QUADRAMED CORP
Form DEF 14A
April 21, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

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

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §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):

x No fee required.

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(1) Amount previously paid:

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

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(3) Filing party:

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(4) Date filed:

NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

QUADRAMED CORPORATION

12110 SUNSET HILLS ROAD

RESTON, VIRGINIA 20190

NOTICE OF 2008 ANNUAL MEETING OF STOCKHOLDERS

AND PROXY STATEMENT

TO BE HELD JUNE 5, 2008

To the Stockholders of QuadraMed Corporation:

NOTICE IS HEREBY GIVEN that QuadraMed Corporation s 2008 Annual Meeting of Stockholders will be held at 9:00 AM on Thursday, June 5, 2008, 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 certain technical tax-related amendments to the 2004 Stock Compensation Plan;

3. Approve and ratify an amendment of our Certificate of Incorporation to authorize our Board of Directors to effect a reverse stock split of our common stock in the range of one-for-three to one-for-five without further approval of our stockholders, upon a

determination by our Board of Directors that such a reverse stock split is in the best interest of the Company and our stockholders;

4. Approve BDO Seidman, LLP as QuadraMed s Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2008; 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, 2007. 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 at the close of business on April 15, 2008 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 ten (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 2008 ANNUAL MEETING.

By order of the Board of Directors,

Robert L. Pevenstein

Chairman of the Board

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PROXY STATEMENT FOR

2008 ANNUAL MEETING OF STOCKHOLDERS OF

QUADRAMED CORPORATION TO BE HELD ON

JUNE 5, 2008

GENERAL INFORMATION ABOUT QUADRAMED S ANNUAL MEETING

QuadraMed Corporation (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 April 30, 2008.

WHEN AND WHERE IS THE ANNUAL MEETING?

The annual meeting will be held on Thursday, June 5, 2008, 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 15, 2008 is entitled to one vote per share owned. There were 43,908,100 shares of common stock outstanding on that date, in addition to 2,082,300 treasury shares.

Under the terms of the Certificate of Designation for the Series A Cumulative Mandatory Convertible Preferred Stock (the Series A Preferred Stock), the holders of Series A Preferred Stock do not have voting rights for any of the proposals contained in this proxy statement. As of April 15, 2008, there were 4,000,000 shares of the Company s 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 5, 2008 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, telegraph, 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 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 and outstanding and entitled to vote must be in attendance or represented by proxy. As the Series A Preferred Stock is not entitled to vote on any proposal at the meeting, shares of the Series A Preferred Stock do not count towards a quorum.

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

Preliminary voting results will be announced at the meeting. Final voting results will be published in a Current Report on Form 8-K following the meeting. The report will be filed with the Securities and Exchange

Commission (SEC) on or about June 11, 2008, 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 clicking on **SEC Filings** or through EDGAR, the SEC s electronic data system, at *http://www.sec.gov.* Our SEC filings are also available at the office of the American Stock Exchange. For further information on obtaining copies of our public filings at the American Stock Exchange, please call 212-306-1331.

PROPOSALS FOR STOCKHOLDER VOTE AND APPROVAL REQUIREMENTS

Management is presenting four (4) proposals for a stockholder vote. Delaware law and QuadraMed s 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 these nominees, as well as information about our Board, its committees, compensation for directors, and other related matters beginning on Page 6.

You may vote in favor of all the nominees, withhold your votes as to all nominees, or withhold your votes as to specific nominees. Assuming a quorum, each director shall be elected by the vote of the holders of a majority of the votes cast with respect to such director.

If an incumbent director nominee fails to receive a majority of the votes cast and his successor is not otherwise elected and qualified, he shall offer to tender his resignation to the Board of Directors 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.

The Board of Directors unanimously recommends a vote FOR each director nominee.

PROPOSAL 2. APPROVAL AND RATIFICATION OF AMENDMENTS TO THE 2004 STOCK COMPENSATION PLAN.

The second proposal item to be voted on is to approve and ratify certain technical tax-related amendments to the 2004 Stock Compensation Plan.

You may find information about this proposal beginning on Page 46.

You may vote in favor of the proposal, vote against the proposal, or abstain from voting. Assuming a quorum, and as required by Section 423 of the Internal Revenue Code of 1986, as amended, 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.

The Board of Directors unanimously recommends a vote FOR the approval and ratification of the proposed tax-related amendments to the 2004 Stock Compensation Plan.

