TERADATA CORP /DE/
Form DEF 14A
March 03, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

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

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Section 240.14a-12

Teradata Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) 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:

NOTICE OF 2009 ANNUAL MEETING

AND PROXY STATEMENT

March 3, 2009

Dear Fellow Teradata Corporation Stockholder:

I am pleased to invite you to attend Teradata s 2009 Annual Meeting of Stockholders on April 28, 2009. The meeting will begin promptly at 8:00 a.m. local time at the Hilton Garden Inn (Atlanta North/Johns Creek), 11695 Medlock Bridge Road, Duluth, Georgia 30097.

This proxy statement, which also includes a notice of the 2009 annual meeting, tells you more about the agenda and procedures for the meeting. It also describes how the Board of Directors operates and gives information about our director candidates and general compensation and corporate governance matters.

To conserve natural resources and to reduce the costs of printing and distributing our proxy materials (which include this proxy statement, our 2008 annual report and form of proxy and voting instruction card), we are delivering these materials to stockholders via the Internet. As permitted under U.S. Securities and Exchange Commission (SEC) rules, most of our stockholders receive a mailing containing only a notice of the 2009 annual meeting instead of paper copies of our proxy materials. The notice will include instructions on how to access these documents over the Internet, as well as instructions on how stockholders receiving this notice can request paper copies of our proxy materials if desired. Stockholders who do not receive the notice-only mailing will receive either paper copies of the proxy materials by mail or electronically-available materials as permitted under applicable SEC rules.

Michael Koehler, Teradata s President and Chief Executive Officer, and I look forward to sharing more information with you about Teradata at the annual meeting. If you plan to attend, please send an email to investor.relations@teradata.com to receive a meeting reservation request form.

Your vote is important. Whether or not you plan to attend the annual meeting, I urge you to authorize your proxy as soon as possible so that your stock may be represented at the meeting.

Sincerely,

James M. Ringler
Chairman of the Board

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS OF TERADATA CORPORATION

Time:

8:00 a.m. local time

Date:

Tuesday, April 28, 2009

Place:

Hilton Garden Inn (Atlanta North/Johns Creek)

11695 Medlock Bridge Road, Duluth, Georgia 30097

Purpose:

Elect Messrs. Fiore, Koehler and Ringler to serve as Class II directors for three-year terms expiring at the 2012 annual meeting of stockholders and to hold office until their respective successors are duly elected and qualified;

Consider and vote upon the ratification of the appointment of our independent registered public accounting firm for 2009;

Consider and vote upon the approval of the Teradata Corporation 2007 Stock Incentive Plan;

Consider and vote upon the approval of the Teradata Corporation Management Incentive Plan; and

Transact such other business as may properly come before the meeting and any adjournment or postponement of the meeting.

Other Important Information:

Record holders of Teradata common stock at the close of business on February 27, 2009, may vote at the meeting.

Your shares cannot be voted unless they are represented by proxy or in person by the record holder at the meeting. **Even if you plan to attend the meeting, please submit a proxy to ensure that your shares are represented at the meeting.**

By order of the Board of Directors,

Laura Nyquist
General Counsel and Secretary

March 3, 2009

2835 Miami Village Drive

Miamisburg, OH 45342

PROXY STATEMENT

GENERAL INFORMATION

We are delivering these proxy materials to solicit proxies on behalf of the Board of Directors of Teradata Corporation, a Delaware corporation, for the 2009 annual meeting of stockholders, including any adjournment or postponement thereof. The meeting will be held at 8:00 a.m. local time, on April 28, 2009, at the Hilton Garden Inn (Atlanta North/Johns Creek), 11695 Medlock Bridge Road, Duluth, Georgia 30097.

Stockholders Entitled to Vote at the Meeting

If you are a record stockholder at the close of business on February 27, 2009, the record date for the meeting, you are entitled to vote at the meeting. There were 173,059,316 shares of common stock outstanding on the record date. For each share of common stock you own, you are entitled to cast one vote on each candidate submitted for director election and to cast one vote on each other matter properly brought before the meeting.

Delivery of Proxy and Voting Materials

On or about March 19, 2009, we will begin distributing to stockholders our proxy materials (including the 2008 annual report, proxy statement and form of proxy and voting instruction card (proxy card)). The delivery method and nature of the materials (electronic or paper copies) received by each stockholder will vary as described below.

Notice and Access

As we did last year, we have elected to provide access to our proxy materials via the Internet pursuant to the notice and access rules adopted by the SEC. A Notice of Internet Availability of Proxy Materials (Notice) will be mailed to most of our stockholders of record and beneficial owners (stockholders who own their stock through a nominee such as a bank or broker). The Notice will instruct stockholders on how to access the proxy materials on a secure website referred to in the document or how to request printed copies. Stockholders who have opted to receive all future proxy materials in printed form by mail or electronically by email, will not receive the Notice, but will receive printed or electronic copies of the proxy materials as previously requested. If you wish to receive future proxy materials in printed form by mail or electronically by email, follow the instructions included with the Notice.

Electronic Delivery

A number of our stockholders, including those who have previously consented to electronic delivery of proxy materials, will receive an email notifying them of their ability to obtain access to our proxy materials, including notice of the 2009 annual meeting, via the Internet. Stockholders can elect to view future proxy materials electronically instead of receiving paper copies in the mail as follows:

If you are a stockholder of record (*i.e.,* you are a registered stockholder directly holding your common stock through an account with our transfer agent, Mellon Investor Services), you can choose to access your disclosure materials electronically and save us the cost of producing and mailing these documents by following the instructions provided at http://www.investordelivery.com or by following the prompt if you choose to authorize your proxy over the Internet. You must provide your control number listed on your Notice or proxy card to make this election.

If you are a beneficial owner (*i.e.,* you hold your common stock beneficially through a nominee such as a bank or broker), please review the information provided by your nominee for instructions on how to elect to view future proxy statements and annual reports over the Internet.

Delivery Method	***What does it mean?***	***How can I participate?***	***How can I opt out?***
Notice and Access of Internet Availability	You will receive a Notice in the mail that will provide you with instructions on how to access http://www.proxyvote.com to: (1) view our proxy materials for the 2009 annual meeting over the Internet; and (2) securely vote your proxy electronically via the Internet.	Under the SEC s rules, you do not have to opt in to participate. Stockholders, other than those who have previously requested printed materials or who receive their notice electronically via email, will receive the Notice and Internet access to the proxy materials.	You will receive instructions with the Notice regarding how to obtain paper copies of the proxy materials and/or instruct us to mail future proxy materials in printed form. To do so, stockholders can either (1) follow the instructions on http://www.proxyvote.com, (2) call 1-800-579-1639, or (3) send an email to sendmaterial@proxyvote.com.*
Electronic Access	If you have chosen to receive your proxy materials electronically (including the notice of the meeting), you will receive an email with instructions containing a link to those materials and the proxy voting site hosted on http://www.proxyvote.com.	Choosing to receive your future proxy materials by electronic access will save us the cost of printing and mailing documents to you and will conserve natural resources. If you have not already made this election, you can provide your consent when you vote at: http://www.proxyvote.com.*	Your election to receive proxy materials by electronic access will remain in effect until you terminate your consent at http://www.proxyvote.com,* or your consent is deemed to be revoked under applicable law.

* Stockholders must provide a control number (listed on their Notice and/or proxy card) to make this election.

Paper Copies

Stockholders who have previously requested paper copies of their proxy materials, or who are otherwise required to receive them, will receive the 2009 proxy materials in printed form unless they consent to receive these documents electronically in the future.

How to Obtain a Separate Set of Proxy Materials

As an additional cost-saving measure, we are taking advantage of the householding rules adopted by the SEC that permit us to deliver only one set of proxy materials to stockholders who share an address, unless otherwise requested or required under applicable law. If you have multiple Teradata common stock record accounts and/or share an address with a family member who is a Teradata stockholder and want to receive more than one copy of the Notice and/or proxy materials, you may contact our mailing agent, Broadridge Financial Solutions, at Broadridge Householding Department, 51 Mercedes Way, Edgewood, New York, 11717 (phone: 1-800-542-1061). Broadridge will remove you from the householding program within thirty days of receipt of this request and will mail you a separate copy of the proxy materials.

How to Vote Your Shares

Your vote is important. Your shares can be voted at the annual meeting only if you are present in person or represented by proxy. Even if you plan to attend the meeting, we urge you to authorize your proxy in advance. You may vote your shares by authorizing a proxy over the Internet or by telephone. In addition, if you received paper copies of the proxy materials by mail, you can also submit a proxy by mail by following the instructions on the proxy card. Voting your shares by authorizing a proxy over the Internet, by telephone or by written proxy card will ensure your representation at the annual meeting regardless of whether you attend in person.

We encourage you to authorize your proxy electronically by going to the http://www.proxyvote.com website or by calling the toll-free number (for residents of the United States and Canada) listed on your Notice and proxy card. Please have your Notice or proxy card in hand when going online or calling. ***If you authorize your proxy electronically over the Internet, you do not need to return your proxy card.*** If you choose to authorize your proxy by mail, simply mark your proxy card, and then date, sign and return it in the postage-paid envelope provided.

If you hold your shares beneficially in street name through a nominee (such as a bank or broker), you may be able to authorize your proxy by telephone or the Internet as well as by mail. You should follow the instructions you receive from your nominee to vote these shares.

How to Revoke Your Proxy

You may revoke your proxy at any time before it is voted at the meeting by:

- properly executing and delivering a later-dated proxy (including a telephone or Internet proxy authorization);
- voting by ballot at the meeting; or
- sending a written notice of revocation to the inspectors of election in care of our Corporate Secretary at the address listed above.

Voting at the Annual Meeting

The method by which you vote and authorize your proxy will in no way limit your voting rights if you later decide to vote in person at the meeting. If you beneficially own your shares through a nominee (such as a bank or broker), you must obtain a proxy executed in your favor from your nominee to be able to vote at the meeting.

Your shares will be voted at the meeting as directed by the instructions on your proxy card, voting instructions or electronic proxy if: (1) you are entitled to vote, (2) your proxy was properly executed or properly authorized electronically, (3) we received your proxy prior to the annual meeting, and (4) you did not revoke your proxy prior to or at the meeting.

The Board s Recommendations

If you send a properly executed proxy or authorize your proxy electronically without specific voting instructions, your shares represented by that proxy will be voted as recommended by the Board of Directors:

- FOR the election of each of the three Class II director nominees identified herein (see page 8);
- FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2009 (see page 48);
- FOR approval of the Teradata Corporation 2007 Stock Incentive Plan (see page 49); and

FOR approval of the Teradata Corporation Management Incentive Plan (see page 55).

Voting Shares Beneficially Held in the Teradata 401(k) Savings Plan

If you are a participant in the Teradata 401(k) Savings Plan, your proxy includes the number of Teradata common stock units (share interests) allocated to your plan account. You may instruct the trustee how to vote the number of share interests allocated to your plan account. The trustee will vote the share interests allocated to your plan account in accordance with your instructions. If you do not vote your share interests in the Teradata 401(k) Savings Plan, the trustee will vote the unallocated share interests, as well as any allocated share interests held by the plan, in the same proportion as the share interests for which it received timely voting instructions.

Votes Required to Approve Each Item

The presence at the meeting (in person or by proxy) of the holders of a majority of the shares of common stock outstanding on the record date, the close of business on February 27, 2009, is necessary to have a quorum allowing us to conduct business at the meeting. The affirmative vote of a majority of the voting power present (in person or by proxy) at the meeting is required to elect each director, to ratify the appointment of our independent registered public accounting firm, to approve the Teradata Corporation 2007 Stock Incentive Plan, and to approve the Teradata Corporation Management Incentive Plan. Abstentions effectively count as votes against the adoption of a proposal and the election of a director, but broker non-votes will have no effect on the outcome of the vote for any item or the election of any director. Broker non-votes occur when a broker returns a properly executed proxy but does not vote on a particular item because the broker has not received voting instructions from the beneficial owner and, therefore, does not have the authority to vote on a proposal.

Annual Meeting Admission

You may attend the meeting if you are a stockholder of record, hold a proxy for a stockholder of record, or are a beneficial owner of our common stock with evidence of ownership. **If you plan to attend the meeting in person, please send an email to us at investor.relations@teradata.com to request a meeting reservation request form. If you are a beneficial owner (*e.g.,* you hold your common stock through a bank or broker), please include evidence of your ownership of common stock with the form (such as an account statement showing you own our common stock as of the record date).** If you do not have a reservation for the meeting, you may still attend if we can verify your stock ownership at the meeting.

We will include the results of the votes taken at the meeting in our next quarterly report filed with the SEC. You may also find information on how to obtain a full transcript of the meeting in that quarterly report or by writing to our Corporate Secretary at Teradata Corporation, 2835 Miami Village Drive, Miamisburg, Ohio 45342.

STOCK OWNERSHIP

Ownership by Officers and Directors

This table shows our common stock beneficially owned as of January 15, 2009, by each Named Executive Officer included in the Summary Compensation Table found on page 31 of this proxy statement, each non-employee director, and the directors and executive officers as a group as of January 15, 2009. As of that date, none of our directors or executive officers beneficially owned more than 1.0% of the issued and outstanding shares of our common stock. As a group, such directors and executive officers beneficially owned 0.8% of such stock. In addition to the shares shown in the following table, directors and executive officers hold restricted stock units, which have not yet vested, as listed in footnote 6 to the table.

