

DemandTec, Inc.  
Form DEF 14A  
July 21, 2008

**Table of Contents**

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

Filed by the Registrant  **p**  
Filed by a Party other than the Registrant  **o**

Check the appropriate box:

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

**DEMANDTEC, INC.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box)

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

Title of each class of securities to which transaction applies:

Aggregate number of securities to which transaction applies:

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

Proposed maximum aggregate value of transaction:

Total fee paid:

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

---

**Table of Contents**

**DEMANDTEC, INC.**  
**1 Circle Star Way, Suite 200**  
**San Carlos, CA 94070**

July 21, 2008

Dear Stockholder:

I am pleased to invite you to attend DemandTec, Inc.'s 2008 Annual Meeting of Stockholders, to be held on Tuesday, September 2, 2008 at DemandTec's Corporate Headquarters, 1 Circle Star Way, Suite 200, San Carlos, CA, 94070. The meeting will begin promptly at 11:00 a.m., local time.

Enclosed are the following:

- our Notice of Annual Meeting of Stockholders and Proxy Statement for 2008;
- our Annual Report on Form 10-K for fiscal year 2008; and
- a proxy card with a return envelope to record your vote.

Details regarding the business to be conducted at the Annual Meeting are more fully described in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement. We encourage you to read these materials carefully.

Your vote is important. Whether or not you expect to attend, please date, sign, and return your proxy card in the enclosed envelope, or vote via telephone or the Internet according to the instructions in the Proxy Statement, as soon as possible to ensure that your shares will be represented and voted at the Annual Meeting. If you attend the Annual Meeting, you may vote your shares in person even though you have previously voted by proxy if you follow the instructions in the Proxy Statement.

On behalf of the Board of Directors, thank you for your continued support and interest.

Sincerely,

**Daniel R. Fishback**  
*President and Chief Executive Officer*

1 Circle Star Way, Suite 200  
San Carlos, CA 94070

T 650.226.4600 F 650.556.1190  
[www.demandtec.com](http://www.demandtec.com)

**YOUR VOTE IS EXTREMELY IMPORTANT**

**Please vote by telephone or Internet, or date and sign the enclosed proxy card and return it at your earliest convenience in the enclosed postage-prepaid return envelope so that your shares may be voted.**



**Table of Contents**

**DEMANDTEC, INC.  
1 Circle Star Way, Suite 200  
San Carlos, CA 94070**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held On September 2, 2008**

Dear Stockholder:

You are cordially invited to attend the 2008 Annual Meeting of Stockholders of DemandTec, Inc., a Delaware corporation. The meeting will be held on Tuesday, September 2, 2008 at 11:00 a.m. local time at DemandTec's Corporate Headquarters, 1 Circle Star Way, Suite 200, San Carlos, CA, 94070 for the following purposes:

1. To elect two (2) members of the Board of Directors to serve until the 2011 annual meeting of stockholders of the Company or until such persons' successors have been duly elected and qualified.
2. To ratify the appointment by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending February 28, 2009.
3. To transact 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 July 7, 2008. 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

**Michael J. McAdam**  
General Counsel and Corporate Secretary

San Carlos, California  
July 21, 2008

**You are cordially invited to attend the annual meeting in person. Whether or not you expect to attend the annual 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 annual 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 annual 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 annual meeting, you must obtain a proxy issued in your name from that record holder.**

---

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING</u>	1
<u>Why am I receiving these materials?</u>	1
<u>Who can vote at the Annual Meeting?</u>	1
<u>What am I voting on?</u>	1
<u>How do I vote?</u>	2
<u>How many votes do I have?</u>	2
<u>What if I return a proxy card but do not make specific choices?</u>	2
<u>Who is paying for this proxy solicitation?</u>	2
<u>What does it mean if I receive more than one proxy card?</u>	3
<u>Can I change my vote after submitting my proxy?</u>	3
<u>How are votes counted?</u>	3
<u>How many votes are needed to approve each proposal?</u>	3
<u>What is the quorum requirement?</u>	3
<u>How can I find out the results of the voting at the Annual Meeting?</u>	3
<u>How can stockholders submit a proposal for inclusion in our Proxy Statement for the 2009 Annual Meeting of Stockholders?</u>	4
<u>How can stockholders submit proposals to be raised at the 2009 Annual Meeting of Stockholders that will not be included in our Proxy Statement for the 2009 Annual Meeting of Stockholders?</u>	4
<u>What if the date of the 2009 Annual Meeting of Stockholders changes by more than 30 days from the anniversary of this year's Annual Meeting?</u>	4
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	5
<u>Information Regarding the Nominees</u>	5
<u>Information Regarding Other Directors Continuing in Office</u>	5
<u>CORPORATE GOVERNANCE</u>	7
<u>Independence of the Board of Directors</u>	7
<u>Information Regarding the Board of Directors and its Committees</u>	7
<u>Audit Committee</u>	7
<u>Compensation Committee</u>	8
<u>Compensation Committee Interlocks and Insider Participation</u>	9
<u>Nominating/Corporate Governance Committee</u>	9
<u>Meetings of the Board of Directors</u>	10
<u>Code of Business Conduct</u>	10
<u>Stockholder Communications With the Board of Directors</u>	10
<u>Attendance at Annual Meeting of Stockholders by the Board of Directors</u>	10
<u>Compensation of Directors</u>	10
<u>PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	14
<u>Independent Registered Public Accounting Firm's Fees</u>	14
<u>Pre-Approval Policies and Procedures</u>	14
<u>Audit Committee Report</u>	15
<u>EXECUTIVE OFFICERS</u>	16
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	17
<u>SECTION 16 BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	19





**Table of Contents**

	<b>Page</b>
<b><u>COMPENSATION OF EXECUTIVE OFFICERS</u></b>	19
<u>Compensation Discussion and Analysis</u>	19
<u>Compensation Committee Report</u>	26
<u>Fiscal 2008 Summary Compensation Table</u>	26
<u>Fiscal 2008 Grants of Plan-Based Awards</u>	27
<u>Outstanding Equity Awards at Fiscal 2008 Year-End</u>	27
<u>Option Exercises and Stock Vested During Fiscal 2008</u>	29
<u>Employment Agreements and Offer Letters</u>	29
<u>Potential Payments Upon Termination or Change in Control</u>	31
<b><u>RELATED PARTY TRANSACTIONS</u></b>	32
<u>Indemnification Agreements</u>	32
<u>Review, Approval or Ratification of Transactions with Related Parties</u>	32
<b><u>DELIVERY OF DOCUMENTS TO STOCKHOLDERS SHARING AN ADDRESS</u></b>	32
<b><u>OTHER MATTERS</u></b>	33
<b><u>APPENDIX A DEMANDTEC, INC. AUDIT COMMITTEE CHARTER</u></b>	A-1

**Table of Contents**

**DEMANDTEC, INC.  
1 Circle Star Way, Suite 200  
San Carlos, CA 94070**

**PROXY STATEMENT  
FOR THE 2008 ANNUAL MEETING OF STOCKHOLDERS  
To Be Held On September 2, 2008**

**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 DemandTec, Inc. (sometimes referred to as we, the Company or DemandTec ) is soliciting your proxy to vote at the 2008 Annual Meeting of Stockholders (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 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 by telephone or on the Internet.

The Company intends to mail this Proxy Statement and accompanying proxy card on or about July 21, 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 July 7, 2008 will be entitled to vote at the Annual Meeting. On this record date, there were 27,015,303 shares of Company common stock ( Common Stock ) outstanding. All of these outstanding shares are entitled to vote at the Annual Meeting.

***Stockholder of Record: Shares Registered in Your Name***

If on July 7, 2008 your shares were registered directly in your name with DemandTec s transfer agent, Wells Fargo Shareowner Services, 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 via telephone or the Internet as instructed on your proxy card to ensure your vote is counted.

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

If on July 7, 2008 your shares were held 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 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. A number of brokers and banks enable beneficial holders to give voting instructions via telephone or the Internet. Please refer to the voting instructions provided by your bank or broker. 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 provide a valid proxy from your broker, bank or other custodian.

**What am I voting on?**

There are two matters scheduled for a vote:

*Proposal No. 1:* Election of two (2) members of the Board of Directors to serve as Class I directors until the Company's 2011 Annual Meeting of Stockholders or until their successors are duly elected and qualified.

*Proposal No. 2:* Ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm for the Company for the fiscal year ending February 28, 2009.

---

## **Table of Contents**

### **How do I vote?**

You may either vote **For** all the nominees to the Board of Directors or you may withhold your vote from any nominee you specify. You may not vote your proxy **For** the election of any persons in addition to the two named nominees. For 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 by proxy using the enclosed proxy card, vote by proxy on the Internet or by telephone, or vote in person at the Annual Meeting. 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 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 on the Internet, please follow the instructions provided on your proxy card.

To vote by telephone, please follow the instructions provided on your proxy card.

To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive.

**We provide Internet proxy voting to allow you to vote your shares on-line, 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.**

#### ***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 instructions for granting proxies with these proxy materials from that organization rather than from the Company. A number of brokers and banks enable beneficial holders to give voting instructions via telephone or the Internet. Please refer to the voting instructions provided by your bank or broker. To vote in person at the Annual Meeting, you must provide a valid proxy from your broker, bank, or other custodian. 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 July 7, 2008.

### **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 two nominees for director, and **For** ratification of Ernst & Young LLP as our independent registered public accounting firm. 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 best judgment.

**Who is paying for this proxy solicitation?**

DemandTec will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, DemandTec's directors and employees 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. DemandTec may reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

## **Table of Contents**

### **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. 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 that you are revoking your proxy to the Corporate Secretary of the Company at 1 Circle Star Way, Suite 200, San Carlos, CA 94070.

You may attend the Annual Meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

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

Votes will be counted by the inspector of election appointed for the meeting, who will separately count For 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, as described in the next paragraph, have no effect and will not be counted towards the vote total.

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.

### **How many votes are needed to approve each proposal?**

*Proposal No. 1.* Directors are elected by a plurality of the affirmative votes cast by those shares present in person, or represented by proxy, and entitled to vote at the Annual Meeting. The nominees for director receiving the highest number of affirmative votes will be elected. Abstentions and broker non-votes will not be counted toward a nominee's total. Stockholders may not cumulate votes in the election of directors.

*Proposal No. 2.* Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending February 28, 2009 requires the affirmative vote of a majority of those shares present in person, or represented by proxy, and cast either affirmatively or negatively at the Annual Meeting. Abstentions will have the same effect as an Against vote. Broker non-votes will not be counted as having been voted on the proposal.

### **What is the quorum requirement?**

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if a majority of all outstanding shares is represented by stockholders present at the meeting or by proxy. On the record date, there were 27,015,303 shares of Common Stock outstanding and entitled to vote. Thus 13,507,652 shares must be represented by

stockholders present at the meeting or by proxy to have a quorum. Abstentions and broker non-votes will be counted as present for the purpose of determining the presence of a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy vote or vote at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement.

**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 quarterly report on Form 10-Q for the fiscal quarter ending November 30, 2008.

**Table of Contents**

**How can stockholders submit a proposal for inclusion in our Proxy Statement for the 2009 Annual Meeting of Stockholders?**

To be included in our Proxy Statement for the 2009 annual meeting of stockholders, stockholder proposals must comply with the requirements of Rule 14a-8 under the Securities Exchange Act of 1934 and be received by our Corporate Secretary at our principal executive offices no later than March 23, 2009, or no later than one hundred twenty (120) calendar days before the one-year anniversary of the date on which we first mailed our proxy statement to stockholders in connection with this year's Annual Meeting.

**How can stockholders submit proposals to be raised at the 2009 Annual Meeting of Stockholders that will not be included in our Proxy Statement for the 2009 Annual Meeting of Stockholders?**

To be raised at the 2009 annual meeting of stockholders, stockholder proposals must comply with our amended and restated bylaws (the "Bylaws"). Under our Bylaws, a stockholder must give advance notice to our Corporate Secretary of any business, including nominations of directors for our Board, that the stockholder wishes to raise at the annual meeting. To be timely, a stockholder's notice shall be delivered to our Corporate Secretary at our principal executive offices not less than forty-five (45) or more than seventy-five (75) days prior to the first anniversary of the date of the preceding year's annual meeting of stockholders. Since the 2008 Annual Meeting will be held on September 2, 2008, stockholder proposals must be received by our Corporate Secretary at our principal executive offices no earlier than June 19, 2009 and no later than July 19, 2009, in order to be raised at our 2009 annual meeting of stockholders.

**What if the date of the 2009 Annual Meeting of Stockholders changes by more than 30 days from the anniversary of this year's Annual Meeting?**

Under Rule 14a-8 of the Securities Exchange Act of 1934, as amended, if the date of the 2009 annual meeting of stockholders changes by more than 30 days from the anniversary of this year's Annual Meeting, to be included in our Proxy Statement, stockholder proposals must be received by us within a reasonable time before our solicitation is made. In addition, for stockholder proposals that will not be included in our Proxy Statement, notice of such proposal must be received no later than the close of business on the later of (i) the 90th day prior to the 2009 annual meeting of stockholders or (ii) the 10th day following the day on which public announcement of the meeting is first made.



Table of Contents**PROPOSAL 1****ELECTION OF DIRECTORS**

The Company's restated certificate of incorporation (the Charter) and Bylaws provide for a classified board of directors. There are three classes of directors, with each class of directors serving three-year terms that end in successive years. DemandTec currently has authorized seven directors. The class of directors standing for election at the Annual Meeting currently consists of two directors. Two directors will be elected at the Annual Meeting to serve until the 2011 annual meeting of stockholders of DemandTec or until their successors are elected and qualified. The directors being nominated for election to the Board of Directors (each, a Nominee), their ages as of June 30, 2008, their positions and offices held with DemandTec and certain biographical information are set forth below.