PROPOSAL 3. APPROVAL AND RATIFICATION OF AN AMENDMENT OF OUR CERTIFICATE OF INCORPORATION TO AUTHORIZE OUR BOARD OF DIRECTORS TO EFFECT A REVERSE STOCK SPLIT OF OUR COMMON STOCK IN THE RANGE OF ONE-FOR-THREE TO ONE-FOR-FIVE WITHOUT FURTHER APPROVAL OF OUR STOCKHOLDERS, UPON A DETERMINATION BY OUR BOARD OF DIRECTORS THAT SUCH A REVERSE STOCK SPLIT IS IN THE BEST INTEREST OF THE COMPANY AND OUR STOCKHOLDERS.

The third proposal item to be voted on is to approve and ratify an amendment of the Certificate of Incorporation to authorize a reverse stock split.

You may find information about this proposal beginning on Page 48.

You may vote in favor of the proposal, vote against the proposal, or abstain from voting. Assuming a quorum, and as required by Section 242 of the General Corporation Law of the State of Delaware, as amended, the proposal will pass if approved by a majority of the outstanding shares of the Company s common stock. Abstentions and broker non-votes will have the same effect as votes against the proposal.

The Board of Directors unanimously recommends a vote FOR the approval and ratification of an amendment of our Certificate of Incorporation to authorize our Board of Directors to effect a reverse stock split, as described in this proxy statement.

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, 2008.

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.

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, 2008.

OTHER MATTERS TO COME BEFORE THE ANNUAL MEETING

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 the same as those described on Page 55 for next year s meeting.

VOTING AND PROXY PROCEDURE

HOW DO I VOTE?

You may vote in either of two (2) 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 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 representatives will exercise their discretion.

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 (3) 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.

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

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 election of directors, stockholders may (a) vote in favor of all nominees, (b) withhold their votes as to all nominees, or (c) withhold their votes as to specific nominees by so indicating in the appropriate space on the enclosed proxy card. With respect to the proposals to approve and ratify amendments to the 2004 Stock Compensation Plan, to approve and ratify an amendment of our Certificate of Incorporation to authorize our Board to effect a reverse stock split, and to approve the appointment of BDO Seidman, LLP as the Company s independent registered public accounting firm for fiscal year 2008, 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, (ii) FOR THE APPROVAL AND RATIFICATION OF THE PROPOSED TAX-RELATED AMENDMENTS TO THE 2004 STOCK COMPENSATION PLAN, (iii) FOR THE APPROVAL AND RATIFICATION OF THE PROPOSED AMENDMENT OF OUR CERTIFICATE OF INCORPORATION TO AUTHORIZE OUR BOARD TO EFFECT A REVERSE STOCK SPLIT, AND (iv) FOR THE APPOINTMENT OF BDO SEIDMAN, LLP AS QUADRAMED S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM. 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.

HOW WILL VOTES BE COUNTED?

The inspector of elections appointed by the Board for the annual meeting will calculate affirmative votes, negative 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 Two to approve and ratify the tax-related amendments to the 2004 Stock Compensation Plan and Proposal Three to approve and ratify an amendment of the Certificate of Incorporation to authorize the Board of Directors to effect a reverse stock split of the Company s common stock are not considered routine. Proposal Two is determined based on the vote of all shares present in person or represented and entitled to vote on the matter. Therefore, abstentions on Proposal Two will have the same effect as votes against the proposal, and broker non-votes will have no effect. Proposal Three is determined based on the vote of all shares of common stock outstanding on April 15, 2008. Accordingly, abstentions and broker non-votes on Proposal Three will have the same effect as votes against the proposal.

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.

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 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 designate or not 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.

NOMINEES FOR DIRECTORS

Robert L. Pevenstein (61) has been a director since September 2003 and our Chairman of the Board since January 2006. Mr. Pevenstein has served on the Board of Directors of Ascendant Copper Corporation since December 2004 and is currently Chairman of its Board of Directors. In 2003, Mr. Pevenstein was appointed to a five year term on the Board of Regents of the University System of Maryland, which includes thirteen higher education institutions, and to the Board of Directors of the University of Maryland Medical System, which includes six community hospitals. 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, an aviation services and manufacturing company, from 1987 to 1997. Mr. Pevenstein has more than twenty 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.

