms of the applicable stock purchase award agreement.

Terms of Restricted Stock Awards

Payment. A restricted stock award may be awarded in consideration for (i) past or future services rendered to Chordiant or an affiliate; or (ii) any other form of legal consideration acceptable to the Board.

Vesting. Shares of common stock acquired under a restricted stock award agreement may be subject to vesting in accordance with a schedule determined by the Board.

Termination of Service. In the event that a participant's service terminates, Chordiant may receive via a forfeiture condition any or all of the unvested shares of common stock held by the participant.

Restrictions on Transfer. Rights under a restricted stock award agreement may be transferred as may be expressly authorized by the terms of the applicable restricted stock award agreement.

Terms of Restricted Stock Unit Awards

Consideration. The purchase price, if any, for stock unit awards may be paid in any form of legal consideration acceptable to the Board.

Settlement of Awards. A stock unit award may be settled by the delivery of shares of our common stock, in cash, or by any combination of these means or in any other form of consideration as determined by the Board.

Vesting and Additional Restrictions. Stock unit awards vest at the rate specified in the stock unit award agreement as determined by the Board. At the time of grant, the Board may also impose additional restrictions or conditions that delay the delivery of stock or cash subject to the stock unit award after vesting.

Dividend Equivalents. Dividend equivalent rights may be credited with respect to shares covered by a stock unit award. We do not anticipate paying cash dividends on our common stock for the foreseeable future, however.

Termination of Service. Except as otherwise provided in the applicable award agreement, stock units that have not vested will be forfeited upon the participant's termination of service.

Terms of Stock Appreciation Rights

Exercise. Each stock appreciation right is denominated in shares of common stock equivalents. Upon exercise of a stock appreciation right, we will pay the participant an amount equal to the excess of (i) the aggregate fair market value of our common stock on the date of exercise, over (ii) the strike price determined by the Board on the date of grant.

Settlement of Awards. The appreciation distribution upon exercise of a stock appreciation right may be paid in cash, shares of our common stock, or any other form of consideration determined by the Board.

Vesting. Stock appreciation rights vest and become exercisable at the rate specified in the stock appreciation right agreement as determined by the Board.

Termination of Service. Upon termination of a participant's service, the participant generally may exercise any vested stock appreciation right for three months (or such longer or shorter period specified in the stock appreciation right agreement) after the date such service relationship ends. In no event may a stock appreciation right be exercised beyond the expiration of its term. However, except as explicitly provided otherwise in a participant's stock appreciation right agreement, in the event that a participant's service is terminated for cause, the stock appreciation right shall terminate upon the termination date of such participant's service, and the participant will be prohibited from exercising his or her stock appreciation right.

Terms of Performance-Based Awards

General. The 2005 Plan allows the Board to issue performance stock awards and performance cash awards (together, the "performance-based awards") that qualify as performance-based compensation that is not subject to the income tax deductibility limitations imposed by Section 162(m) of the Code, if the issuance of such stock or cash is approved by the Compensation Committee and the grant, vesting, or exercise of one or more stock awards and the delivery of such cash is tied solely to the attainment of certain performance goals during a designed performance period.

Performance Goals. In granting a performance-based award, the Board will set a period of time (a "performance period") over which the attainment of one or more goals ("performance goals") will be measured for the purpose of determining whether the award recipient has a vested right in or to such award. Within the time period prescribed by Section 162(m) of the Code (typically before the 90th day of a performance period), the Board will establish the performance goals, based upon one or more pre-established criteria ("performance criteria") enumerated in the 2005 Plan and described below. As soon as administratively practicable following the end of the performance period, the Board will certify (in writing) whether the performance goals have been satisfied.

To assure that the compensation attributable to one or more performance awards will qualify as performance-based compensation that will not be subject to the \$1.0 million limitation on the income tax deductibility of the compensation paid per covered executive officer imposed under Section 162(m) of the Code, the Board has the authority to structure one or more of these awards so that stock or cash will be issued or paid pursuant to the award upon the achievement of certain pre-established performance goals. Such goals may be based on any one of, or a combination of, the following performance criteria: (i) earnings per share; (ii) earnings before interest, taxes and depreciation; (iii) earnings before interest, taxes, depreciation and amortization; (iv) total stockholder return; (v) return on equity; (vi) return on assets, investment, or capital employed; (vii) operating margin; (viii) gross margin; (ix) operating income; (x) net income (before or after taxes); (xi) net operating income; (xii) net operating income after tax; (xiii) pre-tax profit; (xiv) operating cash flow; (xv) sales or revenue targets; (xvi) increases in revenue or product revenue; (xvii) expenses and cost reduction goals; (xviii) improvement in or attainment of working capital levels; (xix) economic value added (or an equivalent metric); (xx) market share; (xxi) cash flow; (xxii) cash flow per

share; (xxiii) share price performance; (xxiv) debt reduction; (xxv) implementation or completion of projects or processes; (xxvi) customer satisfaction; (xxvii) stockholders' equity; and (xxviii) other measures of performance selected by the Board.

At the time of the grant of any performance-based award, the Board is authorized to determine whether, when calculating the attainment of performance goals: (i) to exclude restructuring and/or other nonrecurring charges; (ii) to exclude exchange rate effects, as applicable, for non-U.S. dollar denominated net sales and operating earnings; (iii) to exclude the effects of changes to generally accepted accounting standards required by the Financial Accounting Standards Board; (iv) to exclude the effects

of any statutory adjustments to corporate tax rates; and (v) to exclude the effects of any “extraordinary items” as determined under generally accepted accounting principles. In addition, the Board retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of performance goals.

Compensation attributable to performance-based stock awards under the 2005 Plan will qualify as performance-based compensation, provided that: (i) the award is granted by a compensation committee comprised solely of “outside directors,” (ii) the award is granted (or exercisable) only upon the achievement of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, (iii) the compensation committee certifies in writing prior to the granting (or exercisability) of the award that the performance goal has been satisfied.

Annual Limitation. The maximum benefit to be received by a participant in any calendar year attributable to performance stock awards may not exceed the value of 1,200,000 shares of common stock. The maximum benefit to be received by a participant in any calendar year attributable to performance cash awards may not exceed \$3.0 million.

Terms of Other Stock Awards

The Board may grant other stock awards based in whole or in part by reference to the value of our common stock. Subject to the provisions of the 2005 Plan, the Board has the authority to determine the persons to whom and the dates on which such other equity awards will be granted, the number of shares of our common stock (or cash equivalents) to be subject to each award, and other terms and conditions of such awards. Such awards may be granted either alone or in addition to other stock awards granted under the 2005 Plan.

Adjustment Provisions

Transactions not involving receipt of consideration by Chordiant, such as a merger, consolidation, reorganization, stock dividend, or stock split, may change the type(s), class(es) and number of shares of common stock subject to the 2005 Plan and outstanding awards. In that event, the 2005 Plan will be appropriately adjusted as to the type(s), class(es) and the maximum number of shares of common stock subject to the 2005 Plan, the Section 162(m) limitation, and the maximum number of shares a participant can receive under a performance-based stock award. Further, outstanding awards will be adjusted as to the type(s), class(es), number of shares and price per share of common stock subject to such awards.

Effect of Certain Corporate Transactions and a Change in Control

In the event of (i) the sale or other disposition of all or substantially all of the assets of Chordiant, (ii) the sale or other disposition of at least 90% of the outstanding securities of Chordiant, or (iii) certain specified types of merger, consolidation or similar transactions (collectively, “corporate transaction”), any surviving or acquiring corporation may continue or assume awards outstanding under the 2005 Plan or may substitute similar awards. If any surviving or acquiring corporation does not assume such awards or to substitute similar awards, then with respect to awards held by participants whose service with us or an affiliate has not terminated as of the effective date of the corporate transaction, the vesting of such awards (and, if applicable, the time during which such awards may be exercised) will be accelerated in full, subject to certain limitations, and the awards will terminate if not exercised (if applicable) at or prior to such effective date.

Subject to certain exceptions, in the event a person becomes the owner of Chordiant's securities representing more than 50% of the combined voting power of Chordiant's then outstanding securities other than by virtue of a merger, consolidation or similar transaction (a “change in control”), each outstanding stock award (other than a performance stock award) will become immediately vested in that number of shares that would have been vested as of a date

twelve months following the date of the change in control. Following the acceleration described in this paragraph, any unvested shares of common stock remaining subject to a stock award shall vest in equal installments over a vesting period that is twelve months shorter than the vesting period immediately prior to the change in control. If the vesting of a stock award is accelerated pursuant to a corporate transaction as described in the immediately preceding paragraph, acceleration on a change of control will not occur.

The acceleration of a stock award in the event of a corporate transaction or a change in control event may be viewed as an anti-takeover provision, which may have the effect of discouraging a proposal to acquire or otherwise obtain control of Chordiant.

Duration, Amendment and Termination

The Board may suspend or terminate the 2005 Plan without stockholder approval or ratification at any time or from time to time. Unless sooner terminated, the 2005 Plan will terminate on July 19, 2015.

The Board may also amend the 2005 Plan at any time or from time to time. However, no amendment will be effective unless approved by our stockholders within 12 months before or after its adoption by the Board if the amendment would (i) modify the requirements as to eligibility for participation (to the extent such modification requires stockholder approval in order for the 2005 Plan to satisfy Section 422 of the Code, if applicable, or Rule 16b-3 of the Exchange Act); (ii) increase the number of shares reserved for issuance upon exercise of awards; (iii) change any other provision of the 2005 Plan in any other way if such modification requires stockholder approval in order to comply with Rule 16b-3 of the Exchange Act or satisfy the requirements of Section 422 of the Code or any securities exchange listing requirements; (iv) reprice any outstanding stock awards under the 2005 Plan; or (v) cancel and re-grant any outstanding stock awards under the 2005 Plan. The Board may submit any other amendment to the 2005 Plan for stockholder approval, including, but not limited to, amendments intended to satisfy the requirements of Section 162(m) of the Code regarding the exclusion of performance-based compensation from the limitation on the deductibility of compensation paid to certain employees.

Federal Income Tax Information

Incentive Stock Options. Incentive stock options under the 2005 Plan are intended to be eligible for the favorable federal income tax treatment accorded “incentive stock options” under the Code.

There generally are no federal income tax consequences to the participant or Chordiant by reason of the grant or exercise of an incentive stock option. However, the exercise of an incentive stock option may increase the participant's alternative minimum tax liability, if any.

If a participant holds stock acquired through exercise of an incentive stock option for more than two years from the date on which the option is granted and more than one year from the date on which the shares are transferred to the participant upon exercise of the option, any gain or loss on a disposition of such stock will be a long-term capital gain or loss. Generally, if the participant disposes of the stock before the expiration of either of these holding periods (a “disqualifying disposition”), then at the time of disposition the participant will realize taxable ordinary income equal to the lesser of (i) the excess of the stock's fair market value on the date of exercise over the exercise price, or (ii) the participant's actual gain, if any, on the purchase and sale. The participant's additional gain or any loss upon the disqualifying disposition will be a capital gain or loss, which will be long-term or short-term depending on whether the stock was held for more than one year.

