CHORDIANT SOFTWARE INC
Form DEF 14A
June 29, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	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):

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1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

20400 Stevens Creek Boulevard, Suite 400
Cupertino, California 95014

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held On August 1, 2006

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of **Chordiant Software, Inc.,** a Delaware corporation. The meeting will be held on August 1, 2006 at 1:00 p.m. local time at our corporate headquarters located at 20400 Stevens Creek Boulevard, Suite 400, Cupertino, California 95014, for the following purposes:

1. To elect two (2) Class III directors to hold office until the 2009 Annual Meeting of Stockholders and to redesignate one Class III director to Class II and to elect him to hold office for the remaining Class II term until the 2008 Annual Meeting of Stockholders;

2. To ratify the selection of BDO Seidman, LLP as Chordiant's independent registered public accounting firm for its fiscal year ending September 30, 2006; and

3. 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 Annual Meeting is June 15, 2006. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

By Order of the Board of Directors

Derek P. Witte

Vice President, General Counsel and Secretary

Cupertino, California
June 29, 2006

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, 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.

20400 Stevens Creek Boulevard, Suite 400
Cupertino, California 95014

PROXY STATEMENT
FOR THE 2006 ANNUAL MEETING OF STOCKHOLDERS
August 1, 2006

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We sent you this proxy statement and the enclosed proxy card because the Board of Directors of Chordiant Software, Inc. (referred to as "***Chordiant***" or "***we***" or "***us***") is soliciting your proxy to vote at the 2006 Annual Meeting of Stockholders. 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 meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card, or follow the instructions below to submit your proxy over the telephone or on the Internet.

We intend to mail this proxy statement and accompanying proxy card on or about June 29, 2006 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 June 15, 2006 will be entitled to vote at the annual meeting. On this record date, there were 79,616,230 shares of common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on June 15, 2006 your shares were registered directly in your name with our transfer agent, EquiServe, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the 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 or Bank

If on June 15, 2006 your shares were held, not in your name but rather in an account at a brokerage firm, bank, dealer, or other 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 direct your broker or other agent on 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 meeting unless you request and obtain a valid proxy from your broker or other agent.

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What am I voting on?

There are two matters scheduled for a vote:

- Election of two (2) Class III directors to hold office until the 2009 Annual Meeting of Stockholders and redesignation of one Class III director to Class II and election of the director to hold office for the remaining Class II term until the 2008 Annual Meeting of Stockholders; and
- Ratification of BDO Seidman, LLP as our independent registered public accounting firm for our fiscal year ending September 30, 2006.

What are the recommendations of Chordiant's Board of Directors on the matters scheduled for a vote?

The Board of Directors unanimously recommends that the stockholders vote FOR the election of the nominees for two (2) Class III directors to hold office until the 2009 Annual Meeting of Stockholders, the redesignation of one Class III director to Class II and the election of the nominee to hold office for the remaining Class II term until the 2008 Annual Meeting of Stockholders, and FOR the ratification of the selection of BDO Seidman, LLP as Chordiant's independent registered public accounting firm for its fiscal year ending September 30, 2006.

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 fairly simple:

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 meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person if you have already voted by proxy.

- To vote in person, come to the annual meeting and we will give you a ballot when you arrive.
- To vote using the proxy card, simply complete, sign and date the enclosed 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 direct.
- To vote over the telephone, please refer to the phone number printed on the enclosed 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 July 31, 2006 to be counted.
- 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 July 31, 2006 to be counted.

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

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 us. Simply complete 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 or bank. 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 or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

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 June 15, 2006.

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 the three (3) nominees for director, and "For" the ratification of BDO Seidman, LLP as independent registered public accounting firm for the fiscal year ending September 30, 2006. If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. Directors and employees will not be paid any additional compensation for soliciting 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 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 meeting. If you are a record holder of your shares, you may revoke your proxy in any one of three ways:

- You may submit another properly completed proxy card with a later date.
- You may send a written notice via certified or registered mail that you are revoking your proxy to our Corporate Secretary, Derek P. Witte, at 20400 Stevens Creek Boulevard, Suite 400, Cupertino, California 95014.
- You may attend the annual meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

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

When are stockholder proposals due for the 2007 annual meeting of stockholders?

Our Bylaws require that for a stockholder proposal to be considered for inclusion in the proxy materials for next year's annual meeting of the stockholders, it must be delivered to the our Corporate Secretary not later than the close of business on the one hundred twentieth (120^{th}) day nor earlier than the close of business on the one hundred eightieth (180^{th}) day prior to the first anniversary of the preceding year's annual meeting. 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 (120^{th}) day and not earlier than the close of business on the one hundred eightieth (180^{th}) day prior to such annual meeting, or the tenth (10^{th}) day following the day on which the public announcement of the date of such meeting is first made.

We expect that the 2007 annual meeting of stockholders will be held on or about March 1, 2007. If you intend to present a proposal at our 2007 annual meeting of stockholders 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 2007 annual meeting, your proposal must be submitted in writing to our Corporate Secretary, Derek P. Witte, at our principal executive offices no earlier than September 1, 2006 and no later than October 31, 2006. 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 September 28, 2006 to our Corporate Secretary, Derek P. Witte, at 20400 Stevens Creek Boulevard, Suite 400, Cupertino, California 95014. The proposal will need to comply with SEC regulations under Rule 14a-8 of the Securities Exchange Act of 1934 regarding the inclusion of stockholder proposals in company-sponsored proxy materials.

How are votes counted?

Votes will be counted by the inspector of election appointed for the 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 “Against” votes. Broker non-votes have no effect and will not be counted towards the vote total for any proposal.

