

QUADRAMED CORP
Form DEF 14A
April 30, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

QUADRAMED 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):

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

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(1) Amount previously paid:

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NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

QUADRAMED CORPORATION

12110 SUNSET HILLS ROAD

RESTON, VIRGINIA 20190

NOTICE OF 2009 ANNUAL MEETING OF STOCKHOLDERS

AND PROXY STATEMENT

TO BE HELD JUNE 4, 2009

To the Stockholders of QuadraMed Corporation:

NOTICE IS HEREBY GIVEN that QuadraMed Corporation's 2009 Annual Meeting of Stockholders will be held at 9:00 AM on Thursday, June 4, 2009, at our corporate headquarters located at 12110 Sunset Hills Road, Suite 600, Reston, Virginia 20190.

At the meeting, we will ask stockholders to:

1. Elect six Directors for a term of one year;
2. Approve and ratify the adoption of the QuadraMed Corporation 2009 Stock Compensation Plan;
3. Approve and ratify the adoption of the QuadraMed Corporation 2008 Employee Stock Purchase Plan;
4. Approve BDO Seidman, LLP as QuadraMed's Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2009; and
5. Consider any other matters that properly come before the meeting.

We plan to hold a brief business meeting focused on these items, and we will attend to any other proper business that may arise. **THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE IN FAVOR OF PROPOSALS 1, 2, 3 and 4.** These proposals are further described in the proxy statement.

Also enclosed is QuadraMed's Annual Report on Form 10-K for the fiscal year ended December 31, 2008. This proxy statement, a form of proxy and QuadraMed's Annual Report on Form 10-K for the year ended December 31, 2008 are available at our website <http://www.quadramed.com>

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by clicking on **Investors**, then **Annual Meeting Materials**.

At the meeting, there will be a brief presentation on QuadraMed's operations, and we will offer time for your comments and questions.

Only QuadraMed stockholders of record as of the close of business on April 22, 2009 are entitled to notice of, and to vote at, the meeting and any adjournment of it. A quorum is a majority of QuadraMed's outstanding shares of common stock. For 10 days prior to the annual meeting, a list of stockholders entitled to vote will be available for inspection at QuadraMed's headquarters located at 12110 Sunset Hills Road, Suite 600, Reston, Virginia 20190.

YOUR VOTE IS IMPORTANT. WE URGE YOU TO COMPLETE, DATE, AND SIGN THE ENCLOSED PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE. YOUR PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE TIME IT IS VOTED AT THE 2009 ANNUAL MEETING.

By order of the Board of Directors,

Robert L. Pevenstein

Chairman of the Board

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**PROXY STATEMENT FOR
2009 ANNUAL MEETING OF STOCKHOLDERS OF
QUADRAMED CORPORATION TO BE HELD ON
JUNE 4, 2009**

GENERAL INFORMATION ABOUT QUADRAMED'S ANNUAL MEETING

QuadraMed Corporation (QuadraMed or the Company) intends to mail this proxy statement and accompanying proxy card to all stockholders entitled to vote at the annual meeting, on or about May 5, 2009.

WHEN AND WHERE IS THE ANNUAL MEETING?

The annual meeting will be held on Thursday, June 4, 2009, at 9:00 AM at the Company's headquarters in Reston, Virginia. Directions to the meeting are at the back of this proxy statement.

WHO IS ENTITLED TO VOTE AT THE ANNUAL MEETING?

Anyone who owns of record QuadraMed common stock as of the close of business on April 22, 2009 is entitled to one vote per share owned. There were 8,296,219 shares of common stock outstanding on that date, in addition to 1,163,854 treasury shares. Treasury shares are not considered to be outstanding and therefore will not be voted nor will they be counted for the determination of a quorum.

Under the terms of QuadraMed's Fourth Amended and Restated Certificate of Incorporation, the holders of the Company's Series A Cumulative Mandatory Convertible Preferred Stock (Series A Preferred Stock) do not have voting rights for any of the proposals contained in this proxy statement. As of April 22, 2009, there were 4,000,000 shares of Series A Preferred Stock outstanding.

WHO IS SOLICITING MY PROXY TO VOTE MY SHARES AND WHEN?

QuadraMed's Board of Directors (the Board) is soliciting your proxy, or your authorization for our representatives to vote your shares. Your proxy will be effective for the June 4, 2009 meeting and at any adjournment or continuation of that meeting.

WHO IS PAYING FOR AND WHAT IS THE COST OF SOLICITING PROXIES?

QuadraMed is bearing the entire cost of soliciting proxies. Proxies will be solicited principally through the mail, but may also be solicited personally or by telephone, e-mail, facsimile, or special letter by QuadraMed's Directors, officers, and regular employees for no additional compensation. To assist in the solicitation of proxies and the distribution and collection of proxy materials, QuadraMed has engaged Georgeson Shareholder Inc., a proxy solicitation firm, for an estimated fee of \$7,500. QuadraMed will reimburse banks, brokerage firms, and other custodians, nominees, and fiduciaries for reasonable expenses incurred by them in sending proxy materials to their customers or principals who are the beneficial owners of shares of QuadraMed common stock.

WHAT ARE THE REQUIREMENTS FOR BUSINESS TO BE CONDUCTED AT THE ANNUAL MEETING?

For business to be conducted at the meeting, a quorum constituting a majority of the shares of the Company's common stock issued, outstanding and entitled to vote must be in attendance or represented by proxy. As Series A Preferred Stock is not entitled to vote on any proposal at the meeting, shares of Series A Preferred Stock do not count towards a quorum.

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WHERE DO I FIND THE RESULTS OF VOTING AT THE ANNUAL MEETING?

Preliminary voting results will be announced at the annual meeting. Final voting results will be published in a Current Report on Form 8-K following the annual meeting. The report will be filed with the Securities and Exchange Commission (SEC) on or about June 10, 2009, and you may receive a copy by contacting QuadraMed Investor Relations at 703-709-2300, or the SEC at 800-SEC-0330 for the location of its nearest public reference room. You may also access a copy on the Internet at <http://www.quadramed.com> by clicking on **Investors**, then **SEC Filings** or through IDEA, the SEC's electronic data system, at <http://www.sec.gov>. Our SEC filings are also available on the NASDAQ website at <http://www.nasdaq.com>.

PROPOSALS FOR STOCKHOLDER VOTE AND APPROVAL REQUIREMENTS

Management is presenting four proposals for a stockholder vote. Delaware law and QuadraMed's Fourth Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws govern the vote on each proposal.

PROPOSAL 1. ELECTION OF DIRECTORS

The first proposal item to be voted on is the election of six Directors for a one-year term. The Board has nominated six people as Directors, each of whom is currently serving as a Director of QuadraMed.

You may find information about the nominees nominated by the Board, as well as information about our Board, its committees, compensation for Directors, and other related matters beginning on Page 7. The Board has received a stockholder proposal nominating an individual for election as a Director. This stockholder proposal did not meet the SEC requirements or deadline for inclusion in this proxy statement; however, such proposal may be presented at the annual meeting.

You may vote in favor of all the Board nominees, withhold your votes as to all Board nominees, or withhold your votes as to specific Board nominees.

Assuming a quorum, if the aforementioned stockholder nominee is properly nominated at the annual meeting, the number of Director nominees will exceed the number of Directors to be elected, and the Directors shall be elected by plurality vote. In such a case, the six nominees who receive the most votes by the shares represented in person or by proxy at the annual meeting and entitled to vote on the election of Directors will be elected to serve as Directors.

However, assuming a quorum, if the aforementioned stockholder nominee is not properly nominated at the annual meeting, the number of proper Director nominees will equal the number of Board seats, and each Director shall be elected by majority vote. In such a case, each Director shall be elected by the vote of the holders of a majority of the votes cast with respect to such Director by the shares represented in person or by proxy at the annual meeting and entitled to vote on the election of Directors. Further, with election by majority vote, all proxy card votes marked as **withheld** for all or specific Board nominees will be treated as votes against the election of the applicable Board nominee(s). In this situation, if an incumbent Director nominee fails to receive a majority of the votes cast for him and his successor is not otherwise elected and qualified, he shall offer to tender his resignation to the Board promptly following the certification of the election results. The Nominating and Governance Committee of the Board will recommend to the Board whether the Board should accept or reject the resignation or whether other action should be taken. The Nominating and Governance Committee may consider any factors or other information that it determines appropriate and relevant. The Board shall act on the tendered resignation, taking into account the Nominating and Governance Committee's recommendation, and publicly disclose in an SEC filing its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results.

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The Board of Directors unanimously recommends a vote FOR each of the six Board nominees for Director identified on the proxy card and in this proxy statement.

PROPOSAL 2. APPROVAL AND RATIFICATION OF THE ADOPTION OF THE QUADRAMED CORPORATION 2009 STOCK COMPENSATION PLAN

The second proposal item to be voted on is to approve and ratify the adoption of the QuadraMed Corporation 2009 Stock Compensation Plan.

You may find information about this proposal beginning on Page 47.

You may vote in favor of the proposal, vote against the proposal, or abstain from voting. Assuming a quorum, the proposal will pass if approved by a majority of the shares present in person or represented and entitled to vote on the matter. Abstentions will have the same effect as votes against the proposal and broker non-votes will have no effect on the outcome of the vote. A majority vote is also required to approve the proposal for purposes of Section 422(b) of the Internal Revenue Code of 1986, as amended.

The Board of Directors unanimously recommends a vote FOR the approval of the QuadraMed Corporation 2009 Stock Compensation Plan.