To the extent the participant recognizes ordinary income by reason of a disqualifying disposition, Chordiant will generally be entitled (subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation) to a corresponding business expense deduction in the tax year in which the disqualifying disposition occurs.

Nonstatutory Stock Options, Stock Purchase Awards and Restricted Stock Awards. Nonstatutory stock options, stock purchase awards and restricted stock awards granted under the 2005 Plan generally have the following federal income tax consequences.

There are no tax consequences to the participant or Chordiant by reason of the grant. Upon acquisition of the stock, the participant normally will recognize taxable ordinary income equal to the excess, if any, of the stock's fair market value on the acquisition date over the purchase price. However, to the extent the stock is subject to certain types of

vesting restrictions, the taxable event will be delayed until the vesting restrictions lapse unless the participant elects to be taxed on receipt of the stock. With respect to employees, we are generally required to withhold from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a business expense deduction equal to the taxable ordinary income realized by the participant.

Upon disposition of the stock, the participant will recognize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for such stock plus any amount recognized as ordinary income upon acquisition (or

vesting) of the stock. Such gain or loss will be long-term or short-term depending on whether the stock was held for more than one year. Slightly different rules may apply to participants who acquire stock subject to certain repurchase options or who are subject to Section 16(b) of the Exchange Act.

Stock Appreciation Rights. No taxable income is realized upon the receipt of a stock appreciation right, but upon exercise of the stock appreciation right the fair market value of the shares (or cash in lieu of shares) received must be treated as compensation taxable as ordinary income to the participant in the year of such exercise. Generally, with respect to employees, we are required to withhold from the payment made on exercise of the stock appreciation right or from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness, Section 162(m) of the Code and the satisfaction of a reporting obligation, we will be entitled to a business expense deduction equal to the taxable ordinary income recognized by the participant.

Stock Unit Awards. No taxable income is recognized upon receipt of a stock unit award. The participant will recognize ordinary income in the year in which the vested shares subject to that unit are actually issued to the participant in an amount equal to the fair market value of the shares on the date of issuance. The participant and the Company will be required to satisfy certain tax withholding requirements applicable to such income. Subject to the requirement of reasonableness, Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the participant at the time the shares are issued. In general, the deduction will be allowed for the taxable year in which such ordinary income is recognized by the participant.

Potential Limitation on Company Deductions. Section 162(m) of the Code denies a deduction to any publicly held corporation for compensation paid to certain “covered employees” in a taxable year to the extent that compensation to such covered employee exceeds \$1.0 million. It is possible that compensation attributable to awards, when combined with all other types of compensation received by a covered employee from Chordiant, may cause this limitation to be exceeded in any particular year.

Certain kinds of compensation, including qualified “performance-based compensation,” are disregarded for purposes of the deduction limitation. In accordance with Treasury Regulations issued under Section 162(m), compensation attributable to stock options and stock appreciation rights will qualify as performance-based compensation if the award is granted by a compensation committee comprised solely of “outside directors” and either (i) the plan contains a per-employee limitation on the number of shares for which such awards may be granted during a specified period, the per-employee limitation is approved by the stockholders, and the exercise price of the award is no less than the fair market value of the stock on the date of grant, or (ii) the award is granted (or exercisable) only upon the achievement (as certified in writing by the compensation committee) of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, and the award is approved by stockholders.

All other stock awards will qualify as performance-based compensation under the Treasury Regulations only if (i) the award is granted by a compensation committee comprised solely of “outside directors,” (ii) the award is granted (or exercisable) only upon the achievement of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, (iii) the compensation committee certifies in writing prior to the granting (or exercisability) of the award that the performance goal has been satisfied and (iv) prior to the granting (or exercisability) of the award, stockholders have approved the material terms of the award (including the class of employees eligible for such award, the business criteria on which the performance goal is based, and the maximum amount -- or formula used to calculate the amount -- payable upon attainment of the performance goal).

PROPOSAL 4

NON-BINDING VOTE TO APPROVE OUR SHAREHOLDER RIGHTS PLAN

Chordiant's stockholders are being asked to approve a non-binding resolution to approve the shareholder rights plan previously adopted by the Company's Board of Directors on July 7, 2008 (the "Shareholder Rights Plan"). Neither the Company's Bylaws nor other governing documents or law require stockholder approval of our Shareholder Rights Plan. However, the Board is submitting the Shareholder Rights Plan to the stockholders for a non-binding vote as a matter of good corporate practice. Although the Board of Directors will consider the stockholders' wishes as expressed at the Annual Meeting, a vote against this proposal might not be implemented if the Board of Directors, in its business judgment and the exercise of its fiduciary duties, concludes that it is not in the best interests of the Company and its stockholders. If the stockholders do not vote in favor of the Shareholder Rights Plan, the Board will reconsider whether or not to redeem the Rights (defined below). Even if the shareholders approve the Shareholder Rights Plan, the Board in its discretion may elect to redeem the Rights at any time during the term of the Rights Agreement (defined below). The affirmative vote of the holders of a majority of the shares present in person or by proxy and entitled to vote at the Annual Meeting will be required to approve, in a non-binding vote, our Shareholder Rights Plan. Abstentions will be counted toward the tabulation of votes cast on the proposal and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this proposal is approved.

On July 7, 2008, the Board of Directors of the Company declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of common stock, par value \$0.001 per share (the "Common Shares"), of the Company. The dividend was payable on July 21, 2008 (the "Record Date") to the stockholders of record on that date. The following sets forth a brief description of the terms of the Shareholder Rights Plan and describes in more detail the reasons of our Board of Directors for adopting the Shareholder Rights Plan.

Description of the Rights.

Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value \$0.001 per share (the "Preferred Shares"), at a price of \$20.00 per one one-hundredth of a Preferred Share (the "Purchase Price"), subject to adjustment. Each one one-hundredth of a Preferred Share has designations and powers, preferences and rights, and the qualifications, limitations and restrictions designed to make it the economic equivalent of a Common Share. The Company entered into a Rights Agreement (the "Rights Agreement") with American Stock Transfer & Trust Company, LLC as Rights Agent (the "Rights Agent"). The Rights Agent presently serves as the Company's transfer agent with respect to the Company's common stock and also has been appointed transfer agent with respect to the Series A Junior Participating Preferred Stock, par value \$0.001 per share, if any, that may be issued pursuant to the exercise of rights under the Rights Agreement. The description and terms of the Rights are set forth in the Rights Agreement.

Initially, the Rights will be evidenced by the stock certificates representing the Common Shares then outstanding, and no separate Right Certificates, as defined below, will be distributed. Until the earlier to occur of (i) the date of a public announcement that a person, entity or group of affiliated or associated persons have acquired beneficial ownership of 20% or more of the outstanding Common Shares (an "Acquiring Person") or (ii) 10 business days (or such later date as may be determined by action of the Board of Directors prior to such time as any person or entity becomes an Acquiring Person) following the commencement of, or announcement of an intention to commence, a tender offer or exchange offer the consummation of which would result in any person or entity becoming an Acquiring Person (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced, with respect to any of the Common Share certificates outstanding as of the Record Date, by such Common Share certificate with or without a copy of the Summary of Rights, which is included in the Rights Agreement as Exhibit C thereto (the "Summary of

Rights”). The Rights are not exercisable until the Distribution Date. The Rights will expire on July 21, 2011 (the “Final Expiration Date”), unless the Rights are earlier redeemed or exchanged by the Company, in each case, as described below.

Until the Distribution Date, the Rights will be transferable with and only with the Common Shares. Until the Distribution Date (or earlier redemption or expiration of the Rights), new Common Share certificates issued after the Record Date, upon transfer or new issuance of Common Shares, will contain a notation incorporating the Rights Agreement by reference. Until

the Distribution Date (or earlier redemption or expiration of the Rights), the surrender or transfer of any certificates for Common Shares outstanding as of the Record Date, even without such notation or a copy of the Summary of Rights being attached thereto, will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights (“Right Certificates”) will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The terms of the Rights may be amended by the Board of Directors of the Company without the consent of the holders of the Rights, except that from and after such time as the Rights are distributed no such amendment may adversely affect the interest of the holders of the Rights excluding the interests of an Acquiring Person. Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

Adjustments to Purchase Price and Rights; Fractional Shares.

The Purchase Price payable, and the number of Preferred Shares or other securities or other property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Shares; (ii) upon the grant to holders of the Preferred Shares of certain rights or warrants to subscribe for or purchase Preferred Shares at a price, or securities convertible into Preferred Shares with a conversion price, less than the then current market price of the Preferred Shares; or (iii) upon the distribution to holders of the Preferred Shares of evidences of indebtedness or assets (excluding regular periodic cash dividends paid out of earnings or retained earnings or dividends payable in Preferred Shares) or of subscription rights or warrants (other than those referred to above). The exercise of Rights to purchase Preferred Shares is at all times subject to the availability of a sufficient number of authorized but unissued Preferred Shares.

The number of outstanding Rights and the number of one one-hundredths of a Preferred Share issuable upon exercise of each Right are also subject to adjustment in the event of a stock split of the Common Shares or a stock dividend on the Common Shares payable in Common Shares or subdivisions, consolidation or combinations of the Common Shares occurring, in any case, prior to the Distribution Date. Preferred Shares purchasable upon exercise of the Rights will not be redeemable.

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No fractional Preferred Shares will be issued (other than fractions that are integral multiples of the number of one one-hundredths of a Preferred Share issuable upon the exercise of one Right, which may, at the election of the Company, be evidenced by depositary receipts), and in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Shares on the last trading day prior to the date of exercise.

Dividends; Liquidation Preferences

Each Preferred Share will be entitled to a minimum preferential quarterly dividend payment of \$1.00 but will be entitled to an aggregate dividend of 100 times the dividend declared per Common Share. In the event of liquidation, the holders of the Preferred Shares would be entitled to a minimum preferential liquidation payment of \$100 per share, but would be entitled to receive an aggregate payment equal to 100 times the payment made per Common Share. Each Preferred Share will have 100 votes, voting together with the Common Shares. Finally, in the event of any merger, consolidation or other transaction in which Common Shares are exchanged, each Preferred Share will be entitled to receive 100 times the amount of consideration received per Common Share. These rights are protected by customary anti-dilution provisions. Because of the nature of the Preferred Shares’ dividend and liquidation rights, the

value of one one-hundredth of a Preferred Share should approximate the value of one Common Share. The Preferred Shares would rank junior to any other series of the Company's preferred stock.

Acquiring Persons

In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, proper provision shall be made so that each holder of a Right, other than Rights beneficially owned by the Acquiring Person and its associates and affiliates (which will thereafter be void), will for a sixty (60) day period have the right to receive upon exercise that number

of Common Shares having a market value of two times the exercise price of the Right (or, if such number of shares is not and cannot be authorized, the Company may issue Preferred Shares, cash, debt, stock or a combination thereof in exchange for the Rights). This right will terminate sixty (60) days after the date on which the Rights become nonredeemable (as described below), unless there is an injunction or similar obstacle to exercise of the Rights, in which event this right will terminate sixty (60) days after the date on which the Rights again become exercisable.