If your shares are held by your broker as your nominee (that is, in “street name”), you will need to obtain a proxy form from the institution that holds your shares and follow the instructions included on that form regarding how to instruct your broker to vote your shares. If you do not give instructions to your broker, your broker can vote your shares with respect to “discretionary” items, but not with respect to “non-discretionary” items. Discretionary items are proposals considered routine under the rules of the New York Stock Exchange (“NYSE”) on which your broker may vote shares held in street name in the absence of your voting instructions. On non-discretionary items for which you do not give your broker instructions, the shares will be treated as broker non-votes.

How many votes are needed to approve each proposal?

- For the election of directors, the three (3) nominees receiving the most “For” votes (among votes properly cast in person or by proxy) will be elected. Only votes “For” or “Withheld” will affect the outcome.
- The affirmative vote of the holders of a majority of the shares present in person or represented 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 proposals presented to the stockholders 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 matter has been approved.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the outstanding shares entitled to vote are represented by stockholders present at the meeting or by proxy. On the record date, there were 79,616,230 shares outstanding and entitled to vote. Thus, 39,808,116 shares must be represented by stockholders present at the meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy vote (or one is submitted on your behalf by your broker bank or other nominee) or vote in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, a majority of the votes present at the meeting may adjourn the 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 our annual report on Form 10-K for fiscal 2006.

PROPOSAL 1
ELECTION OF DIRECTORS

Our Board of Directors (the “***Board***”) 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 shall serve for the remainder of the full term of that class, and until the director’s successor is elected and qualified. This includes vacancies created by an increase in the number of directors.

The Board presently has eight (8) seats, of which all are currently filled, although Stephen P. Kelly has submitted his resignation as director effective as 11:59 p.m. on the date of this annual meeting. The Board will continue to review candidates to replace the Board seat that will be vacated by Mr. Kelly. There are three (3) directors in Class III whose term of office expires in 2006. Two (2) nominees for election to this class, William J. Raduchel and Samuel T. Spadafora, are directors of ours who were previously elected by the stockholders and are nominated to be elected to three-year terms. One (1) nominee, David A. Weymouth, was elected by our Board to fill a vacancy and is nominated to be redesignated to Class II and elected for the remaining term of a Class II director. Mr. Weymouth was recommended to the Nominating and Corporate Governance Committee for consideration by Mr. Spadafora, the chairman of the Board, who is also an executive officer of ours. The Nominating and Corporate Governance Committee then recommended to the Board the redesignation of Mr. Weymouth as a Class II director and the election of Mr. Weymouth for the remaining term of a Class II director until the 2008 annual meeting. If elected at the annual meeting, each of the Class III nominees would serve until the 2009 annual meeting, and the Class II nominee would serve until the 2008 annual meeting, in each case until his successor is elected and has qualified, or until the director's death, resignation or removal. It is our policy to encourage directors and nominees for directors to attend the annual meeting, and they may attend telephonically. Except for Messrs. Spadafora, Kelly and Springsteel, none of the directors attended the 2005 annual meeting of stockholders.

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 2009 Annual Meeting

William J. Raduchel, Ph.D. age 60, has been a director of ours since February 2003, and previously served as a director of ours between August 1998 and May 2001. Since February 2005, he has served as a director of Blackboard Inc., a public company that provides enterprise software and services to the education industry. From March 2004, he served as the chairman and, from May 2004 to February 2006, chief executive officer of Ruckus Network, a digital entertainment network for students at colleges and universities over the university network. Since 2003, Dr. Raduchel has served as a director of In2Books, a non-profit educational organization which split in March 2006 into not-for-profit and for-profit companies; since the split he has been a director of only the for-profit company. Since December 2005, Dr. Raduchel has served as a director of Silicon Image, Inc., a semiconductor company and previously to that was a strategic advisor to that company from April 2003. From time to time, he has advised Myriad International Holdings, a cable television and internet services company, Hyperspace Communications, a communications software company, and WildTangent, Inc., an online game publisher. From September 1999 through January 2001, he was chief technology officer of AOL becoming chief technology officer of AOL Time Warner (now known as Time Warner Inc.) at that time, a position he held through 2002. Time Warner Inc. is a publicly traded media company. After leaving AOL Time Warner, he served as a part-time strategic advisor to America Online, Inc. (a subsidiary of Time Warner Inc.) from March 2003 through February 2004. Infoworld magazine named Dr. Raduchel chief technology officer of the year in 2001. Dr. Raduchel joined AOL from Sun Microsystems, Inc., a public computer systems and networking company, where he was chief strategy officer and a member of its executive committee. In his eleven years at Sun, he also served as chief information officer, chief financial officer, acting vice president of human resources and vice president of corporate planning and development and oversaw relationships with major Japanese partners. He has been recognized as chief information officer of the year by CIO Magazine and, in 1991, was recognized as best chief financial officer in the computer industry by Wall Street Transcript. In addition, he has held senior executive roles at Xerox Corporation and McGraw-Hill, Inc. He has been a member of the National Advisory Board for the Salvation Army (and from January 2004 vice chairman and then chairman of its Committee on Business Administration) since 1999, the Conference of Business Economists, the National Academy Committee on Internet Navigation and Domain Name

Services (now ended) and the Board on Science, Technology and Economic Policy of the National Academy of Sciences since 2000. He has several issued and pending patents. After attending Michigan Technological University, which gave him an honorary doctorate in 2002, Dr. Raduchel received his undergraduate degree in economics from Michigan State University, and earned his A.M.and Ph.D. degrees in economics at Harvard University. In both the fall and spring of 2003 he was the Castle Lecturer on Computer Science at the U.S. Military Academy at West Point.