Names	Total Shares Beneficially Owned (1)	Shares Covered by Options (2)
Non-Employee Directors		
Class I Directors		
David E. Kepler	13,041	3,169
William S. Stavropoulos (3)	97,588	58,976
Class II Directors		
James M. Ringler, Chairman of the Board	118,733	71,586
Peter L. Fiore	1,351	0
Class III Directors		
Edward P. Boykin	80,729	42,976
Cary T. Fu	1,351	0
Victor L. Lund	50,839	30,976
Named Executive Officers		
Michael Koehler, President, Chief Executive Officer and Class II Director (4)	268,444	162,622
Robert Fair, Executive Vice President, Global Field Operations	186,897	146,366
Daniel Harrington, Executive Vice President, Technology and Support Services (5)	111,802	55,463
Bruce Langos, Chief Operations Officer	110,272	85,999
Stephen Scheppmann, Executive Vice President and Chief Financial Officer	0	20,300
Current Directors and Executive Officers as a Group (6) (15 persons)	1,398,281	968,293

(1) Unless otherwise indicated, total voting power and total investment power are exercised by each individual and/or a member of his or her household. Includes (a) shares covered by options that are exercisable within sixty days of January 15, 2009 (as listed in the Shares Covered by Options column); (b) shares granted to directors, the receipt of which have been deferred, as follows: Mr. Boykin, 25,518 shares; Mr. Kepler, 3,240 shares; Mr. Lund, 11,628 shares; Mr. Ringler, 32,938 shares; and Mr. Stavropoulos, 16,787 shares; and (c) vested restricted stock units, the receipt of which have been deferred, as follows: each of Messrs. Boykin, Lund, and Ringler, 4,235 units; Mr. Kepler, 5,238 units; and Messrs. Fiore and Fu 1,351 units.

(2) Includes shares that the executive officer or director or his or her respective family members have the right to acquire through the exercise of stock options within sixty days after January 15, 2009. These shares are also included in the Total Shares Beneficially Owned column.

(3) Includes 2,000 shares held by Mr. Stavropoulos spouse.

(4) Includes 21,503 shares held jointly by Mr. Koehler and his spouse.

(5) Includes 3,700 shares held by Mr. Harrington in a unitized stock fund under the Teradata 401(k) Savings Plan.

(6) In addition to the shares listed in the table, directors and executive officers hold the following number of restricted stock units that have not yet vested: each of Messrs. Boykin, Kepler, Lund, Ringler, and Stavropoulos, 1,445 units (the receipt of which each director, except for Mr. Stavropoulos, has elected to defer); Messrs. Fiore and Fu, 4,056 units; and Mr. Scheppmann, 10,722 units.

Other Beneficial Owners of Teradata Stock

To our knowledge, based on filings with the SEC made by beneficial owners of our stock, the following stockholders beneficially own more than 5% of our outstanding common stock.

Name and Address of Beneficial Owner	Total Number of Shares	Percent of Class [1]
Barclays Global Investors, NA [2] 400 Howard Street, San Francisco, California 94105	15,143,169	8.72%
Delaware Management Holdings [3] 2005 Market Street, Philadelphia, Pennsylvania 19108	13,147,669	7.57%
Morton Holdings, Inc. and Philip B. Korsant [4] 283 Greenwich Avenue, Greenwich, Connecticut 06830	11,328,106	6.52%
Stephen F. Mandel, Jr. (individually and for Lone Pine Assoc. LLC, *et al.*) [5] Two Greenwich Plaza, Greenwich, Connecticut 06830	10,007,277	5.76%

(1) Percent of class is based on the number of shares of Teradata common stock issued and outstanding as of January 15, 2009.

(2) Information is based upon a Schedule 13G filed with the SEC on February 5, 2009, by Barclays Global Investors, NA and affiliated entities, which reported sole voting and dispositive power as follows: Barclays Global Investors, NA, sole voting power 8,799,395, sole dispositive power 10,703,491; Barclays Global Fund Advisors, sole voting power 2,148,017, sole dispositive power 2,159,054; Barclays Global Investors, Ltd, sole voting power 964,177, sole dispositive power 1,169,637; Barclays Global Investors Japan Limited, sole voting and dispositive power 795,071; Barclays Global Investors Canada Limited, sole voting and dispositive power 290,653; and Barclays Global Investors Australia Limited, sole voting and dispositive power 25,263.

(3) Information is based upon an amended Schedule 13G/A filed by Delaware Management Holdings with the SEC on February 6, 2009. According to this filing, Delaware Management Holdings and Delaware Management Business Trust, directly or indirectly, have sole dispositive power over 13,147,669 shares, sole power to vote 13,101,565 shares, and shared voting power over 1,504 shares.

(4) Information is based upon a Schedule 13G filed by Morton Holdings, Inc. and Philip B. Korsant with the SEC on February 23, 2009. According to this filing, Morton Holdings, Inc. and Philip B. Korsant, directly or indirectly, have shared voting and dispositive power with respect to an aggregate of 11,328,106 shares held by partnerships of which Morton Holdings, Inc. is the general partner.

(5) According to Amendment No. 1 to a Schedule 13G filed with the SEC on February 13, 2009, Steven F. Mandel, Jr., as managing member of Lone Pine Associates LLC, has shared voting and dispositive power with respect to an aggregate of 423,332 shares held directly by Lone Spruce, L.P., Lone Balsam, L.P. and Lone Sequoia, L.P. (as to each of which Lone Pine Associates LLC serves as general partner); as managing member of Lone Pine Members LLC, has shared voting and dispositive power with respect to 5,587,053 shares held by Lone Cascade, L.P. and Lone Sierra, L.P. (as to each of which Lone Pine Members LLC serves as general partner); and as managing member of Lone Pine Capital LLC has shared voting and dispositive power with respect to an aggregate of 3,996,892 shares held directly by Lone Cypress, Ltd., Lone Kauri, Ltd. and Lone Monterey Master Fund, Ltd. (as to each of which Lone Pine Capital LLC acts as the investment manager).

EQUITY COMPENSATION PLAN INFORMATION

The table below shows information regarding awards outstanding and shares available for issuance under the Teradata Corporation 2007 Stock Incentive Plan, as amended. This plan was adopted by our Board of Directors, and approved by our sole stockholder effective immediately prior to the spin off from NCR Corporation (NCR). At its meeting on February 3, 2009, the board recommended that this plan be submitted to stockholders for approval at the 2009 annual meeting as described in connection with the proposal beginning on page 49 of this proxy statement.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)(#)	Weighted-average exercise price of outstanding options, warrants and rights (b)($)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)(#)
Equity compensation plans approved by security holders	10,743,724(1)	16.63	10,986,394
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	10,743,724	16.63	10,986,394

(1) Includes a total of 444,784 performance-based restricted stock units that were outstanding under the Teradata Corporation 2007 Stock Incentive Plan as of December 31, 2008.

ELECTION OF DIRECTORS

(Item 1 on Proxy Card)

The Board of Directors is currently divided into three classes. Directors are elected by stockholders for terms of three years and hold office until their successors are elected and qualify. One of the three classes is elected each year to succeed the directors whose terms are expiring. As of the 2009 annual meeting, the terms for the directors in Classes I, II and III of the Board of Directors expire in 2011, 2009, and 2010, respectively.

Messrs. Fiore, Koehler and Ringler are Class II directors whose current terms are expiring at the 2009 annual meeting, and each has been nominated for re-election through the 2012 annual meeting of stockholders and until his successor is elected and qualified.

Proxies solicited by the board will be voted for the election of the nominees, unless you provide a contrary instruction on your proxy. The board has no reason to believe that these nominees will be unable to serve. However, if one of them should become unavailable, the board may reduce the size of the board or designate a substitute nominee. If the board designates a substitute, shares represented by proxies will be voted for the substitute nominee.

The Board recommends that you vote FOR each of the Class II nominees for election as a director. Election of each nominee requires the affirmative vote of a majority of the voting power present (in person or by proxy) at the meeting. If a nominee does not receive a majority vote, he is required to tender his resignation for consideration by the Board of Directors in accordance with the board s Corporate Governance Guidelines as described on page 14 of this proxy statement. Proxies solicited by the Board of Directors will be voted FOR each nominee, unless you specify otherwise in your proxy.

Class II Current Terms Expiring in 2009 and New Terms Expiring in 2012:

James M. Ringler, 63, was named Chairman of the Board of Teradata in September 2007. Mr. Ringler previously served as Chairman of the Board of NCR from July 25, 2005 to September 2007. From March 2005 to August 2005, Mr. Ringler served as NCR s President and Interim Chief Executive Officer. He served as Vice Chairman of Illinois Tool Works Inc., a multi-billion dollar diversified manufacturer of highly engineered components and industrial systems, from 1999 until he retired in 2004. Prior to joining Illinois Tool Works, from 1997 to 1999, Mr. Ringler was Chairman of Premark International, Inc. He also served as Premark s Chief Executive Officer from 1995 to 1999 when it merged with Illinois Tool Works. Mr. Ringler serves as a director of Autoliv Inc., The Dow Chemical Company (Dow), FMC Technologies, Inc., Corn Products International, Inc., and JBT Corporation. He joined our board on September 6, 2007.

Peter L. Fiore, 51, has served as President, Chief Executive Officer and Director of Crossbeam Systems, Inc., a provider of next-generation security platforms for high-performance networks, since 2007. Prior to joining Crossbeam, from 2005 to 2007, he served as Vice President of IBM s information integration solutions business with revenues in excess of $500 million. He joined IBM as a result of the company s acquisition of Ascential Software, where he had served as President since the company s inception in July 2001. Prior to that time, Mr. Fiore was President of Informix Business Solutions, a leader in business intelligence and analytical applications from 2000 to 2001. In addition, he serves on the board of directors of Kadient, Inc. He joined our board on July 29, 2008.

Michael Koehler, 56, is President and Chief Executive Officer of Teradata. Previously, Mr. Koehler served as Senior Vice President, Teradata Division of NCR from 2003 to 2007. From September 2002 until March 2003, he was the Interim Teradata Division Leader, Teradata Division. From 1999 to 2002, Mr. Koehler was Vice President, Global Field Operations, Teradata Division, and held management positions of increasingly greater responsibility at NCR prior to that time. He joined our board in August 2007.

Other Directors

Class I Current Terms Expiring in 2011:

David E. Kepler, 56, is the Executive Vice President, Business Services, Chief Sustainability Officer, and Chief Information Officer (CIO) of Dow. Mr. Kepler joined Dow in 1975. He was appointed Vice President and CIO of Dow in 1998 and Corporate Vice President in 2001. At Dow, Mr. Kepler assumed responsibility for Business Services in 2004, was appointed Senior Vice President in 2006, with added responsibilities for the company s sustainability initiatives, and appointed Executive Vice President in February 2008. He also serves on the board of directors of the U.S. Chamber of Commerce, as well as Dorinco Reinsurance Company and Liana Limited, both Dow-affiliated companies, and is a member of the U.S. National Infrastructure Advisory Council that advises the President on the protection of critical infrastructure and homeland security issues. He joined our board on November 1, 2007.

William S. Stavropoulos, 69, retired as director and Chairman of the Board of Dow on April 1, 2006. He had served in such capacity since November 2000. Mr. Stavropoulos was the President and Chief Executive Officer of Dow from 1995 to 2000 and was Chairman of the Board, President and Chief Executive Officer from 2002 to November 2004. In addition, he is a director of Tyco International, Inc., Chemical Financial Corporation, and Maersk Inc., and is on the advisory board for Metalmark Capital LLC, a private equity investment firm. He is a trustee to the Fidelity Group of Funds, and serves on the board of American Enterprise Institute for Public Policy Research. He also serves as a special advisor to Clayton, Dubilier & Rice, Inc., a private equity investment firm, and is the president and founder of the Michigan Baseball Foundation. Mr. Stavropoulos joined our board on September 6, 2007.

Class III Current Terms Expiring in 2010:

Edward P. Boykin, 70, retired as the President and Chief Operating Officer of Computer Sciences Corporation (CSC), an information technology services company he joined in 1966, in June 2003. He had served in that capacity since July 2001. From 1998 to 2001, he held a number of senior management positions at CSC, including group president of its Financial Services Group from 1999 to 2001 and vice president of its Technology Management Group from 1998 to 1999. Mr. Boykin also serves on the board of directors of NCR and PlusOne Solutions, Inc. He joined our board on September 6, 2007.

Cary T. Fu, 60, has served as Chief Executive Officer of Benchmark Electronics, Inc., an electronics manufacturing services provider, since September 2004. He served as President and Chief Executive Officer of Benchmark from September 2004 to December 2006. Prior to becoming Chief Executive Officer of Benchmark, he served as its President and Chief Operating Officer from May 2001 to September 2004, Executive Vice President from 1992 to 2001, and Executive Vice President, Financial Administration, from 1990 to 1992. He has been a director of Benchmark since 1990 and is a certified public accountant. He joined our board on July 29, 2008.

Victor L. Lund, 61, has served as the non-executive Chairman of the Board of DemandTec, Inc., an on-demand applications company, since December 2006 and has been a member of its board since April 2005. Prior to this position, in 2005, Mr. Lund served as a director on a number of other companies boards and served as the non-executive Chairman of the Board of Mariner Health Care, Inc., a long-term health care services company, from May 2002 until its acquisition in December 2004. He served as Vice Chairman of Albertson s, Inc., a food and drug retailer, from 1999 until 2002. Mr. Lund served as Chairman of the Board of American Stores Company from 1995 until its acquisition by Albertson s in June 1999, and as Chief Executive Officer of American Stores Company from 1992 until 1999. Prior to joining American Stores Company in 1977, Mr. Lund was a practicing certified public accountant. He also serves on the board of directors of Del Monte Foods Company and Service Corporation International. He joined our board on September 6, 2007.

ADDITIONAL INFORMATION CONCERNING THE BOARD OF DIRECTORS

The Board of Directors oversees the overall performance of the Company on your behalf. Members of the board stay informed of our business by participating in regularly scheduled board and committee meetings, through discussions with the Chief Executive Officer and other members of management and staff, and by reviewing other materials provided to them.

Corporate Governance

Our Board of Directors is elected by the stockholders to govern our business and affairs. The board selects the senior management team, which is charged with conducting our business. Having selected the senior management team, the board acts as an advisor to senior management and monitors its performance. The board reviews our strategies, financial objectives and operating plans. It also plans for management succession of the Chief Executive Officer, as well as other senior management positions, and oversees our compliance efforts.