The proxy holders intend to vote all proxies received by them in the accompanying form **FOR** the Nominees listed below unless otherwise instructed. In the event that any Nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who may be designated by the current Board of Directors to fill the vacancy. As of the date of this Proxy Statement, the Board of Directors is not aware that any Nominee is unable or will decline to serve as a director. The two Nominees receiving the highest number of affirmative votes of the shares entitled to vote at the Annual Meeting will be elected directors of DemandTec. Abstentions and broker non-votes will not be counted toward an individual's total. Proxies cannot be voted for more than two individuals.

**Information Regarding the Nominees**

<b>Name</b>	<b>Age</b>	<b>Positions and Offices Held with the Company</b>
Ronald R. Baker	64	Director
Linda Fayne Levinson	66	Director

*Ronald R. Baker* has been a member of our board of directors since December 2007. Mr. Baker has been an independent business consultant since January 2003. From January 1997 to December 2002, Mr. Baker served as Senior Vice President of Logistics for Nestle USA. Prior to that time, from 1980 to January 1997, Mr. Baker held numerous other positions with Nestle, including most recently as Chief Financial Officer of Nestle UK from 1993 to 1997 and as Information Technology Director of Nestle UK from 1991 to 1993. In addition, Mr. Baker has held various senior management positions in the electrical equipment manufacturing industry. Mr. Baker also serves on the board of trustees of Scottsdale Healthcare Foundation. Mr. Baker holds a B.S. in Economics from Marquette University.

*Linda Fayne Levinson* has been a member of our board of directors since June 2005. She is also the Non-Executive Chair of Connexus Corporation (formerly Vendare Media Corporation), an online media and marketing company, where she served as both Chair and Interim Chief Executive Officer from February 2006 through July 2006. From 1997 to December 2004, Ms. Levinson was a partner at GRP Partners, a venture capital fund investing in start-up and early-stage retail and electronic commerce companies. From 1994 to 1997, Ms. Levinson was President of Fayne Levinson Associates, an independent consulting firm. Ms. Levinson has also served as an executive with Creative Artists Agency Inc., as a partner in the merchant banking operations of Alfred Checchi Associates, Inc., as a Senior Vice President of American Express and as a Partner at McKinsey & Co. Ms. Levinson also serves as a member of the board of directors of Ingram Micro Inc., Jacobs Engineering Group, Inc., NCR Corporation and Western Union, Inc.

Ms. Levinson holds an A.B. in Russian Studies from Barnard College, an M.A. in Russian Literature from Harvard University and an M.B.A. from the NYU Stern School of Business.

**The Board Of Directors Recommends A Vote FOR Each Named Nominee.**

**Information Regarding Other Directors Continuing in Office**

Set forth below is information regarding each of the continuing directors of DemandTec, including his age as of June 30, 2008, the period during which he has served as a director, and certain information as to principal occupations and directorships held by him in corporations whose shares are publicly registered.

**Table of Contents*****Continuing Directors Term Ending in 2009***

*Victor L. Lund*, age 60, has been a member of our board of directors since April 2005, and has been Chair of our board of directors since December 2006. From May 2002 to December 2004, Mr. Lund served as Chair of the board of directors of Mariner Health Care, Inc., a long-term health care services company. From June 1999 to June 2002, Mr. Lund served as Vice Chairman of Albertson's, Inc., a food and drug retailer. From 1992 until its acquisition by Albertson's in June 1999, Mr. Lund served as Chief Executive Officer of American Stores Company. Mr. Lund was also President of American Stores Company from 1992 to 1995 and Chair of the board of directors of American Stores Company from 1995 until June 1999. Prior to joining American Stores Company in 1977, Mr. Lund was a practicing certified public accountant. Mr. Lund also currently serves on the board of directors of Borders Group, Inc., Del Monte Foods Company, Delta Air Lines, Inc., Service Corporation International and Teradata Corporation. Mr. Lund holds a B.A. in Accounting and an M.B.A. from the University of Utah.

*Joshua W.R. Pickus*, age 47, has been a member of our board of directors since March 2007. Mr. Pickus has served as President and Chief Executive Officer of SupportSoft, Inc., a software company, since April 2006. Prior to that time, Mr. Pickus was Senior Vice President and General Manager of the Clarity Division at Computer Associates International, Inc., an IT management software company, from August 2005 until April 2006. From November 2002 until August 2005, Mr. Pickus served as President and Chief Executive Officer of Niku Corporation (acquired by Computer Associates), a software company, and as the Chair of the board of directors of Niku from February 2003 until August 2005. From February 2001 to November 2002, Mr. Pickus served as Chief Financial Officer of Niku, and, from November 1999 to January 2001, Mr. Pickus served as President of Vertical Markets for Niku. Prior to joining Niku, Mr. Pickus was a partner in the private equity group at Bowman Capital Management, a technology investment firm, and a partner at Venture Law Group, a Silicon Valley law firm. Mr. Pickus holds an A.B. in Public and International Affairs from Princeton University and a J.D. from the University of Chicago Law School.

***Continuing Directors Term Ending in 2010***

*Ronald E.F. Codd*, age 52, has been a member of our board of directors since March 2007. Mr. Codd has been an independent business consultant since April 2002. From January 1999 to April 2002, Mr. Codd served as President, Chief Executive Officer and a director of Momentum Business Applications, Inc., an enterprise software company. From September 1991 to December 1998, Mr. Codd served as Senior Vice President of Finance and Administration and Chief Financial Officer of PeopleSoft, Inc. Mr. Codd currently serves on the boards of directors of Interwoven, Inc., a provider of enterprise content management software, and Data Domain, Inc., a provider of enterprise protection storage systems and the boards of directors of two privately held companies. Mr. Codd holds a B.S. in Accounting from the University of California at Berkeley and an M.M. from the Kellogg Graduate School of Management at Northwestern University.

*Daniel R. Fishback*, age 47, has been a member of our board of directors and has served as our President and Chief Executive Officer since June 2001. From January 2000 to March 2001, Mr. Fishback served as Vice President of Channels for Ariba, Inc., a provider of solutions to help companies manage their corporate spending. Mr. Fishback's experience also includes senior executive positions at Trading Dynamics, Inc. (prior to its acquisition by Ariba in January 2000) and Hyperion Solutions Corporation. Mr. Fishback holds a B.A. in Business Administration from the University of Minnesota.

*Charles J. Robel*, age 59, has been a member of our board of directors since September 2006. Mr. Robel has served as Chair of the board of directors of McAfee, Inc. since October 2006. Mr. Robel has been a private investor since December 2005. From June 2000 to December 2005, Mr. Robel was a Managing Member and Chief of Operations for Hummer Winblad Venture Partners, a venture capital firm. From 1995 to 2000, Mr. Robel led the High Technology Transaction Services Group of PricewaterhouseCoopers LLP in Silicon Valley and, from 1985 to 1995, Mr. Robel

served as the partner in charge of the Software Industry Group at PricewaterhouseCoopers. Mr. Robel also serves as Chair of the board of directors of McAfee, Inc., and as a member of the boards of directors of Informatica Corp. and Autodesk, Inc. Mr. Robel holds a B.S. in Accounting from Arizona State University.

**Table of Contents****CORPORATE GOVERNANCE****Independence of the Board of Directors**

The Board of Directors is currently composed of seven members. Ms. Levinson and Messrs. Baker, Codd, Lund, Pickus and Robel qualify as independent directors in accordance with the published listing requirements of the Nasdaq Stock Market, or Nasdaq. The Nasdaq independence definition includes a series of objective tests, such as that the director is not, and has not been for at least three years, one of our employees and that neither the director nor any of his or her family members has engaged in various types of business dealings with us. In addition, as further required by the Nasdaq rules, the Board of Directors has made a subjective determination as to each independent director that no relationships exist which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the directors reviewed and discussed information provided by the directors and us with regard to each director's business and personal activities as they may relate to us and our management. The directors hold office until their successors have been elected and qualified or their earlier death, resignation or removal.

**Information Regarding the Board of Directors and its Committees**

Our independent directors meet in executive sessions at which only independent directors are present after regularly scheduled Board of Directors meetings. The Board of Directors has an Audit Committee, a Compensation Committee, and a Nominating/Corporate Governance Committee. The following table provides membership and meeting information for each of the Board committees during the fiscal year ended February 29, 2008:

<b>Name</b>	<b>Audit</b>	<b>Compensation</b>	<b>Nominating/Corporate Governance</b>
Ronald R. Baker(1)	X	X	
Ronald E.F. Codd(2)	X		
Daniel R. Fishback			
Linda Fayne Levinson		X*	
Victor L. Lund		X	X*
Joshua W.R. Pickus(3)			X
Charles J. Robel	X*		
James D. Sayre(4)	X	X	

\* Denotes committee chairperson

- (1) Mr. Baker was elected to the Board of Directors and appointed to the Audit Committee on December 19, 2007, and was appointed to the Compensation Committee on February 14, 2008.
- (2) Mr. Codd was elected to the Board of Directors and appointed to the Audit Committee on March 20, 2007.
- (3) Mr. Pickus was elected to the Board of Directors and appointed to the Nominating/Corporate Governance Committee on March 20, 2007.

- (4) Mr. Sayre resigned from the Board of Directors, and from the Audit Committee and the Compensation Committee, effective February 15, 2008.

Below is a description of each committee of the Board of Directors. The Board of Directors has determined that each member of the Audit, Compensation and Nominating/Corporate Governance Committees meets the applicable rules and regulations regarding independence and that each such member is free of any relationship that would interfere with his or her individual exercise of independent judgment with regard to DemandTec. Each committee of the Board of Directors has a written charter approved by the Board of Directors. Copies of each charter are posted on our website at [www.demandtec.com](http://www.demandtec.com) in the Investor Relations section.

### **Audit Committee**

The Audit Committee of our Board of Directors oversees our accounting practices, system of internal controls, audit processes and financial reporting processes. Among other things, our Audit Committee is responsible for

## **Table of Contents**

reviewing our disclosure controls and processes and the adequacy and effectiveness of our internal controls. It also discusses the scope and results of the audit with our independent registered public accounting firm, reviews with our management and our independent registered public accounting firm our interim and year-end operating results and, as appropriate, initiates inquiries into aspects of our financial affairs. Our Audit Committee has oversight for our code of business conduct and is responsible for establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and matters related to our code of business conduct, and for the confidential, anonymous submission by our employees of concerns regarding these matters. In addition, our Audit Committee has sole and direct responsibility for the appointment, retention, compensation and oversight of the work of our independent registered public accounting firm, including approving services and fee arrangements. Our Audit Committee also is responsible for reviewing and approving all related party transactions in accordance with our related party transactions approval policy. The Audit Committee charter is attached to this Proxy Statement as *Appendix A*.

The current members of the Audit Committee are Messrs. Baker, Codd and Robel, each of whom is independent for Audit Committee purposes under the rules and regulations of the SEC and the listing standards of Nasdaq. Mr. Robel chairs the Audit Committee. The Audit Committee met eleven times during the fiscal year ended February 29, 2008.

The Board of Directors has determined that each of Messrs. Baker, Codd and Robel is an Audit Committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K. The designation does not impose on each of Messrs. Baker, Codd and Robel any duties, obligations or liability that are greater than are generally imposed on them as members of the Audit Committee and the Board of Directors.

## **Compensation Committee**

The Compensation Committee of our Board of Directors has primary responsibility for discharging the responsibilities of our Board of Directors relating to executive compensation policies and programs. Specific responsibilities of our Compensation Committee include, among other things, evaluating the performance of our Chief Executive Officer and determining our Chief Executive Officer's compensation. In consultation with our Chief Executive Officer, it also determines the compensation of our other executive officers. In addition, our Compensation Committee administers our equity compensation plans and has the authority to grant equity awards and approve modifications of those awards under our equity compensation plans, subject to the terms and conditions of the equity award policy adopted by our Board of Directors. Our Compensation Committee also reviews and approves various other compensation policies and matters.

The current members of our Compensation Committee are Ms. Levinson and Messrs. Lund and Baker. Ms. Levinson chairs the compensation committee. Each of Ms. Levinson and Messrs. Lund and Baker is an independent director under the applicable rules and regulations of Nasdaq, a non-employee director within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, and an outside director, as that term is defined under Section 162(m) of the Internal Revenue Code of 1986.

The Compensation Committee met 16 times during the fiscal year ended February 29, 2008. Our Chief Executive Officer does not participate in the determination of his own compensation or the compensation of directors. However, he makes recommendations to the Compensation Committee regarding the amount and form of the compensation of the other executive officers and key employees, and he often participates in the Compensation Committee's deliberations about their compensation. No other executive officers participate in the determination of the amount or form of the compensation of executive officers or directors.

The Compensation Committee has retained Frederic W. Cook & Co. as its independent compensation consultant. The consultant provides the committee with data about the compensation paid by a peer group of companies and other

companies that may compete with us for executives, and develops recommendations for structuring our compensation programs. The consultant is engaged solely by the Compensation Committee and does not provide any services directly to the Company or its management.



**Table of Contents**

**Compensation Committee Interlocks and Insider Participation**

The Compensation Committee of the Board of Directors currently consists of Ms. Levinson and Messrs. Baker and Lund. Effective February 15, 2008, Mr. Sayre resigned from the Compensation Committee and was replaced by Mr. Baker. None of these individuals was at any time during the fiscal year ended February 29, 2008, or at any other time, an officer or employee of the Company. None of our executive officers has ever served as a member of the Board of Directors or Compensation Committee of any other entity that has or has had one or more executive officers serving as a member of our Board of Directors or the Compensation Committee.

**Nominating/Corporate Governance Committee**

The Nominating/Corporate Governance Committee of our Board of Directors oversees the nomination of directors, including, among other things, identifying, evaluating and making recommendations of nominees to the Board of Directors and evaluates the performance of the Board of Directors and individual directors. The Nominating/Corporate Governance Committee is also responsible for reviewing developments in corporate governance practices, evaluating the adequacy of our corporate governance practices and making recommendations to the Board of Directors concerning corporate governance matters.