Keith B. Hagen (*45*) has been a director and our Chief Executive Officer and President since October 2005. From March 2003 until joining the Company, Mr. Hagen served as the President and a director of M. Transaction Services, Inc., a national healthcare electronic data interchange (EDI) service provider and subsidiary of Misys plc, where he was responsible for their transaction service operations. He served as Senior Vice President for Product Development and Chief Technology Officer of Misys Healthcare Systems, subsidiary of Misys plc and a leading healthcare IT company providing software tools to support clinical laboratory requirements and currently the largest laboratory information system vendor in the United States, from July 2001 to March 2003. He also served as Senior Vice President for Product Development and Chief Technology Officer with Sunquest Information Systems from March 2000 until July 2001, at which time Misys plc acquired Sunquest. Until January 2000, he served as Senior Vice President for Products and Technology and Chief Technology Officer for The Compucare Company, which was acquired by QuadraMed in 1999. Mr. Hagen has over twenty-one years of experience in healthcare information technology and operations. Mr. Hagen received a Bachelor of Science degree in Computer Science from the State University of New York.

Julian A.L. Allen (39) joined as a director in February 2008. He is the founder 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.

Lawrence P. English (*67*) was our Chairman of the Board from December 2000 to January 2005 and our Chief Executive Officer from June 2000 to October 2005. Currently, he is Founder of Lawrence P. English & Associates, a private turnaround and crisis management firm. Mr. English served as a director of Curative Healthcare Corporation from May 2000 to June 2006. Prior to joining QuadraMed, Mr. English was the Founder and Chief Executive Officer of Lawrence P. English, Inc., a private turn-around management firm for one and a half years and a director of Dental Benefit Providers for three years. In May of 1999, he began serving as a director of Clarent Hospital Corporation, formerly Paracelsus Healthcare Corporation, and in February of 2000, he became the non-executive Chairman of their Board; he resigned from their Board in September 2002. He was the Chairman of the Board 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.

Robert W. Miller (66) 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. since December 2006. He served as director of Magellan Health Services, Inc. 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 (68) 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 the 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, 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.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board held thirteen (13) meetings in 2007, either in person or by telephone. Each director (other than Mr. Allen, who was not a director during 2007) attended 100% of all Board and applicable committee meetings during 2007. The following table describes the current members of the Board s committees.

Name	Audit	Compensation	Nominating and Governance
Robert L. Pevenstein**	X*	X	X
Keith B. Hagen			
Julian A.L. Allen			
Lawrence P. English			
Robert W. Miller	X	X	X*
James E. Peebles	X	X*	

* 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 2007, were as follows:

Audit Committee	6

7

Compensation Committee 4

Nominating and Governance Committee 1

Messrs. Pevenstein, Miller, Peebles and Allen are independent directors as defined by the Sarbanes-Oxley Act of 2002 and the American Stock Exchange independence standards.

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

Audit Committee

Acts under a written charter that was adopted by the Audit Committee on March 8, 2006 and approved by the Board on March 9, 2006. 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.

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 Committee regarding QuadraMed s accounting and financial reporting processes, and the audits of the financial statements of QuadraMed.

Note: Our Board has determined that Mr. Pevenstein is an audit committee financial expert as defined in Item 401(h) 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 American Stock Exchange listing requirements.

Compensation Committee

Acts under a written charter that was adopted 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 American Stock Exchange listing requirements.

Nominating and Governance Committee

Acts under a written charter that was adopted by the Nominating and Governance Committee on June 6, 2007 and approved by the Board on June 6, 2007. 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.
- 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 American Stock Exchange listing requirements.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Pevenstein, Peebles and Miller were members of the Compensation Committee during 2007. None of the members of the Compensation Committee in 2007 has ever been an officer or employee of QuadraMed Corporation or any of its subsidiaries.

In 2007, 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 no earlier than the close of business on the 90th day prior to the annual meeting and no later than the close of business on the 10th day after the public announcement of the date of the annual meeting. 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 number of shares of the Company that are beneficially owned by the stockholder;

any material interest of the stockholder;

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

a representation that the stockholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;

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

- 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 each such nominee to serve as a director if elected.

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 or 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, 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 interest 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 American 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 did not receive any stockholder recommendations for director nominees to be considered by the Nominating and Governance Committee for the 2008 Annual Meeting of Stockholders.