Under the Rights Agreement, an “Acquiring Person” shall not be deemed to include (i) the Company, (ii) a subsidiary of the Company, (iii) any employee benefit or compensation plan of the Company, (iv) any entity holding Common Shares for or pursuant to the terms of any such employee benefit or compensation plan, or (v) any person or entity that, together with its affiliates and associates, beneficially owned 20% or more of the outstanding Common Shares as of July 21, 2008, until such person or entity or its affiliates or associates becomes the beneficial owner of any additional Common Shares. In addition, except under limited circumstances, no person or entity shall become an Acquiring Person as the result of the acquisition of Common Shares by the Company that, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such person or entity to 20% or more of the Common Shares then outstanding. Further, except under certain circumstances, no person shall become an Acquiring Person due to the acquisition of Common Shares directly from the Company.

In the event that the Company is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold to an Acquiring Person, its associates or affiliates or certain other persons in which such persons have an interest, proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the Right.

At any time after an Acquiring Person becomes an Acquiring Person and prior to the acquisition by such Acquiring Person of 50% or more of the outstanding Common Shares, the Board of Directors of the Company may exchange the Rights (other than Rights owned by such person or group which have become void), in whole or in part, at an exchange ratio of one Common Share, or one one-hundredth of a Preferred Share, per Right (or, at the election of the Company, the Company may issue cash, debt, stock or a combination thereof in exchange for the Rights), subject to adjustment.

Redemption

At any time prior to the earliest of (i) the day of the first public announcement that a person has become an Acquiring Person or (ii) the Final Expiration Date, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of \$0.001 per Right (the “Redemption Price”). Following the expiration of the above periods, the Rights become nonredeemable. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Reasons for Adopting the Plan

The Shareholder Rights Plan is not intended to prevent a takeover, but rather to encourage anyone seeking to acquire Chordiant to negotiate with our Board of Directors prior to attempting a takeover. The Rights will cause substantial dilution to a person or group that acquires 20% or more of our common stock on terms not approved by our Board of Directors (with certain limited exceptions). The Rights should not interfere with any merger or other business combination approved by our Board of Directors before a person or group has become an Acquiring Person.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” PROPOSAL 4.

EQUITY COMPENSATION PLAN INFORMATION (1)

The following table provides certain information with respect to all of our equity compensation plans in effect as of September 30, 2008:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (#) (a)	Weighted-average exercise price of outstanding options, warrants and rights (\$/sh) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)(#) (c)
Equity compensation plans approved by security holders	3,276,395	8.57	4,138,216(2)
Equity compensation plans not approved by security holders	385,062	5.09	—
Total	3,661,457	8.20	4,138,216

- (1) Upon our acquisition of Prime Response, Inc. and White Spider Software, Inc. in 2001 and 2000, respectively, we assumed outstanding options of those companies such that these options became exercisable for an aggregate of 307,424 shares of our common stock at a weighted-average exercise price of \$23.03 per share. As of September 30, 2008, 12,233 options of Prime Response, Inc. and White Spider Software, Inc were still outstanding with a weighted-average exercise price of \$2.38. The option plans governing these options terminated other than with respect to the outstanding options, and no options will be granted in the future pursuant to these plans. These plans were not approved by our stockholders, as no approval was required. Other than the 12,233 outstanding shares noted above, the shares referenced in this note are not included in any of the numbers set forth in the table.
- (2) Includes 1,081,136 shares under our Employee Stock Purchase Plan.

Executive Officers

Our executive officers are: Steven R. Springsteel, Chairman of the Board of Directors, President, and Chief Executive Officer; Peter S. Norman, Vice President and Chief Financial Officer; Prashant K. Karnik, Vice President and General Manager, Worldwide Professional Services and Products; David E. Cunningham, Vice President, Worldwide Sales; Charles Altomare, Vice President, Worldwide Engineering; and David M. Zuckerman, Vice President, General Counsel and Secretary. In addition, during the fiscal year the following individuals also served as executive officers of the Company: James D. St. Jean, former Vice President and Chief Technology Officer; Derek P. Witte, former Vice President, General Counsel and Secretary; and Frank J. Florence, former Vice President and Chief Marketing Officer.

Below is a brief biography of each of our executive officers who served during the fiscal year, other than Mr. Springsteel. Biographical information for Mr. Springsteel can be found above in the section titled, "Directors Continuing in Office Until the 2011 Annual Meeting."

Charles A. Altomare, age 57, has served as Vice President, Worldwide Engineering since February 2008. From April 2007 to February 2008, he served as Vice President, Engineering of Starview Technology, Inc., a privately-held provider of real-time process intelligence solutions for the semiconductor and electronics industries. From August 2002 to April 2006, he served as Vice President, Engineering - European Development Center of Business Objects, a provider of business intelligence solutions since acquired by SAP. From May 2000 to August 2002, he served as Vice President, Engineering for Acta Technology, Inc., an applications integration company acquired by Business Objects in August 2002. Prior to Acta, he spent 11 years at Informix Software, where he progressed through a number of engineering positions, the last of which was Vice President of Engineering. Mr. Altomare holds a Bachelor of Arts degree in Psychology from Temple University.

David E. Cunningham, age 55, has served as our Vice President, Worldwide Sales since November 2007. From April 2007 to October 2007, Mr. Cunningham served as Vice President, Enterprise Software Sales for the Americas Verticals and Global Accounts, and from April 2006 to March 2007 as Vice President, Northeast Area Enterprise Sales, for Symantec Corporation, a security, storage and systems management solutions provider. From August 1998 to March 2006, Mr. Cunningham served in several sales positions at IBM Corporation, including Vice President, Global Competitive Sales, Sales and Distribution from April 2005 to March 2006, Vice President, Open Infrastructure Offering and Competitive Sales, Systems Group from December 2003 to March 2005, Global Director, Competitive Sales, Systems Group from January 2003 to November 2003, and Director, Competitive Sales EMEA, Systems Group from January 2000 to December 2002. From July 1985 to August 1998, he served in several sales and finance positions at Amdahl Corporation, a privately-held company that specialized in developing and marketing high end server, software and services IT products, and Fujitsu Technology, which acquired Amdahl in September 1997. Mr. Cunningham holds a Bachelor of Arts degree in Psychology from the Coe College and a Master of Business Administration from Drake University.

Prashant K. (PK) Karnik, age 53, has served as our Vice President and General Manager, Worldwide Professional Services and Products since August 2008, and Vice President and General Manager, Worldwide Professional Services, since August 2006. From June 2005 to August 2006, he served as the Senior Vice President of Professional Services for Dorado Corporation, a solution provider for the mortgage industry. From September 2003 to June 2005, he served as the Chief Executive Officer of Datanautics (formerly Accrue Software), a global web analytics company. From June 2001 to August 2003, he served as the Chief Operating Officer of Accrue Software, a web analytics company. From November 1999 to June 2001, he served as the Vice President of Professional Services at Aspect Communications, a customer relationship management company. For over a decade prior to that he held senior management positions within Hewlett Packard's global services organization. Mr. Karnik holds a Bachelor's degree in Mechanical Engineering from NIT India, a Master of Science degree in Industrial Engineering from

Rutgers University, and a Master of Business Administration from Southern New Hampshire University.

Peter S. Norman, age 51, has served as our Vice President and Chief Financial Officer since March 2006. From March 2005 to March 2006, he served as our Vice President and Corporate Controller. From August 2004 to March 2005 he served as our Director of Finance. Prior to joining Chordiant, Mr. Norman spent twelve years in the audit practice of KPMG Peat Marwick LLP, most recently as a Senior Manager. Mr. Norman holds a Bachelor of Science degree in Accounting from Humboldt State University. He is a Certified Public Accountant (CPA), a member of the American Institute of Certified Public Accountants, and a member of the California State Society of Certified Public Accountants.

David M. Zuckerman, age 44, joined Chordiant in August 2008 as Vice President, General Counsel and Secretary. He also serves as our Compliance Officer. From October 2007 to April 2008 he served as Vice President and Associate General Counsel, and from November 2006 to October 2007 he served as Associate General Counsel, of BEA Systems, Inc., an enterprise infrastructure software company. BEA Systems was acquired by Oracle Corporation in April 2008. From January 2006 to October 2006, he served as Managing Counsel at Oracle Corporation, an enterprise software company. From March 2004 to May 2005, he served as Senior Corporate Counsel, and from May 2005 to January 2006 he served as Director, Legal Affairs, of Siebel Systems, Inc., a customer relationship management company. Siebel Systems was acquired by Oracle Corporation in January 2006. From October 2002 to March 2004, he served as Group Manager, Business Development at Siebel Systems, and held several other positions at Siebel Systems commencing in January 2000. Mr. Zuckerman was previously an attorney with the law firms of Foley & Lardner in San Francisco and Dinsmore & Shohl in Cincinnati. Mr. Zuckerman holds a Bachelor of Arts degree in Political Science from Vanderbilt University, a Juris Doctor from The University of Michigan Law School, and a Master in Business Administration from The Wharton School of the University of Pennsylvania.

Former Executive Officers

During the fiscal year, the following individuals also served as executive officers of the Company: Frank J. Florence, former Vice President and Chief Marketing Officer; James D. St. Jean, former Chief Technology Officer; and Derek P. Witte, former Vice President, General Counsel and Secretary.

Frank J. Florence, age 55, served as our Vice President and Chief Marketing Officer from May 2006 until his resignation in November 2008. From January 2004 to April 2006, he served as Senior Vice President, Marketing and Corporate Development for Dorado Corporation, a solution provider for the mortgage industry. From April 2002 to September 2003, he served as Senior Vice President, Marketing for InStranet, a sales, marketing and service application provider. From May 2000 to March 2002, he served in several management positions for Interwoven, a public enterprise content management company, including Senior Vice President, Business Units, Corporate Development and Vice President and General Manager. From August 1997 to February 2000, he served as President and Chief Executive Officer of SmartDB, an ERP integration software platform company. Mr. Florence holds a Bachelor of Arts degree and a Master of Business Administration from the University of Santa Clara, California.

James D. St. Jean, age 42, served as our Vice President of Worldwide Engineering from July 2005, and as our Vice President and Chief Technology Officer and acting Vice President of Worldwide Engineering from September 2007, and was an employee of ours from 2000 when we acquired White Spider, a knowledge management solutions company he founded. Mr. St. Jean resigned in August 2008. From 2000 to July 2005, Mr. St. Jean served in several management positions for us, including Vice President of Applications and Vice President of Design and Architecture. From 1997 to 1999, he was Vice President and Chief Architect of Vantive Corporation, a customer relationship management company. Prior to that, he was one of the founders of Innovative Computer Concepts (ICC), a field service management solutions company. At ICC he served in several management positions including Director of Development and Vice President of Development. ICC was acquired by Vantive in 1997. Before that time, Mr. St. Jean served in various development, development management and project management roles with Raytheon Corporation and Lockheed Corporation. Mr. St. Jean holds a Bachelor of Science degree in Computer Science from the University of New Hampshire.