The current members of our Nominating/Corporate Governance Committee are Messrs. Lund and Pickus, each of whom is independent under the listing standards of Nasdaq. Mr. Lund chairs the Nominating/Corporate Governance Committee. The Nominating/Corporate Governance Committee met one time during the fiscal year ended February 29, 2008.

The Nominating/Corporate Governance Committee believes that candidates for director should have certain minimum qualifications, including having the highest professional and personal ethics and values, broad experience at the policy-making level in business, government, education, technology or public interest, a commitment to enhancing stockholder value, and sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. The Nominating/Corporate Governance Committee also considers such other guidelines and various and relevant career experience, relevant skills, such as an understanding of the retail and consumer products industries, financial expertise, diversity and local and community ties. Candidates for director nominees are reviewed in the context of the current make-up of the Board of Directors. The Nominating/Corporate Governance Committee then compiles a list of potential candidates, using relevant sources, which may include other current members of the Board of Directors, professional search firms, and stockholders. The Nominating/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 of Directors. The Nominating/Corporate Governance Committee meets to discuss and consider such candidates' qualifications and then selects a nominee for recommendation to the Board of Directors.

The Nominating/Corporate Governance Committee will consider director candidates recommended by stockholders and evaluate them using the same criteria as candidates identified by the Board of Directors or the Nominating/Corporate Governance Committee for consideration. If a stockholder of the Company wishes to recommend a director candidate for consideration by the Nominating/Corporate Governance Committee, pursuant to the Company's Corporate Governance Guidelines, the stockholder recommendation should be delivered to the General Counsel of the Company at the principal executive offices of the Company, and must include:

To the extent reasonably available, information relating to such director candidate that would be required to be disclosed in a proxy statement pursuant to Regulation 14A under the Securities Exchange Act of 1934, as

amended, in which such individual is a nominee for election to the Board of Directors;

The director candidate's written consent to (A) if selected, be named in the Company's proxy statement and proxy and (B) if elected, serve on the Board of Directors; and

Any other information that such stockholder believes is relevant in considering the director candidate.

## **Table of Contents**

### **Meetings of the Board of Directors**

The Board of Directors met 16 times during the fiscal year ended February 29, 2008. The Board of Directors also acted by written consent two times during the fiscal year ended February 29, 2008. During the fiscal year ended February 29, 2008, each director then in office attended 75% or more of the aggregate of the meetings of the Board of Directors and of the committees on which he or she served, held during the period for which he or she was a director or committee member.

### **Code of Business Conduct**

The Board of Directors has adopted a code of business conduct. The code of business conduct applies to all of our employees, officers and directors. The full text of our code of business conduct is posted on our website at [www.demandtec.com](http://www.demandtec.com) under the Investor Relations section. We intend to disclose future amendments to certain provisions of our code of business conduct, or waivers of these provisions, at the same location on our website identified above and also in public filings.

### **Stockholder Communications With the Board of Directors**

Stockholders may communicate with our Board of Directors, either generally or with a particular director, by writing to the following address:

The Board of Directors  
c/o General Counsel or Chief Financial Officer  
DemandTec, Inc.  
1 Circle Star Way, Suite 200  
San Carlos, CA 94070

Each such communication should set forth (i) the name and address of such stockholder, as they appear on the Company's books, and if the stock is held by a nominee, the name and address of the beneficial owner of the stock, and (ii) the class and number of shares of the Company's stock that are owned of record by such record holder and beneficially by such beneficial owner.

The person receiving such stockholder communication shall, in consultation with appropriate members of the Board of Directors as necessary, generally screen out communications from stockholders to identify communications that are (i) solicitations for products and services, (ii) matters of a personal nature not relevant for stockholders, or (iii) matters that are of a type that render them improper or irrelevant to the functioning of the Board of Directors and the Company.

### **Attendance at Annual Meeting of Stockholders by the Board of Directors**

Directors are encouraged, but not required, to attend the annual meeting of stockholders. The upcoming Annual Meeting will be our first as a public company.

### **Compensation of Directors**

The following table sets forth the total compensation earned by each person who served as a director during the fiscal year ended February 29, 2008, other than a director who also served as a named executive officer.

<b>Name</b>	<b>Fees Earned or Paid in Cash(1)</b>	<b>Option Awards(2)</b>	<b>Total</b>
Ronald R. Baker(3)	\$ 8,750	\$ 23,306	\$ 32,056
Ronald E.F. Codd(4)	30,250	60,465	90,715
Linda Fayne Levinson(5)	22,750	19,056	41,806
Victor L. Lund(6)	22,750	31,125	53,875
Joshua W.R. Pickus(7)	22,750	60,465	83,215
Charles J. Robel(8)	37,750	42,161	79,911
James D. Sayre(9)			

*(footnotes on next page)*

**Table of Contents**

- (1) During the first quarter of fiscal 2008, each of our non-employee directors, other than Mr. Sayre, received a cash retainer of \$4,000 per quarter. Commencing with the second quarter of fiscal 2008, (i) each of our non-employee directors, other than Mr. Sayre, received a cash retainer of \$6,250 per quarter, (ii) Messrs. Codd and Baker received an additional cash retainer of \$2,500 per quarter in connection with their service as members of our Audit Committee, and (iii) Mr. Robel received an additional cash retainer of \$5,000 in connection with his service as chair of the Audit Committee. Mr. Baker joined the Board of Directors and the Audit Committee in December 2007.
- (2) Amounts reflect the total compensation expense for fiscal 2008, calculated in accordance with SFAS No. 123R under the prospective transition method. See Note 1 of the notes to our consolidated financial statements contained in our Annual Report on Form 10-K filed on April 25, 2008 for a discussion of all assumptions we made in determining the compensation expense and the grant date fair value of our equity awards.
- (3) On January 2, 2008, Mr. Baker was granted options to purchase 25,625 shares of our common stock. The grant date fair value of such options, computed in accordance with SFAS No. 123R, was \$160,574. As of February 29, 2008, Mr. Baker held outstanding options to purchase an aggregate of 25,625 shares of our common stock.
- (4) On March 29, 2007, Mr. Codd was granted an option to purchase 82,500 shares of our common stock. The grant date fair value of such option, computed in accordance with SFAS No. 123R, was \$204,765. On September 4, 2007, Mr. Codd was granted an option to purchase 7,500 shares of our common stock. The grant date fair value of such option, computed in accordance with SFAS No. 123R, was \$24,821. As of February 29, 2008, Mr. Codd held outstanding options to purchase an aggregate of 90,000 shares of our common stock.
- (5) On September 4, 2007, Ms. Levinson was granted an option to purchase 7,500 shares of our common stock. The grant date fair value of such option, computed in accordance with SFAS No. 123R, was \$24,821. As of February 29, 2008, Ms. Levinson held outstanding options to purchase an aggregate of 120,000 shares of our common stock.
- (6) On September 4, 2007, Mr. Lund was granted an option to purchase 15,000 shares of our common stock. The grant date fair value of such option, computed in accordance with SFAS No. 123R, was \$49,641. As of February 29, 2008, Mr. Lund held outstanding options to purchase an aggregate of 127,500 shares of our common stock.
- (7) On March 29, 2007, Mr. Pickus was granted an option to purchase 82,500 shares of our common stock. The grant date fair value of such option, computed in accordance with SFAS No. 123R, was \$204,765. On September 4, 2007, Mr. Pickus was granted an option to purchase 7,500 shares of our common stock. The grant date fair value of such option, computed in accordance with SFAS No. 123R, was \$24,821. As of February 29, 2008, Mr. Pickus held outstanding options to purchase an aggregate of 90,000 shares of our common stock.
- (8) On September 4, 2007, Mr. Robel was granted an option to purchase 7,500 shares of our common stock. The grant date fair value of such option, computed in accordance with SFAS No. 123R, was \$24,821. As of February 29, 2008, Mr. Robel held outstanding options to purchase an aggregate of 90,000 shares of our common stock.
- (9) Mr. Sayre ceased to be a director on February 15, 2008.

**Table of Contents**

The following table describes option grants that we have made to our non-employee directors that were outstanding as of February 29, 2008.

<b>Name</b>	<b>Date of Grant</b>	<b>Number of Options Granted</b>	<b>Exercise Price per Share</b>	<b>Grant Date Fair Value(1)</b>	<b>Aggregate Number of Options Outstanding on 2/29/08</b>
Ronald R. Baker	1/2/2008	20,000(2)	\$ 18.98	\$ 125,326	25,625
	1/2/2008	5,625(3)	18.98	35,248	
Ronald E.F. Codd	3/29/2007	82,500(4)	6.70	204,765	90,000
	9/4/2007	7,500(3)	9.50	24,821	
Linda Fayne Levinson	6/17/2005	100,000(4)	1.50	24,790	120,000
	8/5/2005	12,500(4)	1.50	3,099	
	9/4/2007	7,500(3)	9.50	24,821	
Victor L. Lund	4/15/2005	100,000(4)	1.50	24,790	127,500
	8/5/2005	12,500(4)	1.50	3,099	
	9/4/2007	15,000(3)	9.50	49,641	
Joshua W.R. Pickus	3/29/2007	82,500(4)	6.70	204,765	90,000
	9/4/2007	7,500(3)	9.50	24,821	
Charles J. Robel	9/19/2006	75,000(4)	3.20	109,470	90,000
	12/20/2006	7,500(4)	3.80	10,704	
	9/4/2007	7,500(3)	9.50	24,821	

- (1) The amounts in this column represent the grant date fair value calculated in accordance with SFAS No. 123R. See Note 1 of the notes to our consolidated financial statements contained in our Annual Report on Form 10-K filed on April 25, 2008, for a discussion of all assumptions we made in determining the grant date fair value of our equity awards.
- (2) This option has a seven-year term, subject to earlier termination if the director's service terminates earlier. One quarter of the shares subject to this option vest on the first anniversary of the vesting commencement date, and the balance vests in equal monthly installments over the next 36 months of continuous service. If DemandTec is subject to a change in control and the director's service terminates, then all of the shares subject to this option will vest immediately.
- (3) This option has a seven-year term, subject to earlier termination if the director's service terminates earlier. This option will vest in its entirety on the date of our 2008 annual meeting of our stockholders. If DemandTec is subject to a change in control and the director's service terminates, then all of the shares subject to this option will vest immediately.
- (4) This option has a ten-year term, subject to earlier termination if the director's service terminates earlier. One quarter of the shares subject to this option vest on the first anniversary of the vesting commencement date, and the balance vests in equal monthly installments over the next 36 months of continuous service. If DemandTec is subject to a change in control and the director's service terminates, then all of the shares subject to this option will vest immediately.

Our board of directors has adopted a compensation program for non-employee directors effective as of the second quarter of fiscal 2008 pursuant to which our non-employee directors receive the following compensation:

Each non-employee director receives an annual cash retainer of \$25,000. In addition, the chair of the Audit Committee of our Board of Directors receives an annual cash retainer of \$20,000, and the other members of the Audit Committee receive an annual cash retainer of \$10,000. All retainers are paid quarterly. The amount of cash compensation paid to non-employee directors (including committee chairs and members) will be reviewed each year at the time of the annual meeting of our stockholders, starting in 2008.

On the date of each annual meeting of our stockholders, starting in 2008, each non-employee director will receive an additional option to purchase shares of our common stock. The number of shares will be determined by the Compensation Committee of our Board of Directors in consultation with an independent

**Table of Contents**

compensation expert. We expect that the number of shares granted to the non-executive chair of our Board of Directors will be larger than the number of shares granted to other non-employee directors.

A new non-employee director will receive an option to purchase 20,000 shares of our common stock upon joining our Board of Directors. The exercise price will be equal to the closing price of our common stock on the Nasdaq Global Market on the date of grant. The option will vest and become exercisable in installments over a four-year period, but will vest and become exercisable in full if DemandTec is subject to a change in control and the director's service terminates. The option will have a seven-year term, but will expire 12 months after the director's service terminates for any reason.



**Table of Contents****PROPOSAL 2****RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors has selected Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending February 28, 2009 and has further directed that management submit the appointment of the independent registered public accounting firm for ratification by the stockholders at the Annual Meeting. Ernst & Young LLP has audited our financial statements since DemandTec's fiscal year 2001. Representatives of Ernst & Young 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 appointment of Ernst & Young LLP as our independent registered public accounting firm. However, the Board of Directors is submitting the appointment of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the appointment, the Audit Committee will reconsider whether or not to retain that firm. Even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of the Company and 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 appointment of Ernst & Young 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.

**Independent Registered Public Accounting Firm's Fees**

The following table sets forth the aggregate fees we paid to Ernst & Young LLP, our independent registered public accounting firm, for professional services provided during our fiscal years ended February 28, 2007 and February 29, 2008.

	<b>Fiscal 2008</b>	<b>Fiscal 2007</b>
	<b>(in thousands)</b>	
Audit fees(1)	\$ 2,210	\$ 288
Audit-related fees(2)	31	
Tax fees(3)	239	171
All other fees	2	2
Total fees	\$ 2,482	\$ 461

(1) Audit fees consist of fees incurred for professional services rendered for the audit of our annual consolidated financial statements and review of the quarterly consolidated financial statements that are normally provided by

Ernst & Young LLP in connection with regulatory filings or engagements. The amount for fiscal 2008 includes fees for services rendered related to our initial public offering and related to the audit of the financial statements of TradePoint Solutions, Inc., which we acquired in November 2006.

- (2) Audit-related fees relate to assurance and related services that are reasonably related to the audit or review of our financial statements.
- (3) Tax fees consist of fees for tax planning and tax compliance services.

### **Pre-Approval Policies and Procedures**

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services rendered by Ernst & Young LLP, our independent registered public accounting firm. The Audit Committee can pre-approve specified services in defined categories of audit services, audit-related services and tax services up to specified amounts, as part of the Audit Committee's approval of the scope of the engagement of Ernst & Young LLP or on an

**Table of Contents**

individual case-by-case basis before Ernst & Young LLP is engaged to provide a service. The Audit Committee has determined that the rendering of the services other than audit services by Ernst & Young LLP is compatible with maintaining the principal accountant's independence.