To help discharge its responsibilities, the Board of Directors has adopted Corporate Governance Guidelines on significant corporate governance issues. These guidelines address, among other things, such matters as director independence, committee membership and structure, meetings and executive sessions, and director selection, retirement, and training. The board s Corporate Governance Guidelines are found on our corporate governance website at http://www.teradata.com/t/governance-guidelines. You may obtain a written copy of these guidelines, or any of the board s committee charters, by writing to our Corporate Secretary at the address listed on page 1 of this proxy statement. The board s independent directors meet regularly in executive session and, as provided in the Corporate Governance Guidelines, the Board of Directors has selected the Chairman of the Board to preside at its executive sessions during 2009.

In connection with its Corporate Governance Guidelines, the Board of Directors has established independence standards. In general, the board must determine whether a director is considered independent, taking into account the independence guidelines of the New York Stock Exchange (NYSE) and the factors listed immediately following this paragraph, which are included as Exhibit B, Definition of Director Independence, to the board s Corporate Governance Guidelines referenced above, in addition to those other factors it may deem relevant. No director may qualify as independent unless the board affirmatively determines (i) under the NYSE listing standards, that he or she has no material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us); and (ii) under our independence standards, that the director or director candidate:

- has not been an employee of the Company or any of our affiliates, or affiliated with us, within the past five years;

- has not been affiliated with or an employee of our present or former independent auditors or its affiliates within at least the past five years;

- has not been in the past five years a paid advisor, service provider or consultant to us or any of our affiliates or to an executive officer of the Company or an employee or owner of a firm that is such a paid advisor, service provider or consultant;

- has not, directly or indirectly, had a material relationship (such as being an executive officer, director, partner, or significant stockholder) with a significant customer or supplier of the Company, and in no case may the director be an executive officer or employee of another company that in the previous three years made payments to or received payments from us in a fiscal year exceeding the greater of $1 million or 2% of the other company s consolidated gross revenues;

- is not an executive officer or director of a foundation, university or other non-profit entity receiving significant contributions from us, including contributions in the previous three years that, in any single fiscal year, exceeded the greater of $1 million or 2% of such charitable organization s consolidated gross revenues;

- has not been employed as an executive officer by another corporation that has (or had during the past five years) an executive officer of the Company on its board of directors;

- has not for the past five years received any compensation, consulting, advisory or other fees from us, other than director compensation and expense reimbursement or compensation for prior service that is not contingent on continued service; and

- is not and has not been for the past five years, a member of the immediate family of (i) an officer of the Company, (ii) an individual who receives more than $100,000 per year in direct compensation from us, other than compensation for prior service that is not contingent on continued service, (iii) an individual affiliated with or an employee of our present or former independent auditors or its affiliates, (iv) an individual who is an executive officer of another company that has (or had) an executive officer of the Company on its board of directors, (v) an executive officer of a company that has made payments to, or received payments from, us in a fiscal year that exceeded the greater of $1 million or 2% of the other company s consolidated gross revenues, or (vi) any director who is not considered an independent director.

Our Board of Directors has determined that all of our non-employee directors and nominees, namely Messrs. Ringler, Boykin, Fiore, Fu, Kepler, Lund, and Stavropoulos, meet the NYSE listing independence standards and our independence standards. There were no transactions, relationships or arrangements that required review by the board for purposes of determining director independence.

The board and its committees met a total of thirty-three times last year. In 2008, each of the directors attended 75% or more of the total number of meetings of the board and the committee(s) on which he serves. In addition, under the board s Corporate Governance Guidelines, our directors are expected to attend our annual meeting of stockholders each year. Six out of seven of our directors attended the 2008 annual meeting of stockholders.

Committees of the Board

Our Board of Directors has four committees: the Audit Committee, the Compensation and Human Resource Committee, the Committee on Directors and Governance, and the Executive Committee.

Audit Committee: The Audit Committee is the principal agent of the Board of Directors in overseeing the Company s accounting and financial reporting processes and audits of the Company s financial statements and internal controls, including assisting in the Board s oversight of (i) the integrity of our financial statements; (ii) the Company s compliance with ethical, legal and regulatory requirements; (iii) the qualifications, independence and performance of our independent registered public accounting firm; and (iv) the performance of our internal audit function. The Audit Committee also:

- is directly responsible for the appointment, compensation and oversight of our independent registered public accounting firm and pre-approving all audit services, as well as any audit-related, tax and other non-audit services, to be performed by the independent registered public accounting firm;

- reviews and discusses with our independent registered public accounting firm its quality control procedures;

- regularly reviews the annual audit plan of our independent registered public accounting firm, including the scope of audit activities, and monitors the progress and results of the annual audit;

- meets with the independent registered public accounting firm, the internal auditors and management to review the adequacy of our internal controls and its financial, accounting and reporting processes;

- discusses with management and the independent registered public accounting firm our annual audited financial statements and unaudited quarterly financial statements;

discusses with management and the independent registered public accounting firm (i) all critical accounting policies and practices used, (ii) any significant financial reporting issues and judgments made in connection with the preparation of our financial statements, including analyses of the effects of alternative accounting methods under generally accepted accounting principles that have been discussed with management and the treatment preferred by the independent registered public accounting firm, (iii) the effect of regulatory and accounting initiatives and off-balance sheet structures on our financial statements, and (iv) any other reports required by law to be delivered by the independent registered public accounting firm, including any management letter or schedule of unadjusted differences;

discusses management s plans with respect to our major financial and enterprise risk exposures;

receives periodic reports from our internal auditors on findings of fraud, if any, and its significant findings regarding the design and/or operation of internal control over financial reporting as well as management responses to such findings;

reviews our periodic SEC filings and our quarterly earnings releases;

is responsible for overseeing our ethics and compliance program; and

prepares the committee report required pursuant to the rules of the SEC for inclusion in our proxy statements.

The Audit Committee has three members, Messrs. Fu, Kepler and Lund, each of whom is independent and financially literate as determined by the board under applicable SEC and NYSE standards. In addition, the board has determined that Messrs. Fu and Lund are both audit committee financial experts, as defined under SEC regulations. No member of the committee may receive any compensation, consulting, advisory or other fee from us, other than board compensation described below under the caption Compensation of Directors, as determined in accordance with applicable SEC and NYSE rules. Each Audit Committee member is limited to serving on the audit committees of two other public companies, unless the Board of Directors evaluates and determines that these other commitments would not impair his effective service to us.

A more detailed discussion of the committee s mission, composition, and responsibilities is contained in the Audit Committee Charter. A copy of this charter, which was amended by the committee on December 2, 2008, is included as Appendix A to this proxy statement and can be found on our corporate governance website at http://www.teradata.com/t/audit-committee-charter.

Compensation and Human Resource Committee: In general, this committee (i) discharges our board s responsibilities relating to the compensation of our executives; (ii) provides general oversight of our management compensation philosophy and practices, benefit programs, and strategic workforce initiatives; (iii) oversees succession planning and leadership development activities; and (iv) reviews and approves our overall compensation principles, objectives and programs covering executive officers and key management employees as well as the competitiveness of our total executive officer compensation practices. The Compensation and Human Resource Committee also:

evaluates and reviews the performance levels of our executive officers and determines base salaries and equity and incentive awards for such officers;

at executive session of the Board of Directors, assists the board in determining the annual goals and objectives of the Chief Executive Officer and discusses its evaluation of, and determination of compensation for, the Chief Executive Officer based on the results of the Chief Executive Officer s performance against such goals and objectives;

reviews and recommends to our Board of Directors for approval our executive compensation plans, including incentive-compensation plans, and all equity-based compensation plans;

monitors our compliance with the Sarbanes-Oxley Act of 2002 relating to 401(k) plans and loans to directors and officers, NYSE rules relating to approval of equity compensation plans and all other applicable laws affecting employee compensation and benefits;

- reviews management s proposals to make significant organizational changes or significant changes to existing executive officer compensation plans;

- oversees our plans for management succession and development and, on an annual basis, assists the Board of Directors in reviewing and monitoring succession planning;

- reviews and discusses with management the disclosures in our proxy statements with respect to executive compensation policies and procedures and produces the committee s annual report related to such disclosure for inclusion in our proxy statements; and

- reviews the stock ownership guidelines and compliance of the Chief Executive Officer and other executive officers with such guidelines.

The Compensation and Human Resource Committee has four members, Messrs. Boykin, Fiore, Ringler, and Stavropoulos, each of whom the Board of Directors has determined meets the NYSE listing independence standards and our independence standards. The committee has delegated authority to our Chief Executive Officer to award equity to individuals other than executive officers in limited instances. In addition, the Chief Executive Officer conducts annual performance evaluations of executives and, after consulting with the Vice President, Human Resources provides this committee with his assessments and recommendations with respect to the amount and form of compensation for such executives.

In December 2008, this committee extended the engagement of Semler Brossy Consulting Group LLC as its outside compensation consultant to assist the committee in the development of our executive compensation and benefit programs, including the amount and form of such compensation, and in the evaluation of our Chief Executive Officer. The rules of engagement for the use of the compensation consultant by the committee and management include the following: (i) only the committee and its Chair can hire or fire the consultant; (ii) on an annual basis, the consultant will provide the committee with a letter of the projected scope of services for the year; (iii) the consultant s work will be coordinated with our Vice President, Human Resources and any project undertaken at management s request will be with the knowledge and consent of the committee Chair; (iv) the consultant will have direct contact with the committee; and (v) the committee will evaluate the performance of the consultant on an annual basis.

A more detailed discussion of the committee s mission, composition, and responsibilities is contained in the Compensation and Human Resource Committee Charter, which was amended by the committee on December 2, 2008, a copy of which can be found on our corporate governance website at http://www.teradata.com/t/compensation-committee-charter.

Committee on Directors and Governance: This committee is responsible for reviewing the board s corporate governance practices and procedures and:

- establishes procedures for evaluating the performance of the Board of Directors and oversees such evaluation;

- reviews the composition of our Board of Directors and the qualifications of persons identified as prospective directors, recommends the candidates to be nominated for election as directors, and, in the event of a vacancy on the board, recommends any successors;

- reviews and makes recommendations to the board concerning non-employee director compensation; and

- sees that proper attention is given, and effective responses are made, to shareholder concerns regarding corporate governance.

The Committee on Directors and Governance (the Governance Committee) directly engaged Semler Brossy Consulting Group LLC as its consultant to review our director compensation program in 2008 and 2009.

The Governance Committee is composed entirely of independent directors, James Ringler and William Stavropoulos. A more detailed discussion of the committee s mission, composition and responsibilities is contained in the Committee on Directors and Governance Charter, which was amended by the committee on December 2, 2008, a copy of which is available on our corporate governance website at http://www.teradata.com/t/committee-on-directors-and-governance-charter.

Selection of Nominees for Directors

The Board of Directors and the Governance Committee are responsible for recommending candidates for membership to the board. The director selection process is described in detail in the board s Corporate Governance Guidelines, which are posted on our corporate governance website at http://www.teradata.com/t/governance-guidelines. In determining candidates for nomination, the Governance Committee will seek the input of the Chairman of the Board and the Chief Executive Officer and will consider individuals recommended for board membership by our stockholders in accordance with our Bylaws and applicable law.

The board and the Governance Committee are committed to finding proven leaders who are qualified to serve as Teradata directors. In November 2007, the Governance Committee engaged the outside search firm of Spencer Stuart LLP to assist it in identifying and contacting qualified candidates. In addition, directors have suggested potential candidates for consideration by this committee. All candidates are evaluated by the Governance Committee using the qualification guidelines included as part of the board s Corporate Governance Guidelines. As part of the selection process, the committee and the board examine candidates business skills and experience, personal integrity, judgment, and ability to devote the appropriate amount of time and energy to serving the best interests of stockholders. As a result of this process and in accordance with our Bylaws and the board s Corporate Governance Guidelines, on July 29, 2008, the Board of Directors increased the size of the board and elected Messrs. Fiore and Fu as directors.

Stockholders wishing to recommend individuals for consideration as directors should submit their suggestions in writing to the Corporate Secretary of the Company, providing the candidate s name, age, residential and business contact information, detailed biographical data and qualifications for service as a board member, the class or series and number of shares of Teradata capital stock (if any) which are owned beneficially or of record by the candidate, a document signed by the candidate indicating the candidate s willingness to serve, if elected, and evidence of the stockholder s ownership of our stock. Recommendations by stockholders that are made in this manner will be evaluated in the same manner as other candidates. Stockholders who want to nominate directors for election at our next annual meeting of stockholders must follow the procedures described in our Bylaws, which are available on our corporate governance website at http://www.teradata.com/t/articles-and-bylaws. See Procedures for Stockholder Proposals and Nominations on page 57 of this proxy statement for further details regarding how to nominate directors.

The directors nominated by the Board of Directors for election at the 2009 annual meeting were recommended by the Governance Committee. All of these candidates for election are currently serving as our directors and Messrs. Fiore and Ringler have been determined by the board to be independent.

Under the board s Corporate Governance Guidelines, if any of the directors nominated for election at the 2009 annual meeting is not re-elected by the required majority vote, such director shall promptly offer his resignation. The Board of Directors, giving due consideration to the best interests of the Company and its stockholders, shall evaluate the relevant facts and circumstances, including whether the underlying cause of the director s failure to receive the required majority vote can be cured, and shall make a decision on whether to accept the offered resignation. Any director who offers a resignation pursuant to this provision shall not participate in the board s decision. The Board of Directors will promptly disclose publicly its decision and, if applicable, the reasons for rejecting the offered resignation. If the board accepts a director s resignation pursuant to this process, the Governance Committee will recommend to the Board of Directors whether to fill the resulting vacancy or reduce the size of the board.

Executive Committee: This committee has the authority to exercise all powers of the full Board of Directors, except those prohibited by applicable law, such as amending the Bylaws or approving a merger that requires stockholder approval. This committee meets between regular board meetings if urgent action is required.