PROPOSAL 3. APPROVAL AND RATIFICATION OF THE ADOPTION OF THE QUADRAMED CORPORATION 2008 EMPLOYEE STOCK PURCHASE PLAN

The third proposal item to be voted on is to approve and ratify the adoption of the QuadraMed Corporation 2008 Employee Stock Purchase Plan.

You may find information about this proposal beginning on Page 54.

You may vote in favor of the proposal, vote against the proposal, or abstain from voting. Assuming a quorum, the proposal will pass if approved by a majority of the shares present in person or represented and entitled to vote on the matter. Abstentions will have the same effect as votes against the proposal and broker non-votes will have no effect on the outcome of the vote. A majority vote is also required to approve the proposal for purposes of Section 423 of the Internal Revenue Code of 1986, as amended.

The Board of Directors unanimously recommends a vote FOR the approval and ratification of the adoption of the QuadraMed Corporation 2008 Employee Stock Purchase Plan.

PROPOSAL 4. APPROVAL OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, BDO SEIDMAN, LLP

The fourth proposal item to be voted on is to approve BDO Seidman, LLP as QuadraMed's Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2009.

You may find information about this proposal beginning on Page 57.

You may vote in favor of the proposal, vote against the proposal, or abstain from voting. Assuming a quorum, the proposal will pass if approved by a majority of the shares present in person or represented and entitled to vote on the matter. Abstentions will have the same effect as votes against the proposal.

The Board of Directors unanimously recommends a vote FOR the approval of BDO Seidman, LLP as QuadraMed's Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2009.

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OTHER MATTERS TO COME BEFORE THE ANNUAL MEETING

As noted above under the description for Proposal 1, the Board received a stockholder proposal nominating an individual for election as a Director. The Board is not aware of any other business to be presented for a vote of the stockholders at the annual meeting. If any other matters are properly presented for a vote, the people named as proxies will have discretionary authority, to the extent permitted by law, to vote on such matters according to their best judgment.

The chairman of the annual meeting may refuse to allow presentation of a proposal or nominee for the Board if the proposal or nominee was not properly submitted. The requirements for submitting proposals and nominations for this year's meeting were substantially similar to those described in the section titled "Stockholder Director Nominations" in this proxy statement.

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders To Be Held on June 4, 2009.

This proxy statement is available at <http://www.quadramed.com>. You may obtain a copy of this proxy statement, QuadraMed's Annual Report on Form 10-K for the year ended December 31, 2008 and a form of proxy for QuadraMed's 2009 Annual Meeting of Stockholders at our website <http://www.quadramed.com> by clicking on **Investors**, then **Annual Meeting Materials**.

VOTING AND PROXY PROCEDURE

HOW DO I VOTE?

You may vote in either of two ways:

1. **BY MAIL.** Mark your voting instructions on, sign and date, the proxy card and then return it in the postage-paid envelope provided.

If you mail your proxy card, we must receive it before the polls close at the end of the annual meeting.

If we receive your signed proxy card, but you do not give voting instructions, our representatives will vote your shares FOR Proposals 1, 2, 3, and 4. If any other matters arise during the meeting that require a vote, the individuals named as proxies below will exercise their discretion to the extent permitted by law.

2. **IN PERSON.** Attend the annual meeting, or send a personal representative with an appropriate proxy, in order to vote.

HOW DO I REVOKE MY PROXY OR CHANGE MY VOTING INSTRUCTIONS?

You may revoke your proxy or change your voting instructions in three different ways:

1. **WRITE TO QUADRAMED'S CORPORATE SECRETARY, DAVID L. PIAZZA, AT 12110 SUNSET HILLS ROAD, SUITE 600, RESTON, VIRGINIA 20190.**

Your letter should contain the name in which your shares are registered, your control number, the date of the proxy you wish to revoke or change, your new voting instructions, if applicable, and your signature. Mr. Piazza must receive your letter before the annual meeting begins.

2. **SUBMIT A NEW PROXY CARD BEARING A LATER DATE THAN THE ONE YOU WISH TO REVOKE.** We must receive your new proxy card before the annual meeting begins.

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3. ATTEND THE ANNUAL MEETING AND VOTE IN PERSON (OR BY PERSONAL REPRESENTATIVE WITH AN APPROPRIATE PROXY).

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HOW WILL PROXIES BE VOTED IF I GIVE MY AUTHORIZATION?

The Board of Directors has selected David L. Piazza and Edward B. Borris, and each of them, to act as proxies with full power of substitution.

With respect to the proposal regarding the election of Directors, stockholders may (a) vote in favor of all Board nominees, (b) withhold their votes as to all Board nominees, or (c) vote in favor of specific Board nominees and withhold their votes as to specific Board nominees by so indicating in the appropriate spaces on the enclosed proxy card. As noted above under the description for Proposal 1, if the election for Directors is determined by the vote of the holders of a majority of the votes cast with respect to each Director due to the aforementioned stockholder nominee not having been properly nominated at the annual meeting, all proxy card votes marked as withheld for all or specific Board nominees will be treated as votes against the election of the applicable Board nominee(s).

With respect to the proposals to approve and ratify the adoption of the QuadraMed Corporation 2009 Stock Compensation Plan, to approve and ratify the adoption of the QuadraMed Corporation 2008 Employee Stock Purchase Plan, and to approve the appointment of BDO Seidman, LLP as the Company's independent registered public accounting firm for fiscal year 2009, stockholders may (i) vote for, (ii) vote against or (iii) abstain from voting as to each such matter.

All properly executed proxy cards delivered by stockholders and not revoked will be voted at the annual meeting in accordance with the directions given. IF NO SPECIFIC INSTRUCTIONS ARE GIVEN WITH REGARD TO THE MATTERS TO BE VOTED UPON, THE SHARES REPRESENTED BY A PROPERLY EXECUTED PROXY CARD WILL BE VOTED (i) FOR THE ELECTION OF ALL DIRECTOR NOMINEES OF THE BOARD, (ii) FOR THE APPROVAL AND RATIFICATION OF THE ADOPTION OF THE QUADRAMED CORPORATION 2009 STOCK COMPENSATION PLAN, (iii) FOR THE APPROVAL AND RATIFICATION OF THE ADOPTION OF THE QUADRAMED CORPORATION 2008 EMPLOYEE STOCK PURCHASE PLAN AND (iv) FOR THE APPOINTMENT OF BDO SEIDMAN, LLP AS QUADRAMED'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM. Other than the aforementioned stockholder proposal nominating an individual for election as a Director, as noted in the section titled Proposals for Stockholder Vote and Approval Requirements in this proxy statement, management knows of no other matters that may come before the annual meeting for consideration by the stockholders. However, if any other matters properly come before the annual meeting, the persons named in the enclosed proxy card as proxies will vote upon such matters in accordance with their judgment to the extent permitted by law.

HOW WILL VOTES BE COUNTED?

The inspector of elections appointed by the Board for the annual meeting will calculate affirmative votes, negative votes, withheld votes, abstentions, and broker non-votes. Under Delaware law, shares represented by proxies that reflect abstentions or broker non-votes will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

A broker non-vote results on a matter when a broker or other street or nominee record holder returns a duly executed proxy but does not vote on such matter solely because the record holder does not have discretionary authority to vote on such matter and has not received voting instructions from the beneficial holder. Such record holders have discretionary authority to vote on routine matters, regardless of whether they have received voting instructions. Accordingly, no broker non-votes occur when voting on routine matters. However, Proposal 2 to approve and ratify the adoption of the QuadraMed Corporation 2009 Stock Compensation Plan and Proposal 3 to approve and ratify the adoption of the QuadraMed Corporation 2008 Employee Stock Purchase Plan are not considered routine. Proposals 2 and 3 are determined based on the vote of all shares present in person or represented and entitled to vote on the matter. Therefore, abstentions on Proposals 2 and 3 will have the same effect as votes against such proposal, and broker non-votes will have no effect.

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WHAT IF MY SHARES ARE NOT REGISTERED IN MY NAME?

If you own your shares in street name, meaning that your broker is actually the record owner, you should contact your broker. There are certain instances in which brokers are prohibited from voting shares held for customers without specific voting instructions. When a broker does not have voting instructions and withholds its vote on one of these matters, it is called a broker non-vote. Broker non-votes count toward a quorum and can affect the outcome of certain proposals. See the paragraph above entitled How Will Votes Be Counted? for more information.

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PROPOSAL ONE

AND BOARD INFORMATION

ELECTION OF DIRECTORS

The first agenda item to be voted on is the election of six Directors for one-year terms. The Board has nominated six people as Directors, each of whom is currently serving as a Director of QuadraMed. The Board unanimously recommends that you vote FOR all such nominees.

The Board of Directors consists of six directors whose current terms will expire at the annual meeting. Each of the six Board nominees has indicated his willingness to serve, if elected, but if any of the nominees should be unable or unwilling to serve, the Board may either reduce its size or choose to designate a substitute nominee. If the Board designates a substitute nominee, proxies that would have been cast for the original nominee will be cast for the substitute nominee unless instructions are given to the contrary.

The Company received a stockholder proposal nominating an individual for election to the Board. Pursuant to the nomination procedures described in the section titled "Stockholder Director Nominations" in this proxy statement, the Nominating and Governance Committee considered and evaluated the stockholder nominee, but decided not to include such nominee in the slate of directors presented to the stockholders for election at the annual meeting. As such stockholder proposal was received in a timely manner, pursuant to the Company's Amended and Restated Bylaws, such stockholder proposal may be presented at the annual meeting. However, the stockholder's proposal did not meet the deadline or requirements for inclusion in the proxy statement specified in SEC rules and the Company's 2008 proxy materials (which explained how to raise a proposal for the 2009 annual meeting).