Derek P. Witte, age 52, served as our Vice President, General Counsel, Secretary and Chief Compliance Officer from November 2005 until his resignation in June 2008. From February 2003 to November 2005, Mr. Witte served as General Counsel and Secretary for the Silicon Valley Bank and its holding company, SVB Financial Group, a financial services company. From March 2001 until June 2002, Mr. Witte served as Vice President and General Counsel for Tellme Networks, a privately-held voice recognition software company. From 1990 until 2001, Mr. Witte was with Symantec Corporation, first as their General Counsel and later as their Senior Vice President of Worldwide

Operations. Prior to that, Mr. Witte practiced law with Heller Ehrman White & McAuliffe in Palo Alto, California and Brobeck, Phleger & Harrison in San Francisco. Mr. Witte holds a Bachelor's degree in Economics from the University of California, Berkeley and a Juris Doctor from the University of California, Berkeley School of Law (Boalt Hall).

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of the Company's common stock as of December 1, 2008 by (i) each director and nominee for director, (ii) each of the executive officers named in the Summary Compensation Table, (iii) all executive officers and directors of the Company as a group, and (iv) all those known by the Company to be beneficial owners of more than five percent of its common stock.

Beneficial Owner	Beneficial Ownership(1)	
	Number of Shares	Percent of Total
Five Percent Stockholders:		
Symphony Technology Group, LLC (as of October 8, 2008) 2475 Hanover Street Palo Alto, CA 94304	3,528,175	11.73 %
Barclays Global Investors NA (as of February 5, 2008) 45 Fremont Street San Francisco, CA 94105	2,229,742	7.41 %
Citadel Investment Group, LLC (as of May 12, 2008) 131 S. Dearborn Street, 32nd Floor Chicago, Illinois 60603	2,076,401	6.90 %
Porter Orlin, LLC (as of June 4, 2008) 666 5th Avenue, 34th Floor New York, NY 10103	1,816,500	6.04 %
Directors, Nominees and Named Executive Officers:		
Daniel A. Gaudreau	11,848(2)	*
Charles E. Hoffman	42,848(3)	*
William J. Raduchel	76,910(4)	*
David R. Springett	76,848(5)	*
Steven R. Springsteel	437,578(6)	1.45 %
Richard G. Stevens	34,208(7)	*
Allen A.A. Swann	11,848(8)	*
David E. Cunningham	21,873(9)	*
Frank J. Florence	65,414(10)	*
Prashant K. Karnik	53,437(11)	*
Peter S. Norman	99,184(12)	*
Derek P. Witte	122,497(13)	*
		*

All current executive officers and directors as a group (12 persons)	866,582(14)	2.88 %
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* Less than one percent.

- (1) This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the Securities and Exchange Commission (the "SEC"). Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, the Company believes that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 30,081,690 shares outstanding on December 1, 2008, adjusted as required by rules promulgated by the SEC.
- (2) Consists of 11,848 restricted stock awards ("RSAs") to vest and be released within sixty (60) days of December 1, 2008.
- (3) Consists of 11,848 RSAs to vest and be released within sixty (60) days of December 1, 2008, and 31,000 shares issuable upon the exercise of outstanding options that are exercisable within sixty (60) days of December 1, 2008.
- (4) Consists of 24,062 shares, 11,848 RSAs to vest and be released within sixty (60) days of December 1, 2008, and 41,000 shares issuable upon the exercise of outstanding options that are exercisable within sixty (60) days of December 1, 2008.
- (5) Consists of 11,848 RSAs to vest and be released within sixty (60) days of December 1, 2008, and 65,000 shares issuable upon the exercise of outstanding options that are exercisable within sixty (60) days of December 1, 2008.
- (6) Consists of 3,999 shares, 4,000 shares held by two of Mr. Springsteel's children, and 429,579 shares issuable upon the exercise of outstanding options that are exercisable within sixty days of December 1, 2008.
- (7) Consists of 11,848 RSAs to vest and be released within sixty (60) days of December 1, 2008, and 22,360 shares issuable upon the exercise of outstanding options that are exercisable within sixty (60) days of December 1, 2008.
- (8) Consists of 11,848 RSAs to vest and be released within sixty (60) days of December 1, 2008.
- (9) Consists of 21,873 shares issuable upon the exercise of outstanding options that are exercisable within sixty (60) days of December 1, 2008.
- (10) Consists of 65,414 shares issuable upon the exercise of outstanding options that are exercisable within sixty (60) days of December 1, 2008.
- (11) Consists of 53,437 shares issuable upon the exercise of outstanding options that are exercisable within sixty (60) days of December 1, 2008.
- (12) Consists of 99,184 shares issuable upon the exercise of outstanding options that are exercisable within sixty (60) days of December 1, 2008.
- (13) Consists of 7,500 shares, and 114,997 shares issuable upon the exercise of outstanding options that are exercisable within sixty (60) days of December 1, 2008.
- (14) Consists of 32,061 shares, 71,088 RSAs to vest and be released within sixty (60) days of December 1, 2008, and 763,433 shares issuable upon the exercise of outstanding options that are exercisable within sixty (60) days of December 1, 2008 held by directors and named executive officers in this table, and -0- shares issuable upon the exercise of outstanding options that are exercisable within sixty (60) days of December 1, 2008 held by other executive officers.

We know of no arrangements, the operation of which may at a subsequent date result in the change of control of Chordiant.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the "1934 Act") requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended September 30, 2008, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with except that Mr. Cunningham, who commenced employment with the Company on November 5, 2007, filed a late Form 3 on November 16, 2007, and Mr. St. Jean filed a late Form 4 on November 26, 2007 reporting two stock option exercises totaling 10,982 shares on November 19, 2008.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

General

Chordiant's Compensation Committee is responsible for the Company's compensation policies, plans and programs, including recommending executive officer and director compensation to the Board of Directors and administering the Company's stock plans. The Compensation Committee is composed entirely of independent directors under applicable Nasdaq, IRS and SEC rules. Throughout fiscal year 2008, William J. Raduchel served as the Chairman of the Compensation Committee, and Charles E. Hoffman and David R. Springett served as members of the Compensation Committee.

This section discusses our compensation program in fiscal year 2008 for (i) Steven R. Springsteel, our Chairman, President and Chief Executive Officer ("CEO"); (ii) Peter S. Norman, our Vice President and Chief Financial Officer ("CFO"); (iii) our three most highly compensated executive officers other than the CEO and CFO who were serving as executive officers at the end of the last completed fiscal year, namely David E. Cunningham, our Vice President, Worldwide Sales, Prashant K. (P.K.) Karnik, our Vice President and General Manager, Worldwide Professional Services and Products, and Frank J. Florence, our former Vice President and Chief Marketing Officer, who resigned effective November 14, 2008; and (iv) one additional individual for whom disclosure would have been provided pursuant to subparagraph (iii) above but for the fact that he was not serving as an executive officer at the end of our last completed fiscal year, namely Derek P. Witte, our former Vice President, General Counsel and Secretary, who resigned effective June 30, 2008 (collectively, the individuals identified in subparagraphs (i), (ii), (iii) and (iv) above are referred to as the "Named Executive Officers").

Compensation Objectives and Philosophy

Our executive compensation philosophy is to:

- attract, retain, motivate and reward executives whose knowledge, skills and performance are critical to achieving strategic business objectives;
- provide a direct, meaningful link between achievement of corporate goals and compensation; and
- align executive interests with those of stockholders to build a sustainable company while effectively managing dilution.

Role of the Compensation Committee in Setting Executive Compensation

Pursuant to its charter, the Compensation Committee is responsible for evaluating the efficacy of the Company's compensation strategy, reviewing, approving and certifying achievement of executive performance goals, establishing policies with respect to equity compensation, reviewing compensation practices and trends, and reviewing and recommending to the Board the salary, annual cash bonus awards and equity awards for our executive officers.

The process followed by the Compensation Committee in setting compensation for executives involves analyzing market pay practices, assessing our existing pay programs, forecasting our growth, and reviewing total compensation costs and potential stock dilution. In order to help achieve the goal of tying executive compensation to the performance of the Company, the Compensation Committee establishes the executive compensation program for the

upcoming fiscal year at the same time as the Company's overall budget is set. In doing this, the Compensation Committee engages a compensation consultant and considers the following:

- the performance of the Company in light of market conditions, relative to plan and among its peers;
- for the CEO, his performance during the year and, for executives other than the CEO, the CEO's assessment of results achieved, leadership demonstrated and challenges faced during the previous year and compensation recommendations;

- each executive's pay history and unvested options;
- internal pay equity among executive officers;
- the compensation that the Compensation Committee estimates would be required to hire a replacement for each executive;
- the difficulty of the executive's role;
- the role certain forms of compensation play in encouraging certain behaviors from individual executives;
- individual circumstances learned from negotiations with executive candidates;
- analysis and recommendations from its independent compensation consultant; and
- peer group data.

The Compensation Committee considers recommendations from the CEO regarding executive compensation to be awarded or paid to officers other than himself, but the CEO does not participate in decisions regarding the amount of his own compensation. In making his recommendations, our Human Resources department provides our CEO with third party compensation surveys, such as the 2007 Radford Executive Survey, and compensation data of publicly-traded companies obtained from SEC filings. This information is also made available to the Compensation Committee. The CEO is free to, and has in the past, engaged a compensation consultant to assist in his recommendations, at the Company's expense. Our Chief Financial Officer, General Counsel and Vice President, Human Resources typically participate in Compensation Committee meetings, providing information on our financial forecasts, legal issues associated with proposed compensation structures, and compensation practices at peer companies, but do not participate in any decisions with respect to the amount of their own compensation. Final decisions by the Committee are made in executive session, typically with only outside counsel and the independent compensation advisor present, but they are reviewed afterwards with the CEO and may be modified in a subsequent executive session as a result. The Compensation Committee only makes recommendations to the Board regarding executive compensation, and the Board makes the final decisions.

Use of Compensation Consultants and Peer Group Companies

In recent years, the Compensation Committee has engaged consultants with respect to executive compensation matters as one of the factors and tools used in performing its duties. For fiscal year 2008, the Compensation Committee engaged Hewitt Associates ("Hewitt") to review and evaluate our current compensation practices, the competitiveness of our compensation practices in the industry, and to provide data and analysis to assist the Compensation Committee in structuring our compensation program for fiscal year 2008. Hewitt was engaged by the Compensation Committee and does not perform any other services for the Company.