**The Board Of Directors Recommends A Vote For The Ratification Of The Appointment of Ernst & Young LLP As DemandTec's Independent Registered Public Accounting Firm For Its Fiscal Year Ending February 28, 2009.**

**Audit Committee Report**

The Audit Committee of the Board of Directors currently consists of the three non-employee directors named below. The Board of Directors annually reviews the Nasdaq listing standards' definition of independence for audit committee members and has determined that each member of the Audit Committee meets that standard. The Board of Directors has also determined that Messrs. Baker, Codd and Robel are each an audit committee financial expert as described in applicable rules and regulations of the SEC.

The principal purpose of the Audit Committee is to assist the Board of Directors in its general oversight of the Company's accounting practices, system of internal controls, audit processes and financial reporting processes. The Audit Committee is responsible for appointing and retaining our independent auditor and approving the audit and non-audit services to be provided by the independent auditor. The Audit Committee's function is more fully described in the Audit Committee Charter, which the Board of Directors has adopted and which the Audit Committee reviews on an annual basis.

The Company's management is responsible for preparing our financial statements and ensuring they are complete and accurate and prepared in accordance with generally accepted accounting principles. Ernst & Young LLP, our independent registered public accounting firm, is responsible for performing an independent audit of our consolidated financial statements and expressing an opinion on the conformity of those financial statements with generally accepted accounting principles.

The Audit Committee has reviewed and discussed with our management the audited consolidated financial statements of the Company included in our Annual Report on Form 10-K for the fiscal year ended February 29, 2008 ( 10-K ).

The Audit Committee has also reviewed and discussed with Ernst & Young LLP the audited consolidated financial statements in the 10-K and the audit results. In addition, the Audit Committee discussed with Ernst & Young LLP those matters required to be discussed by the Statement on Auditing Standards No. 61, as amended. Additionally, Ernst & Young LLP provided to the Audit Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1, as adopted by the Public Company Accounting Oversight Board. The Audit Committee also discussed with Ernst & Young LLP its independence from the Company.

Based upon the review and discussions described above, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, that the audited consolidated financial statements be included in the Company's 10-K and filed with the Securities and Exchange Commission.

Submitted by the Audit Committee of the Board of Directors:

Charles J. Robel  
Ronald R. Baker  
Ronald E.F. Codd



**Table of Contents**

**EXECUTIVE OFFICERS**

The names of the executive officers of DemandTec who are not also directors of DemandTec and certain information about each of them as of June 30, 2008 are set forth below:

*Mark A. Culhane*, age 48, has served as our Executive Vice President and Chief Financial Officer since October 2001. From September 1998 to August 2001, Mr. Culhane served as Chief Financial Officer of iManage, Inc., a provider of e-business content and collaboration software. From July 1992 to December 1997, Mr. Culhane served as Chief Financial Officer for SciClone Pharmaceuticals, Inc., an international biopharmaceutical company. From July 1982 to July 1992, Mr. Culhane served as an accountant and senior manager at PricewaterhouseCoopers LLP, where he managed numerous client accounts across a variety of high technology industries. Mr. Culhane holds a B.A. in Business Administration from the University of South Dakota.

*William R. Phelps*, age 46, has served as our Executive Vice President and Chief Customer Officer since January 2008, and served as the Company's Senior Vice President of Professional Services from June 2007 until January 2008. Prior to joining the Company, Mr. Phelps served as Vice President, Professional Services of Ketera Technologies, Inc., a provider of on-demand spend management solutions. From November 2002 to May 2003, Mr. Phelps served as Senior Vice President of Professional Services of Selectica, Inc., a provider of configuration and contract management solutions. From February 2002 to August 2002, Mr. Phelps served as Senior Vice President of Professional Services for Silicon Energy Corp., a provider of energy technology software. Mr. Phelps also served as Vice President, Professional Services of Kana Software, Inc., and held various positions with Booz Allen Hamilton Inc. and in the consulting group at Arthur Andersen. Mr. Phelps holds a B.S. in Industrial Engineering from Stanford University.

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

The following table sets forth certain information known to us regarding beneficial ownership of our Common Stock as of June 20, 2008 by:

- each person known by us to be the beneficial owner of more than 5% of any class of our voting securities;
- our named executive officers;
- each of our directors; and
- all current executive officers and directors as a group.

Unless otherwise indicated, to our knowledge, each stockholder possesses sole voting and investment power over the shares listed, except for shares owned jointly with that person's spouse. The table below is based upon information supplied by officers, directors and principal stockholders and Schedules 13G filed with the Securities and Exchange Commission (the "SEC").

Beneficial ownership is determined in accordance with the rules of the SEC, and generally includes voting power and/or investment power with respect to the securities held. Shares of common stock subject to options currently exercisable or exercisable within 60 days of June 20, 2008 are deemed outstanding and beneficially owned by the person holding such options for purposes of computing the number of shares and percentage beneficially owned by such person, but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person. Except as indicated in the footnotes to this table, and subject to applicable community property laws, the persons or entities named have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them. Percentage beneficially owned is based on 27,007,564 shares of common stock outstanding on June 20, 2008.

Unless otherwise indicated, the principal address of each of the stockholders below is c/o DemandTec, Inc., 1 Circle Star Way, Suite 200, San Carlos, California, 94070.

Name and Address of Beneficial Owner	Beneficial Ownership Number	Percent
<b>5% Stockholders</b>		
Entities affiliated with Crosspoint Venture Partners(1) 2925 Woodside Road Woodside, CA 94062	7,022,568	26.0%
Cargill, Incorporated 15407 McGinty Road West Wayzata, MN 55391	3,212,777	11.9
<b>Directors and Named Executive Officers</b>		
Daniel R. Fishback(2)	2,121,146	7.4
Mark A. Culhane(3)	770,750	2.8
William R. Phelps(4)	87,916	*
John C. Crouch(5)	259,635	*

Edgar Filing: DemandTec, Inc. - Form DEF 14A

James H. Dai(6)	196,995	*
Ronald R. Baker		*
Ronald E.F. Codd(7)	27,500	*
Linda Fayne Levinson(8)	112,500	*
Victor L. Lund(9)	112,500	*
Joshua W.R. Pickus(10)	27,500	*
Charles J. Robel(11)	39,530	*
All current directors and executive officers as a group (9 persons)(12)	3,299,342	11.1

*(footnotes on next page)*

**Table of Contents**

\* Less than 1% of the outstanding shares of common stock.

- (1) Represents 6,298,315 shares held by Crosspoint Venture Partners 2000 (Q), L.P. and 724,253 shares held by Crosspoint Venture Partners 2000, L.P. Crosspoint Associates 2000, LLC is the general partner of each of the foregoing Crosspoint entities. James A. Dorrian, one of the Managing Members of Crosspoint Associates 2000, LLC, has voting and investment authority with respect to the foregoing shares.
- (2) Represents 18,291 shares held by the Daniel Fishback Grantor Retained Annuity Trust, 18,291 shares held by the Lady Bess Fishback Grantor Retained Annuity Trust, 32,732 shares held by the Annie Fishback Separate Share Irrevocable Trust, 32,732 shares held by the Megan Fishback Separate Share Irrevocable Trust, 296,079 shares held by Daniel R. Fishback Trustee and Lady Bess Fishback Trustee U/A Dated March 5, 2001, and 1,723,021 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 20, 2008, of which 123,856 shares, if these options are exercised in full, would be subject to vesting and a lapsing right of repurchase in our favor upon Mr. Fishback's cessation of service on the date 60 days from June 20, 2008.
- (3) Represents 247,300 shares held by the Culhane Family Revocable Trust dtd 12/16/99, 9,000 shares held by the Maxwell A.R. Culhane 1999 Irrevocable Trust, 9,000 shares held by the Michael D. Culhane 1999 Irrevocable Trust, 9,000 shares held by the Monica G. Culhane 1999 Irrevocable Trust, 15,200 shares held by USB Piper Jaffray as custodian FBO Mark Culhane IRA, 9,375 shares of common stock issuable upon vesting and settlement of performance-based stock units within 60 days of June 20, 2008, and 471,875 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 20, 2008, of which 46,564 shares, if these options are exercised in full, would be subject to vesting and a lapsing right of repurchase in our favor upon Mr. Culhane's cessation of service on the date 60 days from June 20, 2008.
- (4) Represents 15,000 shares of common stock issuable upon vesting and settlement of performance-based stock units within 60 days of June 20, 2008 and 72,916 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 20, 2008.
- (5) Includes 15,000 shares of common stock issuable upon settlement of performance-based stock units within 60 days of June 20, 2008 and 219,635 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 20, 2008. Mr. Crouch's employment with us terminated on April 30, 2008 and his exercisable options will expire on October 31, 2008.
- (6) Represents 180,329 shares held by James Haijing Dai and Sophia Hsin Ying Yeh Trustees UA September 5, 2007, and 16,666 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 20, 2008. Mr. Dai's employment with us terminated on February 29, 2008, and his exercisable options will expire on February 28, 2009.
- (7) Represents 27,500 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 20, 2008.
- (8) Represents 112,500 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 20, 2008, of which 23,439 shares, if these options are exercised in full, would be subject to vesting and a lapsing right of repurchase in our favor upon Ms. Levinson's cessation of service on the date 60 days from June 20, 2008.
- (9)



Represents 112,500 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 20, 2008, of which 23,439 shares, if these options are exercised in full, would be subject to vesting and a lapsing right of repurchase in our favor upon Mr. Lund's cessation of service on the date 60 days from June 20, 2008.

- (10) Represents 27,500 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 20, 2008.
- (11) Represents 39,530 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 20, 2008.
- (12) Includes 24,375 shares of common stock issuable upon vesting and settlement of performance-based stock units within 60 days of June 20, 2008 and 2,587,342 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 20, 2008.

**Table of Contents**

**SECTION 16 BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

The members of the Board of Directors, the executive officers of the Company and persons who hold more than 10% of our outstanding common stock are subject to the reporting requirements of Section 16(a) of the Exchange Act, which require them to file reports with respect to their ownership of our common stock and their transactions in our common stock. Based upon (i) the copies of Section 16(a) reports that we received from such persons for their fiscal year 2008 transactions in the common stock and their common stock holdings and (ii) the written representations received from one or more of such persons that no annual Form 5 reports were required to be filed by them for fiscal year 2008, we believe that all reporting requirements under Section 16(a) were met in a timely manner by the persons who were executive officers, members of the Board of Directors or greater than 10% stockholders during such fiscal year.

**COMPENSATION OF EXECUTIVE OFFICERS**

**Compensation Discussion and Analysis**

The Compensation Committee of our Board of Directors is comprised of three non-employee members of the Board of Directors. The Compensation Committee's basic responsibility is to review the performance of DemandTec's management in achieving corporate goals and objectives and to ensure that DemandTec management is compensated effectively, in a manner consistent with DemandTec's strategy and competitive practices. Toward that end, the Compensation Committee oversees, reviews and administers all of DemandTec's compensation, equity and employee benefit plans and programs applicable to executive officers.

***Introduction***

We operate in the intensely competitive technology industry, addressing the needs of retailers and consumer products companies operating on a global scale. Our business, like the businesses of our customers, is characterized by evolving technology, rapidly changing industry trends and customer needs, and aggressive competitors. In this environment, our success depends on assembling and maintaining a leadership team with the integrity, skills and dedication needed to manage a dynamic organization and the vision to anticipate and respond to future market developments. We use our executive compensation program to help us achieve this objective. Our program has been designed to enable us to recruit and retain a group of executives who have the collective and individual abilities necessary to run our business to meet these challenges, and to focus those executives on achieving financial results that enhance the value of our stockholders' investment. At the same time, we have structured the program to be flexible, so that we can meet the changing needs of our business over time.

Our officers discussed in this Compensation Discussion and Analysis section are Messrs. Fishback, Culhane, Crouch, Dai and Phelps, who are referred to below as the named executive officers. Mr. Dai's employment with DemandTec ended effective February 29, 2008, and Mr. Crouch's employment with DemandTec ended effective April 30, 2008.

***Compensation Philosophy***

Our goal is to attract, motivate and retain key leadership. We believe that, to be successful, we need to be competitive not only in our software offerings, but also in the quality of our executives. This, in turn, requires that we pay our executives competitively. We have set our total executive compensation at levels that, we believe, have enabled us to hire and retain individuals in a competitive environment and to reward both individual performance and contribution to our overall business goals. The hallmark of our compensation philosophy is performance-based compensation. The

Compensation Committee has engaged an independent compensation consultant, Frederic W. Cook & Co., to assist it in establishing a comprehensive set of programs and guidelines for our executive compensation.

Our executive compensation program is guided by the following four principles:

1. *We strive to pay at competitive market levels.* When setting targeted total compensation for our executive officers, we seek to ensure that both the cash (base salary and annual target bonus) and equity components of their packages are competitive with the market in which we compete for talent. This supports our

**Table of Contents**

objective of attracting and retaining high-quality executives and ensures that the overall economic cost of compensation is reasonable and, therefore, sustainable in relation to our peers. We have set the base salary and annual bonus components of pay at competitive levels, using survey and proxy statement data and market data acquired during recruiting. We also have considered relative cash compensation levels within the executive team.

2. While we use both current cash compensation and long-term equity incentives, we skew our compensation toward long-term incentives. We use our base salary to ensure that our executives have a stable source of income. Our annual bonus plan is designed to focus our executive team on those financial goals that we believe are most closely related to stockholder value. Historically, the biggest portion of our annual executive compensation has been stock options, which we considered an appropriate way to encourage executives to build our value as a private company. Starting with fiscal 2008, we introduced a program of granting stock units to our named executive officers and other key employees, which is described below. In addition, for fiscal 2009 we introduced a time-base restricted stock unit program for our named executive officers and other key employees, which is also described below.