NOMINEES FOR DIRECTORS

Robert L. Pevenstein (62) has been a Director since September 2003 and our Chairman since January 2006. Mr. Pevenstein has served on the Board of Directors of Copper Mesa Mining Corporation, formerly Ascendant Copper Corporation, a mineral exploration and development company, since December 2004 and is currently its Chairman. In addition, Mr. Pevenstein has served on the Board of Directors of the University of Maryland Medical System (UMMS) since 2003 and is currently Chairman of the Financial Affairs and Audit Committees. UMMS includes the University of Maryland Medical Center, which is an academic teaching hospital, Shock Trauma and seven community hospitals. Mr. Pevenstein has served on the Board of Directors of EMIDA Corporation, a prepaid communications services company since October 2007. In 2008, Mr. Pevenstein completed a five-year term on the Board of Regents of the University System of Maryland, which includes thirteen higher education institutions. He founded Princeville Partners LLC, a mergers and acquisitions and business consulting group, in 1997 and has served as its President since its inception. He was the Senior Vice President and Chief Financial Officer of UNC Incorporated, a \$1 billion publicly traded aviation services and manufacturing company that was sold in 1997 to General Electric Company, from 1987 to 1997. Mr. Pevenstein has more than 20 years of experience serving as a senior corporate financial executive and is a Certified Public Accountant with a Masters of Business Administration degree from Pepperdine University and Bachelor of Science degrees in Business Administration and Accounting from the University of Maryland.

Julian A.L. Allen (40) has been a Director since February 2008. He is the founder, managing member and sole owner of Spitfire Capital, LLC, a San Francisco-based investment advisor, and, since April 2007, has served as managing partner of The Spitfire Fund, L.P., an investor in neglected small capitalization public companies. From November 2004 to March 2007, Mr. Allen was a member of Cannell Capital LLC, a San Francisco hedge fund advisor. He was a private investor from April 2003 to October 2004. From June 2000 to March 2003, Mr. Allen served as a Managing Director of J.H. Whitney & Co., LLC, a private equity and alternative investment management firm where he focused on private equity investments in the financial services, business services, healthcare services and technology industries. Previously, Mr. Allen held various positions at Capital Z Partners, Patricof & Co. Ventures, Inc. and Wasserstein Perella & Co., Inc. Mr. Allen received a Master of Business Administration degree, with High Distinction, from Harvard Business School and a Bachelor of Arts degree from Cambridge University.

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Lawrence P. English (68) has been a director since June 2000, was our Chairman from December 2000 to January 2005, and was our Chief Executive Officer from June 2000 to October 2005. In January 2009, he began service as Chief Executive Officer of CIFG Holding, Ltd., a mono line financial guaranty company. Mr. English is the founder of Lawrence P. English & Associates, a private turnaround and crisis management firm, and has served as its Chief Executive Officer since 1999. Mr. English is also the founder of Lawrence P. English, Inc., a private turn-around management firm, and has served as its Chief Executive Officer since 1999. He has served as a member of the Advisory Board of Levick Strategic Communications, a public relations firm, since March 2008 and an advisor to XFI Corporation, an enterprise CRM software company, since April 2008. Mr. English served as a Director of Curative Healthcare Corporation from May 2000 to June 2006. Prior to joining QuadraMed, Mr. English served as a Director of Dental Benefit Providers for three years. In May 1999, he began serving as a Director of Clarent Hospital Corporation, formerly Paracelsus Healthcare Corporation, and in February 2000, he became their non-executive Chairman; he resigned from their Board in September 2002. He was the Chairman and Chief Executive Officer of Aesthetics Medical Corporation Management, Inc., a physician practice management company for plastic surgeons, from July 1997 to January 1999. He was the President of CIGNA Healthcare, one of the largest HMO providers in the United States, from March 1992 until August 1996. Mr. English has been a prominent healthcare policy thought leader, and was a member of the Jackson Hole Group and a founder of the Alliance for Managed Care. Mr. English possesses a Bachelor of Arts degree from Rutgers University and a Masters of Business Administration degree from George Washington University and is a graduate of Harvard Business School's Advanced Management Program.

William K. Jurika (69) has been a Director since April 2009. Mr. Jurika previously served as a non-employee Director on our Board from July 2003 through October 2005. Mr. Jurika joined the Board of Directors, and was elected Chairman, of QComm International, Inc., a prepaid communications services company, in April 2004. He served as Chairman until July 2007, when QComm was acquired by EMIDA Corporation, a prepaid communications services company. Mr. Jurika continues to serve on EMIDA's Board of Directors. From November 2004 to June 2008, Mr. Jurika served on the Board of Directors of Ascendant Copper Corporation, now Copper Mesa Mining Corporation, a mineral exploration and development company, and as its Chairman from November 2004 to August 2007. In 2003, he founded Jurika, Mills & Keifer, LLC, an SEC registered investment advisory firm, where he has served as Chairman and Managing Member since February 2003. From 2001 to 2003, Mr. Jurika was a private investor. In 1981, Mr. Jurika co-founded Jurika & Voyles, Inc., an investment management firm, and served as its President and Chief Executive Officer from 1982 to 1997. Jurika & Voyles, Inc. grew to \$7 billion in assets for private and institutional clients prior to its sale in 1997 to N Vest, LP, an NYSE-listed limited partnership providing investment advice as the advising general partner of N Vest Companies, L.P. (the operating partnership). He served as Chairman of Jurika & Voyles, LP, the entity formed by N Vest to take over the Jurika & Voyles, Inc. assets, from 1997 to 2001. Prior to Jurika & Voyles, Inc., Mr. Jurika advised clients at Hambrecht and Quist, as well as EF Hutton and Francis I. Dupont & Co. Mr. Jurika received a Bachelor of Science Degree in Marketing from the University of Denver.

Robert W. Miller (67) has been a Director since May 2003. Currently, he is an Adjunct Professor of Law at Emory University School of Law and Editor-in-Chief of the *Journal of Health and Life Sciences Law*. Mr. Miller has served on the Nonprofit Board of Directors of Grady Memorial Hospital since March 2008 and on the Board of Directors of Sonic Innovations, Inc., a digital hearing aid manufacturer, since December 2006. He served as Director of Magellan Health Services, Inc., a behavioral managed care organization, from 1998 to 2004 and was its non-executive Chairman from 1998 to 2001. He was a partner in the law firm of King & Spalding from 1985 until his retirement in 1997. He has a Bachelor of Arts degree in History from the University of Georgia and earned an LL.B. from Yale Law School.

James E. Peebles (69) has been a Director since October 2004 and was named interim President and Chief Executive Officer in March 2009. In March 1987, Mr. Peebles co-founded MIDS, a healthcare technology firm (now, ACS Healthcare Solutions, MIDAS+ Division) that provides software tools to support the care management process, and served as its President and Chief Executive Officer until June 2001 and a consultant from June 2001 to January 2004. From 1980 to 1986, he was Co-Founder, President and Chief Executive Officer of Sunquest Information Systems, a clinical management software and consulting provider, which became a part

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of Misys Healthcare Systems. Prior to 1980, he served as Director of Information Systems for the University of Arizona Health Sciences Center. Mr. Peebles received a Bachelor of Arts degree in Mathematics from the University of Virginia.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board held 12 meetings in 2008, either in person or by telephone. Each Director attended greater than 75% of all Board and applicable committee meetings during 2008 (other than (i) Mr. Allen, who attended greater than 75% of all Board and applicable committee meetings during 2008 after joining the Board as a Director in February 2008, and (ii) Mr. Jurika, who joined the Board in April 2009). The following table describes the current members of the Board's committees.

Name	Audit	Compensation	Nominating and Governance
Robert L. Pevenstein**	X*		X
Julian A.L. Allen	X	X	
Lawrence P. English		X	
Robert W. Miller	X	X*	X*
James E. Peebles***			
William K. Jurika			

* Committee Chairman

** Chairman of the Board and Lead Independent Director responsible for coordinating the activities of the other independent Directors and performing various other duties as established by the Board from time to time.

The standing Board Committees, and the number of meetings they held in 2008, were as follows:

Audit Committee 6

Compensation Committee 6

Nominating and Governance Committee 1

*** Mr. Peebles served as the Chairman of the Compensation Committee until his appointment to interim President and Chief Executive Officer of the Company in March 2009, at which time he stepped down from such committee.

Mr. Jurika was appointed to the Board on April 29, 2009 and was not appointed to any committees at such time. Messrs. Pevenstein, Allen, English, Jurika and Miller are independent directors as defined by the Sarbanes-Oxley Act of 2002 and NASDAQ Stock Market independence standards. Mr. Peebles was an independent director as defined by the Sarbanes-Oxley Act of 2002 and NASDAQ Stock Market independence standards until his appointment as interim President and Chief Executive Officer of the Company in March 2009.

The principal responsibilities and functions of the standing Board committees are as follows:

Audit Committee

Acts under a written charter that was most recently amended by the Audit Committee on April 28, 2009 and approved by the Board on April 29, 2009. A current copy of the Audit Committee's charter is available at our website <http://www.quadramed.com> by clicking on **Investors**, then **Corporate Governance**.

Reviews the integrity and accuracy of our auditing, accounting, and reporting processes and considers and approves appropriate changes.

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Reviews our financial reports and other financial information provided to the public and filed with the SEC.

Reviews our internal controls regarding finance, accounting, legal compliance, and ethics.

Recommends our independent accountants and annually reviews their performance.