Samuel T. Spadafora, age 63, has been chairman of our board of directors since November 1999 and has been our chief strategy officer since November 2003. Mr. Spadafora is the chairman of our strategic planning committee which was formed in January 2004. Mr. Spadafora served as our chief executive officer and a director from June 1998 to January 2002. From June 1998 until October 2000, he was also our president. From April 1994 to June 1998, Mr. Spadafora served as vice president of worldwide field operations for the microelectronic business of Sun Microsystems, Inc., a public computer systems and networking company. Mr. Spadafora serves on the board of directors of Embarcadero Technologies, Inc., a public information technology company. Mr. Spadafora holds a B.A. in marketing from Eastern Michigan University.

Nominee for Redesignation as a Class II Director and Election for the Remaining Term of a Class II Director Expiring at the 2008 Annual Meeting

David A. Weymouth, age 51, has been a director of ours since January 2005. Since July 2005, Mr. Weymouth has been an associate in the U.K with Deloitte & Touche LLP, a firm providing audit, tax, consulting and corporate finance services. From January 2005 to June 2005, Mr. Weymouth served as corporate responsibility director for Barclay's Group, a U.K.-based financial services company. From February 2000 until December 2004, Mr. Weymouth served as the group chief information officer for Barclay's Group. Prior to February 2000, Mr. Weymouth held a number of senior positions with Barclay's Group, including managing director of service provision for retail and corporate banking and chief operating officer of Corporate Banking. Mr. Weymouth holds a Bachelor degree in French and an M.B.A. from University of London.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF EACH NAMED NOMINEE.

Directors Continuing in Office Until the 2007 Annual Meeting

Charles E. Hoffman, age 57, has been a director of ours since January 2005. Since June 2001, Mr. Hoffman has served as the president, chief executive officer, and a director of Covad Communications Group, Inc., a public internet communications and services company. 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. Mr. Hoffman holds a B.S. and an M.B.A. from the University of Missouri – St. Louis.

David R. Springett, Ph.D., age 71, has been a director of ours since January 2000. Dr. Springett has served as president of the Community College Foundation, an educational foundation, since February 1994. Dr. Springett also 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 degrees from the Royal Military College of Canada, the University of Toronto, Queen's University and Harvard University.

Directors Continuing in Office Until the 2008 Annual Meeting

Steven R. Springsteel, age 48, has been a director of ours since January 2004 and has been 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 sold. 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 2003. From October 2000 to November 2001, Mr. Springsteel served as

the chief operating officer and chief financial officer of NOCpulse, a software company (subsequently sold to Red Hat). From November 1996 to October 2000, Mr. Springsteel served as our executive vice president and chief financial officer. Mr. Springsteel holds a BA in Business Administration from Cleveland State University.

Richard G. Stevens, age 59, has been a director of ours since March 2006. Mr. Stevens is the founder and managing director of Hunter Stevens, LLC, a professional services firm that Mr. Stevens founded in 1995. Prior to founding Hunter Stevens, Mr. Stevens served as a partner with both Ernst & Young LLP and Coopers & Lybrand LLP. Mr. Stevens had served as the chairman of the audit committee of Verity, Inc., a software firm based in Sunnyvale, CA and at Pain Therapeutics, Inc., a bio-science company in South San Francisco. Mr. Stevens holds a B.S. with honors from the University of San Francisco, and is a licensed CPA in the state of California and a Certified Fraud Examiner.

Director Resigning after this Annual Meeting

Stephen P. Kelly, age 44, has been a director of ours since March 2001 and was our chief executive officer from January 2002 to February 2006. Mr. Kelly has submitted his resignation as a director, effective as of 11:59 p.m. on the date of this annual meeting. Since May 15, 2006 Mr. Kelly has been the Chief Executive Officer of Micro Focus, a public enterprise software company located in the United Kingdom. From October 2000 through January 2002, he served as our president and chief operating officer, and from October 1998 through October 2000 he served as our senior vice president of Europe, Middle East and Africa operations. From October 1997 to September 1998, Mr. Kelly served as our vice president of Europe, Middle East and Africa operations. From 1987 to 1997, Mr. Kelly worked in various sales, alliances and marketing roles at the European operations of Oracle Corporation, a public enterprise software company, where he most recently served as director of Europe, Middle East and Africa alliances and industry groups. Mr. Kelly received his B.Sc. with honors in business administration from the University of Bath, England.

Executive Officers of the Registrant

Our executive officers are: Steven R. Springsteel, chief executive officer and president; Samuel T. Spadafora, chairman of the Board and chief strategy officer; Robert U. Mullen, president of worldwide field operations; Frank J. Florence, our chief marketing officer; James D. St. Jean, vice president of worldwide engineering; and Peter S. Norman, vice president and chief financial officer.

Below is a brief biography of each of our executive officers, except Mr. Springsteel and Mr. Spadafora. Biographical information regarding Mr. Springsteel can be found above in the section titled, Directors Continuing in Office Until the 2008 Annual Meeting and biographical information regarding Mr. Spadafora can be found above in the section titled Nominees for Election for Three-year Terms Expiring at the 2009 Annual Meeting.

Robert U. Mullen, age 41, has served as our president of worldwide field operations since March 2005. From March 2003 to March 2005, he served as our senior vice president of North American field operations. From January 2001 to March 2003, he served as our senior vice president of sales. From 1999 to January 2001, he served as our general manager of European sales. Prior to joining Chordiant, Mr. Mullen worked at IBM, a public information technology and business services company, in the financial services sector as sales manager of the solutions group from 1992 to 1999. Mr. Mullen holds a B.S. with honors in computer science from Kingston University, London.