Board Committee Membership

Name	Executive Committee	Compensation and Human Resource Committee	Audit Committee	Committee on Directors and Governance
James M. Ringler*	X*	X*		X
Edward P. Boykin		X		
Peter L. Fiore		X		
Cary T. Fu			X	
David E. Kepler			X	
Michael Koehler	X			
Victor L. Lund	X		X*	
William S. Stavropoulos	X	X		X*
Number of meetings in 2008	1	9	10	6

* Chair

Communications with Directors

Stockholders wishing to communicate directly with our Board of Directors, any individual director, the Chairman of the Board, or our non-management or independent directors as a group are welcome to do so by writing our Corporate Secretary at 2835 Miami Village Drive, Miamisburg, Ohio 45342. The Corporate Secretary will forward any communications as directed. Any matters reported by stockholders relating to our accounting, internal accounting controls or auditing matters will be referred to members of the Audit Committee as appropriate. Anonymous and/or confidential communications with the Board of Directors may also be made by writing to this address. For more information on how to contact our board, please see our corporate governance website at http://www.teradata.com/t/contact-the-board.

Code of Ethics

We have a Code of Conduct that sets the standard for ethics and compliance for all of our employees, including our officers, directors, and controller. Our Code of Conduct is available on our corporate governance web site at http://www.teradata.com/t/code-of-conduct. To obtain a copy of the Code of Conduct, please send a written request to the Corporate Secretary at the address provided above.

Section 16(a) Beneficial Ownership Reporting Compliance

During 2008, all of our executive officers and directors timely filed the reports required under Section 16(a) of the Securities Exchange Act of 1934.

DIRECTOR COMPENSATION

Teradata s Director Compensation Program is designed to enhance the Company s ability to attract and retain highly qualified directors and to align their interests with the long-term interests of our stockholders. The program consists of both a cash component, designed to compensate independent directors for their service on the board and its committees, and an equity component, designed to align the interests of independent directors and stockholders. Mr. Koehler receives no compensation for his service on the board.

Annual Retainer

Under the Director Compensation Program, for the 2008 2009 board year (the period between the Company s annual stockholders meetings), each non-employee member of Teradata s board receives an annual retainer of $75,000. The Chairman of the Board of Directors (Mr. Ringler) receives an additional retainer of $165,000, and each director serving on the Audit Committee receives an additional retainer of $5,000. The Chair of the Committee on Directors and Governance (the Governance Committee) receives an additional retainer of $9,000, and the Chairs of the Audit Committee and Compensation and Human Resource Committee each receive an additional retainer of $12,000.

Prior to January 1 of each year, a director may elect to receive all or a portion of his or her annual retainer in Teradata common stock instead of cash. In addition, a director may elect to defer receipt of shares of common stock payable in lieu of cash. Payments for deferred stock may be made only in shares of Teradata common stock.

Initial Equity Grant

The Director Compensation Program provides that upon initial election to the board, each non-employee director will receive a grant of restricted stock units. A director may elect to defer receipt of the shares of common stock that would otherwise be received upon vesting of restricted stock units. The restricted stock units vest in four equal quarterly installments commencing three months after the grant date. Payment is made only in Teradata common stock.

Messrs. Fiore and Fu were the only directors to receive an initial equity grant during 2008 in connection with their appointments to the board. In this regard, on July 29, 2008, Messrs. Fiore and Fu each received an initial equity grant of restricted stock units with a total dollar value equal to $75,000 on the date of grant. Each of Messrs. Fiore and Fu elected to defer receipt of the shares until termination from the board.

Annual Equity Grant

The Director Compensation Program also provides that on the date of each annual meeting of stockholders each non-employee director will be granted restricted stock units and options to purchase a number of shares of Teradata common stock in an amount determined by the Governance Committee and approved by the board. Any restricted stock units awarded will vest in four equal quarterly installments commencing three months after the grant date. Any options that are granted will be fully vested and exercisable on the first anniversary of the grant. If the grant is made in the form of restricted stock units, a director may elect to defer receipt of the shares of common stock payable when such restricted stock units vest.

Mid-Year Equity Grant

The Director Compensation Program also provides the board with the discretion, based on the recommendation of the Governance Committee, to grant mid-year equity grants in the form of stock options and/or awards of restricted stock or restricted stock units to directors who are newly elected to the board after the annual meeting of stockholders. If a mid-year equity grant is made in the form of restricted stock units, a director may elect to defer receipt of the shares of common stock that would otherwise be received upon vesting. Option grants made in connection with a mid-year equity grant will be fully vested and exercisable on the first anniversary of the grant. Restricted stock unit grants made in connection with a mid-year equity grant vest in four equal quarterly installments commencing three months after the grant date. Payment is made only in Teradata common stock.

Because they joined the board in July of 2008, the board exercised its discretion and awarded Messrs. Fiore and Fu mid-year equity grants. Messrs. Fiore and Fu each received a mid-year equity grant with a total dollar value of $93,750 allocated equally between stock options and restricted stock units. Each of these directors elected to defer receipt of the shares, otherwise payable under the restricted stock units, until termination from the board.

Director Compensation Table

The following table provides information on compensation paid to our non-employee directors in 2008.

Name	Fees Earned or Paid in Cash ($) (1)	Stock Awards ($) (2)	Option Awards ($) (3)	Total ($)
James M. Ringler, Chairman		319,632(2a)	55,097	374,729
Edward P. Boykin		142,638(2b)	55,097	197,735
Peter L. Fiore	31,855	52,856(2c)	21,127	105,838
Cary T. Fu	33,978	52,856(2d)	21,127	107,961
David E. Kepler		191,185(2e)	68,865	260,050
Victor L. Lund	92,000	67,601	55,097	214,698
C.K. Prahalad		138,602(2f)	76,107(3a)	193,938
William S. Stavropoulos	84,000	58,658	55,097	197,755

(1) Represents the cash annual retainer earned for 2008. Messrs. Ringler, Boykin and Kepler elected to receive their cash retainers in the form of deferred shares payable as described in footnote 2 below. Mr. Prahalad, who retired from the board as of October 7, 2008, elected to receive his cash retainer in the form of current shares. These deferred and current shares are reported in the Stock Awards column.

(2) This column shows the aggregate dollar amount recognized for financial statement reporting purposes for 2008 with respect to outstanding restricted stock unit awards, the value of current or deferred shares (also referred to as phantom shares) paid in lieu of cash annual retainers, and the value of current shares paid in lieu of the cash annual retainer. The aggregate dollar amount was determined in accordance with Statements of Financial Accounting Standards No. 123 (revised 2004), Share Based Payment (FAS 123R); however, the calculations disregard the estimate of forfeitures related to service-based vesting conditions. See Note 6 of the Notes to Consolidated Financial Statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2008 (the Annual Report) for an explanation of the assumptions made by the Company in the valuation of these awards.

(a) With respect to Mr. Ringler, the amount includes the value of 13,059 phantom shares received in lieu of his annual retainer. The grant date fair value of the phantom shares is $252,031.

(b) With respect to Mr. Boykin, the amount includes the value of 3,888 phantom shares received in lieu of his annual retainer. The grant date fair value of the phantom shares is $75,037.

(c) With respect to Mr. Fiore, the amount reflects the dollar amount recognized for financial statement reporting purposes in 2008 in connection with his initial and mid-year grant of restricted stock units on July 29, 2008. The grant date fair value of the restricted stock unit awards granted to Mr. Fiore in 2008 is $124,461.

(d) With respect to Mr. Fu, the amount reflects the dollar amount recognized for financial statement reporting purposes in 2008 in connection with his initial and mid-year grant of restricted stock units on July 29, 2008. The grant date fair value of the restricted stock unit awards granted to Mr. Fu in 2008 is $124,461.

(e)

With respect to Mr. Kepler, the amount includes the value of 4,147 phantom shares received in lieu of his annual retainer. The grant date fair value of the phantom shares is $80,037.

(f) With respect to Mr. Prahalad, the amount includes the value of 2,754 shares received in lieu of his annual retainer with a grant date fair value of $59,173. When Mr. Prahalad resigned from the board in October 2008, the board accelerated his outstanding restricted stock unit award and the remaining unvested shares became fully vested as of October 7, 2008. As a result of this acceleration, the Company incurred an additional $21,010 of expense in 2008 under FAS 123R in respect of this award.

The number of restricted stock units unvested and outstanding as of December 31, 2008 for each of the non-employee directors is as follows: Messrs. Ringler, Boykin, Kepler, Lund and Stavropoulos each had 1,445 units; and Messrs. Fiore and Fu each had 4,056 units.

(3) This column shows the aggregate dollar amount recognized for financial statement reporting purposes for 2008 with respect to outstanding stock options, and includes amounts attributable to awards granted in 2008 and in prior years. The aggregate dollar amount was determined in accordance with FAS 123R; however, the calculations disregard the estimate of forfeitures related to service-based vesting conditions. See footnote 3 of the Summary Compensation Table on page 32 of this proxy statement for an explanation of the assumptions made by the Company in the valuation of these awards. The grant date fair value of Messrs. Fiore and Fu s option award in 2008 was $47,873.

(a) In connection with his resignation from the board, the board accelerated the vesting of an option award for Mr. Prahalad so that such award vested on October 7, 2008. As a result of this acceleration, the Company incurred an additional $20,771 of expense in 2008 under FAS 123R in respect of this award.

The Teradata option awards outstanding as of December 31, 2008 for each of the non-employee directors are as follows: Mr. Ringler, 79,082; Mr. Boykin, 50,472; Messrs. Fiore and Fu, 5,396; Mr. Kepler, 10,665; Mr. Lund, 38,472; Mr. Prahalad, 84,472; and Mr. Stavropoulos, 66,472.

With respect to Messrs. Ringler, Boykin, Lund, Prahalad, and Stavropoulos, these awards include options originally granted to acquire NCR stock. In connection with the spin off from NCR, the awards were converted into awards to purchase an equal number of shares of NCR and Teradata stock, and the exercise price of the Teradata options was adjusted to preserve the intrinsic value of the award. The amounts listed above include the following converted option awards: Mr. Ringler, 71,586; Mr. Boykin, 42,976; Mr. Lund, 30,976; Mr. Prahalad, 76,976; and Mr. Stavropoulos, 58,976.

NO INCORPORATION BY REFERENCE

In our filings with the SEC, information is sometimes incorporated by reference. This means that we are referring you to information that has previously been filed with the SEC and the information should be considered as part of the particular filing. As provided under SEC regulations, the following Board Compensation and Human Resource Committee Report on Executive Compensation and the Board Audit Committee Report contained in this proxy statement specifically are not incorporated by reference into any other filings with the SEC and shall not be deemed to be Soliciting Material under SEC rules. In addition, this proxy statement includes several website addresses. These website addresses are intended to provide inactive, textual references only. The information on these websites is not part of this proxy statement.

BOARD COMPENSATION AND HUMAN RESOURCE COMMITTEE REPORT ON

EXECUTIVE COMPENSATION

The Compensation and Human Resource Committee of the Board of Directors (the Committee) manages the Company s compensation programs on behalf of the Board of Directors. The Committee reviewed and discussed with the Company s management the *Compensation Discussion and Analysis* included in this proxy statement. In reliance on the review and discussions referred to above, the Committee recommended to the Board of Directors that the *Compensation Discussion and Analysis* be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and this proxy statement, each of which will be filed with the SEC.

Dated: February 27, 2009

The Compensation and Human Resource Committee:

James M. Ringler, Chair

Edward P. Boykin, Member

Peter L. Fiore, Member

William S. Stavropoulos, Member

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

The purpose of this Compensation Discussion and Analysis (CD&A) is to provide information about the principles underlying our compensation program for Messrs. Koehler, Scheppmann, Langos, Harrington, and Fair. We refer to these individuals as our Named Executive Officers.

Overview of Compensation Objectives

Teradata s executive compensation program is designed to attract, develop and retain business leaders who are responsible for attaining the Company s financial, operational and strategic objectives and driving sustainable long-term shareholder value.

Competitive Compensation Practices

We believe that each element of our compensation program should remain competitive in order to attract and retain key executive talent. To achieve this objective, the Compensation and Human Resource Committee (the Committee) generally strives to establish base salary, annual incentive and long-term incentive opportunities close to the median of the competitive market data. However, the Committee retains the flexibility to make adjustments in order to respond to market conditions, promotions, individual performance or other circumstances.

In February 2008, as part of its annual management performance evaluation, the Committee reviewed whether any changes should be made to the base salary and annual and long-term incentive levels for our Named Executive Officers. In this regard, the Committee retained Semler Brossy Consulting Group, LLC (SBCG) to assist it in developing and assessing the Company s executive compensation strategy. SBCG reports directly to the Committee and serves at the sole discretion of the Committee.

Specifically, the Committee asked SBCG to provide information about the competitiveness of the compensation program for our Named Executive Officers. In response, SBCG provided information about the market levels for the following components of our executives compensation:

- Base salary;
- Total cash compensation, which is base salary plus annual incentive compensation;
- Long-term incentive awards; and
- Total direct compensation, which is total cash compensation plus long-term incentive awards.

Compensation Peer Group: SBCG worked with the Committee to develop a compensation peer group for use in evaluating 2008 executive compensation levels. In order to be included in the peer group for 2008, a company had to satisfy the following four requirements: (i) be within the technology industry, (ii) have revenues of approximately $750 million to $4 billion (approximately one-half to two times our revenue), (iii) be publicly traded in the United States, and (iv) be focused on selling business-to-business. The Committee then added and removed several companies, in consultation with SBCG, based on their comparability to Teradata in terms of business-to-business model, concentration in software, revenue size, number of employees, and market capitalization. As a result, five enterprise-focused technology companies were added to the peer group with the resulting list of companies having a median revenue of $1.4 billion in revenue, which is approximately 20% smaller than Teradata s revenue. The 16 companies included in our compensation peer group for 2008 (listed in alphabetical order) were:

Analog Devices, Inc.	Informatica Corporation
BMC Software, Inc.	KLA-Tencor Corporation
Brocade Communication Systems, Inc.	Lawson Software, Inc.
CA, Inc.	NetApp, Inc.
EarthLink, Inc.	Open Text Corporation
EMC Corporation	Sybase, Inc.
Fair Isaac Corporation	Tibco Software Inc.
Harris Corporation	VeriSign, Inc.