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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 2009 Annual Meeting of Stockholders should follow the procedures specified in the section titled Stockholder Proposals for 2009 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 of Directors currently does not have a policy with regard to director attendance at the Company s annual meeting of stockholders; however, it typically schedules a meeting of the Board of Directors on the same date as the annual meeting of stockholders. Each director who was a director during 2007 attended the 2007 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 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

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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 Chairman is $30,000, and the annual retainer fee for all other non-employee directors is $25,000. However, non-employee directors may currently elect to participate in the Director Fee Option Grant Program under the 2004 Stock Compensation Plan (the 2004 Plan). This program allows non-employee directors to apply all or any portion of their annual retainer fee that is otherwise payable in cash to the acquisition of a special option grant. No director currently participates in the Director Fee Option Grant Program. The Board and the Compensation Committee has approved amendments to the 2004 Plan and recommended them for submission to the Company s stockholders for approval and ratification. One such amendment is the deletion from the 2004 Plan of the Director Fee Option Grant Program. Please see Proposal Two, Approval and Ratification of Technical Tax-Related Amendments to the 2004 Stock Compensation Plan, of this proxy statement for additional information regarding the proposed deletion of the Director Fee Option Grant Program from the 2004 Plan.

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 46,000 shares on the date of such initial election or appointment. 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:	Fifty percent (50%) on completion of one (1) year of Board service measured from grant date.
	Remaining fifty percent (50%) on completion of second year of Board service measured from grant date.
	Change of Control.
Term:	Ten (10) years.

At each annual meeting of stockholders, each ongoing non-employee director is granted an option to purchase 12,000 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:	Twelve successive equal monthly installments over the Director s period of service.
	Change of Control.
Term:	Ten (10) years.

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

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Governance and Compensation Committees do not receive additional cash compensation for such service, 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. 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 2007

The following table sets forth information regarding the compensation of our directors for the last fiscal year. Mr. Allen is not included in the table below as he did not serve as a director during the 2007 fiscal year.

Name	Fees Earned or Paid in Cash ($)(1)	Option Awards ($)(2)	All Other Compensation ($)	Total ($)
Lawrence P. English	$ 46,000(3)	$ 26,553(4)		$ 72,553
Keith B. Hagen(5)				
Robert W. Miller	$ 64,000	$ 26,553(4)		$ 90,553
James E. Peebles	$ 69,000(6)	$ 24,649(4)		$ 93,649
Robert L. Pevenstein(7)	$ 120,000	$ 26,553(4)		$ 146,553

(1) These amounts represent the fees earned by each director in fiscal year 2007. 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 were as follows:

Mr. English: $50,500

Mr. Hagen: $0

Mr. Miller: $70,000

Mr. Peebles: $76,500

Mr. Pevenstein: $142,500

The compensation paid to each of Messrs. Miller, Peebles, and Pevenstein in 2007 includes $1,500 related to a Compensation Committee meeting on November 6, 2007. Because of time constraints, a scheduled Compensation Committee meeting was not held, although these directors were paid inadvertently for attendance at a meeting. A credit was taken from each director s 2008 first quarter compensation payment to offset such amount.

(2) All options were awarded under the 2004 Plan.

(3) This amount includes compensation for Mr. English s attendance at a meeting of the Nominating and Governance Committee upon an invitation to attend such meeting.

(4) This amount reflects the vesting of the annual option grant to our directors 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 $28,438.

(5) Mr. Hagen is the Company s Chief Executive Officer and President. The Company does not compensate its executive officers for their service on the Board. Mr. Hagen s 2007 compensation is included in the Summary Compensation Table in the section titled Executive Compensation in this proxy statement.

(6) This amount includes compensation for Mr. Peebles attendance at a meeting of the Nominating and Governance Committee upon an invitation to attend such meeting.

(7) Mr. Pevenstein is our Chairman of the Board, Lead Independent Director and Chairman of the Audit Committee.

EXECUTIVE OFFICERS, EXECUTIVE COMPENSATION AND RELATED INFORMATION

EXECUTIVE OFFICERS

Keith B. Hagen (45) has served as a Director and our Chief Executive Officer and President since October 2005. From March 2003 until joining the Company, Mr. Hagen served as the President and a director of M. Transaction Services, Inc., a national healthcare electronic data interchange (EDI) service provider and subsidiary of Misys plc, where he was responsible for their transaction service operations. He served as Senior Vice President for Product Development and Chief Technology Officer of Misys Healthcare Systems, a leading healthcare IT company and subsidiary of Misys plc, from July 2001 to March 2003. He also served as Senior Vice President for Product Development and Chief Technology Officer with Sunquest Information Systems from March 2000 until July 2001, at which time Misys plc acquired Sunquest. Until January 2000, he served as Senior Vice President for Products and Technology and Chief Technology Officer for The Compucare Company, which was acquired by QuadraMed in 1999. Mr. Hagen has over twenty-three years of experience in healthcare information technology and operations. Mr. Hagen received a Bachelor of Science degree in Computer Science from the State University of New York.