Specifically, in the first quarter of fiscal year 2008, Hewitt worked with the Compensation Committee to identify an appropriate peer group of companies. The Committee ultimately selected the following 22 publicly-traded companies: Actuate Corporation, Advent Software Ltd., Ariba, Inc., Art Technology Group Inc., Borland Software Corporation, Epicor Software Corporation, Informatica Corporation, Interinvoice Inc., Interwoven Inc., Macrovision Corp., Magma Design Automation Inc., MSC Software Corporation, Nuance Communications, Inc., Pegasystems, Inc., QAD Inc., S1 Corporation, Salesforce.com, Inc., SPSS, Inc., Tibco Software, Inc., Vignette Corporation, WebMethods, Inc., and Websense Inc. These companies were selected because they were in the same industry, i.e., technology companies primarily focused on software, and had revenues between \$100 million and \$500 million, with the median revenue being approximately \$222 million. The Company's revenue at that time was near the

bottom of that range. Hewitt then gathered market data about the base salaries, bonuses and equity compensation provided by these peer group companies, which assisted the Compensation Committee in reviewing the competitiveness of our executive officers' compensation. The Compensation Committee believes that such market data is useful in establishing compensation programs that allow the Company to attract and retain senior

management. Hewitt typically presents data showing the median and 75th percentile of the peer group. However, the Compensation Committee does not target any specific element of compensation, or total compensation, to a specific point or range in the peer group data as benchmarking is only one factor used in setting these compensation levels. The other factors noted in our philosophy above may therefore drive target compensation levels that vary between each of our executives and from the range of the compensation paid by the peer group companies.

Executive Compensation Components

Our executive compensation program consists of the following principal components: base salary, non-equity incentive bonuses, one time or “spot” bonuses, long-term equity incentive compensation in the form of stock option awards and restricted stock unit awards, change of control benefits, certain perquisites, and benefit plans generally available to all employees. Each component of compensation is evaluated based on the factors discussed in each section below. Decisions regarding base salary necessarily affect the amount of bonus and severance executives are eligible to receive, as these amounts are based on a percentage of base salary. The Committee considers total direct compensation weighing all of these components as a subjective whole. However, individual components serve different purposes so decisions on such components may vary as further described below.

Base Salary

Chordiant recognizes that base salary is one of the basic compensation elements necessary to attract and retain talented executives and that base salary is the metric upon which bonus and severance compensation are based. With this in mind, we set base salaries for our executives primarily based on the scope of their responsibilities and the compensation levels for their positions in our peer group so that our salary levels are competitive in our efforts to build and retain an effective executive team. Because each of these factors used by Chordiant to set base salary can change from year to year, the Compensation Committee reviews base salaries annually and makes adjustments as reasonably necessary to allow salary to continue to serve its purposes as a retention device and as the building block for other cash compensation.

With respect to base salary decisions for fiscal year 2008, the Compensation Committee reviewed peer group data to form its own conclusions on the appropriateness of base salary levels given the financial performance of the Company, which in 2007 achieved profitability for the first time in its history, the challenges the Company was likely to face in the upcoming year, the need to retain its executive team to meet those challenges, and the performance of the executives in achieving the Company’s goals. Base salaries for fiscal year 2007 were below the 75th percentile of the peer group and in some cases at or below the median of the peer group. As a result of such review, in October 2007 the Compensation Committee recommended to the Board of Directors, and the Board subsequently approved, an increase in the base salary for each of the Named Executive Officers for fiscal year 2008 as described in the table below (excluding Mr. Cunningham, who was hired effective November 2007).

Name	FY 2007 Base Salary	FY 2008 Base Salary
Steven R. Springsteel Chairman, President and Chief Executive Officer	\$ 495,000	\$ 550,000
Peter S. Norman Vice President and Chief Financial Officer	\$ 250,000	\$ 280,000
Prashant K. Karnik Vice President and General Manager, Worldwide Professional Services and Products	\$ 250,000	\$ 275,000
Derek P. Witte Former Vice President, General Counsel and Secretary	\$ 290,000	\$ 300,000
Frank J. Florence Former Vice President and Chief Marketing Officer	\$ 260,000	\$ 270,000(1)
David Cunningham Vice President, Worldwide Sales	\$ —	\$ 300,000(2)

(1) Mr. Florence's salary was reduced to \$220,000 effective July 1, 2008 in connection with a reduction in his duties.

(2) Mr. Cunningham was hired effective November 2007. His salary was determined based on peer group data, discussions with the executive recruiting firm we utilized for the search, competitiveness with Mr. Cunningham's then-current salary, and standard salary negotiations.

Executive Incentive Plan or Bonus Compensation

Chordiant uses its cash-based Executive Incentive Bonus Plan and other bonus compensation to focus our executives on, and reward our executives for, achieving key corporate goals in the short term – generally a one-year performance period. The Compensation Committee sets target bonuses as a percentage of base salary, allowing compensation to be earned in excess of such target amounts for exceptional performance. The Compensation Committee considers peer group percentages, the historic levels of bonus targets, the overall cash compensation target for the executive, the role a specific executive is expected to play in the upcoming year in meeting the Company's business objectives, and the challenges faced in that role.

2008 Executive Plan

As noted above, the Company uses its compensation program in part to align executives to focus on achieving goals that are necessary for sustained Company performance. Therefore, in establishing performance goals under the non-equity incentive plan, the Compensation Committee starts from the operating plan developed by management and approved by the Board for the upcoming fiscal year.

In November 2007, the adoption of the Chordiant Fiscal Year 2008 Executive Incentive Bonus Plan (the "2008 Executive Plan") was recommended by the Compensation Committee and approved by the Board of Directors in

connection with the approval of our fiscal year 2008 financial plan. Our bonus compensation programs are designed primarily to reward the achievement of certain financial goals which we believe are the best indicators of the success of our business. Since we believe that a growing, profitable company creates shareholder value, the design of our executive compensation program emphasized the achievement of various measures of profitability and growth in fiscal year 2008.

Messrs. Springsteel's, Florence's and Norman's 2008 bonuses were determined solely pursuant to the 2008 Executive Plan. Mr. Cunningham's 2008 bonus was determined pursuant to the FY2008 Vice President Worldwide Sales Bonus Plan (described below). Mr. Karnik's 2008 bonus was determined pursuant to the 2008 Vice President Services Incentive Bonus Plan (described below). Mr. Witte's 2008 bonus was determined pursuant to the 2008 General Counsel Incentive Bonus Plan (described below). Each of the FY2008 Vice President Worldwide Sales Bonus Plan, the 2008 Vice President Services Incentive Bonus Plan, and the 2008 General Counsel Incentive Bonus Plan contained the terms of the 2008 Executive Plan in their entirety, as well as certain additional terms which reflected the unique nature of Messrs. Cunningham's, Karnik's and Witte's positions and responsibilities. Mr. Cunningham's 2008 bonus was calculated 25% pursuant to the terms of the 2008 Executive Plan portion of the FY2008 Vice President Worldwide Sales Bonus Plan and 75% pursuant to the unique terms of the FY2008 Vice President Worldwide Sales Bonus Plan. Mr. Karnik's 2008 bonus was calculated 50% pursuant to the terms of the 2008 Executive Plan portion of the 2008 Vice President Services Incentive Bonus Plan and 50% pursuant to the unique terms of the 2008 Vice President Services Incentive Bonus Plan. Mr. Witte's 2008 bonus was calculated 75% pursuant to the terms of the 2008 Executive Plan portion of the 2008 General Counsel Incentive Bonus Plan and 25% pursuant to the unique terms of the 2008 General Counsel Incentive Bonus Plan.

Mr. Springsteel's bonus target was established at 100% of his base salary, which represented an increase of 20 percentage points from the prior year. In reviewing the Company's goals for 2008, and Mr. Springsteel's achievements in 2007, the Compensation Committee determined that 100% was an appropriate level to encourage continued superior performance by Mr. Springsteel, who led the Company to profitability for the first time in its history. Mr. Cunningham's bonus target was established at 83.33% of his base salary. Messrs. Norman's and Karnik's bonus targets were established at 60% of their base salaries. Mr. Florence's bonus target was initially established at 40% of his base salary, and reduced to 25% effective following the Company's fiscal third quarter in connection with a reduction in his duties. Mr. Witte's bonus target was established at 30% of his base salary.

The Compensation Committee and Board of Directors felt the best way to maximize value for stockholders was to motivate officers to focus on revenue, bookings of new transactions which result in revenue in future periods, non-GAAP operating profit and cash flow, consistent with the goals the Board adopted for our fiscal year 2008 financial plan. Consequently the bonuses payable under the 2008 Executive Plan were calculated as a function of Company performance relative to its 2008 financial plan on four separate financial measures: revenue, bookings, non-GAAP operating profit and cash flow, calculated quarterly and weighted as described below.

The revenue goal in the 2008 Executive Plan was based upon the revenue recognized under Generally Accepted Accounting Principles ("GAAP") on the Company's quarterly financial statements. The bookings goal was based upon the payment commitments from customers under contracts signed in the quarterly period. The non-GAAP operating profit goal was based upon the non-GAAP consolidated statement of operations on the Company's quarterly financial statements, but excluded amortization of purchased intangible assets, stock-based compensation expense and other non-recurring charges. The cash flow goal was based upon the change in reported cash, cash equivalents, marketable securities and restricted cash on the Company's quarterly financial statements, excluding cash used in the Company's stock repurchase program because the Compensation Committee deemed that to be an extraordinary item.

In addition, 10% of the bonus payable under the 2008 Executive Plan to each officer other than the CEO was to be awarded by the CEO in his sole discretion to reward executives for contributions to the Company in addition to those measured by the aforementioned financial measures, and for retentive purposes. For the CEO, that 10% of his target bonus was allocated to the non-GAAP operating profit goal. Further, the 2008 Executive Plan, the FY2008 Vice President Worldwide Sales Bonus Plan, the 2008 Vice President Services Incentive Bonus Plan, and the 2008 General Counsel Incentive Bonus Plan provide that the Compensation Committee may recommend, and the Board may approve, a payment of up to 50% of an executive's bonus opportunity without regard to the performance criteria set

forth in the plan.