Additional Resources: SBCG also worked with the Committee to develop additional resources to assess our compensation programs and pay levels as follows:

SBCG provided competitive information concerning the executive compensation levels of four software companies that had recently been acquired: BEA Systems, Inc., Cognos Incorporated, Business Objects S.A., and Hyperion Solutions Corporation. This information was used to provide an additional perspective regarding similar companies that could not be included in the peer group because they were no longer independent, public companies.

SBCG used survey information collected in the Towers Perrin 2008 U.S. High-Tech Executive Benchmark Survey and the Radford 2008 Executive Survey. This market survey information was used as an additional reference when analyzing the competitiveness of our compensation program for Messrs. Langos, Harrington and Fair because their roles and responsibilities generally did not directly correspond with the roles of executives holding similar positions at the companies in the compensation peer group.

The Radford survey was selected because (i) it is focused on technology companies and technology-specific positions, and (ii) all but two of the sixteen companies in our peer group (Analog Devices, Inc. and NetApp, Inc.) participate in the survey. A special cut of the Radford survey, comprised of the compensation data of the fourteen peers that participate in the survey, was used.

The Towers Perrin survey was selected to complement the Radford survey so that, where possible, two sources of compensation information could be used as a reference point. SBCG utilized regression data from the high-tech cut of the Towers Perrin survey as the basis of the analysis. The companies that made up this cut are listed in Appendix B of this proxy statement.

Role of CEO in the Compensation Process

In addition to considering the market data described above when establishing the compensation program for our Named Executive Officers, the Committee considers input and recommendations from Mr. Koehler, who attends the Committee meetings. Following is a brief summary of Mr. Koehler s role in the 2008 annual performance review process:

Mr. Koehler conducted an annual performance evaluation of each member of the Teradata Leadership Team, including the four other Named Executive Officers. In conducting these evaluations, he reviewed the executives self-assessments and consulted with the Vice President, Human Resources.

At the Committee s February 2008 meeting, Mr. Koehler provided the Committee with a summary of his annual evaluation of the Company s executives and his recommendations concerning base salary adjustments, if any, and appropriate annual bonus award opportunity levels and performance goals and targets. Mr. Koehler s recommendation was based on his assessment of each executive s individual performance, as well as his or her role, including the scope, responsibility and complexity of each role, and the knowledge, skills and potential of each executive.

At the Committee s December 2008 meeting, Mr. Koehler provided his recommendations to the Committee with respect to long-term incentive award opportunities and equity award vehicle for the Company s executives, based on his ongoing assessment of their performance during the year and the other factors described above.

After considering Mr. Koehler s assessments and recommendations, as well as the market data from the compensation peer group and the market surveys, and after making its own independent assessment of performance, the Committee determined what changes, if any, should be made to the compensation levels and incentive opportunities for our Named Executive Officers. In the case of Mr. Koehler, the Committee met in executive session to conduct his performance review and establish his base salary and annual and long-term incentive opportunities. The Committee recommended Mr. Koehler s compensation to the independent members of the board for final approval.

Pay for Performance (Variable Compensation)

Our long-term success is based on achieving key financial and operational goals with an executive compensation program focused on pay for performance. A significant portion of our executive officers compensation is variable and contingent upon achieving specific results namely, revenue and profitability. In general, the variable compensation elements of our program include our annual incentives (cash-based compensation) and long-term incentives (equity-based compensation).

As illustrated below, in 2008, approximately 73% of the total direct compensation for our Named Executive Officers, other than the CEO, was weighted towards variable components. In general, the percentage of performance-based compensation increases as the levels of executive responsibility increase. For example, the total direct compensation mix for the CEO was roughly 86% variable to reflect his greater job scope and responsibility and ability to impact long-term levels of performance. The following charts illustrate this point.

The above illustration does not reflect a pre-determined formula for the allocation of fixed (*e.g.,* base salary) and performance-based compensation components and is based on annual incentives at target level.

Elements of Executive Compensation

Following is a brief summary of each element of the compensation program as it applies to each of our Named Executive Officers.

Base Salary

We provide competitive base salaries to attract and retain key executive talent and to align our compensation with market practices. The base salaries for executive officers are established annually at competitive levels for each specific role with consideration of that role s scope, responsibility and complexity, as well as the knowledge, skills and potential of each officer.

The base salaries for our Named Executive Officers were initially established in connection with the spin off transaction, which was effective as of September 30, 2007. At that time, the base salaries for our Named Executive Officers, other than Mr. Scheppmann who was hired in September 2007, were increased to reflect their expanded roles and responsibilities. The Committee reviewed these base salaries in February 2008 and determined that the 2007 salary levels remained competitive with the salaries paid by our compensation peer group. For example:

Mr. Koehler s base salary was 95% of the median salaries paid to CEOs by companies in our compensation peer group; and

The base salaries of our Named Executive Officers (other than Mr. Koehler) ranged from 86% to 103% of median base salaries paid to comparable executives by companies in our compensation peer group and the market surveys.

As a result, the Committee did not make any adjustments to the base salary levels of our Named Executive Officers in 2008. Please refer to the Salary column of the Summary Compensation Table for the 2008 base salaries for each of our Named Executive Officers.

In connection with our cost-cutting efforts in response to the uncertain economic environment, the Company has eliminated employee merit increases for 2009. Likewise, the Committee did not make any base salary adjustments during its annual performance review of the Named Executive Officers.

Annual Incentives (Annual Bonus Awards)

All of our Named Executive Officers participate in a Management Incentive Plan (the MIP). The MIP is an important component of total cash compensation because it rewards our executives for achieving targeted annual financial, operational and strategic results and emphasizes variable or at risk compensation.

The MIP provides annual incentive opportunities for each Named Executive Officer based on an incentive formula tied to Teradata s earnings before income taxes (EBIT), which is equal to our income before income taxes as reported on our income statement. EBIT was selected as the appropriate measure since the level of EBIT reflects the operating strength and efficiency of the Company. The incentive formula is 1.5% of EBIT for Mr. Koehler and 0.75% of EBIT for the other Named Executive Officers. The EBIT incentive formula establishes the maximum amount payable each year under the MIP for each Named Executive Officer; but the executives are not assured of earning this maximum amount, and it was not paid in either 2007 or 2008. Instead, the Committee has the authority to reduce the annual amount payable under the EBIT incentive formula based on its assessment of financial goals (*e.g.*, operating income or revenue), achievement of non-financial goals, economic and relative performance considerations and assessments of individual performance. There are a number of methods the Committee can use to make this assessment. As described below, in 2008, the Committee established target award opportunities for the Named Executive Officers and used two methods to determine the payout levels under the MIP the establishment of performance metrics under an annual bonus program and a general consideration of other discretionary factors, including relative financial and operational performance as well as the macroeconomic environment.

Target Award Opportunities. The Committee established target award opportunities for the Named Executive Officers under the MIP, which were expressed as a percentage of base salary. The target award opportunities were first established at the time of the spin off and reflected the expanded roles and responsibilities assumed by our Named Executive Officers. The Committee reviewed these target award opportunities in February 2008 and determined that the total cash compensation for our Named Executive Officers (which consists of base salary and the target award opportunities) was close to the market median of the companies in the compensation peer group and the market survey data. For example:

The total cash compensation of our Named Executive Officers (other than Mr. Koehler) ranged from 90% to 102% of the median total cash compensation provided by companies in our compensation peer group and the market survey data; and

The total cash compensation for Mr. Koehler equaled 78% of the median total cash compensation provided by companies in our compensation peer group.

As a result, the Committee did not make any adjustments to the target award opportunities under the MIP for our Named Executive Officers in 2008. They remained as follows:

Named Executive Officer	**2008 Target Award Opportunity (% of Base Salary)**
Michael Koehler	100%
Stephen Scheppmann	75%
Bruce Langos	75%
Daniel Harrington	75%
Robert Fair	75%

2008 Annual Bonus Program Performance Goals and Payout Formula. Under the 2008 annual bonus program, the Committee established specific annual performance goals for the Named Executive Officers. The potential amount earned under the 2008 annual bonus program was based on the extent to which we achieved two equally-weighted financial goals: revenue and operating income. The revenue goal was intended to focus our executives on achieving our revenue growth objectives, including expanding our product solution offerings, increasing our customer base, continuing to expand our existing customers use of our products, and responsibly growing the number of our sales territories. The operating income goal was intended to motivate our executives to focus on expense management and driving attractive contribution margins and value for our shareholders.

The following chart sets forth the 2008 performance goals and the related levels of performance at payout levels of 50%, 100% (target) and 200%.

2008 Performance Goal (in millions)	**50%**	**100% (Target)**	**200%**
Revenue	$ 1,772	$1,840	$ 1,977
Operating Income	$ 345*	$363	$ 440

* Minimum level of achievement to generate payouts under this program.

These performance goals were established based on expected growth in 2008 and set above Teradata s prior-year performance levels. Depending on actual performance, each executive potentially could earn from zero to 200% of the target award opportunity but in any event no more than the amount calculated under the EBIT incentive formula set forth in the MIP and described above. This payout formula was a sliding scale, based on straight line interpolation, that was designed to motivate and reward superior performance, as the payout percentage directly corresponded to the extent to which target performance was achieved.

We did not achieve the minimum revenue and operating income performance levels under the 2008 annual bonus program. Therefore, our Named Executive Officers did not earn any payouts under this program.

2008 Bonus Payouts. Late in 2008, when the impact of the current economic environment came into view, the Committee decided to consider other discretionary factors in addition to the annual bonus program and

related performance goals when determining annual incentive payouts under the MIP. In 2008, our EBIT was $338 million which established the maximum amounts payable under the MIP based on the EBIT incentive formula. In February 2009, the Committee exercised discretion to reduce the maximum amounts payable under the MIP based on this formula and decided to pay cash bonuses to our Named Executive Officers because of our relatively good financial and operational performance in 2008 despite the challenging macroeconomic environment. Specifically, the Committee based this decision on the following factors:

In 2008, we achieved $1,762 million of revenue and $335 million of operating income ($348 million before payment of bonuses to eligible employees);

During the year, we significantly expanded our product solution offerings through the release of two new data warehousing products to the Teradata platform family and grew our customer base, which were key underlying objectives of the annual bonus program;

We added over 40 new sales territories during the year, which resulted in a significant incremental expense that was not built into the 2008 financial plan or factored into the annual bonus program performance metrics and which was dilutive to our operating income results for the year. Although this initiative had a negative impact on the 2008 financial results, the increased sales capability is a key element of the Company s long-term growth strategy and is expected to benefit Teradata and its stockholders in future years;

The Committee took into consideration the impact of spin-related expenses and unplanned incremental costs necessary for Teradata to operate as an independent, public company; and

We delivered diluted earnings per share (or EPS) of $1.39 for the year, as reported under generally accepted accounting principles (or GAAP), which represented a 26% increase from EPS of $1.10 in 2007. The 2008 results included $3 million ($2 million after-tax) of impairment charges related to a prior equity investment and a $3 million charge for a tax adjustment relating to a prior period. The 2007 results included $17 million ($15 million after-tax) of one-time, spin-off costs and $11 million of net tax adjustments that lowered our reported results. Excluding these items (on a non-GAAP basis), EPS improved 15% to $1.42 in 2008 from $1.24 in 2007.

The following chart shows the amounts paid to the Named Executive Officers as a 2008 cash bonus under the MIP:

Named Executive Officer	**2008 Bonus Payout**
Michael Koehler	$315,000
Stephen Scheppmann	$139,050
Bruce Langos	$121,500
Daniel Harrington	$121,500
Robert Fair	$121,500

These payouts were based on the 2008 target award opportunities for each Named Executive Officer (the percentage of their salaries that are eligible for an annual bonus) and represented 45% of the original annual bonus target level.

For more information on the 2008 annual incentive opportunities for our Named Executive Officers, please refer to the Grants of Plan-Based Awards section on page 34 of this proxy statement.

2009 Annual Bonus Program. In February 2009, the Committee established the 2009 annual bonus program under the MIP. The Committee modified the 2008 program to include subjective assessments of strategic measures in addition to the revenue and operating income measures. The strategic measures are based on the Company s key business objectives for all employees: increasing our market share, improving our operational excellence and 2009 expense management. Achievement of these measures will focus employees on

our mid-term and long-term success and position Teradata well for the future even if short-term financial results are negatively impacted by current economic conditions. Under the 2009 program, the financial measures (revenue and operating income) have 50% weighting and the strategic measures have 50% weighting. The payout opportunity related to each measure ranges from 25% to 200%.

Long-Term Incentives (Equity Awards)

Our Named Executive Officers have an opportunity to participate in a long-term, performance-based equity program. This program is designed to reward performance over a long-term period by aligning the potential award to Teradata s success and our stockholders interests, serving as a retention incentive for management, and creating upside potential compensation that, together with total cash compensation, is at competitive levels.

During 2008, our long-term equity incentive program evolved from a program established by NCR on our behalf at the time of the spin off to one that is designed to meet our compensation goals and objectives. Following is a brief summary of the principles underlying the key components of the program.

Awards Granted by Teradata

During the course of 2008, the Committee considered the optimal form of stock-based compensation, plan design and scope, as well as the timeline for our annual equity grant process. At its October 2008 meeting, the Committee decided to make annual equity grants in December of each year. The Committee believed that this timing would align more closely with the equity grants made at the time of the spin off.