David L. Piazza (53) became our Executive Vice President, Chief Financial Officer and Corporate Secretary in August 2005. 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 in Vienna, Virginia. Mr. Piazza has spent twenty 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 CPA and a graduate of the University of Illinois.

James R. Klein (60) became our Senior Vice President and 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 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 twenty-five 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 (*47*) 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 twenty 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 (*51*) 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. 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 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 twenty 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 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 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.

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.
- Specific recommendations to maintain QuadraMed s executive compensation at levels competitive with the marketplace.

The Company retained an independent compensation consulting firm in 2006 to compare the CEO s total compensation (including salary, bonus and equity grants) with other Washington, D.C.-area technology companies, competitors, and similarly sized companies. The consulting firm reported that the CEO s total compensation compared favorably with these companies.

The Compensation Committee continues to use recommendations of such independent compensation consulting firms to aid in determining issues related to the compensation of the Company s named executive officers. While these firms report 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, QuadraMed is not allowed a tax deduction for non-performance based compensation paid to an executive officer in excess of $1 million in any fiscal year. Non-performance based compensation paid to a QuadraMed executive officer in 2007 did not exceed this limitation, and the Compensation Committee believes that it is unlikely that this limitation will be exceeded in the foreseeable future. Consequently, the Compensation Committee has decided not to take any action to limit or restructure the elements of cash compensation payable to QuadraMed s executive officers. This decision will be reconsidered, however, should the non-performance based compensation of any executive officer ever approach the $1 million level.

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 normally awarded to our named executive officers on an annual basis, 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 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 which 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 is 100% of base salary for our CEO and 50% of base salary for our Executive Vice President and Senior Vice Presidents. Unless otherwise provided in an executive s employment agreement, receipt of a payout under the ICP is contingent upon such executive s employment with the Company on the ICP bonus payment date, which generally occurs in March or April of the following year.

Under the 2007 ICP, which was paid in March 2008, cash bonuses for our named executive officers were awarded on a 70/30 basis, such that 70% of the bonus was based upon the Company reaching certain milestones and 30% of the bonus was based upon each individual named executive officer reaching his individual performance goals. The Compensation Committee and Board set the Company s net income and revenue targets and each individual s performance goals at challenging, but attainable, levels. The maximum amount any eligible employee could receive under the 2007 ICP was 125% of his or her maximum 2007 ICP bonus potential.

Each 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. The Compensation Committee and the Board determined that the 2007 ICP goals for Company performance would be based upon reaching specific net income and revenue targets. The Company overachieved its net income target, but did not meet its revenue target. As a result, 100% of the target bonus component for net income and 90% of the target bonus for revenue were used to calculate the Company s portion of the 2007 ICP bonus for the named executive officers. In addition, the overachievement of the net income target increased the total 2007 ICP payments, including the individual performance component, for each individual by 5.4%.

For 2008, the Compensation Committee and the Board made several changes to the scope and operation of the ICP. In contrast to previous years, the 2008 ICP applies only to Company employees in manager positions and above, including each of our named executive officers. Eligible individuals must be in those positions prior to October 1, 2008 in order to participate, and their 2008 ICP bonus amounts, if any, will be pro-rated to reflect time of service in the eligible positions. The Compensation Committee and the Board determined that the 2008 ICP goals for Company performance would be based upon reaching specific net income and revenue targets. The

2008 ICP bonuses are to be awarded based upon a mix of the Company s achievement of such challenging profitability milestones related to adjusted EBITDA, revenue and sales bookings and each eligible employee s achievement of his or her established individual performance objectives, which are generally two to five measurable criteria linked to the Company s strategy and business needs. If the Company surpasses its profitability targets, the amounts payable under the 2008 ICP may be increased; however, in no event will any eligible employee receive more than 125% of his or her maximum 2008 ICP bonus potential.