Frank J. Florence, age 53, has served as our chief marketing officer since May 2006. From 2003 to 2006, he served as senior vice president, marketing and corporate development, for Dorado Corporation, a lending application provider. From 2002 to 2003, he served as senior vice president, marketing, for InStranet, a sales, marketing and service application provider. From 2000 to 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 1997 to 2000, he served as president and chief executive officer of SmartDB, an ERP integration software platform company. Mr. Florence earned a bachelor of arts (summa cum laude) and a masters of business administration from the University of Santa Clara, California.

James D. St. Jean, age 39, has served as our vice president of worldwide engineering since July 2005 and has been an employee of ours since 2000 when we acquired White Spider, a knowledge management solutions company he founded. From 2000 to July 2005, Mr. St. Jean served in several management positions, 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 public 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.

Peter S. Norman, age 48, 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. He also served in several senior financial and operational positions with several private companies. Mr. Norman holds a Bachelor of Science Degree, cum laude, from Humboldt State University with a major in accounting. 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.

Independence of the Board of Directors

As required under the Nasdaq Stock Market (“Nasdaq”) listing standards, 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 our legal counsel to ensure that the Board’s determinations are consistent with all relevant securities and other laws and regulations regarding the definition of “independent,” including those set forth in pertinent listing standards of the Nasdaq, as in effect from 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 us, our senior management and our independent auditors, the Board affirmatively has determined that all of our directors are independent directors within the meaning of the applicable Nasdaq listing standards, except for Steven Springsteel, our chief executive officer and president, Samuel Spadafora, the chairman of the Board and chief strategy officer, and Stephen Kelly, who is resigning from the Board as of the date of this meeting and who resigned as our chief executive officer on February 1, 2005 but remained an employee of ours until May 2, 2006.

Information Regarding the Board of Directors and its Committees

In April 2004, the Board of Directors documented our governance practices by adopting Corporate Governance Guidelines to assure that the Board will have the necessary authority and practices in place to review and evaluate our business operations as needed and to make decisions that are independent of our management. The guidelines are also intended to align the interests of directors and management with those of our stockholders. The Corporate Governance Guidelines set forth the practices the Board will follow with respect to board composition and selection, director orientation and education, director compensation, board meetings, board committees, board access to management, and succession planning. The Corporate Governance Guidelines were adopted by the Board to, among other things, reflect changes to the Nasdaq listing standards and Securities and Exchange Commission rules adopted to implement provisions of the Sarbanes-Oxley Act of 2002. The Corporate Governance Guidelines, as well as the charters for Audit, Compensation, Nominating and Corporate Governance and Strategic Planning Committees of the Board, may be viewed on the worldwide web at www.chordiant.com.

As required under Nasdaq listing standards, our independent directors meet in regularly scheduled executive sessions at which only independent directors are present. Executive sessions have been chaired by David Springett, the Board’s lead independent director.

In June 2005, Mr. Spadafora and Dr. Raduchel attended the Stanford Directors’ College, an “ISS endorsed” director education program.

Meetings of the Board of Directors

During fiscal 2005, the Board met 13 times. All directors other than Mr. Hoffman attended at least 75% of the aggregate of the meetings of the Board and of the committees on which they served, held during the period for which they were a director or committee member, respectively.

Committees

During the year, the Board Committees were the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, and the Strategic Planning Committee. The charters of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committees and the Strategic Planning Committee, as well as additional information about our Corporate Governance Policies and Practices, are available on our website at http://chrd.client.shareholder.com/documents.cfm. Such charters and additional information shall not constitute "soliciting material," shall not be deemed "filed" with the Securities and Exchange Commission and is not to be incorporated by reference into any other company filings under the Securities Act of 1933 or the Exchange Act of 1934, except to the extent we specifically incorporate such charters and additional information by reference therein.

Audit Committee

During fiscal 2005, the Audit Committee held 13 meetings. As of May 15, 2006, the Audit Committee has met eight times during fiscal 2006. During fiscal 2005, the Audit Committee consisted of William Raduchel, David Springett, and Steven Springsteel (Chair). In September 2005, the Board reconstituted the Audit Committee and appointed David Weymouth as a member, and Dr. Raduchel resigned from the Audit Committee. Mr. Springsteel and Mr. Springett remained members of the Audit Committee. In January 2006, Mr. Springsteel resigned from the Audit Committee, Dr. Raduchel joined the Audit Committee, and Mr. Weymouth was appointed Chairman. In March 2006, the Audit Committee was reconstituted, and Richard Stevens joined the Audit Committee as Chairman, and Messrs. Weymouth and Springett remained as members.

The Audit Committee of the Board oversees our corporate accounting and financial reporting process, including:

- approving the engagement of the independent auditors and evaluating the performance of and assessing the qualifications of the independent auditors;
- conferring with management and the independent auditors regarding the effectiveness of internal controls over financial reporting; and
- establishing procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

The Board of Directors annually reviews the Nasdaq listing standards definition of independence for Audit Committee members and has determined that during the 2005 fiscal year all members of our Audit Committee were independent (as independence is currently defined in Rule 4350(d)(2)(A)(i) and (ii) of the Nasdaq listing standards) and that all current members of our Audit Committee are independent. Upon his appointment to the Audit Committee in January 2004, the Board of Directors determined that Mr. Springsteel qualified as an "audit committee financial expert," as defined in applicable Securities and Exchange Commission ("SEC") rules. The Board made a qualitative assessment of Mr. Springsteel's level of knowledge and experience based on a number of factors, including his formal education and experience as a chief financial officer for public reporting companies. Following Mr. Springsteel's resignation from the Audit Committee, and upon Dr. Raduchel's appointment to the Audit Committee, the Board determined that Dr. Raduchel qualified as an "audit committee financial expert." Upon Mr. Stevens' appointment to the Audit Committee, the Board determined that Mr. Stevens qualified as an "audit committee financial expert." The Audit Committee has adopted a written Audit Committee Charter that is attached as ***Appendix A*** to these proxy materials. Additionally, our Audit Committee charter can be found on the worldwide web at www.chordiant.com.