Under our revised equity grant approval policy, annual equity awards are granted at the regular meeting of the Committee that occurs within the period that begins on the later of two days after Teradata announces its third quarter results, or the date Teradata files its third quarter report on Form 10-Q, and ends on December 15. This will typically be the meeting that falls in the week following the Thanksgiving holiday each year. The grant date of the annual equity awards is the date the independent members of the board approve the CEO s annual equity award, which is generally the date immediately following the annual awards meeting of the Committee. The Committee does not grant equity awards in anticipation of the release of material, nonpublic information. Similarly, we do not time the release of material, nonpublic information based on equity grant dates.

Under the revised equity award policy, in December 2008, the Committee granted stock options to our Named Executive Officers. All stock options are granted with an exercise price equal to the fair market value of the shares on the date of grant. Because the value of stock options increases when our stock price increases and are designed to reward sound business decisions that lead to improved long-term performance, stock options align the interests of executive officers with those of stockholders. In addition, because they vest over a four-year period, stock options are intended to help retain our executives and maintain a focus on future success.

The value of each grant reflected an increase in the value of the grant made at time of the spin off. The grant values were intended to be 80% to 90% of long-term incentive opportunities offered by companies in the compensation peer group for the Chief Executive Officer and Chief Financial Officer, and the Towers Perrin 2008 U.S. High-Tech Executive Benchmark Survey and the Radford 2008 Executive Survey for the other Named Executive Officers.

Prior to the 2008 equity grants, the long-term incentive opportunities for our Named Executive Officers, other than Mr. Koehler, were below competitive levels. Similarly, the total direct compensation for our Named Executive Officers (other than Mr. Koehler) was also below the market median levels. For example, the total direct compensation of our Named Executive Officers (other than Mr. Koehler) ranged from 72% to 86% of the market median. Mr. Koehler s total direct compensation was 114% of the market median because of the sign-on award that he received at the time of the spin-off transaction. Without the benefit of this sign-on award, his total direct compensation would have been 85% of the market median.

Based on this competitive information and, in consultation with SBCG, the Committee approved increased long-term incentive (LTI) opportunities for the Named Executive Officers in order to allow LTI opportunities for our Named Executive Officers to progress to median levels over the next several years based on cost and other considerations. The value of the LTI awards was also based in part on the Committee s assessment of the executives general performance during the year and relative roles and responsibilities. The following chart shows the LTI and total direct compensation percentiles of market median for each of our Named Executive Officers after the grant of the 2008 annual LTI awards.

Name	2008 Long-Term Incentive Award Value	Long-Term Incentive Percentile of Market Median	Total Direct Comp. Percentile of Market Median
Michael Koehler	$ 3,500,000	98%	95%
Stephen Scheppmann	$ 750,000	84%	96%
Bruce Langos	$ 700,000	87%	94%
Daniel Harrington	$ 700,000	87%	92%
Robert Fair	$ 700,000	80%	85%

The number of shares subject to each executive s stock option award is determined by dividing the applicable dollar value of the option grant set forth in the table above by the average of closing per-share price of Teradata common stock as listed on the NYSE for the twenty trading days immediately preceding the effective date of the equity award, and the result was divided by the current year s Black-Scholes valuation factor.

For more information on the 2008 stock option grants for our Named Executive Officers, please refer to the Grants of Plan-Based Awards section on page 34 of this proxy statement.

Pull-Forward Awards Granted at Spin Off

In connection with the spin off, NCR granted equity awards to our Named Executive Officers, effective October 1, 2007. These awards are referred to as pull forward grants, because: (i) they were primarily made in lieu of NCR s standard annual equity grants that would have been awarded in March 2008, and (ii) they were made in consideration for our Named Executive Officers accepting employment with Teradata following the spin off. The pull-forward grant consisted of stock options and performance-based restricted stock units.

All of the terms of the stock options were established at the time of grant. Moreover, NCR provided that payment of the performance-based restricted stock units would depend on the extent to which Teradata achieves two equally-weighted performance measures during a designated performance period: revenue and operating income. However, NCR did not establish the performance period, the applicable targets for the performance goals or payout schedule for the award. Instead, it decided to let our Committee establish these terms after the spin off.

In March 2008, the Committee established the following cumulative performance goals for the revenue and operating income goals for the performance-based restricted stock units, which will be measured during the period commencing January 1, 2008 and ending December 31, 2010. These performance goals should be evaluated solely in the limited context of our executive compensation program. They are not statements of management s expectations of our future results or other guidance; investors should not evaluate these targets in any other context.

Performance Measure (in millions)	2008-2010 Cumulative Performance Metrics: 25% Payout Level	100% Payout Level (Target)	200% Payout Level
Revenue	$5,220	$6,108	$6,995
Operating Income	$1,017	$1,198	$1,378

The Committee also established the payout formula, which ranges from zero to 200% of the target award opportunity, with the payout percentage based on the extent to which target performance is achieved above the 25% payout level. It also imposes substantial downside risk for the executives, as a failure to attain threshold performance results in no payout.

Payouts of Stub Awards

In connection with the spin off, NCR made certain adjustments to the outstanding performance-based shares that were awarded in 2006 to our Named Executive Officers (other than Mr. Scheppmann, who did not receive any equity grants in 2006 because he was not employed by NCR at that time). Payment of the performance-based restricted shares was based on the extent to which NCR achieved a specified level of Cumulative Net Operating Profit (or CNOP, as defined below), during a three-year performance period starting January 1, 2006 and ending December 31, 2008. No shares would vest unless certain threshold levels of return on capital were achieved.

Part of the 2006 performance-based restricted share awards was canceled and replaced with an award of performance-based restricted stock units with a new CNOP performance measure based on Teradata performance during a performance period that began on October 1, 2007 and ended on December 31, 2008 (the Stub Awards). The Stub Awards were granted by Teradata on October 24, 2007. The number of shares of Teradata common stock earned ranged from a threshold of 25% to a maximum of 150% of the performance units granted depending on the extent to which performance was achieved through December 31, 2008. However, no units vest unless Teradata also achieves a minimum level of Return on Capital (as defined below).

Under the Stub Awards, CNOP is defined as Cumulative Net Operating Profit which is determined by multiplying Controllable Capital (as defined below) by 10% (which approximates the weighted average cost of capital), and subtracting this amount from the sum of non-pension operating income (NPOI) as reported for each quarterly reporting period during the performance period. By Controllable Capital, we mean: (i) working capital (accounts receivable plus inventory, minus the sum of accounts payable, deferred revenue and customer deposits), (ii) plus the sum of property, plant and equipment, other current assets excluding taxes, and capitalized software, (iii) minus the sum of payroll and employee benefits and other current liabilities excluding taxes and severance. Return on Capital is equal to NPOI divided by Controllable Capital.

At the Committee s November 26, 2007 meeting, the Committee approved the application of adjustments to the 2007 and 2008 actual results when determining performance under the Stub Awards to account for certain items relating to the spin off, including (i) extraordinary spin-related expenses and public company costs and initiatives, and (ii) one-time changes to Teradata s revenue and profit targets in light of the carve-out of the Teradata data warehousing business from NCR s financial statements.

In February 2009, the Committee certified a payout level under the Stub Awards of 85.2% of target, based on the following calculation of CNOP as reconciled to Teradata s reported operating income during the performance period:

CNOP Calculation for Performance Period from October 1, 2007 to December 31, 2008	
(in millions)	
Operating Income	$ 428.5
+ Pension Expense	$ 8.8
+ Approved Adjustments	$ 56.9
NPOI	$ 494.2
Controllable Capital times 10% (approx. weighted average cost of capital)	$ 24.3
CNOP	$ 469.9

Please refer to the Option Exercises and Stock Vested section of this proxy statement at page 37 for more information on the payout of the Stub Awards.

Other Benefits

Perquisites

Teradata does not provide perquisites to its executives. Moreover, Teradata does not permit personal use of its corporate aircraft by Company employees. As set forth in the Summary Compensation Table on page 31, while employed as executive officers of NCR, Messrs. Koehler and Langos were eligible to participate in NCR s executive medical and financial counseling programs. These programs were discontinued at the time of the spin off. The incremental costs to NCR associated with providing perquisites to each of Messrs. Koehler and Langos in 2007 are described below in the footnotes to the Summary Compensation Table.

Expatriate Assignment Tax Payments

While employed by NCR as the Solutions Vice President, Western Europe and Middle East Africa of the Teradata Division, Mr. Harrington assumed an international assignment role in the United Kingdom from April 1999 through June 2005, repatriating to the United States on June 30, 2005. In consideration of this international assignment, NCR offered its standard tax equalization program to Mr. Harrington. This ongoing obligation was transferred to Teradata in connection with the spin off from NCR. Due to administrative delays in gathering information necessary to prepare tax returns for the periods covered by his international assignment, the Company paid $274,034 in taxes, interest and penalties (including related tax gross-ups) to Mr. Harrington in 2008 pursuant to the tax equalization program.

Retirement Benefits

Teradata does not maintain a pension plan or any other type of defined benefit retirement plan. However, all U.S. employees, including our Named Executive Officers, are entitled to defer compensation and receive corresponding Company contributions under our 401(k) Savings Plan.

Change in Control Severance Plan

In preparation for the spin off, the board of directors of NCR Corporation (the NCR Board) adopted a change in control severance plan for Teradata similar to the plan offered by NCR, which was ratified by our board in September 2007. We believe that the change in control severance plan will help us to retain our Named Executive Officers by reducing the personal uncertainty that arises from the possibility of a future business combination and to promote objectivity and neutrality in the consideration or pursuit of change in control transactions that are in the best interests of Teradata and our stockholders. We have selected objective criteria to determine whether a change in control has occurred for purposes of the plan, in order to reduce the likelihood of a dispute in the event of a change in control and to help ensure that the agreements are triggered only under circumstances where a true transfer of control or ownership has occurred.

In addition, the Teradata change in control severance plan provides for the double trigger vesting of equity compensation awards that are assumed in the transaction, which means that both a change in control and a termination of employment must occur in order for a Named Executive Officer s equity compensation awards to accelerate in connection with a change in control. This design was used because it will serve our retention goals upon a change in control better than so-called single trigger vesting, which would require only a change in control for awards to accelerate.

The plan provides for separation payments and benefits to our executives based on the plan level, or tier, to which the executive is assigned by the Committee. These different benefit levels were determined by the Compensation and Human Resource Committee of the NCR Board at the time of the spin off to represent market practice. Since that time, the Committee reviewed these benefit levels versus our compensation peer group and concluded that the benefit levels continue to be in line with the market practice of our compensation peer group.

More information on the change in control severance plan, including the estimated payments and benefits payable to the Named Executive Officers assuming a triggering event under this plan, is provided under the Potential Payments Upon Termination or Change in Control section of this proxy statement.

Other Severance Arrangement

The offer letter provided to Mr. Koehler in connection with the spin off contains a severance arrangement that became effective upon the spin off. The severance arrangement provides that, in the event the Company terminates Mr. Koehler s employment other than for cause or if he were to resign for good reason (as such terms are defined in the Company s change in control severance plan), he would receive:

- A payment equal to 150% of the sum of his annual base salary and target annual incentive opportunity;
- A payment equal to a pro-rata portion of his annual incentive opportunity for the year in which the termination occurs; and
- Medical benefits for a period of eighteen months for himself and his dependents equal to the level he received during his employment.

This agreement was negotiated between NCR and Mr. Koehler in connection with the spin-off transaction. It was considered to be competitive and reflective of the fact that the employment market for Mr. Koehler has more limited opportunities for comparable employment if he were terminated due to circumstances beyond his reasonable control. Further information concerning Mr. Koehler s offer letter is found in the Employment Agreements and Material Employment Terms and Potential Payments Upon Termination or Change in Control sections of this proxy statement.

Equity Ownership Guidelines

Following the spin off, the Committee adopted revised stock ownership guidelines for our executive officers, including the Named Executive Officers, which operate to align the interests of our management and stockholders by encouraging executives to accumulate a meaningful stake in our common stock. The guidelines encourage the Named Executive Officers to accumulate ownership of common stock equal to three times base salary (five times base salary in the case of our CEO) over a period of five years, with the expectation that such level of ownership will be maintained while they are in their positions. For these purposes, ownership includes shares owned outright by the executive, interests in restricted stock, stock acquired through our employee stock purchase plan, and investments in Teradata stock through our 401(k) plan. Stock options and performance-based restricted stock/units are not taken into consideration in meeting the ownership guidelines.

The guidelines are intended to ensure that our executive officers maintain an equity interest in the Company at a level sufficient to assure our stockholders of their commitment to value creation while satisfying an individual s needs for portfolio diversification. Given that the ownership guidelines were established in late 2007, none of the executive officers has met the ownership levels under the guidelines; however, they are generally on track to reach their respective levels at the end of the five-year period set forth in the guidelines.

Tax Deductibility Policy

Under Section 162(m) of the Internal Revenue Code, certain compensation in excess of $1,000,000 annually is not deductible for federal income tax purposes unless it is awarded pursuant to a performance-based plan approved by stockholders. We believe that most of the incentive compensation (all but approximately $900,000) paid in 2008 to our executive officers, including the Named Executive Officers, qualifies as performance-based compensation for purposes of Section 162(m) and, thus, is fully deductible for federal income tax purposes by Teradata. While we generally try to ensure the deductibility of the incentive compensation paid to our executive officers, the Committee has not adopted a policy that requires all compensation to be deductible because we want to preserve the ability to award cash or equity compensation to an executive that is not deductible under Section 162(m) if we believe that it is in our stockholders best interests.

COMPENSATION TABLES

Summary Compensation Table

The following table summarizes the total compensation paid to, or earned by, each of our Named Executive Officers for the fiscal year ended December 31, 2008 and the prior two fiscal years. Teradata was operated as a division of NCR until September 30, 2007, the effective date of Teradata s spin off from NCR. Accordingly, for 2006 and 2007, the Summary Compensation Table reflects compensation paid to the Named Executive Officers by both Teradata and NCR. The narrative following the table describes current employment agreements and material employment terms with each of our Named Executive Officers, as applicable.