Performs other functions that the Board may assign to the Audit Committee regarding QuadraMed's accounting and financial reporting processes and the audits of QuadraMed's financial statements.

Note: Our Board has determined that Mr. Pevenstein is an audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K. All members of the Audit Committee, including Mr. Pevenstein, are independent as defined by the Sarbanes-Oxley Act of 2002 and NASDAQ Stock Exchange listing requirements.

Compensation Committee

Acts under a written charter that was most recently amended by the Compensation Committee on March 9, 2006 and approved by the Board on March 9, 2006. A current copy of the Compensation Committee's charter is available at our website <http://www.quadramed.com> by clicking on **Investors**, then **Corporate Governance**.

Oversees the administration of our employee stock compensation plans, employee stock purchase plan, and disinterested administration of employee benefit plans in which executive officers may participate.

Determines senior management compensation and reviews with senior management the benefit and compensation programs for our employees.

As provided in the charter of the Compensation Committee, the Compensation Committee may delegate to one or more officers of the Company the right to grant awards under the Company's equity compensation plans, except with respect to executive officers or Directors of the Company, or any affiliate of the Company.

Note: All members of the Compensation Committee are independent as defined by the Sarbanes-Oxley Act of 2002 and NASDAQ Stock Exchange listing requirements.

Nominating and Governance Committee

Acts under a written charter that was most recently amended by the Nominating and Governance Committee on August 6, 2008 and approved by the Board on August 6, 2008. A current copy of the Nominating and Governance Committee's charter is available at our website <http://www.quadramed.com> by clicking on **Investors**, then **Corporate Governance**.

Recommends candidates for election to the Board.

Reviews candidates for election to the Board submitted by stockholders before the deadline for stockholder proposals.

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Develops and makes recommendations to the Board regarding the size and composition of the Board and its committees.

Develops and makes recommendations to the Board with respect to corporate governance principles.

Responsible for overseeing corporate governance.

Note: All members of the Nominating and Governance Committee are independent as defined by the Sarbanes-Oxley Act of 2002 and NASDAQ Stock Exchange listing requirements.

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COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Allen, Pevenstein, Peebles and Miller were members of the Compensation Committee during 2008. Messrs. Allen, Pevenstein, and Miller have never been officers or employees of QuadraMed Corporation or any of its subsidiaries. None of Messrs. Allen, Pevenstein, Peebles and Miller were parties to related-party transactions, as that term is defined by GAAP (including a series of similar or related transactions). Until his appointment as interim President and Chief Executive Officer of the Company in March 2009, Mr. Peebles had never been an officer or employee of QuadraMed Corporation or any of its subsidiaries. In conjunction with his appointment to the positions of interim President and Chief Executive Officer in March 2009, Mr. Peebles left the Compensation Committee. Mr. Peebles will not rejoin the Compensation Committee until, at the earliest, the termination of his tenure as an executive officer of the Company.

In 2008, none of QuadraMed's executive officers:

Served as a member of the compensation committee (or other board committee performing equivalent functions, or in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on QuadraMed's Compensation Committee or Board; or

Served as a director of another entity, one of whose executive officers served on QuadraMed's Compensation Committee.

STOCKHOLDER DIRECTOR NOMINATIONS

In accordance with the Company's Amended and Restated Bylaws, any stockholder entitled to vote for the election of Directors at the annual meeting may nominate persons for election as Directors at the annual meeting only if the Secretary of the Company receives written notice of any such nominations not earlier than the close of business on the 90th day and not later than the close of business on the 60th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than 30 days from the date contemplated at the time of the previous year's proxy statement, notice must be received not earlier than the close of business on the 90th day and not later than the close of business on the later of (i) the 60th day prior to such annual meeting and (ii) (only in the event public announcement of the date of the annual meeting is first made by the Company fewer than 70 days prior to the date of the annual meeting) the close of business on the 10th day following the day on which public announcement of the date of the annual meeting is first made by the Company.

Any stockholder notice of intention to nominate a Director shall include:

the name and address of the stockholder;

a representation that the stockholder is entitled to vote at the meeting at which Directors will be elected;

the class and number of shares of the Company that are beneficially owned by the stockholder;

any material interest of the stockholder in the nomination;

information required by Regulation 14A of the Securities Exchange Act of 1934, as amended (the "1934 Act");

the following information with respect to the person nominated by the stockholder:

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name and address;

other information regarding such nominee as would be required in a proxy statement filed pursuant to applicable rules promulgated by the SEC;

a description of any arrangements or understandings between the stockholder and the nominee and any other persons (including their names), pursuant to which the nomination is made; and

the consent of such nominee to serve as a Director if elected.

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The Chairman of the Board, other Directors and senior management of the Company may also recommend Director nominees. The Nominating and Governance Committee's process for identifying and evaluating director nominees includes:

Conducting candidate searches, interviewing prospective candidates and conducting programs to introduce candidates to the Company, its management and operations, and confirming the appropriate level of interest of such candidates;

Recommending to the Board, with the input of the Chief Executive Officer, qualified candidates for the Board who bring the background, knowledge, experience, skill sets and expertise that would strengthen and increase the diversity of the Board;

Conducting appropriate inquiries into the background and qualifications of potential nominees; and

Reviewing the suitability for continued service as a Director of each Board member when he/she has a significant change in status, such as an employment change, and recommending whether or not such Director should be re-nominated.

The Nominating and Governance Committee will evaluate director nominees, including nominees that are submitted to the Company by a stockholder, taking into consideration certain criteria, including issues of experience, wisdom, integrity, skills such as understanding of finance and marketing, and educational and professional background. Candidates nominated for election or re-election to the Board should possess the following qualifications:

high personal and professional ethics, integrity, practical wisdom, and mature judgment;

broad training and experience at the policy-making level in business, government, education, or technology;

expertise that is useful to the Company and complementary to the background and experience of other Board members;

willingness to devote the required amount of time to carrying out duties and responsibilities of Board membership;

commitment to serve on the Board over a period of several years to develop knowledge about the Company's principal operations; and

willingness to represent the best interests of all stockholders and objectively appraise management performance.

If the Company is legally required by contract or otherwise to provide third parties with the ability to nominate Directors, the selection and nomination of such Directors will not be subject to the Nominating and Governance Committee's nomination and review process. At all times, at least one member of the Board must meet the definition of "audit committee financial expert" set forth in the Sarbanes-Oxley Act of 2002 for service on the Company's Audit Committee, and all members of the Board serving on the Company's Audit Committee must meet the applicable requirements of the NASDAQ Stock Exchange and the Sarbanes-Oxley Act of 2002. In addition, Directors must have time available to devote to Board activities and be able to work well with the Chief Executive Officer and other members of the Board.

The Company received a stockholder proposal nominating an individual for election to the Board. Pursuant to the nomination procedures described above, the Nominating and Governance Committee considered and evaluated the stockholder nominee, but decided not to include such nominee in the slate of Directors presented to the stockholders for election at the annual meeting. As such stockholder proposal was received in a timely manner, pursuant to the Company's Amended and Restated Bylaws, such stockholder proposal may be presented at the annual meeting.

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However, the stockholder's proposal did not meet the deadline or requirements for inclusion in the proxy statement specified in SEC rules and the Company's 2008 proxy materials (which explained how to raise a proposal for the 2009 annual meeting).

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STOCKHOLDER COMMUNICATIONS WITH THE BOARD

Stockholders may contact any individual Director or the Board of Directors as a group by the following means:

Email: boardofdirectors@quadramed.com

Mail: Board of Directors
Attn: Lead Independent Director or Corporate Secretary
QuadraMed Corporation
12110 Sunset Hills Road, Suite 600
Reston, VA 20190

Stockholders should clearly specify in each communication the name of the individual Director or group of Directors to whom the communication is addressed. Stockholder communications sent by email are delivered directly to Mr. Pevenstein, the Lead Independent Director and Chairman of the Board, and to the Secretary of the Company, who will promptly forward such communications to the specified Director addressees. Stockholder communications sent by mail will be promptly forwarded by the Secretary of the Company to the specified Director addressee or to Mr. Pevenstein, if such communication is addressed to the full Board. Stockholders wishing to submit proposals for inclusion in the proxy statement relating to the 2010 Annual Meeting of Stockholders should follow the procedures specified in the section titled "Stockholder Proposals for 2010 Annual Meeting" in this proxy statement. Stockholders wishing to nominate Directors should follow the procedures specified in the section titled "Stockholder Director Nominations" in this proxy statement.

The Board currently does not have a policy with regard to Director attendance at the Company's annual meetings of stockholders; however, it typically schedules a meeting of the Board on the same date as the annual meeting of stockholders. Each Director who was a Director during 2008 attended the 2008 Annual Meeting of Stockholders.

CODE OF ETHICS

The Company has adopted a Code of Business Conduct and Ethics for the Company that applies to its employees, officers and Directors. The Company has also adopted a Code of Ethics for Principal Executive Officers and Senior Financial Officers that applies to our senior financial employees, including our Chief Executive Officer and Chief Financial Officer.