Compensation Committee

During fiscal 2005, the Compensation Committee met ten (10) times. As of May 15, 2006, the Compensation Committee has met eight times during fiscal 2006. During fiscal 2005, the Compensation Committee consisted of William Raduchel, David Springett, and Steven Springsteel (Chair). In September 2005, the Board reconstituted the Compensation Committee and appointed Charles Hoffman as a member and appointed Dr. Raduchel as Chairman, replacing Mr. Springsteel. Mr. Springett remained a member of the Compensation Committee. The Compensation

Committee currently consists of Dr. Raduchel (Chair), Mr. Hoffman and Mr. Springett. All members of our Compensation Committee are independent (as independence is currently defined in Rule 4200(a)(15) of the Nasdaq listing standards). Our Compensation Committee charter can be found on the worldwide web at www.chordiant.com.

The Compensation Committee of the Board oversees our overall compensation strategy and policies, including:

- reviewing and approving, or recommending to the Board for approval, individual performance goals which shall support our corporate performance goals and objectives relevant to the compensation of our executive officers and other senior management;
- recommending and approving the terms of a plan for vice presidents (excluding executive officers) pursuant to which the chief executive officer may determine the compensation to be paid to such officers;
- establishing policies with respect to equity compensation arrangements;
- reviewing compensation practices and trends relating to our industry to assess the propriety, adequacy and competitiveness of our executive compensation programs;
- reviewing and approving, or recommending to the Board for approval, the terms of any employment agreements, severance agreements, change-of-control protections and any other compensatory arrangements for our executive officers and other senior management;
- reviewing, determining and recommending to the Board for approval the compensation to be paid to our non-employee Directors for service on the Board and its committees;
- recommending to the Board the adoption, amendment and termination of our stock option plans, stock purchase plans, executive bonus plans and similar programs; and
- administering our stock option plans, stock purchase plans, executive bonus plans and similar programs.

Nominating and Corporate Governance Committee

During fiscal 2005, the Nominating and Corporate Governance Committee consisted of R. Andrew Eckert (Chair) and David Springett. In June 2005, Mr. Eckert resigned from the board, and in July 2005, the Board appointed Charles Hoffman as Chairman. The Nominating and Corporate Governance Committee currently consists of Mr. Hoffman (Chair) and Mr. Springett. In fiscal 2005, the Nominating and Corporate Governance Committee did not meet. As of May 15, 2006, the Nominating and Corporate Governance Committee has met twice during fiscal 2006. All members of the Nominating and Corporate Governance Committee are independent (as independence is currently defined in Rule 4200(a)(15) of the Nasdaq listing standards). Our Nominating and Corporate Governance Committee charter can be found on the worldwide web at www.chordiant.com.

The Nominating and Corporate Governance Committee of the Board is responsible for:

- identifying, evaluating, reviewing and recommending qualified candidates to serve as directors of Chordiant (consistent with criteria approved by the Board);
- making recommendations to the Board regarding the chairmanship and membership of each committee; and
- reviewing and assessing Chordiant's corporate governance principles.

The Board will determine the appropriate characteristics, skills and experience for the Board as a whole and for its individual members. The Board considers recommendations for nominees from the Nominating and Corporate Governance Committee, which is responsible for identifying, reviewing, and evaluating candidates in accordance with the criteria set forth below. In selecting candidates and existing directors for service on the Board, the minimum general criteria set forth below will be considered; specific additional criteria may be added with respect to specific searches. An acceptable candidate may not fully satisfy all of the criteria, but is expected to satisfy nearly all of them.

The Board believes that candidates for director should have certain minimum qualifications, including being able to read and understand basic financial statements and having the highest personal integrity and ethics. In considering candidates recommended by the Nominating and Corporate Governance Committee, the Board 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 our affairs, 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 our stockholders. However, the Board 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, our operating requirements and the long-term interests of stockholders. In conducting this assessment, the Board considers, skills, experience and such other factors as it deems appropriate given the current needs of the Board and Chordiant, to maintain a balance of knowledge, experience and capability. In the case of incumbent directors whose terms of office are set to expire, the Board reviews such directors overall service to Chordiant during their term, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair such directors independence. In the case of new director candidates, the Board also determines whether the nominee is independent for purposes of Nasdaq listing standards.

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 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 committee meets to discuss and consider such candidates qualifications and then selects a nominee for recommendation to the Board. To date, the Nominating and Corporate Governance Committee has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates. In fiscal 2005, the Nominating and Corporate Governance Committee did not reject a timely director nominee from a stockholder or stockholders holding more than 5% of our voting stock.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. The Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether the candidate was recommended by a stockholder or not. Stockholders who wish to recommend individuals for consideration by the Nominating and Corporate Governance Committee to become nominees for election to the Board may do so by delivering a written recommendation via certified or registered mail to the Nominating and Corporate Governance Committee at the following address: Chordiant Software, Inc. at 20400 Stevens Creek Boulevard, Suite 400, Cupertino, CA 95014, Attention: Derek P. Witte, Corporate Secretary, not more than six months nor less than four months prior to any meeting at which directors are to be elected. Submissions must include the full name of the proposed nominee, a description of the proposed nominees business experience for at least the previous five years, complete biographical information, a description of the proposed nominees qualifications as a director and a representation that the nominating stockholder is a beneficial or record owner of Chordiants stock. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected.