Name and Principal Position	Year	Salary ($)	Bonus ($) (2)	Stock Awards ($) (3)	Option Awards ($) (3)	Non-Equity Incentive Plan Compensation ($) (4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (5)	All Other Compensation ($) (6)	Total ($)
Michael Koehler	2008	700,000	315,000	1,335,141	1,009,907			14,236	3,374,284
President and Chief	2007	538,288		1,132,593	380,075	451,502		39,046	2,541,504
Executive Officer	2006	417,000		852,963	259,156	332,150	175,405	27,682	2,064,356
Stephen Scheppmann (1)	2008	412,000	139,050	201,384	267,737			13,017	1,033,188
Executive Vice President and Chief Financial Officer	2007	143,353	107,153	49,818	53,963			1,434	355,721
Bruce Langos	2008	360,000	121,500	470,428	277,846			13,142	1,242,916
Chief Operations	2007	337,851		406,331	196,573	362,268		29,994	1,333,017
Officer	2006	235,119		150,551	104,534	122,455	49,046	22,636	684,341
Daniel Harrington	2008	360,000	121,500	447,750	220,885			286,639	1,436,774
Executive Vice	2007	295,816		426,490	144,804	280,521		6,982	1,154,613
President, Technology and Support Services	2006	266,300		171,180	106,763	123,256	35,980	4,177	707,656
Robert Fair	2008	360,000	121,500	426,929	220,391			12,830	1,141,650
Executive Vice	2007	295,822		370,922	145,341	242,988		5,341	1,060,414
President, Global Field Operations	2006	266,309		182,664	102,463	98,608	33,898	7,850	691,792

(1) Mr. Scheppmann was hired as the Company s Executive Vice President and Chief Financial Officer in September 2007.

(2) This column reflects the 2008 cash bonus paid to our Named Executive Officers under the Teradata Corporation Management Incentive Plan (MIP). For more information concerning the bonuses, see the Annual Incentives (Annual Bonus Awards) discussion in the Compensation Discussion and Analysis section beginning on page 20 of this proxy statement.

(3) These columns show the aggregate dollar amount recognized for financial statement reporting purposes for 2008 with respect to outstanding equity awards (amounts attributable to performance-based restricted stock units, time-based restricted stock units, and restricted stock are reported in the Stock Awards column, and amounts attributable to options are reported in the Option Awards column). The amounts relate to awards granted in 2008 and in prior years. The aggregate dollar amount was determined in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), Share Based Payment (FAS 123R); however, the calculations disregard the estimate of forfeitures related to service-based vesting conditions. See Note 6 of the Notes to Consolidated Financial Statements contained in Teradata s Annual Report on Form 10-K for the year ended December 31, 2008 (the Annual Report) for an explanation of the assumptions made by Teradata in the valuation of the awards listed in the Stock Awards column. The following table includes the assumptions used to calculate the valuation of the awards listed in the Option Awards column.

Year of Grant	Volatility (%)	Assumptions Expected Holding Period (years)	Risk-Free Interest Rate (%)	Dividend Yield (%)
2004 (NCR)	45	5.0	2.99	
2005 (NCR)	36	5.0	4.04	
2006 (NCR)	34.9	5.3	4.58	
2007 (NCR)	32.5	5.0	4.52	
2007 (Teradata)	39.7	6.3	4.30	
2008 (Teradata)	33.3	6.3	1.90	

For information about equity awards made in 2008, see the Grants of Plan-Based Awards section beginning on page 34 of this proxy statement.

(4) This column shows the annual incentives earned by each Named Executive Officer for 2007 under the MIP and, for 2007 and 2006, under the MIP and other Teradata and NCR incentive compensation plans prior to their appointment as executive officers of Teradata. The annual incentive awards earned by the Named Executive Officers under the MIP for 2008 are reflected in the Bonus column of this table.

(5) Teradata does not provide any pension benefits in the United States and does not maintain any non-qualified deferred compensation plans. The amounts reported for 2006 reflect the pension benefits accrued, if any, while employed at NCR.

(6) The amounts reported in this column for 2008 include the following amounts:

- the dollar value of premiums paid by Teradata in 2008 with respect to life insurance for the benefit of Messrs. Koehler, Scheppmann, Langos, Harrington, and Fair was $2,736, $1,879, $1,642, $1,642, and $1,642, respectively;

- the dollar value of contributions made by Teradata in 2008 to our 401(k) plan on behalf of each of Messrs. Koehler, Scheppmann, Langos, Harrington, and Fair was $11,500, $11,139, $11,500, $10,964, and $11,189, respectively; and

- for Mr. Harrington only, $274,034 in tax equalization payments, including taxes, interest, penalties and related tax gross- ups, made in connection with his prior expatriate assignment at NCR.

The amounts reported for 2006 and 2007 with respect to Messrs. Koehler and Langos also reflect the perquisites received while employed at NCR.

Employment Agreements and Material Employment Terms

In connection with the spin off of Teradata from NCR, in August 2007, each of the Named Executive Officers received an offer letter to join Teradata. Each letter agreement sets forth, among other things, the following terms relating to the officer s employment as of the spin off: (i) annual base salary and annual incentive award opportunity; (ii) the terms of the equity grant awarded to the Named Executive Officer in connection with the spin off; (iii) a statement of eligibility for participation in the Company s change in control severance plan; and (iv) a statement of the vacation and health and welfare benefits available to each officer. In addition, by accepting the terms of the letter, each Named Executive Officer agreed to the following covenants during and for twelve months following his termination of employment, unless such covenants are waived by the board: (x) not to render services directly or indirectly to a competing organization, (y) not to directly or indirectly recruit, hire, solicit or induce, or attempt to induce, any exempt employee of Teradata to terminate his employment with or otherwise cease his relationship with Teradata; and (z) not to solicit the business of any firm or company, including customers, with which the officer worked during the last two years of employment. Because the offer letters for Messrs. Koehler and Scheppmann contain additional provisions, they are described in more detail below.

Under the terms of the offer letter with Mr. Koehler, he serves as President and Chief Executive Officer of Teradata. The offer letter also provides that he will receive, as of the spin off, an annual base salary of $700,000 and an annual bonus target of 100% of his annual base salary, with the ability to earn up to 200% of annual base salary depending on performance. Mr. Koehler s offer letter also states that he would receive an equity grant in 2007 with a grant date value of $4.5 million, approximately $1.5 million of which consisted of a sign-on award. In addition, the letter establishes the terms of his severance benefits upon a qualifying termination prior to a change in control and specifies that he is eligible to participate as a Tier I participant in the Company s change in control severance plan. Please refer to the Potential Payments Upon Termination or Change in Control section of this proxy statement for information regarding potential payments and benefits that Mr. Koehler is entitled to receive under his offer letter in connection with his termination of employment.

Under the terms of Mr. Scheppmann s offer letter, he serves as Executive Vice President and Chief Financial Officer of Teradata with an annual base salary of $412,000 as of the spin off. The offer letter states that for 2007 he would receive (i) a pro-rated annual bonus guaranteed at an amount equal to at least 75% of his annual base salary, with the ability to earn up to 150% of annual base salary depending on performance, (ii) a hiring grant of Teradata equity with a grant date value of $800,000, and (iii) an initial post-spin grant of Teradata equity with a grant date value of $600,000. In addition, the letter specifies that Mr. Scheppmann will be eligible to participate as a Tier II participant in our change in control severance plan.

Grants of Plan-Based Awards

The following table summarizes information for each Named Executive Officer regarding (i) estimated payouts that could have been earned under the 2008 annual bonus program under the MIP, and (ii) stock options granted in 2008.

Name	Grant Date	Approval Date (1)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (2) Threshold ($)	Target ($)	Maximum ($)	Option Awards: Number of Securities Underlying Options (3) (#)	Exercise or Base Price of Option Awards (4) ($/Sh)	Grant Date Fair Value of Stock and Option Awards (5) ($)
Michael Koehler								
MIP			350,000	700,000	1,400,000			
Options	12/02/2008	12/02/2008				679,612	13.77	3,606,672
Stephen Scheppmann								
MIP			154,500	309,000	618,000			
Options	12/02/2008	12/01/2008				145,631	13.77	772,858
Bruce Langos								
MIP			135,000	270,000	540,000			
Options	12/02/2008	12/01/2008				135,922	13.77	721,332
Daniel Harrington								
MIP			135,000	270,000	540,000			
Options	12/02/2008	12/01/2008				135,922	13.77	721,332
Robert Fair								
MIP			135,000	270,000	540,000			
Options	12/02/2008	12/01/2008				135,922	13.77	721,332

(1) The Compensation Committee approves the annual equity awards for our Named Executive Officers other than Mr. Koehler. In consultation with the Compensation Committee, the independent members of the board approve Mr. Koehler s annual equity award. The grant date of the annual equity awards is the date the independent members of the board approve Mr. Koehler s annual equity award, which is the day immediately following the annual awards meeting of the Compensation Committee.

(2) The information included in the Threshold , Target and Maximum columns reflects the range of potential payouts under the 2008 annual bonus program under the MIP when the performance goals were established by the Compensation Committee. The minimum level of performance under this program was not met in 2008, and no amounts were awarded under the program. However, the Compensation Committee awarded the Named Executive Officers cash bonuses as described in more detail in the Annual Incentives (Annual Bonus Awards) discussion in the Compensation Discussion and Analysis section beginning on page 20 of this proxy statement. The actual amounts of the annual incentive awards earned under the MIP for 2008 are reflected in the Bonus column in the Summary Compensation Table.

(3) Reflects the number of common shares that may be issued to the Named Executive Officers on exercise of stock options granted in 2008. These options vest in four equal installments on the first four anniversaries of the date of grant for so long as the executive remains employed by the Company. Vesting accelerates upon the executive s death or disability. Upon a change in control, the vesting of the option depends on whether it is assumed by the surviving entity. If the option is not assumed by the surviving entity, then vesting accelerates upon the change in control. If the option is assumed, then vesting accelerates if the executive s employment is terminated without cause, or the executive terminates his employment for good reason, within twenty-four months after the change in control.

(4) Reflects the exercise price for each stock option reported in the table, which equals the fair market value of the underlying shares on the date of grant.

(5)

Reflects the grant date fair value, as determined in accordance with FAS 123R, of the stock options listed in the table. See footnote 3 of the Summary Compensation Table on page 32 of this proxy statement for the assumptions used to calculate the grant date fair value.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information for each Named Executive Officer with respect to (i) each option to purchase the Company s common stock that had not been exercised and remained outstanding as of December 31, 2008, and (ii) each award of restricted stock and restricted stock units that had not vested and remained outstanding as of December 31, 2008. The information for awards granted by NCR prior to the spin off reflects the equitable adjustments to the number and type of shares and the exercise price that occurred in connection with that transaction.

		Option Awards				Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) (1) Exercisable	Number of Securities Underlying Unexercised Options (#) (2) Unexercisable	Option Exercise Price ($) (3)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (4)	Market Value of Shares or Units of Stock That Have Not Vested ($) (5)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (6)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (7)
Michael Koehler	12/2/2008		679,612	13.77	12/1/2018				
	10/1/2007	57,096	171,290	27.98	9/30/2017			80,415	1,192,554
	3/1/2007	9,193	27,583	24.87	2/28/2017			14,759	218,876
	2/13/2006	19,360	19,362	20.84	2/12/2016				
	3/1/2005	21,773	7,258	21.01	2/28/2015	1,614	23,936		
	3/1/2004	18,552		12.21	2/28/2014				
	8/4/2003	10,515		7.37	8/2/3013				
Stephen Scheppmann	12/2/2008		145,631	13.77	12/1/2018				
	10/1/2007	20,300	60,903	27.98	9/30/2017	10,722	159,007	10,722	159,007
Bruce Langos	12/2/2008		135,922	13.77	12/1/2018				
	10/1/2007	5,709	17,130	27.98	9/30/2017			8,041	119,248
	3/1/2007	8,580	25,745	24.87	2/28/2017			13,775	204,283
	9/6/2006	6,848	6,847	18.42	9/5/2016				
	5/29/2006	11,731	11,730	21.39	5/28/2016				
	2/13/2006	4,609	4,611	20.84	2/12/2016				
	3/1/2005	5,826	1,943	21.01	2/28/2015	165	2,447		
	3/1/2004	13,172		12.21	2/28/2014				
	8/4/2003	5,565		7.37	8/3/2013				
	2/3/2003	2,782		5.22	2/1/2013				
	7/29/2002	2,782		6.86	7/28/2012				
	1/24/2002	5,565		11.11	1/23/2012				
Daniel Harrington	12/2/2008		135,922	13.77	12/1/2018				
	10/1/2007	6,344	19,032	27.98	9/30/2017			8,935	132,506
	3/1/2007	2,451	7,355	24.87	2/28/2017			3,935	58,356
	1/1/2007					9,276	137,563		
	11/1/2006	12,366	6,186	22.31	10/31/2016	6,494	96,306		
	2/13/2006	6,145	6,147	20.84	2/12/2016				
	3/1/2005	8,622	2,876	21.01	2/28/2015	468	6,940		
	3/1/2004	6,805		12.21	2/28/2014				
	8/4/2003	4,330		7.37	8/3/2013				
	1/3/2000					7,777	115,333		
Robert Fair	12/2/2008		135,922	13.77	12/1/2018				
	10/1/2007	6,344	19,032	27.98	9/30/2017			8,935	132,506
	3/1/2007	2,451	7,355	24.87	2/28/2017			3,935	58,356
	11/1/2006	12,367	6,185	22.31	10/31/2016	6,493	96,291		
	2/13/2006	6,145	6,147	20.84	2/12/2016				
	3/1/2005	8,622	2,876	21.01	2/28/2015	468	6,940		
	3/1/2004	22,263		12.21	2/28/2014				
	8/4/2003	11,131		7.37	8/3/2013				
	2/3/2003	11,131		5.22	2/2/2013				
	7/29/2002	13,914		6.86	7/28/2012				
	1/24/2002	13,914		11.11	1/23/2012				
	1/26/2001	29,684		11.99	1/25/2011				

(1) This column shows the number of common shares underlying outstanding stock options that have vested as of December 31, 2008.