You may access copies of both of these codes of ethics at the Company's website, <http://www.quadramed.com>, by clicking on **Investors**, then **Corporate Governance**. The Company filed the Code of Ethics for Principal Executive Officers and Senior Financial Officers as an exhibit to its Current Report on Form 8-K, as filed with the SEC on March 15, 2006. The Company will provide a copy of these codes of ethics to any person without charge, upon request. Requests may be made by writing or telephoning the Company at the following address:

QuadraMed Corporation

12110 Sunset Hills Road, Suite 600

Reston, Virginia 20190

703-709-2300

Attn: Corporate Secretary

DIRECTOR COMPENSATION

QuadraMed's executive officers do not receive additional compensation for service as a Director. The annual retainer fee for service as non-executive Chairman of the Board, Lead Independent Director and Chairman of the Audit Committee is \$75,000, the annual retainer fee for service as Compensation Committee

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Chairman is \$30,000, and the annual retainer fee for all other non-employee Directors is \$25,000. The QuadraMed Corporation 2009 Stock Compensation Plan, if approved by the stockholders at the annual meeting and as more fully discussed in Proposal Two in this proxy statement, will include a Director Fee Option Grant Program that allows a non-employee Director to apply all or any portion of his/her annual retainer fee that is otherwise payable in cash on a quarterly basis to the acquisition of a special quarterly option grant. The terms of the special quarterly option grant are:

Exercise Price: Equal to the fair market value of QuadraMed common stock, as determined by the closing price reported on the applicable stock exchange or market, on the date of grant (the FMV).

Grant Date: The last trading date of each fiscal quarter.

No. of Option Shares: Equal to three times the amount of the relevant quarterly portion of the annual retainer fee elected divided by the FMV, rounded down to the next whole share.

Vesting: Immediate.

Term: 10 years.

Non-employee Directors also receive compensation in the form of QuadraMed stock options. Each individual who is first elected or appointed as a non-employee Director receives a stock option to purchase 9,200 shares on the date of such initial election or appointment. Previously, this amount was 46,000 shares but was adjusted in 2008 in conjunction with a one-for-five reverse stock split of the Company's common stock. The terms of such stock option grant are:

Exercise Price: Equal to the fair market value of QuadraMed common stock, as determined by the closing price reported on the applicable stock exchange or market, on the date of grant.

Vesting: 50% on completion of one year of Board service measured from grant date.
 Remaining 50% on completion of second year of Board service measured from grant date.
 Change of Control.

Term: 10 years.

At each annual meeting of stockholders, each ongoing non-employee Director is granted an option to purchase 2,400 shares (12,000 pre-reverse stock split shares), provided that such Director has not received an initial option grant upon his first election to our Board as of the date of the preceding two annual meetings of stockholders. The terms of such stock option grant are:

Exercise Price: Equal to the fair market value of QuadraMed common stock, as determined by the closing price reported on the applicable stock exchange or market, on the date of grant.

Vesting: 12 successive equal monthly installments over the Director's period of service.
 Change of Control.

Term: 10 years.

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Directors do not receive additional grants of stock options upon their election as Committee Chairman.

Non-employee Directors receive additional cash compensation for attendance at Board and committee meetings. Non-employee Directors receive \$1,500 for attendance, in person or by telephone, at each Board and committee meeting (other than Audit Committee meetings), and \$2,000 for attendance, in person or by telephone, at each Audit Committee meeting. While the Chairmen of the Company's Nominating and Governance and Compensation Committees do not receive additional meeting fees for attendance at their respective committee meetings, the Chairman of the Audit Committee receives \$3,000 per meeting of the Audit Committee for attendance in person or by telephone. In addition, from time to time where additional Board or committee needs warrant, the Board may use flat monthly fees for Board or committee service, including service on special committees established for certain temporary purposes. The Company reimburses all Directors for their reasonable expenses related to attendance at Board and committee meetings as well as other reasonable expenses incurred due to their service as members of the Board.

Director Compensation Table**Fiscal Year 2008**

The following table sets forth information regarding the compensation of our Directors for the last fiscal year. As Mr. Jurika did not join the Board until April 2009, he is not included in the table.

Name	Fees Earned or Paid in Cash (\$)⁽¹⁾	Option Awards (\$)⁽²⁾	Total (\$)
Julian A.L. Allen ⁽³⁾	\$ 59,500 ⁽⁴⁾	\$ 20,949 ⁽⁵⁾	\$ 80,449
Lawrence P. English	\$ 41,500	\$ 14,601 ⁽⁶⁾	\$ 56,101
Keith B. Hagen ⁽⁷⁾			
Robert W. Miller	\$ 68,667 ⁽⁴⁾	\$ 14,601 ⁽⁶⁾	\$ 83,268
James E. Peebles	\$ 69,167 ⁽⁴⁾	\$ 14,601 ⁽⁶⁾	\$ 83,768
Robert L. Pevenstein ⁽⁸⁾	\$ 146,000 ⁽⁹⁾	\$ 14,601 ⁽⁶⁾	\$ 160,601

(1) These amounts represent the total retainer and meeting fees earned by each Director for 2008. The compensation paid to each Director differs from such reported amounts due to the time lag between the date on which each meeting was held and the date payment was actually made to each Director. The amounts actually paid to each Director in 2008 were as follows:

Mr. Allen: \$34,083

Mr. English: \$50,750

Mr. Hagen: \$0

Mr. Miller: \$81,417

Mr. Peebles: \$60,500

Mr. Pevenstein: \$172,250

Messrs. Miller, Peebles, and Pevenstein were incorrectly paid in 2007 for attendance at a Compensation Committee meeting scheduled for November 6, 2007 but never held. A credit was taken from each Director's 2008 first quarter compensation payment to offset such amount.

(2) All options were awarded under Company's 2004 Stock Compensation Plan (the 2004 Plan).

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- (3) All fees earned by Mr. Allen for service as a Director are paid to Spitfire Capital LLC, for which Mr. Allen serves as managing member and sole owner.

- (4) These amounts include total retainer fees of \$9,167 paid to the Director for service on a special committee of the Board appointed to analyze strategic business opportunities for the Company.

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- (5) This amount reflects a grant to Mr. Allen of a stock option to purchase 9,200 shares (46,000 pre-reverse stock split shares) on February 5, 2008, the date of his appointment to the Board, under the Non-Employee Director Option Grant Program of the 2004 Plan. Such amount is expensed by the Company over the requisite vesting period or accelerated vesting period, as the case may be, of the stock grant. In accordance with SFAS 123(R), the Company estimated the expected term of the stock option grant, volatility in the Company's stock price, forfeitures of employee stock options, risk-free interest rate and dividend yield. These values were used as inputs to the Black Scholes-Merton valuation model for the purpose of calculating the fair value of the stock option grant. The grant date fair value of such option grant, computed in accordance with SFAS 123(R), was \$23,235.
- (6) This amount reflects the vesting of the annual option grant to our Directors (except Mr. Allen, as discussed in footnote 5 above) under the Non-Employee Director Option Grant Program of the 2004 Plan. Such amount is expensed by the Company over the requisite vesting period or accelerated vesting period, as the case may be, of each individual stock grant. In accordance with SFAS 123(R), the Company estimated the expected term of each stock option grant, volatility in the Company's stock price, forfeitures of employee stock options, risk-free interest rate and dividend yield. These values were used as inputs to the Black Scholes-Merton valuation model for the purpose of calculating the fair value of each stock option grant. The grant date fair value of each such option grant, computed in accordance with SFAS 123(R), was \$10,812.
- (7) Mr. Hagen departed as the Company's President and Chief Executive Officer effective March 25, 2009. On April 14, 2009, he resigned from the Board. The Company does not compensate its executive officers for their service on the Board and therefore Mr. Hagen received no compensation for his service as a Director while he served as the Company's President and Chief Executive Officer. As no Board meetings were held between March 25, 2009 and April 14, 2009, Mr. Hagen was not entitled to receive any compensation as a non-executive Director for attendance at meetings of the Board. Mr. Hagen's 2008 compensation as the Company's President and Chief Executive Officer is included in the Summary Compensation Table in the section titled "Executive Compensation" in this proxy statement.
- (8) Mr. Pevenstein is our Chairman of the Board, Lead Independent Director and Chairman of the Audit Committee.
- (9) This amount includes total retainer fees of \$27,500 paid to Mr. Pevenstein for service as the Chairman of a special committee of the Board appointed to analyze strategic business opportunities for the Company.

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EXECUTIVE OFFICERS, EXECUTIVE COMPENSATION AND RELATED INFORMATION

EXECUTIVE OFFICERS

James E. Peebles (69) was named interim President and Chief Executive Officer in March 2009 and has been a Director since October 2004. In March 1987, Mr. Peebles co-founded MIDS, a healthcare technology firm (now, ACS Healthcare Solutions, MIDAS+ Division) that provides software tools to support the care management process, and served as its President and Chief Executive Officer until June 2001 and a consultant from June 2001 to January 2004. From 1980 to 1986, he was Co-Founder, President and Chief Executive Officer of Sunquest Information Systems, a clinical management software and consulting provider, which became a part of Misys Healthcare Systems. Prior to 1980, he served as Director of Information Systems for the University of Arizona Health Sciences Center. Mr. Peebles received a Bachelor of Arts degree in Mathematics from the University of Virginia.

David L. Piazza (54) became our Executive Vice President, Chief Financial Officer and Corporate Secretary in August 2005 and was appointed to the additional position of Chief Operating Officer in March 2009. Mr. Piazza joined the Company in October 2003 as Vice President of Finance and was responsible for all non-accounting finance and administrative matters for the Company. From June 2001 to October 2003, Mr. Piazza was Chief Financial Officer of Gemplex Inc., a global Virtual Private Network provider in Vienna, Virginia, and from December 1999 to June 2001, he was Chief Financial Officer and Senior Vice President of Teligent International, a broadband communications provider in Vienna, Virginia. Mr. Piazza has spent more than 20 years in the telecommunications sector serving in a variety of capacities, including Chief Financial Officer of both public and private firms. He began his career in the public accounting practice, where he specialized in the audits of regulated companies. Mr. Piazza is a Certified Public Accountant and a graduate of the University of Illinois.