3. We have structured our compensation program to align the interests of our executives with those of our stockholders and reward superior performance. Although we provide our executive officers with a competitive base salary, we also pay an annual bonus based on the achievement of specific financial and operational goals. For fiscal 2008, we increased the performance-based focus of our cash compensation plan by taking the following steps:

weighting the annual cash compensation so that the annual target bonus is a larger proportion of the total cash compensation, and providing the opportunity for bonus payments in excess of target amounts in order to reward superior performance, and

granting performance share units that will vest in full only if certain financial targets are achieved and an additional service requirement is satisfied.

4. To encourage high-performing executives to stay with us, key program elements are structured to enable them to share in our long-term growth and success. The compensation of our executives is structured to encourage retention of our executives. Our executives must stay with us to vest in their long-term incentive awards. The size of their awards is structured so that they build net worth as we build stockholder value.

We believe that, by implementing these measures, we are able to reinforce our goal of maintaining a results-oriented culture that provides above-target rewards only when performance is also above-target. Thus, we believe that the interests of our executives are directly aligned with those of our stockholders, as the financial success of both is contingent upon performance.

The Compensation Committee evaluates these four principles regularly to ensure that they are consistent with our goals and needs. We believe that the executive compensation program is an important tool for our chief executive officer in managing DemandTec. Accordingly, in the course of structuring the executive compensation program, the committee works closely with Mr. Fishback and our Board of Directors to ensure that all constituencies agree upon how compensation programs need to be integrated with our other business goals. The committee, with the assistance of Mr. Fishback and the independent compensation consultant that has been retained by the committee, works to structure an appropriate program. The committee reviews peer group data and takes into account advice from its compensation consultant regarding compensations levels for all executive officers, and takes into account recommendations from Mr. Fishback regarding compensation levels for executive officers other than Mr. Fishback. For Mr. Fishback's own compensation, the committee works directly with the consultant and our Board of Directors to establish the appropriate level of pay, based on a performance evaluation by the committee that has been discussed with the full Board of Directors. Neither Mr. Fishback nor other members of management make any recommendation on Mr. Fishback's compensation. The committee, after discussions with Mr. Fishback, evaluates the performance of

our executive officers and establishes the performance metrics upon which our executive officers (other than Mr. Fishback) are compensated.

***Overall Compensation Levels***

Each year, we review the base salaries and annual and long-term incentive opportunities (including equity-based incentive opportunities) offered to our executive officers to ensure that each component of executive

**Table of Contents**

compensation is competitive with market practices, supports our executive recruitment and retention objectives, and is internally equitable among executives. While we do not set specific total compensation targets, our process essentially results in a total amount of compensation that we will pay an executive if all corporate and individual performance objectives are fully met. While we strive to pay at market median for on-target performance, we always consider the impact of cash and non-cash compensation charges on our operating results to ensure that these goals are balanced.

As part of this process, the Compensation Committee considers market data and input provided by its compensation consultant. The market data is derived from analysis of both peer companies' publicly filed proxy statements and technology industry compensation surveys. We use the data to match our specific executive positions to similar positions at comparable companies, which are discussed below. We also take into consideration market trends to determine how base salary and annual cash incentives are changing from year to year and how each component relates to the others as a percentage of total compensation. We generally start by setting base salaries at the relevant market median and build on that, factoring in performance and the experience and skills of each executive officer. In other words, we use the market data only to provide context, and the cash compensation decisions also take into account individual experience and internal fairness. Accordingly, base salaries vary among the executive officers. We set annual cash incentive target awards as a percentage of base salary. Through this process, we believe that we have balanced the cash compensation package for our executive officers for both internal and external fairness.

***Peer Group and Benchmarking***

For fiscal 2008, we benchmarked the various elements of our executive compensation program in order to gauge where we stood versus the market and our competitors. We used several methods to benchmark our executive compensation practices against other companies. First, we used publicly available proxy data, along with data from the Radford Technology Survey, to match the roles of our executive officers to roles in the proxy data and survey. The Radford Technology Survey reports on public and private technology companies, and we focused on those with sales between \$50 million and \$200 million. We then compared the actual base salary and annual cash incentives for our executive officers to those disclosed in the surveys. In addition, we conducted a total compensation analysis, which was reviewed for accuracy and appropriateness by the Compensation Committee's consultant. The consultant also conducted an analysis of the executive officers' existing vested and unvested equity awards to assist us with establishing a budget for overall long-term incentive awards and assisted the Compensation Committee with setting compensation for the executive officers. To gain additional perspective, we evaluated the base salary, annual incentive awards and long-term incentives provided to the named executive officers of the companies in our peer group. We extracted these data from publicly available sources.

We selected our public peer companies for competitive pay comparisons because they are major labor and/or capital market competitors, are roughly similar to us in revenue and potential market capitalization, and have similar growth or market performance potential. All of our peers are in Global Industry Classification System Code 451030 (software). Many institutional investors use this classification system to find peers for assessing the reasonableness of a company's compensation program. For fiscal 2008, our peer group, selected by the committee with the assistance of Frederic W. Cook & Co., consists of the following companies:

Actuate	Intervoice
Agile Software	MapInfo
Applix	NetScout Systems
Bottomline Technologies	OPNET Technologies
Callidus Software	Radiant Systems
EPIQ Systems	Renaissance Learning
ESpeed	Secure Computing

FalconStor Software  
Interactive Intelligence

SumTotal Systems  
VA Software

**Table of Contents**

We annually review, in consultation with Frederic W. Cook & Co., the companies comprising our primary peer group in order to evaluate whether the list of included companies should be updated based on the factors described above.

***Elements of Executive Compensation***

We used several elements in our executive compensation program in fiscal 2008, including:

cash compensation, consisting of base salary and annual cash bonus; and

equity awards, including performance stock units, or PSUs, and stock options.

**Base Salary.** The base salaries paid to the named executive officers during fiscal 2008 are reported in the Fiscal 2008 Summary Compensation Table below. Because we have decided to increase our focus on performance-based cash compensation, we have determined that no material changes in the base salary amounts of our named executive officers are required for fiscal 2009, with the exception of an increase in Mr. Phelps' base salary associated with his promotion to Executive Vice President and Chief Customer Officer. Therefore, their fiscal 2009 base salaries are as follows:

Daniel Fishback	\$ 450,000
Mark Culhane	\$ 350,000
William Phelps	\$ 300,000

**Annual Cash Bonus.** We believe it is important to provide annual cash incentives to motivate our executive officers to attain specific short-term performance objectives that, in turn, further our long-term objectives. For fiscal 2008, we established a series of company performance objectives for our executive officers under our Management Cash Incentive Plan (which we adopted in June 2007) based on bookings (50% weighting), non-GAAP free cash flow (25% weighting) and non-GAAP operating margin (25% weighting) to be evaluated in determining the bonus amounts. We selected these metrics and their weightings because we believe they are directly aligned with the interests of our stockholders and because they reflect the factors considered in the day-to-day management of our business. The bonus formula for each of the named executive officers provided for 50% of the target payment upon 70% achievement of the respective company performance goals, increasing to 100% payment upon 100% achievement. The bonus formula for Messrs. Fishback, Culhane, Dai and Phelps also provided for payment increasing to 130% of the target payment upon 110% achievement of goals, and (solely with respect to the bookings performance goal) for an additional 6% of the target payment for each additional 1% achievement of goals beyond 110%. The bonus formula for Mr. Crouch's also provided for payment increasing to 140% of the target payment upon 110% achievement of goals, and (solely with respect to the bookings performance goal) for an additional 8% of the target payment for each additional 1% achievement of goals beyond 110%. The total bonus payment for each named executive officer was capped at 150% of target bonus, other than for Mr. Crouch, whose potential bonus payment was not capped. Mr. Crouch's potential bonus associated with overachievement of the bookings performance goal increased at a higher rate than that for the other named executive officers, and was uncapped, in order to ensure the proper incentives in his role as Senior Vice President of Worldwide Sales.

We define **bookings** to mean the aggregate annual contract value of contracts signed during the applicable period. Annual contract value includes the annual value of a contract related to software, services and other related fees. We define **non-GAAP free cash flow** to mean the cash flow from operations less cash invested in capital expenditures. We define **non-GAAP operating margin** as our operating margin less certain noncash charges that our Compensation Committee does not deem to be an indicator of management's contribution to our performance. Examples of these types of noncash charges include stock-based compensation expense and amortization of certain acquired intangible



assets. The Compensation Committee retains full discretionary authority to pay discretionary bonuses in addition to the amounts produced by the formula or to reduce the bonus amounts produced by the formula.

Because we believe that our annual cash incentive compensation should motivate our executives to achieve company performance that benefits our stockholders, we generally set performance goals at a level that would require a high level of execution and achievement by our executives. These performance goals are designed to require improvement upon past levels of performance, and as such we consider them significantly challenging to

**Table of Contents**

achieve. However, because of the uncertainties associated with being a relatively small and growing technology company, we could not, and did not undertake to, make a specific determination as to the probability of meeting or exceeding these goals at the time they were set, but did elect to compensate executives at an increasing rate for above-target performance.

The target and maximum fiscal 2008 bonuses for the named executive officers are reported in the Fiscal 2008 Grants of Plan-Based Awards table below, in the columns under Estimated Future Payouts Under Non-Equity Incentive Plan Awards. The actual cash bonuses earned by the named executive officers for fiscal 2008, based on our achievement with respect to the established performance goals (resulting in a 100% payout of target bonuses), are reported in the Fiscal 2008 Summary Compensation Table below, in the column entitled Non-Equity Incentive Plan Compensation.

On the basis of the peer group data described above and the recommendation of the Compensation Committee's consultant, and because we decided to keep base salaries flat and increase our focus on performance-based cash compensation, modifications were made to the target bonuses of the named executive officers for fiscal 2009. Accordingly, the annual target bonuses for fiscal 2009 are as follows:

Daniel Fishback	\$ 450,000
Mark Culhane	\$ 235,000
William Phelps	\$ 200,000

The actual bonuses for fiscal 2009 can range from 0% to 150% of the target amounts. The payout percentage depends on the degree to which we attain or exceed corporate performance objectives. For fiscal 2009, we have determined that management's performance-based cash incentives should be reviewed with reference to our bookings (50% weighting) and our non-GAAP operating margin (50% weighting). We eliminated non-GAAP free cash flow as a metric for performance-based compensation for fiscal 2009 both because we used non-GAAP free cash flow as a performance metric for the performance-based stock units described below and because successful performance with respect to the bookings and non-GAAP operating margin goals will directly contribute to non-GAAP free cash flow performance. We intend to set performance goals having a relatively constant level of difficulty from year to year and established the performance objectives in the past four fiscal years with that goal in mind. During those four years, we have achieved between 89% and 111% of the performance objectives set by the Compensation Committee.

*Long-Term Equity Incentives.* We provide a substantial portion of our executives' total compensation in the form of equity compensation. Our equity compensation varies directly with each executive's role and degree of responsibility. Through fiscal 2007, we used only one vehicle, stock options, to provide long-term equity compensation to our executive officers. In fiscal 2008, we began to use performance stock units as the primary form of long-term incentives for our current executive officers. We selected PSUs for this purpose because we believe that they offer the best opportunity to align the interests of our executive officers with the interests of our stockholders. While PSUs can be effective wealth creation vehicles, they have two triggers for payout: first, we have to deliver on predetermined performance metrics before the shares are earned; and second, the executive has to remain employed beyond the performance period before the shares vest. Accordingly, PSUs drive both performance and retention. Because several of our named executive officers and other members of our senior management team have significant tenure with us and already are vested in a substantial portion of their prior stock option awards, it is important that our long-term program focus on retention. At the same time, we wanted to make grants that were closely tied to those performance metrics that we believe drive value. We believe that PSUs meet both needs. However, in certain instances we have granted, and we expect that we may continue to grant, stock options to current and new members of our senior management team (including the named executive officers) as the Compensation Committee deems necessary, including for the purpose of making competitive employment offers or in connection with promotions. In addition, in fiscal 2009 we began to use time-based restricted stock units, or RSUs, as a component of our long-term equity

incentives for our named executive officers and other key employees.

*Stock Options.* During fiscal 2008, we made stock option grants to Messrs. Dai and Phelps under our 1999 Equity Incentive Plan. These grants are described in the Fiscal 2008 Grants of Plan-Based Awards table below. The grant to Mr. Phelps was in connection with the commencement of his employment with the Company in June 2007. The grant to Mr. Dai was made because he was substantially vested in his existing stock option grants.

## **Table of Contents**

Mr. Dai's employment with the company ended effective February 29, 2008. The option granted to Mr. Phelps during fiscal 2008 vests through continuous service over four years, with 12.5% of the underlying shares vesting after six months of continuous service and the remainder vesting in equal monthly installments over the next 42 months. The vesting feature is intended to ensure that the named executive officer will realize meaningful value from his option only if he remains employed with us for an extended period of time and the market price of our common stock appreciates over that time. The exercise price per share of our stock options has always been equal to the fair market value per share of our common stock on the date of grant. Commencing with our initial public offering in August 2008, the exercise price has been set equal to the closing price of our common stock on the Nasdaq Global Market on the date of grant.

In early fiscal 2009, in connection with his promotion to Executive Vice President and Chief Customer Officer, we granted an option to purchase up to 150,000 shares of our common stock to Mr. Phelps under our 2007 Equity Incentive Plan. As with the fiscal 2008 option grants described above, this option vests through continuous service over four years, with 12.5% of the underlying shares vesting after six months of continuous service and the remainder vesting in equal monthly installments over the next 42 months.

*Performance Stock Units.* Our 2007 Equity Incentive Plan provides for the grant of stock units. Stock units are contractual rights that entitle the recipient to receive one share of our common stock per unit once the stock units have vested. In general, stock units may vest on the basis of length of service, the attainment of performance-based milestones, or a combination of both, as determined by the Compensation Committee. The 2007 Equity Incentive Plan provides that the Compensation Committee may establish performance milestones based on one or more of the criteria described in the plan.