Further, the Compensation Committee and Board determined that the ICP bonus that each named executive officer may earn for service in 2008 will be awarded on a 75/25 basis, such that 75% of the bonus is based upon the Company reaching certain milestones and 25% of his bonus is based upon reaching his individual performance goals. The change in the relative weighting for achievement of Company and individual goals from the 2007 ICP to the 2008 ICP was due to an increased emphasis on achieving specific sales booking targets. As in 2007, the Compensation Committee and Board set the relevant Company targets and each individual s performance goals at challenging, but attainable, levels. Also as in 2007, the executive officers individual performance goals under the 2008 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 achievement of certain sales targets, and the development of a comprehensive medium-term business plan.

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 2008 SOBP recognizes and rewards 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 will receive a cash bonus of $3,000. Such cash bonuses will be in addition to any bonuses paid out to a participant under the 2008 ICP. The maximum amount to be paid out in the aggregate by the Company under the 2008 SOBP is $540,000.

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 (ELBP), has two independent parts. The first portion of the ELBP requires the Company to reach total revenue of $200 million and an adjusted EBITDA target (to be determined in connection with the Company s strategic planning process by August 2008) for the year ended December 31, 2010 in order for certain officers to receive 100% of a special one-time cash bonus and Messrs. Hagen, Piazza and Russell to receive 50% of a special one-time cash bonus. In the event that the revenue and/or adjusted EBITDA targets have not been achieved in 2010, the special one-time bonus may also be paid as described above if the Company achieves total revenue of $220 million and a higher adjusted EBITDA target (to be determined in connection with the Company s strategic planning process by August 2008) for the year ended December 31, 2011. For purposes of the ELBP, the calculation of total revenue and adjusted EBITDA will exclude the impact of the Company s significant acquisitions (as determined by the Compensation Committee) effected after the adoption of the ELBP.

The second part of the ELBP only applies to Messrs. Hagen, Piazza and Russell and provides for 50% of the special one-time bonus if, for any reason, at least 90% of the Company s Series A Preferred Stock shall convert to the Company s common stock (or be eligible for mandatory conversion by the Board under the terms of the Certificate of Designation for the Series A Preferred Stock) on or before March 31, 2012.

The goal of the ELBP is to further motivate the Company s officers to achieve extraordinary top-line (revenue) growth and to reduce the number of Series A Preferred Shares outstanding. The Compensation Committee and the Board believe that the ELBP will provide additional motivation for the Company s officers to aid in increasing the Company s revenue growth, which the Company believes will positively impact the share price of the Company s stock as well as provide build stockholder value on a long-term basis. The maximum amount to be paid out in the aggregate by the Company under the ELBP is $3 million.

Additional Cash 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.

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 Company awards equity compensation to employees through the 2004 Plan. 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 Compensation Committee determines and awards grants of equity compensation to the Company s named executive officers. In the case of senior executives other than Mr. Hagen, the Compensation Committee asks for and receives recommendations from Mr. Hagen prior to making awards of equity compensation to those senior executives, each of whom directly report to Mr. Hagen. Grants of equity compensation to all other employees are determined by Mr. Hagen, in consultation with the relevant members of the Company s management team. However, the terms of the 2004 Plan limit Mr. Hagen to a maximum grant of 50,000 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.

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 thirty-six 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.

The Compensation Committee has determined that it is in the best interest 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 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. However, as the Compensation Committee believes that stock options serve as more powerful motivational tools than unrestricted and restricted stock in encouraging executives to act to the best of their abilities to increase the value of the Company s stock, it is anticipated that grants to senior executives will be heavily weighted towards stock options.

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, 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. However, as of that date, the 2004 Plan had insufficient capacity to accommodate such grants. Accordingly, at that meeting, the Compensation Committee granted a total of 300,000 options to purchase shares of common stock to certain of the Company s named executive officers (and an additional 200,000 options to purchase shares of common stock to another Company senior officer) and recommended that the Board seek the approval of the Company s stockholders to increase the number of shares available for issuance under the 2004 Plan to (i) achieve the approximate 5% (on a fully diluted basis) senior management equity ownership goal and (ii) meet the Company s equity compensation needs under the 2004 Plan for the near future. In June 2007, following stockholder approval of the increase in capacity of the 2004 Plan, the Compensation Committee reviewed the proposed grants to the Company s senior executives considered at its January 23, 2007 meeting, and granted an additional 975,000 stock options to the Company s named executive officers, excluding the Company s CEO, among other stock option grants. Although the Compensation Committee had considered granting such stock options over a three-year period, the Compensation Committee determined that a one-time grant would make a greater impact on the grantees with respect to immediate retention and incentive for positive performance. It is expected that no additional grants will be awarded in 2008 or 2009 to the Company s named executive officers, excluding the CEO.