Executives participating in the 2008 Executive Plan were eligible for a payment equal to a percentage of their target bonus amounts for achieving performance against each goal as set forth below:

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Bookings Component – 25% weighting
 Target of \$155,311,000 (Actual Achievement of \$111,023,000)

Performance against goal*	Payout*
under 80%	0%
80%	50%
100%	100%
120%	200%
130%	300%**

*Payments to be extrapolated linearly for performance between specified targets

**Maximum

Revenue Component – 25% weighting
 Target of \$150,073,000 (Actual Achievement of \$112,964,000)

Performance against goal*	Payout*
under 80%	0%
80%	25%
100%	100%
120%	200%
130%	300% **

*Payments to be extrapolated linearly for performance between specified targets

**Maximum

Non-GAAP Operating Profit Component – 25%/ 35%* weighting
 Target of \$27,029,000 (Actual Achievement of \$3,702,000)

Performance against goal**	Payout**
under 80%	0%
80%	25%
100%	100%
120%	200%
130%	300% ***

*25% for executives other than the CEO, and 35% for the CEO

**Payments to be extrapolated linearly for performance between specified targets

***Maximum

Cash Flow Component – 15% weighting
Target of \$20,000,000 Generated (Actual Usage of (\$16,255,000))

Performance against goal*	Payout*
under 80%	0%
80%	25%
100%	100%
120%	200%
130%	300% **

*Payments to be extrapolated linearly for performance between specified targets

**Maximum

Based upon partial achievement of the goals under the 2008 Executive Plan for the first and third quarters of the fiscal year, Messrs. Springsteel, Norman and Florence earned and were paid bonuses for fiscal year 2008 of \$83,440, \$33,887, and \$6,750, respectively. The Board also approved an additional bonus for Mr. Springsteel for fiscal year 2008 in the amount of \$100,000 for performance and retentive purposes pursuant to its discretionary authority under the 2008 Executive Plan. Further, the Board approved an additional bonus for Mr. Norman for fiscal year 2008 in the amount of \$67,200, which is equivalent to 40% of his target bonus under the 2008 Executive Plan, for performance and retentive purposes pursuant to its discretionary authority under that plan. These additional bonuses will be paid out in four equal installments on December 1, 2008, December 31, 2008, March 31, 2009 and June 30, 2009. The CEOs discretionary 10% was not exercised in the second or fourth quarters due to the Company's financial underperformance. The CEO awarded the full 10% discretionary bonus to most of the other executive officers in the first quarter due to the Company's substantial achievement of its goals in that quarter, and in the third quarter for retentive purposes.

2008 Vice President Worldwide Sales Bonus Plan

In November 2007, in connection with adopting the 2008 Executive Plan, the Compensation Committee recommended and the Board approved the FY2008 Vice President Worldwide Sales Bonus Plan (the "2008 VP Sales Plan") in which only Mr. Cunningham was a participant. Mr. Cunningham's total target bonus was 83.33% of his base salary, and his maximum bonus payout was 300% of his individual bonus target. The 2008 VP Sales Plan provided that 25% of Mr. Cunningham's target bonus would be calculated pursuant to the terms of the 2008 Executive Plan portion of the 2008 VP Sales Plan and 75% would be calculated pursuant to the unique terms of the 2008 VP Sales Plan, namely, the 2008 Vice President Worldwide Sales Compensation Plan General Terms and Conditions and the Quota Assignment and Commission Factors for Sales Personnel (the "2008 VP Sales Commission Terms"). The Compensation Committee believed that it was appropriate to put a significant portion of Mr. Cunningham's compensation 'at risk' given his role as the executive officer most directly responsible for driving revenue and bookings. Under the 2008 VP Sales Commission Terms, Mr. Cunningham was entitled to receive variable commission on bookings based on the achievement of his total bookings quota for fiscal year 2008 and any bookings above the quota. For the period from November 1, 2007 to September 30, 2008, his total bookings quota was \$83,626,000, which was the Company's new license and first year maintenance target pro-rated for the portion of the fiscal year which he was employed by the Company. His commission was 0.2055% of all bookings up to 100% of the quota, 0.30% of all bookings between 100% and 120% of the quota, and 0.485% of all bookings above 120% of the quota. Actual bookings were calculated as a function of the payment commitments from customers under contracts signed in the period. 50% of the quota credit and commission would be deemed earned at the time of the booking,

and 50% of the quota credit and commission would be deemed earned upon actual payment by the customer. Based upon partial achievement of the goals under the 2008 Executive Plan and the 2008 VP Sales Plan, Mr. Cunningham earned, or to the extent 'earned' was based on actual payment by the customer, expected to earn, bonuses totaling \$79,873 for fiscal year 2008.

2008 Vice President Services Incentive Bonus Plan

In November 2007, in connection with adopting the 2008 Executive Plan, the Compensation Committee recommended and the Board approved the 2008 Vice President Services Incentive Bonus Plan (the "2008 VP Services Plan") in which only Mr.

Karnik was a participant. Mr. Karnik's total bonus target was 60% of his base salary, with a maximum payout of 300% of his target bonus. The 2008 VP Services Plan provides that 50% of Mr. Karnik's bonus target would be calculated pursuant to the terms of the 2008 Executive Plan portion of the VP Services Plan and 50% would be calculated based on the unique terms of the 2008 VP Services Plan, namely, the actual worldwide cumulative professional services direct controllable contribution margin percentage ("PS Margin"), calculated as a function of Company performance relative to the PS Margin target of 18.89% in the Company's 2008 financial plan. The Compensation Committee determined that it was in the best interests of the Company to tie a significant portion of Mr. Karnik's bonus target to the profitability of the professional services organization for which he is responsible. The Compensation Committee believed that PS Margin was an appropriate measure of such profitability. For purposes of calculating the PS Margin, the Company used the results calculated by its financial system of record for the applicable period adjusted by (i) reversing all travel and expense reimbursement revenue and related travel and expense reimbursement costs, and (ii) reversing all corporate allocations for centralized service charges. If the Company achieved greater than 100% of its PS Margin goal but less than 120% of its PS Margin goal, an additional 5% of Mr. Karnik's target bonus would qualify for payment for each 1% above 100% of the PS Margin goal to 120% of the PS Margin goal. From 120% of the PS Margin goal to 130% of the PS Margin goal, an additional 10% of Mr. Karnik's target bonus would qualify for payment for each 1% above 120% of PS Margin goal to 130% of the PS Margin goal until the maximum payout of 300% was reached. Actual PS Margin for fiscal year 2008 was 20.21%, or 107% attainment of the PS Margin goal, resulting in a 135% payout of the PS Margin portion of the 2008 VP Services Plan. Based largely upon this overachievement of the PS Margin goals under the 2008 VP Services Plan, Mr. Karnik earned bonuses totaling \$128,016 for fiscal year 2008. The Board also approved an additional bonus for Mr. Karnik for fiscal year 2008 in the amount of \$33,000, which is equivalent to 40% of his target bonus under the 2008 VP Services Plan, for performance and retentive purposes pursuant to its discretionary authority under that plan. This additional bonus will be paid out in four equal installments on December 1, 2008, December 31, 2008, March 31, 2009 and June 30, 2009.

2008 General Counsel Incentive Bonus Plan

In November 2007, in connection with adopting the 2008 Executive Plan, the Compensation Committee recommended and the Board approved 2008 General Counsel Executive Bonus Plan (the "2008 GC Plan"), in which only Mr. Witte was a participant. Mr. Witte's total target bonus was 30% of his base salary, with a maximum bonus payout of 300% of his target bonus. The Compensation Committee elected to provide Mr. Witte with a higher base salary and a correspondingly lower bonus target so as to help insulate his independence as Compliance Officer while still providing him a financial interest in the success of the Company. The 2008 GC Plan provides that 75% of Mr. Witte's eligible bonus target would be calculated under the 2008 Executive Plan portion of the 2008 GC Plan and 25% would be calculated under the unique terms of the 2008 GC Plan. In his role as the Compliance Officer of the Company, Mr. Witte reported directly to the Board and was responsible for monitoring the Company's compliance with applicable laws and the policies adopted by the Board. The Compliance Officer is charged with reporting to the Board any weaknesses in such compliance and assisting the Company in remedying any such weaknesses. Given the sensitive nature of this role, and the difficulty in objectively measuring success in this role, the Compensation Committee felt that allocating 25% of Mr. Witte's target bonus to the unique terms of the 2008 GC Plan was appropriate. Based upon partial achievement of the 2008 Executive Plan targets under the 2008 GC Plan, Mr. Witte earned and was paid a bonus of \$9,397 for fiscal year 2008. Mr. Witte resigned from the Company in June 2008. As part of his negotiated severance arrangement, he received a bonus of \$11,250 representing one-half of the bonus he was expected to receive for his services as the Company's Compliance Officer under the terms of the 2008 GC Plan.

Spot Bonuses

From time to time, the Compensation Committee will recommend that the Board provide a one-time or "spot" bonus to one or more executive officers in recognition of a specific accomplishment or an extraordinary level of

performance. In 2006, the Audit Committee conducted a review of the Company's historical option granting practices. The Audit Committee reached a conclusion that incorrect measurement dates were used for financial accounting purposes for stock option grants in certain prior periods, requiring the Company to restate certain of its prior financial statements. In February 2007, in recognition of his leadership and hard work in assisting the Audit Committee and successfully completing the restatement of the Company's financial statements, the Board, at the recommendation of the Compensation Committee, awarded a bonus of \$100,000 to Mr. Norman, our Chief Financial Officer. One-half of this bonus was paid in March 2007, and one-half was paid in December 2007. The Compensation Committee divided the payment of this bonus to provide an additional retention incentive for Mr. Norman through the end of 2007.

Equity Compensation

We believe that long-term company performance is achieved through an ownership culture that aligns the interests of our executive officers with those of our stockholders through the use of stock-based awards. As a result, equity awards, specifically stock options and restricted stock units, represent a significant portion of the executives' potential long-term compensation.

Stock Options

Stock options give the executives the right to purchase at a preset price (the market price of our stock when the option is granted) a specific number of shares of our stock at future dates, and the executives can exercise this right as the options vest (i.e., become exercisable) during the life of the option (generally ten years). The value of any stock option awards we make to our executive officers will be driven by our sustained performance over time. We also use stock options as a means to promote the long-term retention of our key executives by imposing time-based vesting conditions on all stock option awards – with vesting generally occurring over a period of four years. In evaluating the compensatory element of stock options, the Compensation Committee is guided by the accounting values of the stock options as measured by statement of financial accounting standards No. 123 (R) (“FAS 123R”). Equity forms a key part of the overall compensation for each executive officer and will be considered each year as part of the annual performance review process and incentive payout calculation. The Compensation Committee reviews the overall dilution to stockholders that may result from any annual grants to executive officers, but does not apply any specific formulas or benchmarks.

However, in connection with the adoption of the 2005 Plan and the proposal to increase the number of shares available under the 2005 Plan in last year's proxy statement, the Board committed to stockholders that through the 2008 fiscal year we would not grant to our employees, in any given fiscal year, a number of shares subject to equity awards (whether under the 2005 Plan or other plans not approved by stockholders) greater than the average “burn rate” for equity awards by companies in the software and services industry (as stated by Institutional Shareholder Services), which is 5% of the number of shares of our common stock that we believe will be outstanding at the end of such fiscal year. For purposes of calculating the number of shares granted in a given fiscal year, stock purchase awards, restricted stock awards, restricted stock unit awards, performance stock awards and other stock awards with respect to which the strike price is less than 100% of the fair market value counted as equivalent to (i) 1.5 option shares if our annual stock price volatility was 53% or higher, (ii) two option shares if our annual stock price volatility was between 25% and 52%, and (iii) four option shares if our annual stock price volatility was less than 25%. Volatility was calculated pursuant to guidelines specified by Institutional Shareholder Services.