(2) This column shows the number of common shares underlying outstanding stock options that have not vested as of December 31, 2008. The remaining vesting dates and vesting schedule for each award are as follows:

Grant Date	Remaining Vesting Dates	Vesting Schedule
3/1/2005	3/1/2009	25% vests each year for four years after the date of grant
2/13/2006	2/13/2009, 2/13/2010	25% vests each year for four years after the date of grant
5/29/2006	5/29/2009, 5/29/2010	25% vests each year for four years after the date of grant
9/6/2006	9/6/2009, 9/6/2010	25% vests each year for four years after the date of grant
11/1/2006	11/1/2009	33 1/3% vests each year for three years after the date of grant
3/1/2007	3/1/2009, 3/1/2010, 3/1/2011	25% vests each year for four years after the date of grant
10/1/2007	10/1/2009, 10/1/2010, 10/1/2011	25% vests each year for four years after the date of grant
12/2/2008	12/2/2009, 12/2/2010, 12/2/2011, 12/2/2012	25% vests each year for four years after the date of grant

(3) This column shows the exercise price for each stock option reported in the table, which equaled the fair market value per share of the shares underlying each option on the date of grant.

(4) This column shows the aggregate number of restricted shares and restricted stock units outstanding as of December 31, 2008. The remaining vesting dates and vesting percentage for each award are as follows:

Grant Date	Remaining Vesting Dates	Vesting Schedule
1/3/2000	4/30/2018	100% vests on 55th birthday
3/1/2005	3/1/2009	100% vests four years from date of grant
5/29/2006	5/29/2009	100% vests three years from date of grant
9/6/2006	9/6/2009	100% vests three years from date of grant
11/1/2006	11/1/2009	100% vests three years from date of grant
1/1/2007	1/1/2010	100% vests three years from date of grant

(5) This column shows the aggregate dollar value of the restricted stock and stock unit awards using the closing stock price on December 31, 2008 of $14.83 per share.

(6) This column shows the aggregate number of shares payable under the performance-based restricted stock unit awards as of December 31, 2008, assuming target performance for all awards. The payouts of the awards for the performance period from October 1, 2007 to December 31, 2008 are reflected in the Option Exercises and Stock Vested table. The corresponding performance periods for each outstanding award are as follows:

Grant Date	Performance Period
10/01/2007	1/1/2008 to 12/31/2010
3/01/2007	10/01/2007 to 12/31/2009

(7) This column shows the aggregate dollar value of the performance-based restricted stock unit awards using the closing stock price on December 31, 2008 of $14.83 per share.

Option Exercises and Stock Vested

The following table sets forth information for each Named Executive Officer with respect to (i) the vesting of restricted stock and stock unit awards during 2008, and (ii) the vesting of performance-based restricted stock units during 2008:

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($) (1)**
Michael Koehler			70,873 (2)	1,184,862
Stephen Scheppmann				
Bruce Langos			26,798	454,106
Daniel Harrington			24,765	485,046
Robert Fair			27,549	415,047

(1) The value realized on vesting equals the number of shares acquired multiplied by the closing market price of the Company s common stock on the acquisition date. The value includes amounts attributable to the payout of the performance-based restricted stock units for the performance period commencing October 1, 2007 and ending December 31, 2008. These awards technically vest only if the executive remains employed with Teradata and our affiliates through the date that the performance results are certified (*i.e.*, February 27, 2009). Although the awards technically vested in 2009, we have disclosed them in this table for 2008 because they relate to a performance period that ended in 2008, and the Named Executive Officers earned the awards because they remained employed through the certification date.

(2) For Mr. Koehler, the amount includes 5,963 shares granted to him on January 1, 1996, when NCR was a wholly-owned subsidiary of AT&T Corp. The awards vested for tax purposes when Mr. Koehler turned age 55 in 2008 and carried a unique transfer restriction which prohibited transfer of the shares until he reached age 62. The Compensation Committee elected to remove the transfer restriction as it was immaterial, obsolete and did not serve to further the Company s interests. Therefore, the shares were released to Mr. Koehler in 2008.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Background

Teradata has entered into certain agreements and maintains certain plans and arrangements that require it to pay or provide compensation and benefits to each of the Named Executive Officers in the event of certain terminations of employment or a change in control. The estimated amount payable or provided to each Named Executive Officer in each situation is summarized below. These estimates are based on the assumption that the various triggering events occurred on the last day of 2008, along with other material assumptions noted below. The actual amounts that would be paid to a Named Executive Officer upon termination or a change in control can only be determined at the time the actual triggering event occurs.

The estimated amount of compensation and benefits described below does not take into account compensation and benefits that a Named Executive Officer has earned prior to the applicable triggering event, such as equity awards that had previously vested in accordance with their terms or vested benefits otherwise payable under our retirement plans and programs. As a result, the estimates do not provide information on the payout of the annual incentive awards under the MIP as these awards were earned under such plan as of December 31, 2008, subject to Compensation Committee approval, regardless of whether the executive terminated employment or a change in control occurred on that date. Please refer to the Outstanding Equity Awards at Fiscal Year-End table for a complete summary of each Named Executive Officer s vested equity awards and the Summary Compensation Table for the annual incentive bonuses earned by our Named Executive Officers in 2008.

Treatment of Equity Awards

Under the Teradata Corporation 2007 Stock Incentive Plan and related award agreements, including those with our Named Executive Officers, Teradata equity awards may have different vesting treatments based on a change in employment status or a change in control. The vesting treatment described below is conditioned upon the participant s compliance with a non-competition and non-solicitation provision for at least a twelve-month period, as well as a confidentiality provision. Teradata s restricted stock units and performance-based restricted stock units generally pay out upon vesting. However, in some circumstances, Section 409A of the Internal Revenue Code imposes restrictions on the payment of restricted stock units and performance-based restricted stock units. Thus, to the extent necessary to comply with Section 409A and avoid triggering adverse tax consequences to Teradata s executives, payment of vested restricted stock units and performance-based restricted stock units may be delayed until termination of employment, six months after termination of employment, or the end of the scheduled performance period.

Situation	Restricted Stock or Restricted Stock Units	Performance-Based Restricted Stock Units	Stock Options
Death and Long-term Disability (LTD)	Awards vest in full upon the date of death or LTD	A pro-rata portion of the stock, calculated as of the date of death or LTD, will continue to vest and pay out at the end of the performance period based on actual results	Awards vest in full upon the date of death or LTD. Awards granted in 2008 remain exercisable until the later of the expiration of the ten-year term or three years after death or LTD. Awards granted in 2006 and 2007 remain exercisable until the later of the expiration of the ten-year term or (a) one year after death or LTD, if death or LTD occurs prior to age 55, or (b) three years after death or LTD, if death or LTD occurs on or after age 55. Awards granted prior to 2006 remain exercisable for the remainder of the ten-year term.
Retirement	A pro-rata portion will become fully vested as of date of retirement (but awards granted prior to 2006 will be forfeited)	A pro-rata portion of the stock, calculated as of the date of retirement, will continue to vest and pay out at the end of the performance period based on actual results	For awards granted in 2006 and later, unvested awards are forfeited. Vested awards expire the earlier of three years following retirement date or the expiration date. For awards granted prior to 2006, vesting is accelerated upon retirement and awards remain exercisable for the remainder of the ten-year term.

Situation	Restricted Stock or Restricted Stock Units	Performance-Based Restricted Stock Units	Stock Options
Termination due to Reduction in Force (RIF)	A pro-rata portion will become fully vested as of date of RIF (but awards granted prior to 2006 will be forfeited)	A pro-rata portion of the stock, calculated as of the date of RIF, will continue to vest and pay out at the end of the performance period based on actual results	Unvested awards are forfeited. Vested awards expire the earlier of one day prior to sixty days post termination or the expiration date.
Voluntary Resignation	Award is forfeited	Award is forfeited	Unvested awards are forfeited. Vested awards expire the earlier of the fifty-ninth day after termination or the expiration date.
Involuntary Termination for Cause	Award is forfeited	Award is forfeited	Award is forfeited. For awards granted prior to 2006, unvested awards are forfeited. Vested awards expire the earlier of one day prior to sixty days post termination or the expiration date.
Change in Control (CIC)	If the award is not assumed by the surviving entity, then vesting accelerates upon the CIC. If the award is assumed, then vesting accelerates if the executive s employment is terminated without cause, or the executive terminates his employment for good reason, within twenty-four months after the CIC. Awards granted prior to 2006 will be forfeited.	Prior to First Anniversary. If the CIC occurs on or prior to the first anniversary of the date of grant and the award is not assumed, then the award will vest at target, without pro-ration. But if the award is assumed, then the award will vest at target at the end of the performance period, provided that the executive remains employed through that date (or his earlier termination without cause or for good reason within twenty-four months after the CIC). After First Anniversary. If the CIC occurs after the first anniversary of the date of grant and the award is not assumed, then the award will vest based on actual performance through the end of the calendar year immediately preceding the change in control, without pro-ration. But if the award is assumed, then the award will vest based on actual performance at the end of the performance period, provided that the executive remains employed through that date (or his earlier termination without cause or for good reason within twenty-four months after the CIC).	If the option is not assumed by the surviving entity, then vesting accelerates upon the CIC. If the option is assumed, then vesting accelerates if the executive s employment is terminated without cause , or the executive terminates his employment for good reason , within twenty-four months after the CIC. Awards granted prior to 2006 vest in full.

For purposes of the above, the terms good reason and change in control have the meanings provided under the Change in Control Severance Plan described below. The term cause generally means (i) conviction of a felony, (ii) dishonesty in the course of fulfilling the executive s duties, (iii) failure to perform substantially the executive s duties in any material respect, or (iv) a material violation of the Company s ethics and compliance program. The term retirement generally means termination with Teradata and its affiliates on or after age 55.

Offer Letter with Mr. Koehler

Under his offer letter, in the event that, prior to a change in control, Mr. Koehler s employment is terminated by Teradata without cause or by Mr. Koehler for good reason, Mr. Koehler will be entitled to

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receive a severance payment equal to 1.5 times his annual base salary and target bonus, a pro-rated bonus based on actual achievement for the year of termination and continued medical benefits for eighteen months, subject to his execution and non-revocation of a release. The terms cause and good reason have the meanings provided in the Change in Control Severance Plan described below.

Change in Control Severance Plan

Each Named Executive Officer participates in the Teradata Change in Control Severance Plan. Under this plan, if the executive s employment is terminated by us other than for cause , death or disability or if the executive resigns for good reason within two years after a change in control (or within six months prior to a change in control, if the executive can demonstrate that the termination occurred in connection with a change in control), then Teradata or its successor will be obligated to pay or provide the following benefits:

- A lump sum payment equal to 3.0 times for Mr. Koehler, and 2.0 times for the other Named Executive Officers, of the executive s annual base salary and annual incentive. For this purpose, annual incentive generally means the average annual incentive earned for the prior three years;

- A lump sum payment equal to a pro-rata portion of the average annual incentive earned for the prior three years;

- Continued medical, dental and life insurance coverage for three years for Mr. Koehler and two years for the other Named Executive Officers;

- Continued outplacement and financial counseling services, if such services are offered at such time, for one year; and

- A conditional gross-up for excise and related taxes in the event the severance compensation and other payments or distributions to a Named Executive Officer, whether pursuant to our change in control severance plan or otherwise, would constitute excess parachute payments, as defined in Section 280G of the Internal Revenue Code. The tax gross-up will be provided if the aggregate parachute value of all severance and other change in control payments to the executive exceeds 110% of the maximum amount that may be paid under Section 280G of the Internal Revenue Code without imposition of an excise tax. If the parachute value of an executive s payments does not exceed the 110% threshold, the executive s payments will be reduced to the extent necessary to avoid imposition of the excise tax on excess parachute payments.

The plan provides that upon termination of employment, each participant is prohibited from soliciting employees of Teradata for a one-year period and is subject to confidentiality restrictions. Moreover, each participant is required to sign a release of all claims against the Company prior to receiving severance benefits under the plan.

For purposes of the plan, the term cause generally means the willful and continued failure to perform assigned duties or the willful engaging in illegal or gross misconduct that materially injures the company. The term good reason generally means (i) a reduction in duties or reporting requirements, (ii) a reduction in base salary, (iii) failure to pay incentive compensation when due, (iv) a reduction in target or maximum incentive opportunities, (v) a failure to continue the equity award or other employee benefit programs, (vi) a relocation of an executive s office by more than forty miles (provided that it also increases his commute by more than 20 miles), or (vii) failure to require a successor to assume the plan.

The term change in control generally means any of the following: (i) an acquisition of 30% or more of our stock by any person or group, other than the Company, our subsidiaries or employee benefit plans; (ii) a change in the membership of our Board of Directors, such that the current incumbents and their approved successors no longer constitute a majority; (iii) a reorganization, merger, consolidation or sale or other disposition of substantially all of our assets in which any one of the following is true our old stockholders do not hold at least

50% of the combined enterprise, there is a 30%-or-more stockholder of the combined enterprise (other than as a result of conversion of the stockholder s pre-combination interest in the Company), or the members of our Board of Directors (immediately before the combination) do not make up a majority of the board of the combined enterprise; or (iv) stockholder approval of a complete liquidation of the Company.

Death or Disability

Based on the above, we would have provided each Named Executive Officer or his beneficiary with the following estimated payments or benefits had he died or become disabled on December 31, 2008.

Executive	Life Insurance ($) (1)	Disability Payments ($) (2)	Stock Options ($) (3)	Restricted Stock, Restricted Stock Units & Performance-Based Restricted Stock Units ($) (3)