The Compensation Committee generally favors the grant of stock options over restricted stock for equity compensation awards. If and when the Compensation Committee approves future grants of restricted stock to the Company s named executive officers, it is expected that such grants will feature multi-year cliff vesting periods. The Compensation Committee believes these terms will serve to motivate the executives to remain with the Company on a longer term basis.

Permanent employees of the Company who work at least twenty hours per week are eligible to participate in the Company s Section 423-qualified 2002 Employee Stock Purchase Plan (the ESPP). The 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. Eligible employees may choose to have up to ten percent of their base salary deducted to purchase shares in the ESPP. Such 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 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 on each purchase date is 750 shares, and there are two purchase dates per year. Currently, although all of the Company s named executive officers are eligible to participate in the ESPP, Mr. Milligan is the only named executive officer of the Company who currently participates.

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.

On June 7, 2007, upon the recommendation of the Compensation Committee, the Board approved the amendment of the terms of certain outstanding stock options held by the Company s named executive officers to

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provide for the acceleration of the vesting of such stock options in the event of an involuntary termination (other than for cause, as defined in the Company s 1999 Supplemental Stock Option Plan (the 1999 Plan) or 2004 Plan, as the case may be) of such officer. Prior to such amendment, certain of the stock options held by the Company s named executive officers provided for the automatic acceleration of vesting upon the involuntary termination (other than for cause) of the optionholder, while stock options issued to the named executive officers under the 1999 Plan and 2004 Plan did not provide for such acceleration. The Board amended the outstanding options of the named executive officers granted under the 1999 Plan and 2004 Plan to provide uniform terms for vesting acceleration. No amendment was made to outstanding stock option grants of such named executive officers that had previously vested in their entirety.

Further, in January 2008, the Compensation Committee recommended the amendment or clarification of the terms of the severance and change in control provisions in each named executive officer s employment agreement. These amendments to the employment agreements were approved by the Board in January 2008 and executed with the executive officers in March 2008. These amendments revise the payment amount and terms for the identified executives upon involuntary termination (not for cause) and involuntary termination (not for cause) in connection with a change in control. These amendments were intended to (i) provide Messrs. Piazza, Milligan and Russell with similar terms in the event of any involuntary termination (not for cause) including payment of 12 months of base salary, ICP bonus (based on the Company s actual performance for the year and pro-rated through the date of such executive s departure) and 12 months of health benefits and (ii) provide all of the Company s named executive officers, except Mr. Hagen, with similar terms in the event of any voluntary termination (not for cause) in connection with a change in control including payment of 12 months of base salary, such executive s maximum ICP bonus for the entire year, and 12 months of health benefits.

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 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 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, the Company annually reimburses our Chief Executive Officer for the costs of membership in one airline club and one credit card membership rewards program.

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:

James E. Peebles, *Chairman*

Robert L. Pevenstein

Robert W. Miller

EXECUTIVE COMPENSATION

The following tables show, for the last fiscal year, compensation information for our Chief Executive Officer, 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.

Summary Compensation Table

Fiscal Year 2007

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,	2007	$ 440,750		$ 324,500	$ 470,600	$ 418,095	$ 5,632	$ 1,659,577
Principal Executive Officer	2006	$ 410,000	$ 205,000(5)	$ 324,500	$ 390,364	$ 205,000	$ 91,248	$ 1,626,112
David L. Piazza,	2007	$ 246,250			$ 368,513	$ 118,575	$ 5,103	$ 738,441
Principal Financial Officer	2006	$ 228,750	$ 10,000(6)		$ 157,490	$ 117,500	$ 5,003	$ 518,743
James R. Klein,	2007	$ 312,750		$ 57,275	$ 215,640	$ 144,424	$ 5,286	$ 735,375
Senior Vice President, Chief Technology Officer	2006	$ 304,500		$ 60,900	$ 172,314	$ 147,645	$ 5,186	$ 690,545
James R. Milligan,	2007	$ 197,625	$ 145,369(7)		$ 436,978	$ 94,860	$ 7,441	$ 882,273
Senior Vice President for Sales and Government Programs	2006	$ 189,125	$ 144,066(8)		$ 126,368	$ 95,250	$ 4,689	$ 559,498
Steven V. Russell,	2007	$ 231,250			$ 412,501	$ 111,461	$ 5,065	$ 760,277
Senior Vice President of Corporate Development	2006	$ 206,250			$ 36,728	$ 110,000	$ 4,690	$ 357,668

(1) Each amount reported in this column is the amount expensed by the Company over the requisite vesting period or accelerated vesting period, as the case may be, of the individual restricted stock awards.