Timing of Stock Option Grants

We have a policy of generally granting stock options on preset dates. We do not grant stock options in anticipation of the release of material nonpublic information, and we do not time the release of material nonpublic information based on stock option grant dates. Because we believe stock options are an important part of our compensation program, we grant options on an annual basis to key employees (other than newly hired employees), including our executive officers. For the annual grant to officers, the Compensation Committee recommends and the Board approves any annual option grants in advance of the third trading day after the announcement of our fiscal year-end earnings report, and the options are granted on such third trading day after the announcement of our fiscal year-end earnings report and priced using the closing price of our common stock on that date. Annual grants to employees are made and priced on the same date. We follow this same practice for new hire grants to officers though these grants may take place on the third trading day after the release of quarterly financial results. We implemented this policy in an effort to issue our annual stock option grants and other grants to officers during the time when potential material information regarding

our financial performance is most likely to be available to the market.

Size and Terms of Stock Option Grants

The size and terms of the initial option grant made to each executive officer upon joining the Company are primarily based on historical awards granted to past Chordiant executives, the size of award necessary to attract qualified candidates in a competitive labor market, and individual negotiations with qualified candidates. In addition, the Compensation Committee considers the total fully-diluted equity interest of other executives in comparable positions within the Company in an effort to maintain internal pay equity.

We determine the size and terms of annual awards based on our executive officers' ability to impact our results that drive stockholder value, their organization level and their potential to take on roles of increasing responsibility. In addition, in recommending annual grants of options to officers, the Compensation Committee considers the equity awards granted by peer companies (as disclosed in the surveys discussed above), as well as the Committee's own subjective analysis of the skills and potential contributions of the officers receiving the grants.

2008-2009 Performance Share Unit Program

In October 2007, the Board of Directors adopted the 2008-2009 Performance Share Unit Program (the "PSUP"). The PSUP is intended to provide equity incentive compensation to executive officers. The PSUP's objectives are to focus executives on achieving specific performance targets, reinforcing a team focus, providing significant award potential for achieving outstanding performance, and enhancing the ability of the Company to attract and retain highly talented and competent individuals. The PSUP provides for the grant of the restricted stock units with the size of the award and the vesting based on the financial performance of the Company over the two year period constituting the Company's fiscal years 2008 and 2009 (the "Performance Period") subject to the designated participant's continuous service during the entire Performance Period.

The PSUP award is granted at the level that can be earned based on maximum performance. Up to 50% of the target level of the restricted stock unit award will vest based on achievement of cumulative non-GAAP revenue goals for the Performance Period established by the Board and up to 50% of the target level of the restricted stock unit award will vest based on achievement of cumulative operating income for the Performance Period established by the Board. Subject to the other conditions of the PSUP, 66.67% of the RSUs will vest at target performance levels and up to the full amount of the RSU grant will vest at maximum performance levels. We are not disclosing these targets because we remain in the Performance Period and accordingly consider the information confidential.

If there is a change in control prior to the date that the Board makes a determination of the number of restricted stock units that will vest as a result of the Company's financial performance during the Performance Period, then the restricted stock units granted to designated participants will be deemed earned, immediately prior to the change in control, as if all performance goals had been achieved during the Performance Period at 100% of the target level of performance; provided, however, that such amount will be prorated to equal to the lesser of (1) the target award and (2) the target award, multiplied by the ratio of the length of the Performance Period prior to the effective date of the change in control plus 12 months, over the length of the entire Performance Period, but not to exceed the size of the target restricted stock unit award.

Shares of common stock earned under the restricted stock units will be issued promptly after vesting. However, after the issuance of shares of common Stock under the PSUP, each designated participant must not sell or otherwise transfer (excluding transfers to family trusts for tax planning purposes) any of the shares issued under the PSUP until the earlier of (1) the fourth anniversary of the date of grant of the restricted stock unit, (2) a change in control of the Company, (3) the certification by the Board that the designated participant is suffering an unforeseeable emergency, or (4) the termination of the designated participant's continuous service with the Company as a result of an involuntary termination or as a result of the designated participant's death or disability. Shares withheld by the Company to cover applicable tax withholdings will not be deemed a violation of this requirement.

Fiscal Year 2008 Equity Grants

In November 2007, the Board of Directors of the Company made grants of stock options and performance-based restricted stock units set forth below to the Named Executive Officers. The Compensation Committee determined that a combination of stock options and restricted stock units, and the allocation among stock options and restricted stock

units, were appropriate given market trends. In connection with its review of peer group data, the Compensation Committee determined that in most cases the value of the executives' equity holdings were significantly below the 75th percentile of the peer group, in some cases significantly below the median of the peer group, and thus that the grants below were appropriate. The grant date was the third trading day after the announcement of our fiscal year 2007 earnings report, and the exercise price of all awards granted in the form of stock options was the closing price of the Company's common stock on that date. Vesting and other terms of the restricted stock unit grants will be determined under the terms of the 2008-2009 Performance Share Unit Program.

Name	Number of Options	Number of Performance-Based Restricted Stock Units at Target/Maximum
Steven R. Springsteel Chairman, President and Chief Executive Officer	100,000	40,000/60,000
Peter S. Norman Vice President and Chief Financial Officer	35,000	17,500/26,250
Prashant K. Karnik Vice President and General Manager, Worldwide Professional Services and Products	35,000	17,500/26,250
Derek P. Witte Former Vice President, General Counsel and Secretary	20,000	10,000/15,000
Frank J. Florence Former Vice President and Chief Marketing Officer	20,000	10,000/15,000
David Cunningham Vice President, Worldwide Sales	75,000(1)	10,000/15,000

(1) Represents Mr. Cunningham's new hire grant.

Severance and Change of Control Benefits

Chordiant previously entered into change of control agreements with each of our executive officers (except for Mr. Springsteel as described below) that provide for certain payments and benefits in connection with a change of control of the Company. Each of Messrs. Norman, Karnik and Cunningham are eligible, and Messrs. Florence and Witte were eligible prior to their resignations, for certain severance benefits in the event of termination without cause or resignation for good reason that occurs in connection with a change of control. These benefits include payments of base salary and annual bonus, payment of continued health insurance premiums, payment of a lump sum amount for life insurance coverage, and acceleration of vesting of outstanding stock awards. As a result of the negotiations with Mr. Springsteel at the time of his hire, and in light of the challenges faced by Chordiant at that time and the talents Mr. Springsteel could bring to the Company, Chordiant entered into an employment agreement with Mr. Springsteel that provides that he will be entitled to certain cash payments and acceleration of vesting upon his termination without cause or resignation for good reason, independent of a change of control. In addition, that agreement provides that he will be entitled to certain acceleration of vesting upon the consummation of a change of control, even if his employment continues thereafter with the acquiring or successor entity. We recently amended our change of control agreements with our executives to clarify the manner by which those agreements are exempt from the application of

Section 409A of the Code, which imposes additional taxes on certain types of deferred compensation, to increase certain payments and benefits, and, except with respect to Mr. Springsteel, to eliminate the provision which obligated the Company to reimburse our executives for certain excise taxes. Mr. Springsteel also entered into such a change of control agreement, which incorporates the substantive severance and change of control terms of his employment agreement as well as the amendments noted above. Further information about the terms of these agreements is provided under "Severance and Change of Control Arrangements" below.

The Compensation Committee believes that change of control benefits, if structured appropriately, help attract qualified executive candidates to work at Chordiant, minimize the distraction caused by a potential transaction, serve as a reward for completing a strategic transaction that is in the best interest of the Company's shareholders, and reduce the risk that key talent will leave the Company before a transaction closes.

Other Compensation and Benefits

Personal Benefits. In fiscal year 2008, we offered our Named Executive Officers certain personal benefits, or perquisites, that the Compensation Committee believes are reasonable and in the best interests of Chordiant and its stockholders. These personal benefits help us attract and retain the best talent and keep our executive compensation program competitive at a minimal cost to us. The personal benefits that are offered are as follows:

- Executive physical as prescribed by the attending physician and estimated to be approximately \$2,000 per person per year;
 - Tax advice and/or financial planning assistance up to \$1,000 per person per year;
- A life insurance policy payable in the amount of \$1.0 million to the executive's designated beneficiary with the premium paid by the Company; and
 - Travel expenses of spouses of executive officers to the Company's annual sales achievers' trip.

General Benefits. We believe that we must offer a competitive benefits program to attract and retain key executives. We provide benefits to our executives on substantially the same terms as are available to our other employees, including health insurance, disability insurance, vision and dental plans.

Pension Benefits or Supplemental Retirement Benefits. We do not provide any pension or retirement benefits to our executive officers other than our 401(k) plan. We offer our executives a Company matching contribution under the 401(k) plan on the same terms as offered to our other employees.

Paid Time Off. Executive officers are allowed to take paid time off as their schedules permit without restriction. Because executive officers do not accrue paid time off, they are not entitled to payment for unused time off when they leave the employment of the Company.

Accounting and Tax Considerations

Our Compensation Committee is responsible for addressing the issues raised by Section 162(m) of the Code, which makes certain "non-performance-based" compensation to certain of our executives in excess of \$1 million non-deductible by our Company. While the Compensation Committee considers Section 162(m) in making its compensation decisions, the deductibility of compensation under Section 162(m) is not a dispositive factor in the Compensation Committee's decision-making process. The Compensation Committee will monitor the level of compensation paid to our executive officers and may act in response to the provisions of Section 162(m). We have also structured our executive compensation program with the intention that it comply with Section 409A of the Code, which imposes additional taxes on our executive officers for certain types of deferred compensation that are not in compliance with Section 409A. We recently amended our change of control agreements with our executives to clarify the manner by which those agreements are exempt from the application of Section 409A.

Accounting and tax considerations play an important role in the design of our executive compensation program. Accounting rules such as FAS 123R require us to expense the estimated fair market value of our stock option grants which reduces the amount of our reported profits. As noted above, the Compensation Committee uses these values in setting the size of executive equity awards. In addition, we monitor the overall accounting cost of equity compensation program in making decisions under our general employee equity compensation program.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis (“CD&A”) contained in this proxy statement. Based on this review and discussion, the Compensation Committee has recommended to the Board of Directors that the CD&A be included in this proxy statement.

Compensation Committee

William J. Raduchel (Chairman)

Charles E. Hoffman

David R. Springett

The material in this report is not “soliciting material” is not deemed “filed” with the Commission and is not to be incorporated by reference in any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Summary Compensation Table

The following table shows for the fiscal year ended September 30, 2008, compensation awarded to or paid to, or earned by, the Company's Named Executive Officers.