On August 17, 2007, our Compensation Committee made grants of PSUs to our named executive officers (other than Mr. Fishback) and other key employees under our 2007 Equity Incentive Plan. PSUs are stock units that vest first on the basis of performance and then on the basis of length of service. The initial PSU grants were divided into two tranches. The first tranche consists of 30% of each grant, for fiscal 2008 performance. The second tranche consists of the remaining 70%, for fiscal 2009 performance.

The performance objectives for the first tranche have been attained; the officers must remain employed by us for a period of time after the end of fiscal 2008 in order to vest in the first tranche. Fifty percent of the first tranche will, therefore, vest on July 15, 2008, and fifty percent will vest on January 15, 2009, subject to each officer's continued service.

The second tranche will not vest unless we attain performance milestones for fiscal 2009. If these milestones are attained, the officer must then remain employed by us for a period of time after the end of fiscal 2009 in order to vest in the second tranche. Fifty percent of the second tranche would vest on July 15, 2009, and fifty percent would vest on January 15, 2010. However, if none of the performance milestones are attained, there will be no payout of the second tranche.

The performance-based vesting metrics of the initial PSU grants are based on revenue, as determined under GAAP, and non-GAAP free cash flow. Each metric is weighted equally, as we believe that they are equally key drivers of stockholder value. The Compensation Committee may make appropriate adjustments in the performance goals to account for one-time extraordinary occurrences. While the committee intends to take a rigorous approach to any changes in the metrics, this flexibility ensures that the compensation program will not interfere with management's desire to serve the interests of our stockholders.

If the PSUs vest, they will be converted into shares of our common stock and issued to the officer who received the award. In the event of an officer's death or total disability, the service-based vesting requirement will be waived, and

the PSUs will be paid out after the end of the applicable performance period to the extent that the performance objectives have been satisfied. If an officer's employment terminates due to resignation or involuntary termination, his or her PSUs will be forfeited. In the event that DemandTec is subject to a change in control, all PSUs for which performance objectives have been met will vest immediately, regardless of whether the service-based vesting requirement has been met. All other PSUs will also vest when the change in control occurs, unless the acquiring company assumes the PSUs or replaces them with equivalent awards that vest solely on the basis of a service requirement. In addition, certain named executive officers are parties to agreements with us that provide for

## **Table of Contents**

accelerated vesting of their options in the event of a change in control. See Employment Agreements and Offer Letters below. The PSU awards to these officers contain substantially the same acceleration provisions.

In early fiscal 2009, our Compensation Committee made a grant of 160,000 PSUs to Mr. Fishback. This PSU grant consisted of a single tranche associated solely with company performance metrics for fiscal 2009. The performance metrics and vesting requirements match those associated with the second tranche of the August 17, 2007 PSU grants described above, in which Mr. Fishback did not participate.

*Time-Based Restricted Stock Units.* In addition to the performance stock units described above, our 2007 Equity Incentive Plan provides for the grant of time-based restricted stock units. As with the PSUs, the RSUs are contractual rights that entitle the recipient to receive one share of our common stock per unit once the stock units have vested. In early fiscal 2009, our Compensation Committee granted 60,000 RSUs to Mr. Fishback, 50,000 RSUs to Mr. Culhane and 15,000 RSUs to Mr. Phelps. These RSUs vest in their entirety upon completion of approximately two years of the recipient's continuous service.

### ***Equity Award Policy***

We have adopted an equity award policy effective upon our initial public offering in August 2008, pursuant to which equity grants may be made only by our Compensation Committee. The Compensation Committee grants equity awards on the first Tuesday of every month. The exercise price of stock options is set equal to the closing price of our common stock on the Nasdaq Global Market on the date of grant.

### ***Financial Restatement***

Our Compensation Committee has not adopted a policy with respect to whether we will make retroactive adjustments to any cash or equity-based incentive compensation paid to officers or others where the payment was predicated upon the achievement of certain financial results that were subsequently the subject of a restatement.

### ***Tax Treatment***

Section 162(m) of the Internal Revenue Code places a limit of \$1.0 million per person on the amount of compensation that we may deduct in any one year with respect to each of our Chief Executive Officer and three other most highly compensated named executive officers employed at the end of the year (other than our Chief Financial Officer). There is an exemption from the \$1.0 million limitation for performance-based compensation that meets certain requirements. All grants of options or stock appreciation rights under our 2007 Equity Incentive Plan are intended to qualify for the exemption. Grants of restricted shares or stock units under our 2007 Equity Incentive Plan may qualify for the exemption if vesting is contingent on the attainment of objectives based on the performance criteria set forth in the plan and if certain other requirements are satisfied. Grants of restricted shares or stock units that vest solely on the basis of service cannot qualify for the exemption. Our current cash incentive plan is not designed to qualify for the exemption. To maintain flexibility in compensating officers in a manner designed to promote varying corporate goals, our Compensation Committee has not adopted a policy requiring all compensation to be deductible. Although tax deductions for some amounts that we pay to our named executive officers as compensation may be limited by section 162(m), that limitation does not result in the current payment of increased federal income taxes by us due to our significant net operating loss carryforwards. Our Compensation Committee may approve compensation or changes to plans, programs or awards that may cause the compensation or awards to exceed the limitation under section 162(m) if it determines that action is appropriate and in our best interests.

### ***Change in Control Arrangements***

Our named executive officers have entered into agreements with us that provide them with additional benefits and vesting acceleration in the event that DemandTec is subject to a change in control. See Employment Agreements and Offer Letters below. These agreements were individually negotiated with each named executive officer. They are intended to preserve employee morale and productivity and encourage retention in the face of the disruptive impact of an actual or rumored change in control of DemandTec. In addition, the agreements are intended to align executive and stockholder interests by enabling an executive officer to consider a corporate transaction that is in the best interests of the stockholders and other constituents of DemandTec without undue concern about

**Table of Contents**

whether the transaction may jeopardize the officer's own employment. The agreements were each individually negotiated with each named executive officer at the time of commencement of their employment with the Company, in each case while we were a privately-held company. Commencing with fiscal 2009, new equity grants to our named executive officers contain only double-trigger change in control provisions.

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with our management. Based on its review and discussions, the committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee of the Board of Directors:

Linda Fayne Levinson  
 Ronald R. Baker  
 Victor L. Lund

**Fiscal 2008 Summary Compensation Table**

The following table sets forth all of the compensation awarded to, earned by, or paid to our principal executive officer, principal financial officer and the three other highest paid executive officers whose total compensation in fiscal year 2008 exceeded \$100,000. We refer to these executive officers as our named executive officers.

Name and Principal Position	Fiscal Year	Salary	Bonus	Stock	Option	Non-Equity Incentive Plan	All Other	Total
				Awards(1)	Awards(1)	Compensation(2)	Compensation(3)	
Daniel R. Fishback President and Chief Executive Officer	2008	\$ 450,000	\$	\$	\$ 161,503	\$ 250,000	\$ 324	\$ 861,827
	2007	450,000	185,000		68,437			703,437
Mark A. Culhane Executive Vice President and Chief Financial Officer	2008	350,000		200,156	70,442	175,000	324	795,922
	2007	350,000	158,000		29,022			537,022
William R. Phelps(4) Executive Vice President and Chief Customer Officer	2008	158,654		320,249	177,403	78,998	228	735,532
	2007							
John C. Crouch(5) Former Senior Vice President, Worldwide Sales	2008	225,000		320,249	5,060	225,000	306	775,615
	2007	200,000			6,635	568,400		775,035
James H. Dai(6) Former Senior Vice President, Engineering and Operations	2008	250,000		200,156	91,802	87,500	86,301	715,759
	2007	250,000			11,378	147,529		408,907

(1)



Amounts reflect the total compensation expense for fiscal 2007 and 2008, calculated in accordance with SFAS No. 123R under the prospective transition method. See Note 1 of the notes to our consolidated financial statements contained in our Annual Report on Form 10-K filed on April 25, 2008 for a discussion of all assumptions we made in determining the compensation expense of our equity awards.

- (2) The amounts in this column represent bonus payments under our Management Cash Incentive Plan for fiscal 2008 and under our 2007 Executive Management Team Compensation Plan for fiscal 2007.
- (3) The amounts in this column represent the value of life insurance premiums that we paid on behalf of the named executive officer. In addition, the amount listed in this column for Mr. Dai includes a severance payment and a payment related to accrued but unused vacation associated with the termination of his employment with the company as of February 29, 2008.
- (4) Mr. Phelps' employment with us started on June 18, 2007.
- (5) Mr. Crouch's employment with us ended effective April 30, 2008.
- (6) Mr. Dai's employment with us ended effective February 29, 2008.

**Table of Contents****Fiscal 2008 Grants of Plan-Based Awards**

The following table sets forth information regarding each plan-based award granted to our named executive officers during fiscal 2008.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)		All Other Stock Awards: Number of Shares of Units(2)	All Other Option Awards: Number of Securities Underlying Options(3)	Exercise Price of Option Awards(4)	Grant Date Fair Value of Stock and Option Awards(5)
		Threshold	Target				
Daniel R. Fishback		\$	\$ 250,000	\$ 375,000		\$	\$
Mark A. Culhane	8/17/2007		175,000	262,500	62,500		623,125
William R. Phelps	6/20/2007 8/17/2007		78,998	118,497	100,000	250,000 11.00	1,016,250 997,000
John C. Crouch	8/17/2007		225,000		100,000		997,000
James H. Dai	6/20/2007 8/17/2007		87,500	131,250	62,500	100,000 11.00	406,500 623,125

- (1) The amounts in the Target column represent target payments under our 2008 Management Cash Incentive Plan. There was no threshold bonus payable to any named executive officer under this plan. For each individual, the bonus was determined based on a bookings objective (50% weighting), a non-GAAP free cash flow objective (25% weighting), and a non-GAAP operating margin objective (25% weighting). The amount listed for Mr. Phelps under the Target column reflects his pro-rated target bonus from the start of his employment with the company on June 18, 2007 through the end of the fiscal year, based on his annualized target bonus of \$112,500.
- (2) The amounts in this column represent grants of performance-based restricted stock units granted under our 2007 Equity Incentive Plan. For a description of the vesting conditions applicable to the units held by our named executive officers, please see the section entitled Performance Stock Units under Compensation Discussion and Analysis above.
- (3) The amounts in this column represent options granted under our 1999 Equity Incentive Plan. The options vest as to 12.5% of the total shares when the optionee completes six months of continuous service following the grant

date and in equal monthly installments over the next 42 months when the optionee completes each subsequent month of continuous service. For a description of the vesting acceleration provisions applicable to the options held by our named executive officers, please see the section titled Employment Agreements and Offer Letters below.

- (4) The amounts in this column represent the fair market value of one share of our common stock, as determined by our Board of Directors, on the date of grant. Our Board of Directors determined the fair market value based on a written report prepared by a third party valuation firm.
- (5) The amounts in this column represent the aggregate grant date fair value of the awards, computed in accordance with SFAS No. 123R. See Note 1 of the notes to our consolidated financial statements contained in our Annual Report on Form 10-K filed on April 25, 2008 for a discussion of all assumptions we made in determining the grant date fair value of our equity awards.

### **Outstanding Equity Awards at Fiscal 2008 Year-End**

The following table sets forth information regarding the number of unexercised options and the number of stock awards held by each of our named executive officers as of February 29, 2008.

The options granted to all of our named executive officers prior to January 2006 are immediately exercisable for unvested as well as vested shares. If an optionee exercises an option to purchase unvested shares, we may repurchase the remaining unvested shares at the exercise price if the optionee's service terminates for any reason before such shares vest. Optionees may wish to exercise an option before the underlying shares vest in order to make an election under Section 83(b) of the Internal Revenue Code and obtain capital gain treatment for any increase in

**Table of Contents**

the value of the shares that occurs after the option exercise. Beginning in January 2006, new option grants are exercisable only as they vest. The numbers reported in the Number of Securities Underlying Unexercised Options columns indicate the number of shares underlying unexercised options that were, respectively, vested and unvested as of February 29, 2008. The numbers reported in the Number of Unearned Shares, Units or Other Rights That Have Not Vested column indicate the number of shares underlying unvested performance stock units outstanding as of February 29, 2008.

In connection with the termination of Mr. Dai's employment, we entered into a severance agreement effective February 29, 2008 pursuant to which we accelerated the vesting of 32,814 shares of common stock outstanding, which he had acquired upon exercise of unvested options and which were subject to repurchase as of his termination date. All of his other unvested options and performance stock units were cancelled as of that date. The table below gives effect to such acceleration and cancellation.

The vesting schedule applicable to each outstanding option and stock award is described in the footnotes to the table below. For a description of the vesting acceleration provisions applicable to the equity awards held by our named executive officers, please see the section titled Employment Agreements and Offer Letters below.