Strategic Planning Committee

During fiscal 2005, the Strategic Planning Committee held two (2) meetings. As of May 15, 2006, the Strategic Planning Committee has met three times during fiscal 2006. The Strategic Planning Committee was formed in January 2004 and currently consists of Messrs. Spadafora (Chair), Springett and Weymouth and Dr. Raduchel. A majority of the directors on our Strategic Planning Committee are independent (as independence is currently defined in Rule 4200(a)(15) of the Nasdaq listing standards). Our Strategic Planning Committee charter can be found on the worldwide web at www.chordiant.com.

The Strategic Planning Committee of the Board is responsible for:

- serving as representatives of the Board to review with the chief executive officer, president and other management of Chordiant, our long-range financial and strategic objectives;
- reviewing with our chief executive officer, president and other management, material changes to our strategic direction, including acquisitions, joint ventures or dispositions of businesses and capital assets and the financing of such transactions;
- reviewing and assessing periodically the adequacy of the committees charter, including the committees role and responsibilities as outlined in the charter, and shall recommend any proposed changes to the Board for its consideration; and

- undertaking from time to time such additional activities within the scope of the committees primary functions as assigned by the Board.

Stockholder Communications with the Board of Directors

The Board has adopted a formal process by which stockholders may communicate with the Board. This information is available on our website on the worldwide web at www.chordiant.com.

Code of Business Conduct and Ethics

We have adopted the Chordiant Code of Business Conduct and Ethics (the Code), which applies to all officers, directors and employees. The Code is available on our website at http://chrd.client.shareholder.com/documents.cfm. If we make any substantive amendments to the Code or grant any waiver from a provision of the Code to any executive officer, we will promptly disclose the nature of the amendment or waiver on our website.

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REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Communications with Management and Independent Accountants

The Audit Committee has reviewed and discussed our audited financial statements with management. In addition, the Audit Committee has discussed with BDO Seidman, LLP, our independent accountants, the matters required to be discussed by Statement of Auditing Standards No. 61, Communications With Audit Committees which includes, among other items, matters related to the conduct of the audit of our financial statements. The Audit Committee also has received written disclosures and the letter from BDO Seidman, LLP required by the Independence Standards Board Standard No. 1, which relates to the accountants independence from us and our related entities, and has discussed their independence from us, including whether BDO Seidman, LLPs provision of non-audit services was compatible with that independence.

Committee Member Independence

The Audit Committee is comprised of three non-employee, independent directors (as independence is defined in NASD Rule 4200(a)(15) of the Nasdaq Stock Market listing standards). The Audit Committee does have a financial expert as defined in applicable SEC rules.

Based on the Audit Committees discussion with management and BDO Seidman, LLP, and the Audit Committees review of the representation of management and the report of the BDO Seidman, LLP to the Audit Committee, the then constituted Audit Committee recommended that the Board include the audited consolidated financial statements in our Annual Report on Form 10-K for the twelve months ended September 30, 2005 filed with the Securities and Exchange Commission filed on December 9, 2005.

Audit Committee

Richard G. Stevens
David Springett
David Weymouth

The material in this report is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any filing of the Company under the 1933 or 1934 Act.

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PROPOSAL 2
RATIFICATION OF SELECTION OF INDEPENDENT

REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has selected BDO Seidman, LLP as our independent auditors for the fiscal year ending September 30, 2006 and has further directed that the selection of independent auditors for ratification by the stockholders be submitted at the Annual Meeting. BDO Seidman, LLP became our independent registered public accounting firm on July 1, 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 our Bylaws nor other governing documents or law require stockholder ratification of the selection of BDO Seidman, LLP as our 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 our best interests and the best interests of our stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented 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 proposals presented to the stockholders 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 matter has been approved.

Engagement of BDO Seidman

As previously reported in a current report of Form 8-K on July 1, 2005, we engaged BDO Seidman, LLP as our independent registered public accounting firm, effective July 1, 2005.

During our two most recently completed fiscal years prior to our engagement of BDO Seidman LLP, which ended December 31, 2003 and September 30, 2004, and through the subsequent interim period, neither we nor anyone on our behalf consulted BDO Seidman, LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements, nor has BDO Seidman, LLP provided to us a written report or oral advice regarding such principles or audit opinion; or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions thereto) or a reportable event (as described in Item 304(a) (1)(v) of Regulation S-K).

Resignation of PricewaterhouseCoopers LLP

On May 18, 2005, PricewaterhouseCoopers LLP informed us that PricewaterhouseCoopers LLP declined to stand for reelection as our independent registered public accounting firm. This event was disclosed in our Form 8-K filed on May 24, 2005.

The reports of PricewaterhouseCoopers LLP on our consolidated financial statements for the nine months ended September 30, 2004 and the year ended December 31, 2003 did not contain any adverse opinion, or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. During the nine months ended September 30, 2004, the year ended December 31, 2003 and through May 18, 2005, there were no disagreements with PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PricewaterhouseCoopers LLP would have caused them to make reference thereto in their report on the financial statements for such periods. During the nine months ended September 30, 2004, the year ended December 31, 2003 and through May 18, 2005, other than as previously disclosed in our Form 10-K/T for the period ending September 30, 2004 and Forms 10-Q for the periods ending December 31, 2004 and March 31, 2005 and as described below, there were no reportable events requiring disclosure pursuant to paragraphs (a) (1) (v) of Section 304 of Regulation S-K. The term reportable event means any of the items listed in paragraphs (a) (1) (v) (A)-(D) of Section 304 of Regulation S-K.