James R. Klein (61) became our Senior Vice President, Chief Technology Officer in August 2005. Mr. Klein is a healthcare information technology veteran who served as Director of Healthcare Technology from August 2004 to August 2005 for the Company's technology partner, InterSystems Corporation. In addition, he served as Vice President and Research Director at the Gartner Group, an information technology research and advisory firm, from April 1997 to August 2004. Prior to joining the Gartner Group, he was Vice President of The Compucare Company, a company later acquired by QuadraMed in 1999. Mr. Klein has over 25 years of experience in the healthcare information technology industry. Mr. Klein received a Bachelor of Science degree in Mathematics from Villanova University and a Masters Degree from the University of Maryland.

James R. Milligan (48) became our Senior Vice President for Sales and Government Programs in August 2005. Mr. Milligan joined QuadraMed in October 2001 as a regional Vice President for Enterprise Sales, assumed responsibility for the Company's Client Management program in January 2005 and the Government business in July 2005, and was named Senior Vice President for Sales and Government Programs in August 2005. Prior to joining the Company, he was District Manager at EMC Corporation from November 2000 to October 2001 and Vice President of Sales and Marketing for Milbrook Corporation in Addison, Texas from March 1999 to November 2000. Mr. Milligan has over 20 years of hospital and physician information systems experience. Mr. Milligan holds a Bachelor of Science degree in Business Administration from The University of Ashland.

Steven V. Russell (52) became our Senior Vice President of Corporate Development in November 2005. Most recently, Mr. Russell had been Vice President for HIM National Sales at Precyse Solutions, an HIM consulting and services company, from April 2005 to November 2005. From May 2000 to February 2005, he was Senior Vice President at Healthscribe, Inc., a medical transcription services provider, serving as an executive officer and member of the Executive Operating Committee, charged with the sales, marketing, business development and client implementation functions. He served as Executive Vice President of Phycom, Inc. from 1999 to 2000, Senior Vice President of Field Operations for The Compucare Company from 1997 to 1999, and

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Regional Vice President for Cerner Corporation, from 1996 to 1997, where he was responsible for branch office operations of the Washington, DC/Mid-Atlantic office including sales, client installations, client management and office administration. Mr. Russell has over 20 years of healthcare sales and marketing and operations experience in the healthcare information technology and healthcare services business industries. Mr. Russell holds a Bachelor of Arts degree from Indiana University.

COMPENSATION DISCUSSION AND ANALYSIS

Company Compensation Structure

We base our compensation structure for our named executive officers our Chief Executive Officer (CEO), Chief Financial Officer and our next three most highly compensated executives on the principle of pay-for-performance, with each executive s incentive compensation aligning his/her economic interests with both the short- and long-term interests of the Company s stockholders, especially through the promotion of ownership of equity in the Company. Although the Company does not maintain specific levels or goals for total compensation, compensation to senior executives in the form of base salary, cash bonuses and equity compensation serves as a tool to encourage executives to undertake strategic business initiatives and to reward them for the successful development and implementation of those initiatives. The Board determines the compensation of the CEO based upon the recommendations of the Compensation Committee. The Compensation Committee determines the compensation of the Company s other senior executives based upon recommendations submitted by the CEO. The CEO bases his recommendations, in part, upon information provided to him by our Senior Vice President, Human Resources, and external market compensation data received from third party providers. The Compensation Committee discusses these recommendations (and accompanying explanations for such recommendations) with the CEO and then makes its final determination as to the compensation of the Company s senior executives. Further, the Company strives to provide compensation for its executives at fair and competitive levels. The form and amount of compensation paid to individuals who are appointed to interim executive officer positions is determined by the Board, based upon the recommendations of the Compensation Committee, on a case-by-case basis depending on the terms of such individual s appointment, the expected duration of such appointment and any other relevant considerations. Such compensation may not necessarily be in the form or amount of compensation that had been paid to the individual who had previously served in the executive officer position, although consideration is given to the compensation of such previous executive officer in the determination of the interim executive officer s compensation.

To assist in the determination of both the level and type of compensation to be awarded to the Company s named executive officers, the Compensation Committee from time to time retains independent compensation consulting firms to provide advice on executive compensation matters and to provide it with the following:

Comparative executive compensation information, including salary, bonus, and option data for companies similar to QuadraMed and that compete with QuadraMed for executive talent; and

Specific recommendations to maintain QuadraMed s executive compensation at levels competitive with the marketplace. The Compensation Committee has retained and considered the recommendations of independent compensation consulting firms in the past to aid in determining issues related to the compensation of the Company s named executive officers. While these firms have reported on the compensation structures of other technology companies, competitors and similarly sized companies, the Company does not specifically benchmark its executive compensation against that provided by such companies.

Pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended (Section 162(m)), the Company is not allowed a tax deduction for non-performance based compensation paid to certain executive officers in excess of \$1 million in any fiscal year. Non-performance based compensation paid to Mr. Hagen in 2008 exceeded this limitation. Although the Compensation Committee has not yet decided to take any action to

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limit or restructure the elements of cash compensation payable to the Company's executive officers to ensure that non-performance based compensation to its executive officers does not exceed \$1 million in the future, the Compensation Committee is analyzing the impact of Section 162(m) in its evaluation of the Company's current compensation structure, as discussed below.

The Compensation Committee and the Board are presently reviewing the compensation structure for the Company's executive officers and examining all possible long-term incentive tools to determine if modification of the current compensation structure is in the best interests of the Company and its stockholders. Such review will also take into account the change in market conditions since 2007 (when large grants of stock options were awarded to the Company's named executive officers, excluding the CEO), the anticipated hiring of a new CEO, and the effect of Section 162(m) and the regulations thereunder on the deductibility of executive compensation. To aid them in this effort, the Compensation Committee and the Board have retained a compensation consulting firm to review long-term incentive arrangements for key executives. The compensation consulting firm has been charged with analyzing the Company's current compensation structure as well as current industry and peer group best practices and recommending the incentive arrangements that offer the best incentives to our executive officers to achieve progressive long-term sustained growth in revenues (so-called top-line growth), incorporate flexibility to adjust to changing circumstances, and include targets that are challenging yet achievable. The Compensation Committee and the Board will use the compensation consulting firm's report to aid them in their determination as to whether modification of the current compensation structure is in the best interests of the Company and its stockholders.

Base Salary Compensation

We provide our named executive officers with a base salary to ensure such officers a steady source of income. Each named executive officer's initial base salary is based upon a determination of the level necessary to be both fair and competitive. Raises in base compensation are considered for our named executive officers on an annual basis, and if awarded, are based upon an evaluation of each executive's performance over the previous year, extraordinary contributions to the Company, and market considerations.

Cash Bonuses

Incentive Compensation Plan (ICP)

We primarily award cash bonuses to our employees through the QuadraMed Incentive Compensation Plan (ICP). In addition to other employees, all of our executive officers (provided that they join the Company before October 1 of a given year (with applicable pro-ration)) are eligible for bonus compensation through the ICP. The objectives of the ICP are to attract, retain and motivate eligible employees; to reward them for the achievement of the Company's financial targets and their individual goals; to align their interests with stockholder interests; and to signal important organizational performance priorities. The ICP cash bonuses are awarded based upon the Company's percentage completion of profitability milestones and organizational targets. Additionally, most or all participants must meet individual performance goals set by the Company. The Company milestone/individual goal compensation structure is based upon the Company's belief that named executive officers must, and should, be incentivized to achieve both Company-wide goals, as well as individual goals that benefit the Company as a whole. The Compensation Committee and the Board maintain a flexible approach regarding the specific financial, corporate and individual goals underlying the ICP, annually revising the ICP goals after thorough examination of the Company's circumstances, goals, and financial situation.

The target ICP cash bonus amount was 100% of base salary for our CEO prior to his termination and is currently 50% of base salary for our Executive Vice President and Senior Vice Presidents and 20% for Vice Presidents (including our former interim Chief Financial Officer, Ms. Zalewski, who resumed her position of Vice President of Finance upon Mr. Piazza's return to the Company in September 2008). Unless otherwise provided in an executive's employment agreement, receipt of a payout under the ICP is contingent upon such

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executive's employment with the Company on the ICP bonus payment date, which generally occurs in March of the following year. Mr. Peebles, the Company's interim President and Chief Executive Officer, is not eligible to receive an ICP cash bonus. The Compensation Committee and the Board determined that such a cash bonus is not a necessary component of total compensation to Mr. Peebles due to his interim status.

2008 ICP

Under the 2008 ICP, cash bonuses (which were paid in March 2009) for our named executive officers, except Ms. Zalewski, were awarded on a 75/25 basis, such that 75% of the bonus was based upon the Company reaching certain milestones and 25% of the bonus was based upon each such individual named executive officer reaching his individual performance goals. The cash bonus paid to Ms. Zalewski under the 2008 ICP was awarded on a 60/40 basis, such that 60% of the bonus was based upon the Company reaching certain milestones and 40% of the bonus was based upon Ms. Zalewski reaching her individual performance goals.

The Company milestones set by the Compensation Committee and Board for the 2008 ICP comprised challenging, but attainable, specific targets for (i) net income (adjusted earnings before interest, depreciation and amortization (adjusted EBITDA)), (ii) revenue and (iii) sales bookings. The maximum amount any eligible employee could receive under the 2008 ICP was 125% of his/her target 2008 ICP bonus. The Company overachieved its net income target; this overachievement increased each eligible employee's maximum bonus potential to 125% of his/her target ICP bonus. While the Company met its revenue target, it did not meet its sales bookings target. As a result, the sales bookings target portion of the Company goals for the 2008 ICP bonus for each of the named executive officers was calculated as 75% achieved.