Name	Vesting Commencement Date	Option Awards Number of Securities Underlying Unexercised Options(1)		Option Exercise Price	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Stock Awards Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested(2)
		Vested (#)	Unvested (#)			Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(2)	Unearned Shares, Units or Other Rights That Have Not Vested(2)
Daniel R. Fishback	6/4/2001	434,375		\$ 0.40	6/3/2011		\$
	3/15/2002	350,000		1.00	5/20/2012		
	3/1/2004	107,707	2,293	1.00	3/18/2014		
	6/1/2004	100,832	9,168	1.30	7/22/2014		
	9/1/2004	93,958	16,042	1.30	9/9/2014		
	3/1/2005	149,478	55,522	1.30	2/10/2015		
	12/2/2005	148,958	126,042	2.50	12/1/2015		
	12/20/2006	94,791	230,209	3.80	12/19/2016		

Edgar Filing: DemandTec, Inc. - Form DEF 14A

Mark A. Culhane	3/15/2002	32,500		1.00	5/20/2012		
	3/1/2003	75,000		1.00	3/20/2013		
	3/1/2004	39,166	834	1.00	3/18/2014		
	6/1/2004	36,666	3,334	1.30	7/22/2014		
	9/1/2004	34,166	5,834	1.30	9/9/2014		
	3/1/2005	61,978	23,022	1.30	2/10/2015		
	12/2/2005	54,166	45,834	2.50	12/1/2015		
	12/20/2006	43,750	106,250	3.80	12/19/2016		
						62,500	634,375
William R. Phelps	6/18/2007	41,666	208,334	11.00	6/19/2017		
						100,000	1,015,000
John C. Crouch	11/17/2003	233,600		1.00	12/11/2013		
	3/1/2004	24,479	521	1.00	3/18/2014		
	3/1/2005	9,114	3,386	1.30	2/10/2015		
						100,000	1,015,000
James H. Dai	6/20/2007	16,666		11.00	2/28/2009		

(1) All options vest with respect to 12.5% of the total shares thereunder six months after the date set forth in the Vesting Commencement Date column and in equal monthly installments over the next 42 months, subject to the optionee's continuous service.

**Table of Contents**

- (2) All units vest on the basis of performance milestones and then on the basis length of service. Please see the discussion of performance stock units under the section titled *Elements of Executive Compensation* for a description of the vesting conditions associated with the units. Value is based on the closing price of our common stock on the Nasdaq Global Market of \$10.15 on February 29, 2008.

**Option Exercises and Stock Vested During Fiscal 2008**

Only one of our named executive officers, Mr. Crouch, exercised options during fiscal 2008. The numbers in the columns titled *Number of Shares Acquired on Exercise* and *Value Realized on Exercise* under the heading *Option Awards (Outstanding)* in the table below reflect the number of shares exercised during fiscal 2008 and the value received on exercise.

The options granted to all of our employees prior to January 2006 were immediately exercisable for unvested as well as vested shares. If an optionee exercised an option to purchase unvested shares, we may repurchase the remaining unvested shares at the exercise price if the optionee's service terminates for any reason before all shares vest. One of our named executive officers, Mr. Dai, exercised options to purchase unvested shares in prior years, some of which vested in fiscal 2008. The numbers in the column titled *Number of Shares that Vested* under the heading *Option Awards (Exercised but Unvested)* in the table below reflect the number of all unvested option shares that vested during fiscal 2008, including 32,814 unvested shares that we accelerated in connection with the termination of Mr. Dai's employment effective February 29, 2008. The numbers reported in the column titled *Value Realized on Vesting* under the heading *Option Awards (Exercised but Unvested)* represent the fair market value at the time of vesting of those shares. Because there was no public market for our common stock prior to August 8, 2007, we have assumed that the fair market value of our common stock on the dates the option shares vested prior to that date was equal to the initial public offering price of \$11.00 per share.

	<b>Option Awards (Outstanding)</b>		<b>Option Awards (Exercised but Unvested)</b>	
	<b>Number of Shares Acquired on Exercise (#)</b>	<b>Value Realized on Exercise</b>	<b>Number of Shares That Vested (#)</b>	<b>Value Realized on Vesting</b>
Daniel R. Fishback		\$		\$
Mark A. Culhane				
William R. Phelps				
John C. Crouch	3,400	33,932		
James H. Dai			104,064	1,216,416

**Employment Agreements and Offer Letters**

*Daniel R. Fishback.* We entered into a letter agreement with Mr. Fishback in June 2001 and supplemented that agreement in 2005. Under the letter agreements, Mr. Fishback's salary and variable compensation target are determined each year by our Compensation Committee. If we terminate Mr. Fishback's employment without cause at any time or if he is subject to a constructive termination within 12 months after a change in control, he is entitled to a lump sum payment equal to six months of his base salary at the rate in effect at the time of termination. In addition, he is entitled to reimbursement of his premiums for medical and dental insurance coverage under COBRA or to continued coverage under our medical, dental, life and disability insurance programs, in either case for six months

after the date of termination. If we terminate Mr. Fishback's employment without cause, the vested portion of his stock options will be calculated as if he had completed an additional six months of service. If we are subject to a change in control, 50% of Mr. Fishback's remaining unvested shares underlying his stock options will immediately vest. The balance of the unvested shares will vest in equal monthly installments over the 12 months following the change in control. If Mr. Fishback is subject to an actual termination without cause or constructive termination within 12 months after the change in control, all of his unvested shares will vest. These vesting acceleration rules apply to all of Mr. Fishback's options, including options granted in the future.

*Mark A. Culhane.* We entered into a letter agreement with Mr. Culhane in July 2001 and supplemented that agreement in 2005. Mr. Culhane's salary and variable compensation target are determined each year by our Compensation Committee. If we terminate Mr. Culhane's employment without cause at any time or if he is subject

**Table of Contents**

to a constructive termination within 12 months after a change in control, he is entitled to a lump sum payment equal to six months of his base salary at the rate in effect at the time of termination. In addition, he is entitled to reimbursement of his premiums for medical and dental insurance coverage under COBRA or to continued coverage under our medical, dental, life and disability insurance programs, in either case for six months after the date of termination. If we terminate Mr. Culhane's employment without cause, the vested portion of his stock options will be calculated as if he had completed an additional six months of service. If we are subject to a change in control, the following percentage of Mr. Culhane's remaining unvested shares underlying his stock options will immediately vest:

<b>Year in which Change in Control Occurs Following Date of Grant:</b>	<b>Percentage of Unvested Shares Accelerated:</b>
Year 1	50%
Year 2	66.66%
Year 3	75%
Year 4	100%

The balance of the unvested shares will vest in equal monthly installments over the 12 months following the change in control. If Mr. Culhane is subject to an actual termination without cause or constructive termination within 12 months after the change in control, all of his unvested shares will vest. These vesting acceleration rules apply to all of Mr. Culhane's options, including options granted in the future.

*William R. Phelps.* We entered into a letter agreement with Mr. Phelps in May 2007. Mr. Phelps' salary and variable compensation target are determined each year by our Compensation Committee. If we are subject to a change in control and Mr. Phelps is subject to an actual or constructive termination within 12 months after the change in control, then he is entitled to (a) the continuation of his base salary for three months at the rate in effect at the time of termination, (b) reimbursement on an after-tax basis for three months of premiums for health insurance coverage under COBRA and (c) accelerated vesting of 50% of his remaining unvested options.

*John C. Crouch.* We entered into a letter agreement with Mr. Crouch in November 2003. Mr. Crouch's salary and variable compensation target were determined each year by our Compensation Committee. If we were to have terminated Mr. Crouch's employment without cause prior to November 17, 2007, he would have been entitled to the continuation of his base salary for four months at the rate in effect at the time of termination. In addition, he would have been entitled to reimbursement of his premiums for health insurance coverage under COBRA for four months after the date of termination. On April 30, 2008, Mr. Crouch's employment with the company terminated. In connection therewith, we entered into a severance agreement with Mr. Crouch pursuant to which we agreed to continue to pay him his base salary for four months and agreed to reimburse his premiums under COBRA for four months after the date of termination. In addition, we accelerated the vesting of 15,000 PSUs held by Mr. Crouch and extended the post-termination exercise period of his outstanding vested options from three months to six months.

*James H. Dai.* We entered into a letter agreement with Mr. Dai in February 2004. Mr. Dai's salary and variable compensation target were determined each year by our Compensation Committee. Under the agreement, if we were to have terminated Mr. Dai's employment without cause prior to March 19, 2008, he would be entitled to the continuation of his base salary for three months at the rate in effect at the time of termination. In addition, he would be entitled to reimbursement of his premiums for health insurance coverage under COBRA for three months after the date of termination. On February 29, 2008, Mr. Dai's employment with the company terminated. In connection therewith, we entered into a severance agreement with Mr. Dai pursuant to which we paid him a lump sum payment of \$62,500 and his accrued but unpaid bonus for fiscal 2008, and agreed to reimburse his premiums under COBRA for three months



after the date of termination. In addition, we accelerated the vesting of 32,814 shares of our common stock that were outstanding upon Mr. Dai's prior exercise of unvested options.

The letter agreements described above do not impose material conditions on the receipt of benefits, other than the execution of a release of claims. For example, the agreements do not include non-competition covenants.

**Table of Contents****Potential Payments Upon Termination or Change in Control**

The following table describes the potential payments and benefits upon termination of our named executive officers employment before or after a change in control of DemandTec, as if each officer's employment terminated as of February 29, 2008. For purposes of valuing the severance and vacation payments in the table below, we used each officer's base salary rate in effect on February 29, 2008, and the number of accrued but unused vacation days on February 29, 2008.

The value of the vesting acceleration shown in the table below was calculated based on the assumption that the change in control, if applicable, occurred and the officer's employment terminated on February 29, 2008. The closing price per share of our common stock on that date was \$10.15. The value of the option vesting acceleration was calculated by multiplying the number of accelerated unvested shares subject to each option by the difference between the closing price per share of our common stock as of February 29, 2008, and the exercise price per share of the option. The value of the stock vesting acceleration was calculated by multiplying the number of unvested shares accelerated by the difference between the closing price per share of our common stock as of February 29, 2008, and the repurchase price per share of the shares. The value of the performance stock unit (PSU) vesting acceleration was calculated by multiplying the number of accelerated unvested shares by the closing price per share of our common stock as of February 29, 2008.

Effective February 29, 2008, Mr. Dai's employment with the company terminated. In connection therewith, we accelerated the vesting of 32,814 shares of our common stock that were outstanding upon Mr. Dai's prior exercise of unvested options. All of his then-unvested stock options and performance stock units terminated as of that date. The table below assumes that the termination of Mr. Dai's employment occurred subsequent to the end of fiscal year 2008 in order to most accurately reflect the potential payments to Mr. Dai upon termination or change in control throughout the fiscal year. Actual payments made to Mr. Dai upon termination of his employment are described above under Employment Agreements and Offer Letters.

Name	Benefit	Voluntary Resignation or Termination for Cause	Termination Without Cause Prior to Change in Control	Change in Control	Termination	Constructive
					Cause After Change in Control	Termination After Change in Control
Daniel R. Fishback	Severance	\$	\$ 225,000	\$	\$ 225,000	\$ 225,000
	Option Acceleration		971,524	1,580,754	3,161,508	3,161,508
	COBRA Premiums		7,706		7,706	7,706
	Vacation Payout	45,431	45,431		41,683	41,683
	Total Value	45,431	1,249,661	1,580,754	3,435,897	3,435,897
Mark A. Culhane	Severance		175,000		175,000	175,000
	Option Acceleration		390,106	1,005,277	1,317,830	1,317,830
	PSU Acceleration		95,156	190,313	317,188	317,188
	COBRA Premiums		7,706		7,706	7,706

Edgar Filing: DemandTec, Inc. - Form DEF 14A

	Vacation Payout	35,335	35,335		35,335	35,335
	Total Value	35,335	703,303	1,195,590	1,853,059	1,853,059
William R. Phelps	Severance				56,250	56,250
	Option Acceleration					
	PSU Acceleration			304,500	507,500	507,500
	COBRA Premiums				3,853	3,853
	Vacation Payout	9,118	9,118		9,118	9,118
	Total Value	9,118	9,118	304,500	576,721	576,721
James H. Dai	Severance		62,500		62,500	
	Stock Acceleration				132,124	132,124
	PSU Acceleration			190,313	317,188	317,188
	COBRA Premiums		3,627		3,627	
	Vacation Payout	23,477	23,477		23,477	23,477
	Total Value	23,477	89,604	190,313	538,916	472,789
John C. Crouch	Severance					
	Option Acceleration				17,367	17,367
	PSU Acceleration			304,500	507,500	507,500
	COBRA Premiums					
	Vacation Payout	22,716	22,716		22,716	22,716
	Total Value	22,716	22,716	304,500	547,583	547,583

**Table of Contents**

**RELATED PARTY TRANSACTIONS**

Other than the compensation arrangements with directors and executive officers, there have been no transactions since March 1, 2007 (and there are no currently proposed transactions) in which:

we have been or are to be a participant;

the amount involved exceeds \$120,000; and

any of our directors, executive officers or holders of more than 5% of our capital stock, or any immediate family member of or person sharing the household with any of these individuals (other than tenants or employees), had or will have a direct or indirect material interest.

**Indemnification Agreements**

In connection with our initial public offering, we entered into an indemnification agreement with each of our directors and executive officers and certain other key employees. The agreement provides that we will indemnify him or her against any and all expenses that he or she incurs because of his or her status as one of our directors, executive officers or key employees to the fullest extent permitted by Delaware law, our restated certificate of incorporation and our amended and restated bylaws, except in a proceeding initiated by that person without the approval of our board of directors. In addition, the agreement provides that, to the fullest extent permitted by Delaware law, we will advance all expenses incurred by him or her in connection with a legal proceeding.

**Review, Approval or Ratification of Transactions with Related Parties**

Our board of directors adopted certain written policies and procedures with respect to related party transactions on May 22, 2007. These policies and procedures require that certain transactions, subject to specified exceptions and other than one that involves compensation, between us and any of our directors, executive officers or beneficial holders of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, be consummated only if (i) approved or ratified by our Audit Committee and only if the terms of the transaction are comparable to those that could be obtained in arms-length dealings with an unrelated third party or (ii) approved by the disinterested members of our board of directors. Our policies and procedures with respect to related party transactions also apply to certain charitable contributions by us or our executive officers and to the hiring of any members of the immediate family of any of our directors or executive officers as our permanent full-time employees. Our Compensation Committee is also required to approve any transaction that involves compensation to our directors and executive officers.

**DELIVERY OF DOCUMENTS TO STOCKHOLDERS SHARING AN ADDRESS**

A number of brokers with account holders who are DemandTec, Inc. stockholders will be householding our proxy materials. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, please notify your broker and direct your written request to DemandTec, Inc., 1 Circle Star Way, Suite 200, San Carlos, CA 94070, Attn: Corporate Secretary, or call (650) 226-4600. Stockholders who currently receive multiple copies of the proxy statement at their address and would

like to request householding of their communications should contact their broker.