Material Weakness Reported for the Year ended September 30, 2005

As previously reported in a current report on Form 8-K on December 6, 2005, in completing our assessment of the effectiveness of our internal control over financial reporting, we determined that certain material weaknesses (as defined below) in our internal control over financial reporting existed as of September 30, 2005. Our management determined that we did not maintain effective control over its accounting for its non-cash stock-based compensation and related financial statement disclosures, since the method by which we originally valued the common stock and amortized deferred stock-based compensation for such common stock were determined to be incorrect. In addition, our management determined that we did not maintain effective control over the preparation of our Statement of Cash Flows, in particular, with regard to the classification of cash expenditures for certain capitalized costs. Our management has concluded that each of these matters constitutes a material weakness in internal control over financial reporting.

As originally reported in our quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2004, our management determined that a material weakness existed with respect to our internal control over financial reporting relating to the staffing of our finance department to the effect that inadequate staffing and supervision leading to untimely identification and resolution of certain accounting matters. Notwithstanding the progress made to remediate the staffing issues of September 30, 2004, certain untimely identification and resolution of certain accounting matters have been identified by us in the 2005 audit of our financial statements, which, taken in combination, have led management to conclude that at September 30, 2005, a material weakness in the levels of staffing in the financial department continued to exist.

In this report, unless otherwise indicated, a significant deficiency is defined as a control deficiency, or combination of deficiencies, that adversely affects the companys ability to initiate, authorize, record, process or report external financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the companys financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Principal Accountant Fees and Services

PricewaterhouseCoopers LLP. The following table represents aggregate fees for professional services billed to us for services rendered for the year ended September 30, 2005 and the nine months ended September 30, 2004, by PricewaterhouseCoopers LLP, our principal independent accountant until May 2005.

	Year Ended September 30, 2005	Nine Months Ended September 30, 2004
Audit Fees		
Aggregate fees for professional services rendered for the audits of our consolidated financial statements, statutory and subsidiary audits, consents, income tax provision procedures, and assistance with review of documents filed with the SEC:	$310,000	$1,566,158
Audit-Related Fees		
Aggregate fees for assurance and related services including benefit plan audits and consultation on acquisitions:		74,475
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:	10,681	10,921
All Other Fees	1,125	

Total	$321,806	$1,651,554

BDO Seidman, LLP. The following table represents aggregate fees for professional services billed to us for services rendered for the year ended September 30, 2005 by BDO Seidman, LLP, our principal independent accountant since July 2005. BDO Seidman, LLP did not render any services to us prior to that date.

	Year Ended September 30, 2005
Audit Fees	
Aggregate fees for professional services rendered for the audits of our consolidated financial statements, reviews of our interim financial statements, statutory and subsidiary audits, consents, internal control over financial reporting, and assistance with review of documents filed with the SEC (including final invoicing for 2005 audit):	$1,257,292
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:	
All Other Fees	
Total	$1,257,292

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 accountant, 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 auditor. 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 and PricewaterhouseCoopers LLP to render 100% of the services described in the categories above was approved by the Audit Committee in advance of the rendering of those services.

The Audit Committee has determined the rendering of the tax and other non-audit services by BDO Seidman, LLP are compatible with maintaining the accountant's independence and certain tax services have been pre-approved. In Fiscal 2005 we also retained Deloitte & Touche LLP to provide us with tax services.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 2.

Information Regarding Stock Awards Granted During Fiscal 2005

The following table presents certain information with respect to stock awards granted under the 1999 Plan and the 2000 Plan during the 2005 fiscal year to (A) the officers listed in the Summary Compensation Table below, (B) all executive officers as a group, (C) all current directors who are not executive officers as a group; and (D) all employees, including current officers who are not executive officers, as a group. Other than Mr. de Urioste, no person received five percent or more of the options granted during fiscal 2005. For information concerning stock awards granted to our directors under our 1999 Non-Employee Directors’ Stock Option Plan, see “Compensation of Directors and Executive Officers — Compensation of Directors” below.

	Shares Covered by Restricted Stock Awards Granted During the 2005 Fiscal Year	Shares Covered by Options Granted During the 2005 Fiscal Year
Samuel T. Spadafora, Chairman of the Board	—	—
Stephen P. Kelly, Chief Executive Officer	125,000(1)	—
George A. de Urioste, Chief Operating Officer and Chief Financial Officer	—	750,000(2)
Robert U. Mullen, President Worldwide Field Operations	325,000(3)	—
Donald J. Morrison, President (4)	—	—
All current executive officers as a group	450,000	750,000
All current directors who are not executive officers as a group	—	137,500
All employees who are not executive officers as a group	—	1,196,050

(1) In June 2005, Mr. Kelly received a grant of 125,000 restricted shares of our common stock. These shares vested on April 1, 2006. Mr. Kelly resigned as our chief executive officer effective February 1, 2006 but remained an employee until May 2, 2006.

(2) In November 2004, Mr. de Urioste received a grant of 750,000 stock options. These options were scheduled to vest monthly over a thirty month period from the date of grant. Mr. de Urioste resigned as our chief operating officer and chief financial officer effective March 8, 2006 but remained an employee until March 31, 2006. As of March 31, 2006, 404,166 stock options from this grant had vested, of which 100,000 have been exercised. His options which were unvested as of March 31, 2006 have expired.

(3) In June 2005, Mr. Mullen received a grant of 125,000 restricted shares of our common stock. These shares vested on April 1, 2006. In August 2005, Mr. Mullen received a grant of 200,000 restricted shares of our common stock. These shares vest as follows: 66,666 shares vested on October 1, 2005; 66,667 shares vest on October 1, 2006; and 66,667 shares vest on October 1, 2007; provided that Mr. Mullen is employed by us on each subsequent vesting date.