Each named executive officer's individual performance goals were determined based upon such executive's role within the Company and contributions to the Company's strategic objectives. Such goals were also set at challenging, but attainable, levels by the Compensation Committee and Board or the individual's manager, as applicable. All of our named executive officers, except Mr. Milligan, fully achieved their individual ICP goals. Mr. Milligan did not fully achieve his individual goal related to sales bookings and therefore his 2008 ICP bonus was reduced accordingly.

2009 ICP

For 2009, the Compensation Committee and the Board made certain material changes to the operation of the ICP. In contrast to previous years, the 2009 ICP includes a component for Board discretion. For officers at and above the level of Vice President, 25% of such officer's ICP bonus potential will be determined in the discretion of the Board, notwithstanding the achievement of Company and individual goals. For officers at the Director level, 10% of such officer's ICP bonus potential will be subject to the Board's discretion; at the Manager level, however, there is no such Board discretionary ICP component. The Board will make its determination based upon various factors related to the strategic objectives of the Company, including product-based and operational achievements. Due to the inclusion of a discretionary component this year, the portion of the ICP bonus related to Company goals was reduced for the 2009 ICP from 75% to 50%. The Compensation Committee and the Board believe that the addition of a discretionary component will allow the Board flexibility in determining the relevant objectives and goals for its officers given the dynamic nature of the Company, its industry and the economy as a whole.

Other material changes in the 2009 ICP are in the role of earnings (adjusted EBITDA) and the adoption of new components comprising the Company objectives. Budgeted earnings (adjusted EBITDA) will be used to determine the size of the overall 2009 ICP bonus pool. If adjusted EBITDA falls below the budgeted amount, the bonus pool will be reduced by the amount of the shortfall. The Company's goals, which comprise 50% of eligible participants' ICP bonus potential, will be satisfied by the achievement of revenue and sales bookings (both in the aggregate and by product mix) milestones, and each will comprise half of the Company goals (25% of eligible participants' ICP bonus potential). If the Company exceeds its revenue and/or sales bookings goals, the ICP bonus percentage will be increased. Therefore, the maximum ICP bonus payment for each eligible employee is 110% of such employee's target 2009 ICP bonus.

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As a result of the aforementioned changes to the 2009 ICP, the ICP bonus that each named executive officer, or other officer at and above the level of Vice President, may earn for service in 2009 will be awarded on a 50/25/25 basis, such that 50% of the bonus potential is based upon the achievement of the Company goals discussed above, 25% is based upon reaching his/her individual performance goals (which are generally two to five measurable criteria linked to the Company's strategy and business needs), and 25% is determined in the sole discretion of the Board based upon factors relating to the strategic objectives of the Company. For each Director level officer, the mix of ICP bonus components is 50/40/10, with 50% of the bonus potential based upon the achievement of the Company goals discussed above, 40% based upon reaching his/her individual performance goals and 10% determined in the Board's sole discretion. As no Board discretion component of the ICP exists for Manager level officers, 50% of their ICP bonus is based on the achievement of the Company goals discussed above and 50% is based upon achievement of individual performance goals.

As in 2008, the Compensation Committee and Board set the relevant Company targets and each individual's performance goals at challenging, but attainable, levels. Also as in 2008, the executive officers' individual performance goals under the 2009 ICP were determined based upon their role within the Company and their contributions to the Company's strategic objectives. Among other, more individualized goals, these individual performance goals include project design and development improvement, sales team achievement of sales quotas, successful implementation of client migrations and installations, improved investor relations processes, and achievement of internal control and financial reporting metrics.

Sales Overachievement Bonus Plan (SOBP)

On March 6, 2008, in an effort to provide additional incentives to the Company's senior management to achieve sales bookings targets, the Board, upon the recommendation of the Compensation Committee, approved a new bonus plan, named the QuadraMed 2008 Sales Overachievement Bonus Plan (the 2008 SOBP). The Board and the Compensation Committee intended the 2008 SOBP to recognize and reward a group of eighteen executives and senior leaders, including each of our named executive officers, for sales bookings in 2008 above a certain initial target level set by the Compensation Committee and approved by the Board. For each \$1 million in 2008 sales bookings (up to \$10 million) over the initial target level, each 2008 SOBP participant would have received a cash bonus of \$3,000. Such cash bonuses would have been in addition to any bonuses paid out to a participant under the 2008 ICP. The maximum amount that could have been paid out in the aggregate by the Company under the 2008 SOBP was \$540,000. However, the Company did not reach the initial sales booking target level, and no payments were made under the 2008 SOBP. Further, upon the recommendation of the Compensation Committee, the Board did not renew the 2008 SOBP, and no such bonus plan will be in effect for 2009.

Executive Long-Term Bonus Plan (ELBP)

On March 31, 2008, the Compensation Committee recommended for Board approval the adoption of a new cash incentive plan for the Company's named executive officers and senior officers. Such plan, the Executive Long-Term Bonus Plan (the ELBP), provided such officers with the opportunity to receive one-time bonuses based upon the achievement by the Company of certain revenue and adjusted EBITDA targets in 2010 or 2011 and upon the conversion of the Company's Series A Preferred Stock into common stock. The goal of the ELBP was to further motivate the Company's officers to achieve extraordinary top-line growth and to reduce the number of Series A Preferred Shares outstanding. At the time of the establishment of the ELBP, the Compensation Committee and the Board believed that the ELBP would provide additional motivation for the Company's officers to aid in increasing the Company's revenue growth, which the Company believed would positively impact the share price of the Company's stock as well as build stockholder value on a long-term basis. The maximum amount to be paid out in the aggregate by the Company under the ELBP would have been \$3 million. However, in April 2009, the Compensation Committee determined that since the Compensation Committee and the Board are in the midst of evaluating the Company's current compensation structure, as described above, and the bonus achievement periods had not yet commenced, it was in the Company's and its stockholders' best interest to discontinue the ELBP. As part of the Compensation Committee's and the Board's evaluation of the Company's current compensation structure, the Compensation Committee and the Board will

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evaluate the ELBP to determine whether its re-institution comports with the Compensation Committee's and Board's philosophies with respect to executive compensation.

Additional Cash Salary and Bonuses

In addition to the above cash bonus plans, the Compensation Committee and the Board retain the authority to reward executives with additional cash bonuses in recognition of such executive's exceptional achievements or performance of additional duties or responsibilities.

The Board, upon the recommendation of the Compensation Committee, CEO and Senior Vice President, Human Resources, determined that, upon her appointment as interim Chief Financial Officer, Ms. Zalewski would receive additional compensation of \$8,000 per month over her then-current base salary for the duration of her tenure as interim Chief Financial Officer and a retention bonus of \$60,000 if she continued service with the Company in any capacity through the date of the filing of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (the 2008 Annual Report). Such additional salary and retention bonus were intended to compensate Ms. Zalewski for the additional duties and responsibilities she assumed upon her appointment as interim Chief Financial Officer. As Ms. Zalewski remained employed by the Company through the date of the filing of the Annual Report, the Company paid Ms. Zalewski the full retention bonus.

As the Senior Vice President for Sales and Government Programs, Mr. Milligan is eligible for sales commissions under the Company's Sales Compensation Plan. Mr. Milligan's commission is based on a percentage of the Company's sales quota targets, which are determined annually by our CEO, and his commissions are earned on the last day of the month following the month for which the sales bookings are recorded.

Equity Compensation

The Compensation Committee has determined that it is in the best interests of the Company for its senior executives to hold a meaningful equity stake in the Company. The Compensation Committee believes that holding a material amount of equity will serve as a constant and valuable incentive for each senior executive to perform to the best of his/her ability to improve the Company's performance and increase the value of the Company's stock. The Compensation Committee has estimated such level of meaningful equity holdings at between 5% and 10% in the aggregate of the Company's equity on a fully diluted basis. Such equity holdings may include unrestricted shares of stock, restricted stock and stock options. Although, as discussed above, they are currently reviewing the current compensation structure for named executive officers, including equity compensation, the Compensation Committee and Board continue to believe that equity compensation is an important compensation and incentive tool.

On January 23, 2007, the Compensation Committee considered and decided upon an equity compensation arrangement providing for a grant of stock options to the Company's senior executives, excluding the Company's CEO at the time, to achieve an immediate holding of approximately 5% of the Company's equity (on a fully diluted basis) in the aggregate by the senior management team. During 2007, the Compensation Committee granted a total of 295,000 shares (1,475,000 pre-reverse stock split shares) of common stock to the Company's named executive officers and one senior officer. Although the Compensation Committee had considered granting such stock options over a three-year period, the Compensation Committee determined that the block grant would make a greater impact on the grantees with respect to immediate retention and incentive for positive performance. It was expected at that time that no additional grants would be awarded in 2008 or 2009 to the Company's named executive officers, excluding the CEO. As discussed above, the Compensation Committee and the Board are presently evaluating the Company's compensation structure for its named executive officers, in light of, among other factors, the change in market conditions since the 2007 stock option grants, and, therefore, it is possible that additional grants may be awarded to one or more named executive officers. However, it is not anticipated that any stock option grants will be made to the current named executive officers in 2009.

The Compensation Committee determines and awards grants of equity compensation to the Company's named executive officers. In the case of senior executives who directly report to the CEO, the Compensation

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Committee has historically asked for and received recommendations from the CEO prior to making awards of equity compensation to such individuals. Grants of equity compensation to all other employees have historically been determined by the CEO, in consultation with the relevant members of the Company's management team.