Summary Compensation Table for Fiscal 2008

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Option Awards (\$)(1)	Restricted	Non-Equity	All Other	Total (\$)
					Stock Unit Awards (\$)(1)	Incentive Plan Compensation (\$)	Compensation (\$)	
Steven R. Springsteel President and Chief Executive Officer	2008	550,000	—	776,515		—183,440(2)	11,608(3)	1,521,563
	2007	495,000	10,000(4)	668,907		—525,167(5)	8,538(6)	1,707,612
Peter S. Norman Vice President and Chief Financial Officer	2008	280,000	50,000(7)	140,311		—101,087(8)	10,085(9)	581,483
	2007	241,667	55,000(10)	112,638		—189,315(11)	5,995(12)	604,615
Prashant K. Karnik Vice President and General Manager, Worldwide Professional Services and Products	2008	275,000	—	156,820		—161,016(13)	8,389(14)	601,225
	2007	250,000	5,000(15)	139,870		—247,921(16)	4,273(17)	647,064
Derek P. Witte Former Vice President, General Counsel and Secretary	2008	300,000(18)	11,250(19)	228,381(20)		— 9,397(21)	11,259(22)	560,287
	2007	290,000	5,000(23)	205,464		—113,589(24)	8,072(25)	622,125

Frank J. Florence Former Vice President and Chief Marketing Officer	2008	257,500	—	154,459	—	6,750(26)	7,616(27)	426,325
	2007	260,000	5,000(28)	127,205	—	78,000	9,278(29)	352,278
David E. Cunningham Vice President, Worldwide Sales	2008	272,885	—	68,487	—	79,873(30)	4,041(31)	425,286
	2007	—	—	—	—	—	—	—

- (1) The dollar amount in these columns represent the compensation cost for the year ended September 30, 2008 of stock options and restricted stock unit awards granted in and prior to 2008. These amounts have been calculated in accordance with SFAS 123R, and for

stock options, ignoring the estimates of forfeiture and using the Black Scholes option-pricing model. Assumptions used in the calculation of these amounts are included in footnote 12 to our audited financial statements included in our Annual Report on Form 10-K for the year ended September 30, 2008.

- (2) Earned in the fiscal year pursuant to the Company's Fiscal Year 2008 Executive Incentive Bonus Plan.
- (3) Includes \$6,125 paid in 401(k) matching contributions, \$1,866 in premiums on a life insurance policy payable in the amount of \$1.0 million to the executive's designated beneficiary, \$783 for home internet access, \$350 for airline club memberships, and \$2,484 for spousal air travel to our annual sales achievers event.
- (4) Includes a \$10,000 spot bonus described under "Executive Compensation Components and Actions" in last year's proxy statement.
- (5) Includes all of the earned FY2007 non-equity plan compensation earned under the 2007 Executive Bonus Plan, but does not include \$178,147 paid to Mr. Springsteel in February of 2007 under the 2006 Executive Bonus Plan.
- (6) Includes \$3,875 paid in 401(k) matching contributions, \$2,167 in premiums on a life insurance policy payable in the amount of \$1.0 million to the executive's designated beneficiary, \$722 for home internet access, and \$1,774 for the cost of an executive physical.
- (7) Includes a \$50,000 spot bonus described under "Executive Compensation Components and Actions" in last year's proxy statement.
- (8) Earned in the fiscal year pursuant to the Company's Fiscal Year 2008 Executive Incentive Bonus Plan.
- (9) Includes \$5,865 paid in 401(k) matching contributions, \$1,223 in premiums on a life insurance policy payable in the amount of \$500,000 to the executive's designated beneficiary, \$1,928 for an executive physical, \$350 for airline club memberships, and \$719 for spousal air travel to our annual sales achievers event.
- (10) Includes \$50,000 cash bonus approved by the Compensation Committee on February 16, 2007 and a \$5,000 spot bonus, each as described under "Executive Compensation Components and Actions" in last year's proxy statement.
- (11) Includes all of the earned FY2007 non-equity plan compensation earned under the 2007 Executive Bonus Plan, but does not include the \$61,528 bonus paid to Mr. Norman in February of 2007 under the 2006 Executive Bonus Plan.
- (12) Includes \$4,135 paid in 401(k) matching contributions, \$500 paid for airline club memberships, \$137 paid for home office supplies, and \$1,223 in premiums on a life insurance policy payable in the amount of \$500,000 to the executive's designated beneficiary.
- (13) Earned in the fiscal year pursuant to the 2008 Vice President Services Incentive Bonus Plan.
- (14) Includes \$6,263 paid in 401(k) matching contributions, \$418 for home internet access, \$1,000 for tax preparation fees, and \$708 for spousal air travel to our annual sales achievers event.
- (15) Includes \$5,000 spot bonus described under "Executive Compensation Components and Actions" in last year's proxy statement.
- (16) Includes all of the earned FY2007 non-equity plan compensation earned under the 2007 Executive Plan, but does not include the \$17,082 bonus paid to Mr. Karnik in February of 2007 under the 2006 Executive Bonus Plan.
- (17) Includes and \$3,422 paid in 401(k) matching contributions and \$851 paid for home office expenses.
- (18) In connection with Mr. Witte's resignation effective June 30, 2008 and negotiated severance, he received salary continuation for a period of four months thereafter.
- (19) In connection with Mr. Witte's resignation and negotiated severance, he received a bonus equivalent to one-half of his target bonus in connection with his duties as Compliance Officer under the 2008 General Counsel Incentive Bonus Plan.
- (20) In connection with Mr. Witte's resignation and negotiated severance, he received, in addition to the post-termination exercise period granted under the applicable stock option plans, an additional nine months to exercise his stock options that had vested as of the effective date of his resignation.
- (21) Earned in the fiscal year pursuant to the 2008 General Counsel Incentive Bonus Plan.
- (22) Includes \$4,875 paid in 401(k) matching contributions, \$1,682 in premiums on a life insurance policy payable in the amount of \$1.0 million to the executive's designated beneficiary, \$1,508 for an executive physical, \$2,000 for tax preparation fees, and \$1,194 for spousal air travel to our annual sales achievers event.

- (23) Includes \$5,000 spot bonus described under “Executive Compensation Components and Actions” in last year’s proxy statement.
- (24) Includes all of the earned FY2007 non-equity plan compensation earned under the 2007 Executive Bonus Plan, but does not include the \$48,384 bonus paid to Mr. Witte in February of 2007 under the 2006 Executive Bonus Plan.
- (25) Includes \$5,390 paid in 401 (k) matching contributions, \$1,682 paid in premiums on a life insurance policy payable in the amount of \$1.0 million to the executive's designated beneficiary, and \$1,000 paid for tax preparation fees.
 - (26) Earned in the fiscal year pursuant to the Company’s Fiscal Year 2008 Executive Incentive Bonus Plan.
- (27) Includes \$4,875 paid in 401(k) matching contributions, \$2,223 in premiums on a life insurance policy payable in the amount of \$1.0 million to the executive's designated beneficiary, and \$518 for home internet access.
- (28) Includes \$5,000 spot bonus described under “Executive Compensation Components and Actions” in last year’s proxy statement.
- (29) Includes \$6,426 paid in 401(k) matching contributions, \$2,223 in premiums on a life insurance policy payable in the amount of \$1.0 million to the executive’s designated beneficiary, a \$78 service award and \$551 in home office expenses.
- (30) Earned in the fiscal year pursuant to the FY 2008 Vice President Worldwide Sales Bonus Plan. To the extent that plan deems a portion of the bonus to be ‘earned’ upon actual payment by the customer, we have included such portion of the bonus as if payment has been made.
- (31) Includes \$1,948 paid in 401(k) matching contributions and \$2,093 in premiums on a life insurance policy payable in the amount of \$1.0 million to the executive's designated beneficiary.

Grants of Plan-Based Awards

The following table shows for the fiscal year ended September 30, 2008, certain information regarding grants of plan-based awards to the Named Executive Officers:

Grants of Plan-Based Awards in Fiscal 2008

Name	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards (2)			Grant Date	Option Awards	
	Threshold (\$)	Target (\$)	Maximum (\$)		Threshold (#)	Target (#)	Maximum (#)		All Other Option Awards Underlying Options (#)	Exercise Price of Option Awards (\$/Sh)
Mr. Springsteel	171,875	550,000	1,650,000	10/11/2007	—	40,000	60,000	11/20/2007	100,000	9.25
Mr. Norman	48,300	168,000	504,000	10/11/2007	—	17,500	26,500	11/20/2007	35,000	9.25
Mr. Karnik	23,719	165,000	495,000	10/11/2007	—	17,500	26,500	11/20/2007	35,000	9.25
Mr. Witte	19,406	90,000	270,000	10/11/2007	—	10,000	15,000	11/20/2007	20,000	9.25
Mr. Florence	31,050	108,000	324,000	10/11/2007	—	10,000	15,000	11/20/2007	20,000	9.25
Mr. Cunningham	17,968	249,990	749,970	11/20/2007	—	10,000	15,000	11/20/2007	75,000	9.25

(1) This column sets forth the threshold, target and maximum amounts of each Named Executive Officer's annual non-equity incentive plan award for the year ended September 30, 2008 under our Fiscal Year 2008 Executive Incentive Bonus Plan for Messrs. Springsteel, Norman and Florence, 2008 Vice President Services Incentive Bonus Plan for Mr. Karnik, 2008 General Counsel Incentive Bonus Plan for Mr. Witte, and FY2008 Vice President Worldwide Sales Bonus Plan for Mr. Cunningham. For Mr. Florence, the amounts shown are based on his salary and target bonus percentage in place when the Fiscal Year 2008 Executive Incentive Bonus Plan was adopted. The actual cash bonus award earned for the year ended September 30, 2008 for each named executive officer is set forth in the "Summary Compensation Table." As such, the amounts set forth in this column do not represent additional compensation earned by the Named Executive Officers for the year ended September 30, 2008. For a description of the aforementioned plans, see the "Compensation Discussion and Analysis" section of this proxy statement.

(2) This column sets forth the threshold, target and maximum amounts of each Named Executive Officer's performance-based restricted stock unit awards pursuant to the Company's 2008-2009 Performance Share Unit Program. For a description of the Company's 2008-2009 Performance Share Unit Program, see the "Compensation Discussion and Analysis" section of this proxy statement. As noted in that section, the Company's 2008-2009 Performance Share Unit Program is determined over a two year period, which is ongoing. Accordingly, the amounts set forth in this column do not represent additional compensation earned by the Named Executive Officers for the year ended September 30, 2008.

(3) Represents the grant date fair value of stock option and restricted stock unit awards as determined in accordance with SFAS 123R. For stock option awards, these amounts have been calculated in accordance with SFAS 123R ignoring the estimate of forfeitures using the Black Scholes valuation model. For restricted stock units, the grant date fair value is calculated as the target number of restricted stock units multiplied by the Company's stock price on the date of grant (\$9.25 for Mr. Cunningham, \$15.84 for the other Named Executive Officers).

Outstanding Equity Awards at Fiscal Year End

The following table shows for the fiscal year ended September 30, 2008, certain information regarding outstanding equity awards at fiscal year end for the Named Executive Officers.

Outstanding Equity Awards At September 30, 2008

Name	Outstanding Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(6)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(7)
Mr. Springsteel	22,916	77,084(1)	9.25	11/19/2017	—	—
Mr. Springsteel	73,330	86,670(1)	8.25			