**Table of Contents**

**OTHER MATTERS**

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

Michael J. McAdam  
*General Counsel and Corporate Secretary*

July 21, 2008

**Table of Contents**

**Appendix A**

**DEMANDTEC, INC.**

**AUDIT COMMITTEE CHARTER**

**(as adopted by the Board of Directors on May 22, 2007)**

**PURPOSE:**

This Charter sets forth the composition, authority and responsibilities of the Audit Committee (the *Committee*) of the Board of Directors (the *Board*) of DemandTec, Inc. (the *Company*). The purpose of the Committee shall be to assist the Board in fulfilling its oversight responsibilities relating to the Company's financial accounting, internal controls, reporting and compliance. The Committee's principal functions are to serve as an independent and objective monitor of:

The quality and integrity of the Company's financial statements, accounting principles, reporting and related disclosures;

The effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting;

The Company's compliance with legal and regulatory requirements and internal policies regarding ethical conduct; and

The independent auditor's qualifications, independence and performance.

The Committee has the authority to undertake the specific duties and responsibilities listed below and will have the authority to undertake such other specific duties as the Board from time to time prescribes. Consistent with these functions, the Committee will encourage continuous improvement of, and foster adherence to, the Company's policies, procedures and practices at all levels.

**ORGANIZATION AND COMPOSITION:**

The members of the Committee will be nominated by, will be appointed by, and will serve at the discretion of, the Board. The Committee will consist of at least three (3) members of the Board who meet the following criteria (in each case to the extent that such requirements are effective from time to time):

Subject to any phase-in allowances, each member will be an independent director in accordance with the applicable rules of The Nasdaq Global Market ( *Nasdaq* ) and the rules of the Securities and Exchange Commission ( *SEC* );

Each member will be able to read and understand fundamental financial statements, in accordance with the applicable rules of Nasdaq;

At least one member will have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's

financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities, in accordance with the applicable rules of Nasdaq;

To the extent possible, at least one member will be an audit committee financial expert in accordance with the applicable rules of Nasdaq and the SEC; and

A director who is a present or former employee of the Company may not serve on the Committee.

The Board shall designate one member of the Committee as the Committee's Chairperson. The members shall serve until their resignation, retirement or removal by the Board, and/or until their successors are appointed.

The Committee shall have the authority to engage independent legal, accounting and other advisors, as it determines necessary to carry out its duties. The Committee shall have sole authority to approve related fees and



## **Table of Contents**

retention terms, and the Company shall provide the Committee with adequate funding to allow the Committee to perform its duties under this Charter.

The Committee may conduct or authorize investigations into, or studies of, any matters of interest or concern that the Committee deems appropriate. In connection with this responsibility, the Committee shall have full access to all books, records, facilities and personnel of the Company.

The Committee may, in its sole discretion, establish or designate a sub-committee for the purpose of carrying out any responsibility or activity within the scope of the Committee.

### **MEETINGS:**

The Committee will establish its own schedule and will meet at least one (1) time each fiscal quarter. The Committee may also act by circulating a written consent to each member of the Committee. The written consent constitutes a valid action of the Committee if it has been executed by each Committee member. The written consent will be filed with the minutes of Board meetings.

The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests. The Committee will meet separately with members of the Company's management and the Company's independent auditors at such times as the Committee deems appropriate.

The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

### **RESPONSIBILITIES AND AUTHORITY**

The responsibilities and authority of the Committee shall include:

#### ***Financial Disclosure Processes and Internal Controls***

1. Reviewing periodically, with the Company's management and independent auditors, the Company's financial reporting processes and disclosure controls and procedures, including the Company's policies and procedures designed to assure that information required to be disclosed in its periodic public reports is accurately reported within the time periods specified by the SEC;
2. Reviewing periodically, with the Company's management and independent auditors, the adequacy and effectiveness of the Company's internal controls over financial reporting designed to protect assets and provide assurance that transactions are properly authorized, executed, recorded and summarized in the Company's books of record. As part of this responsibility, at least annually, the Committee shall meet with management to review its plan for the maintenance, modification, enhancement and testing of such controls for the ensuing fiscal year;
3. Reviewing the reports prepared by management, and attested to by the Company's independent auditors, assessing the adequacy and effectiveness of the Company's internal controls over financial reporting, prior to the inclusion of such reports in the Company's periodic filings as required under the rules of the SEC. If applicable, the Committee's review shall focus on any significant deficiencies in, any significant changes to, or material weaknesses in such controls reported by the independent auditors, or comments and management's responses contained in any accompanying management letter; and

4. Reviewing at least annually the need for, and desirability of, implementing an internal audit department within the Company. In this capacity, the Committee will have the primary authority to define the structure, staffing, activities and reporting relationships of such internal audit function.

***Engagement and Oversight of Independent Auditors***

5. Appointing, retaining, compensating, and when necessary terminating the engagement of, the independent auditors. The Committee may, in its discretion, seek stockholder ratification of the independent auditor it appoints.

A-2

---

**Table of Contents**

The independent auditors shall report directly to the Committee, and the Committee shall have the sole authority to approve the hiring, compensation and firing of the independent auditors;

6. Pre-approving audit and permissible non-audit services provided to the Company by the independent auditors (or subsequently approving non-audit services in those circumstances where a subsequent approval is permissible). In carrying out this responsibility, the Committee may establish policies and procedures for the review and pre-approval of audit and permitted non-audit services, including delegation of this authority to one or more members of the Committee, provided that such pre-approval decision is presented to the full Committee at its next scheduled meeting;

7. Directing the Company's independent auditors to review, before filing with the SEC, the Company's interim financial statements included in quarterly reports on Form 10-Q, using professional standards and procedures for conducting such reviews;

8. Meeting with the Company's independent auditors to review and discuss

their annual audit plan, including the scope, proposed procedures, fees, timing, and staffing;

the results of the annual audit examination; and

the results of the independent auditors' procedures with respect to interim periods.

9. Reviewing and discussing with the independent auditors:

the reasonableness of judgments and estimates used in preparing the financial statements, including assumptions made and the completeness of the related disclosures;

critical accounting policies and practices used by the Company, including in particular any significant changes in the Company's selection or application of accounting principles;

alternative accounting treatments (i.e., principles or estimates) within generally accepted accounting principles related to material items that have been discussed with management, including the ramifications of the use of the alternative treatments and the treatment preferred by the independent auditors;

other material written communications between the independent auditors and management, including all of the matters required to be discussed with the auditors under SAS 61 – Communications with the Audit Committee;

10. Obtaining and reviewing at least annually a report by the Company's independent auditors describing the independent auditors' internal quality-control procedures; and any material issues raised by the most recent internal quality-control review, or PCAOB or peer review, of the independent auditors, or by any inquiry or investigation by any governmental or professional authority, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues;

11. Obtaining and reviewing at least annually a formal written statement by the Company's independent auditors delineating all relationships between the auditor and the Company, consistent with Independent Standards Board Standard No. 1, as it may be modified or supplemented, and reviewing and discussing with the auditors any disclosed relationships or services that may impact the objectivity and independence of the auditors;

12. Reviewing periodically with the independent auditors any problems or difficulties encountered by the independent auditors in the course of performing any audit work, including management's response thereto, any restrictions on the

scope of the independent auditor's activities or access to requested information, and assisting with the resolution of any significant disagreements with management;

13. Conducting an annual evaluation of the independent auditors' qualifications, performance and independence after overseeing their work throughout the audit period and reviewing their reports as provided above. This evaluation shall include a review and evaluation of the lead audit partner;

14. Establishing hiring policies regarding employment of employees, or former employees, of the Company's independent auditors in accordance with the applicable rules of Nasdaq and the SEC.

A-3

---

**Table of Contents**

***Financial Reporting and Other Disclosures***

15. Reviewing with management and the Company's independent auditors, before filing or release (as applicable):

the Company's annual report on Form 10-K, including the audited financial statements and Management's Discussion and Analysis (MD&A);

the Company's quarterly reports on Form 10-Q, including the unaudited interim financial statements and MD&A;

the Company's earnings announcements or financial releases and earnings guidance;

any other material financial information incorporated in the Company's regulatory filings, including but not limited to registration statements to be filed under the Securities Act of 1933; and

any required certification or attestations of management or the Company's internal auditors.

16. Overseeing compliance with the disclosure requirements of the SEC regarding auditors' services and audit committee members, member qualifications and activities;

17. Preparing any report required to be prepared by it for inclusion in the proxy statement of the Company under SEC rules and regulations; and

***Risk Management, Related Party Transactions and Other Responsibilities and Authority***

18. Discussing guidelines and policies governing the process by which management and other persons responsible for risk management assess and manage the Company's exposure to risk, as well as the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, based on consultation with the Company's management, independent auditors and counsel;

19. Establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

20. Reviewing and approving all related party transactions in accordance with the applicable rules of Nasdaq and the SEC and any related policies and procedures adopted by or on behalf of the Company and then in effect;

21. Reviewing, approving and monitoring the Code of Business Conduct for the Company in accordance with the applicable rules of Nasdaq and the SEC, including any waivers of the Code of Business Conduct for any directors and officers;

22. Discussing with management and the independent auditors any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies;

23. Reviewing the adequacy of the Committee's own Charter, structure, processes and membership requirements, at least on an annual basis;

24. Preparing and periodically updating an annual calendar and checklist for the Committee's responsibilities and authority;

25. Reporting regularly to the full Board, including with respect to any issues that arise with respect to the quality or integrity of the Company's financial statements, the effectiveness of the Company's internal controls or disclosure procedures, the performance and independence of the Company's independent auditors, or any other issue that the Committee believes should be brought to the attention of the full Board. Such reports may be made orally or in writing; and

26. Performing such other duties as may be necessary or desirable to comply with the applicable laws, rules and regulations promulgated under the Sarbanes-Oxley Act, or by the SEC, Nasdaq or any other applicable governmental agency, if such duties are customarily assigned to the audit committee, or requested by the Board.

A-4

---

**Table of Contents**

**COMPENSATION:**

Members of the Committee shall receive such fees, if any, for their service as Committee members as may be determined by the Board. Such fees may include retainers or per meeting fees and shall be paid in such form of consideration as is determined by the Board in accordance with the applicable rules of Nasdaq and the SEC.

Members of the Committee may not receive any compensation from the Company except the fees that they receive for service as a member of the Board or any committee thereof and reimbursement for reasonable expenses.

**LIMITATIONS OF COMMITTEE S ROLE:**

The Committee s responsibilities are principally of an oversight nature. Although the Committee has the responsibilities set forth in this Charter, it is not the responsibility of the Committee to plan or conduct audits or to determine that the Company s financial statements and disclosures are accurate, complete and stated in accordance with generally accepted accounting principles ( GAAP ) and other applicable rules and regulations. These are the responsibilities of the Company s management and independent auditors, and the Committee shall rely on their expertise and knowledge in carrying out its oversight responsibilities.

**Table of Contents**

**DemandTec, Inc.  
ANNUAL MEETING OF STOCKHOLDERS  
Tuesday, September 2, 2008  
11:00 a.m.  
DemandTec's Corporate Headquarters  
1 Circle Star Way  
San Carlos, CA 94070**

**DemandTec, Inc.**

1 Circle Star Way  
San Carlos, CA 94070

**proxy**

**This proxy is solicited by the Board of Directors for use at the Annual Meeting on September 2, 2008.**

The shares of stock you hold in your account or in a dividend reinvestment account will be voted as you specify on the reverse side.

**If no choice is specified, the proxy will be voted FOR Items 1 and 2.**

By signing the proxy, you revoke all prior proxies and appoint Daniel R. Fishback and Mark A. Culhane, and each of them, with full power of substitution, as proxies and attorneys-in-fact and hereby authorize them to represent and vote your shares of DemandTec Common Stock on the matters shown on the reverse side and any other matters which may come before the Annual Meeting and all adjournments.

*See reverse for voting instructions.*

---



**Table of Contents**

**COMPANY #**

**There are three ways to vote your Proxy**

**Your telephone or Internet vote authorizes the Named Proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.**

**VOTE BY PHONE TOLL FREE 1-800-560-1965 QUICK <<<< EASY <<<< IMMEDIATE**

Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (CT) on September 1, 2008.

Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions the voice provides you.

**VOTE BY INTERNET www.eproxy.com/dman QUICK <<<< EASY <<<< IMMEDIATE**

Use the Internet to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (CT) on September 1, 2008.

Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions to obtain your records and create an electronic ballot.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we've provided or return it to DemandTec, Inc., c/o Shareowner Services<sup>SM</sup>, P.O. Box 64873, St. Paul, MN 55164-0873.

**If you vote by Phone or Internet, please do not mail your Proxy Card**

*Please detach here*

**The Board of Directors Recommends a Vote FOR Items 1 and 2.**

- |                           |                    |                                |                                     |
|---------------------------|--------------------|--------------------------------|-------------------------------------|
| 1. Election of directors: | 01 Ronald R. Baker | <input type="radio"/> Vote FOR | <input type="radio"/> Vote WITHHELD |
|                           | 02 Linda Fayne     | all nominees                   | from all nominees                   |
|                           | Levinson           | (except as marked)             |                                     |

**(Instructions: To withhold authority to vote for any indicated nominee, write the number(s) of the nominee(s) in the box provided to the right.)**

- |  |                           |                               |                               |
|--|---------------------------|-------------------------------|-------------------------------|
| 2. To ratify the appointment by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending February 28, 2009. | <input type="radio"/> For | <input type="radio"/> Against | <input type="radio"/> Abstain |
|--|---------------------------|-------------------------------|-------------------------------|

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR EACH PROPOSAL.**

Address Change? Mark Box  Indicate changes below:

Date

Signature(s) in Box

Please sign exactly as your name(s) appears on the Proxy. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing

the Proxy.