(4) Mr. Morrison resigned as our president effective May 2, 2005.

EQUITY COMPENSATION PLAN INFORMATION (1) (2)

The following table provides certain information with respect to all of our equity compensation plans in effect as of September 30, 2005:

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	6,255,972	2.38	7,693,696
Equity compensation plans not approved by security holders	2,136,453	1.88	425,902
Total	**8,392,425**	**2.28**	**8,119,598**

(1) All information set forth in this table is as of September 30, 2005.

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(2) Upon our acquisition of Prime Response, Inc. and White Spider Software, Inc. in 2001 and 2000, respectively, we assumed outstanding options of Prime Response and White Spider such that these options became exercisable for an aggregate of 768,560 shares of our common stock at a weighted-average exercise price of $9.21 per share. As of September 30, 2005, 68,355 options of Prime Response, Inc. and White Spider Software, Inc are still outstanding with a weighted-average exercise price of $1.09. 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 and the plans were not assumed by us. The shares referenced in this note are not included in any of the numbers set forth in the table.

2005 Equity Incentive Plan

The 2005 Equity Incentive Plan (2005 Plan) was approved at the 2005 annual meeting on September 27, 2005. The 2005 Plan replaces the 1999 Equity Incentive Plan (the 1999 Plan) and provides for the grant of incentive stock options, nonstatutory stock options, stock purchase awards, restricted stock awards, and other forms of equity compensation (collectively, the stock awards). The option price shall not be less than the fair market value of the shares on the date of grant and that no portion may be exercised beyond ten years from that date. Under the 2005 Plan, stock options vest over a period that is limited to five years, but are typically granted with a four-year vesting period. 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 options or settlement of stock awards under the 1999 Plan of approximately 1,242,000 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 increases the number of shares available for issuance by 5,500,000 shares of common stock from an aggregate total of approximately 1,242,000 shares available under the 1999 Plan as of September 27, 2005, resulting in an aggregate of approximately 6,742,000 shares available for future grant and issuance under the 2005 Plan. As of

September 30, 2005, there were approximately 6.7 million shares reserved for future issuance and approximately 6.0 million shares that were outstanding under the 2005 Plan.

2000 Nonstatutory Equity Incentive Plan

In March 2000 the Board adopted the 2000 Nonstatutory Equity Incentive Plan (the 2000 Plan). Stockholder approval of this plan is not required and has not been obtained by us. The 2000 Plan was in effect as of December 31, 2003. In April 2002 and October 2002, the Board approved increases to the number of shares reserved under the 2000 Plan from 900,000 shares to 2,400,000 shares and then to 4,400,000 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 our employees (other than officers, directors, or beneficial owners of ten percent (10%) or more of our common stock) and consultants who meet certain eligibility requirements.

As of September 30, 2005, there were approximately 2.1 million shares subject to outstanding stock option grants, approximately 63,000 shares of unvested restricted stock, and approximately 426,000 shares available for future grant and issuance (plus any shares that might be returned to the 2000 Plan in the future as a result of cancellations or expirations of granted options and the repurchase of unvested restricted stock and stock bonuses). 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 optionees 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 in equal monthly installments with 25% of the shares vesting after one year, and the remainder vesting in equal monthly installments over the remaining three years. In the future, stock options may have the same or different vesting terms as determined by the Board (or a committee of the Board). The Board (or a committee of the Board) sets the terms of stock bonuses and rights to purchase restricted stock.

1999 Equity Incentive Plan

The 1999 Plan provides 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 are 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, approximately 1,242,000 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.

1999 Non-Employee Directors Option Plan

The 1999 Non-Employee Director Stock Option Plan was adopted by the Board of Directors and became effective on the date of the initial public offering. The Non-Employee Director Stock Option Plan provides for the automatic grant of a nonstatutory option to purchase 25,000 shares of Common Stock to each new non-employee director who becomes a director after the date of our initial public offering on the date that such person becomes a director. Each current and future non-employee director will automatically be granted an additional nonstatutory option to purchase 7,500 shares on the day after each of our annual meetings of the stockholders. Each director who is a member of a board committee will automatically be granted an additional nonstatutory option to purchase 5,000 shares on the day after each of our annual meetings of the stockholders. As of September 30, 2005, approximately 952,000 shares of common stock have been reserved for issuance, and 290,000 shares are outstanding under the director plan. The amount reserved under the 1999 Non-Employee Directors Stock Option Plan automatically increases on October 1st of each year by the greater of (1) 0.5% outstanding shares on such date or (2) the number of shares subject to stock awards made under this plan during the prior twelve month period. However, the automatic increase is subject to reduction by the Board of Directors. Under the terms of the plan, option prices 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.

1999 Employee Stock Purchase Plan

The 1999 ESPP was adopted by the Board of Directors and became effective on February 14, 2000, the date of our initial public offering. 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 six-month offering period or the specified purchase date. There were no purchases of common stock under the ESPP for fiscal year ended September 30, 2005, as the plan is currently suspended. At September 30, 2005, approximately 3,558,000 shares are available for future issuances under this plan.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of our common stock as of May 15, 2006 by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table; and (iii) all of our executive officers and directors as a group. In addition, the table sets forth certain information regarding the ownership of our common stock by all those known by us to be beneficial owners of more than five percent of our common stock as of the dates noted below.

	Beneficial Ownership(1)	
Beneficial Owner	**Number of Shares**	**Percent of Total**
Five Percent Stockholders:		