Mr. Hagen s restricted shares will cliff vest on the third anniversary of the grant (October 17, 2008) if Mr. Hagen has been continuously employed by the Company on that date. The vesting schedule for Mr. Klein s restricted shares is as follows: 35,000 on the first anniversary of the grant (August 1, 2006), 35,000 on the second anniversary of the grant (August 1, 2007), and 30,000 on the third anniversary of the grant (August 1, 2008), if Mr. Klein has been employed continuously by the Company on each date. However, the forfeiture restrictions will lapse immediately for all of Messrs. Hagen and Klein s restricted shares upon an involuntary termination of employment (other than a termination for cause) or upon a change in control of the Company.

(2) Each amount reported in this column is the amount expensed by the Company over the requisite vesting period or accelerated vesting period, as the case may be, of the individual stock option grants. The full SFAS 123(R) grant date fair values of the stock option awards granted in fiscal year 2007 are included in the Grants of Plan-Based Awards Table below.

All stock option awards have a maximum term of ten years, subject to earlier cancellation upon termination of the named executive officer s service with the Company in certain circumstances. The right to exercise the option will vest as follows: (i) 25% of the option shares on the first anniversary of the grant date and (ii) the remaining 75% of the option shares in a series of thirty-six (36) equal monthly installments upon the recipient s completion of each month of service with the Company after the first anniversary of the grant date, subject to acceleration in the event of a change in control and certain termination events.

(3) All amounts in this category relate to payments made under the applicable year s ICP.

(4) The amounts in this category are more fully described in the All Other Compensation Table below.

(5) Mr. Hagen received a guaranteed bonus in 2006 equal to 50% of his base salary, pursuant to the terms of his employment agreement.

(6) Mr. Piazza received a bonus payment of $10,000 in 2006 in connection with additional services performed for the Company at the instruction of the Company s Audit Committee and a special committee of the Board.

(7) This amount represents sales commissions in the amount of $145,369 for sales made in 2007.

(8) This amount represents sales commissions in the amount of $144,066 for sales made in 2006.

All Other Compensation Table

Fiscal Year 2007

The following table describes each component of the All Other Compensation column in the Summary Compensation Table above.

Name and Principal Position	Year	401(k)(1)	Life Insurance(2)	ESPP Delta(3)	Relocation(4)	Tax Gross-Up(5)	Total
Keith B. Hagen,	2007	$4,500	$1,132				$ 5,632
Principal Executive Officer	2006	$4,400	$1,053		$58,169	$27,626	$91,248
David L. Piazza,	2007	$4,500	$ 603				$ 5,103
Principal Financial Officer	2006	$4,400	$ 603				$ 5,003
James R. Klein,	2007	$4,500	$ 786				$ 5,286
Senior Vice President, Chief Technology Officer	2006	$4,400	$ 786				$ 5,186
James R. Milligan,	2007	$4,500	$ 489	$2,452			$ 7,441
Senior Vice President for Sales and Government Programs	2006	$4,200	$ 489	$ 341			$ 5,030
Steven V. Russell,	2007	$4,500	$ 565				$ 5,065
Senior Vice President of Corporate Development	2006	$4,125	$ 565				$ 4,690

(1) All amounts in this category relate to Company matching contributions to each named executive s 401(k) savings account.

(2) All amounts in this category relate to payments made to each named executive for life insurance policies provided by the Company (as described in the section titled Compensation Discussion and Analysis in this proxy statement).

(3) The amount in this category relates to the difference between the market price of each share of the Company s common stock and the actual price paid by the named executive officer under the ESPP (as described in the section titled Compensation Discussion and Analysis in this proxy statement). Mr. Milligan is currently the only named executive officer participating in the ESPP.

(4) The amount in this category relates to the payment Mr. Hagen received for taxable relocation expenses pursuant to his employment agreement. The Company s proxy statement in connection with the 2006 Annual Meeting of Stockholders reported a payment by the Company to Mr. Hagen of $53,541.13 for relocation expenses and a $22,288.54 payment for a gross-up on taxable relocation expenses pursuant to Mr. Hagen s employment agreement. Under the terms of Mr. Hagen s employment agreement, Mr. Hagen was