The Company awards equity compensation to employees through the QuadraMed Corporation Amended and Restated 2004 Stock Compensation Plan (the 2004 Plan) and through grants of inducement stock option and restricted stock (though, as is more fully discussed in Proposal Two in this proxy statement, the Board has proposed that the stockholders approve and ratify the adoption of the QuadraMed Corporation 2009 Stock Compensation Plan (the 2009 Plan) to replace the 2004 Plan due to, among other reasons, the decreasing number of shares available for issuance under the 2004 Plan. The terms of the 2009 Plan are summarized in Proposal Two in this proxy statement and the full text of the 2009 Plan is attached hereto as Exhibit A.). The 2004 Plan authorizes the Company to award employees with shares of restricted stock, stock options, stock appreciation rights and restricted stock units. However, under the 2004 Plan, the Company has historically only granted stock options and shares of restricted stock to employees. Grants of equity compensation through the 2004 Plan are awarded to employees as a reward for past performance and an incentive for future performance. Such grants, when awarded, are based upon each employee's performance review as well as an evaluation of the Company's performance. However, the Company does grant additional awards on an individual basis when new employees are hired or when current employees are promoted to certain senior-level positions.

The terms of the 2004 Plan limit the CEO to a maximum grant of 10,000 shares per employee per year without further Compensation Committee approval. Performance grants are awarded immediately after their approval by the Compensation Committee or the CEO, as applicable. The Compensation Committee generally schedules its meeting to approve such grants at the end of January of each year after employee performance evaluations for the prior year have been completed. As the timing of such grants is generally the same each year, the proximity of any such grants to public announcements of financial or other performance-related information regarding the Company is unintended and coincidental. The 2009 Plan eliminates the authority of the CEO to make grants without prior Compensation Committee authorization.

Grants of stock options under the 2004 Plan typically expire after 10 years and generally vest as follows: (i) 25% of the options vest after one year and (ii) the balance of the options vest in a series of 36 equal successive monthly installments. The exercise price of stock options granted under the 2004 Plan is determined by the Compensation Committee (or the CEO, as applicable) at the time of the grant but will not be less than the fair market value of the Company's common stock as of the date of the grant. Under the 2004 Plan, the vesting period of restricted stock may be based upon either the employee's continued employment with the Company or the attainment of specific performance goals.

Through July 2008, permanent employees of the Company who worked at least 20 hours per week were eligible to participate in the Section 423-qualified QuadraMed Corporation Amended and Restated 2002 Employee Stock Purchase Plan (the 2002 ESPP). However, due to a lack of shares available for issuance under the 2002 ESPP, the Board terminated the 2002 ESPP effective immediately following the close of the purchase interval on July 31, 2008 and, as recommended by the Compensation Committee, adopted a new Section 423-qualified plan, the QuadraMed Corporation 2008 Employee Stock Purchase Plan (the 2008 ESPP), effective on September 1, 2008. As more fully discussed in Proposal Three in this proxy statement, upon the recommendation of the Compensation Committee, the Board has proposed that the stockholders approve and ratify the adoption of the 2008 ESPP. The terms of the 2008 ESPP are summarized in Proposal Three in this proxy statement and the full text of the 2008 ESPP is attached hereto as Exhibit B. The 2002 ESPP was, and the 2008 ESPP is, intended to promote the interests of the Company by providing eligible employees with the opportunity to acquire equity in the Company through participation in a payroll-deduction based employee stock purchase plan. Pursuant to the 2008 ESPP (and as was pursuant to the 2002 ESPP), eligible employees may choose to have up to 10% of their base salary deducted to purchase shares in the 2008 ESPP. Also under each plan, shares are purchased for each employee at a price per share equal to 85% of the lower of (i) the fair market value per share of QuadraMed common stock at the beginning of such employee's start date in the 2008 ESPP (and, formerly,

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the 2002 ESPP) and (ii) the fair market value per share of QuadraMed common stock on the applicable purchase date. The maximum number of shares purchasable per eligible employee under the 2008 ESPP on each purchase date is 200 shares, and there are two purchase dates per year. Although all of the Company's named executive officers are eligible to participate in the 2008 ESPP, no named executive officer of the Company currently participates. Although Mr. Milligan had participated in the 2002 ESPP, he has not enrolled in the 2008 ESPP.

Severance Benefits and Change in Control Arrangements

In an effort to hire and retain talented executives, the Company provides severance benefits in the event of termination and change in control arrangements in the employment agreements executed with its named executive officers, as discussed in the section titled "Payments upon Termination and Change in Control" in this proxy statement. In April 2009, the Board, upon the recommendation of the Compensation Committee, adopted amendments to certain executive officers' employment agreements so that all of the Company's executive officers would have uniform severance benefits in the event of an involuntary termination or upon a change in control.

Retirement Plans

The Company offers a 401(k) retirement plan to all eligible employees and does not discriminate in favor of highly compensated employees. The Company matches 100% of the first 4% of each employee's eligible compensation contributed by such employee to his/her 401(k) account. The Company matching payment is deposited in each employee's 401(k) account on a quarterly basis. Prior to 2008, the Company matched 50% of the first 4% of each employee's eligible compensation contributed by such employee to his/her 401(k) account.

Perquisites and Other Personal Benefits

The Company provides only a modest amount of perquisites and other personal benefits to its named executive officers. Except in special circumstances, such perquisites and other personal benefits generally represent approximately 1% of the total compensation paid to such executives. The Company provides our named executive officers (except Mr. Peebles, who is deemed to be a temporary employee and therefore is not eligible to receive any Company-sponsored insurance coverage or benefits) with the standard long-term disability, short-term disability, medical, dental and vision insurance benefits generally available to our employees; however, the life and accidental death and dismemberment insurance policies provided by the Company to our named executive officers each carry a higher limit of \$1,000,000, versus a maximum limit of \$700,000 provided to all other employees (such maximum limit is based upon such employee's annual rate of base salary). Further, prior to Mr. Hagen's departure as President and Chief Executive Officer, the Company had annually reimbursed Mr. Hagen for the costs of membership in one airline club and one credit card membership rewards program. The Company currently reimburses Mr. Peebles for the costs of membership in one airline club.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis section of this proxy statement with management and based upon such review and discussions, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis section be included in this proxy statement.

Compensation Committee:

Robert W. Miller, Chairman

Julian A.L. Allen

Lawrence P. English

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The following tables show, for the last fiscal year, compensation information for our former Chief Executive Officer, Chief Financial Officer, former interim Chief Financial Officer and our next three most highly compensated executives. Each of these officers is referred to as a named executive officer. Other tables that follow provide more detail about the specific type of compensation. As Mr. Peebles was not a named executive officer during 2008 and did not receive compensation from the Company other than for his services as a Director, he is not included in the tables below.

Summary Compensation Table**Fiscal Year 2008**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) ⁽¹⁾	Option Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compen- sation (\$) ⁽³⁾	All Other Compensation (\$) ⁽⁴⁾	Total (\$)
Keith B. Hagen⁽⁵⁾, Former Principal Executive Officer	2008	\$ 486,987 ⁽⁶⁾		\$ 257,342	\$ 430,904	\$ 568,066	\$ 10,363	\$ 1,753,662
	2007	\$ 440,750		\$ 324,500	\$ 470,600	\$ 418,095	\$ 5,632	\$ 1,659,577
	2006	\$ 410,000	\$ 205,000 ⁽⁷⁾	\$ 324,500	\$ 390,364	\$ 205,000	\$ 91,248	\$ 1,626,112
David L. Piazza, Principal Financial Officer	2008	\$ 300,000			\$ 472,516 ⁽⁸⁾	\$ 175,781	\$ 9,920	\$ 958,217
	2007	\$ 246,250			\$ 368,513	\$ 118,575	\$ 5,103	\$ 738,441
	2006	\$ 228,750	\$ 10,000 ⁽⁹⁾		\$ 157,490	\$ 117,500	\$ 5,003	\$ 518,743
Lora C. Zalewski⁽¹⁰⁾, Interim Principal Financial Officer	2008	\$ 181,876 ⁽¹¹⁾			\$ 43,397	\$ 41,562	\$ 8,860	\$ 275,695
James R. Klein, Senior Vice President, Chief Technology Officer	2008	\$ 315,000		\$ 30,450	\$ 204,139	\$ 184,570	\$ 9,956	\$ 744,115
	2007	\$ 312,750		\$ 57,275	\$ 215,640	\$ 144,424	\$ 5,286	\$ 735,375
	2006	\$ 304,500		\$ 60,900	\$ 172,314	\$ 147,645	\$ 5,186	\$ 690,545
James R. Milligan, Senior Vice President for Sales and Government Programs	2008	\$ 211,250	\$ 127,221 ⁽¹²⁾		\$ 413,643	\$ 120,937	\$ 10,005	\$ 883,056
	2007	\$ 197,625	\$ 145,369 ⁽¹³⁾		\$ 436,978	\$ 94,860	\$ 7,441	\$ 882,273
	2006	\$ 189,125	\$ 144,066 ⁽¹⁴⁾		\$ 126,368	\$ 95,250	\$ 4,689	\$ 559,498
Steven V. Russell, Senior Vice President Development	2008	\$ 275,000			\$ 418,983	\$ 161,133	\$ 9,836	\$ 864,952
	2007	\$ 231,250			\$ 412,501	\$ 111,461	\$ 5,065	\$ 760,277
	2006	\$ 206,250						