

QUADRAMED CORP
Form DEF 14A
October 07, 2003

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

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 under Rule 14a-12

QUADRAMED CORPORATION
(Name of Registrant as Specified In 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.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transactions applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

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

- (1) Amount previously paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing party:
- (4) Date filed:

[Company Logo Depicted Here]

**NOTICE OF 2003 ANNUAL MEETING OF STOCKHOLDERS
AND PROXY STATEMENT**

October 29, 2003

QuadraMed Corporation's 2003 Annual Meeting of Stockholders will be held at 9:00 AM on Wednesday, October 29, 2003, at QuadraMed's offices located at 12110 Sunset Hills Road, Reston, Virginia 20190.

At the meeting, we will ask stockholders to:

1. Approve the amendment of the Certificate of Incorporation and Bylaws of QuadraMed Corporation eliminating the Company's classified Board of Directors;
2. Elect three (3) Class I directors, each for a term of three years or, in the event the amendments to QuadraMed's Certificate of Incorporation and Bylaws described in item one (1) above are approved, elect eight (8) directors, each for a one-year term expiring in 2004;
3. Approve the amendment of the Certificate of Incorporation of QuadraMed Corporation to increase the number of authorized common shares of QuadraMed Corporation from 50,000,000 to 150,000,000 and the total number of shares the Company is authorized to issue from 55,000,000 shares to 155,000,000 shares;
4. Approve the amendment of the Company's 1996 Stock Incentive Plan ("1996 Plan") to increase the number of shares authorized for issuance thereunder from 7,430,160 to 9,930,160, an increase of 2,500,000 shares, and to increase the maximum number of shares for which any one person may receive options, separately exercisable stock appreciation rights and direct stock issuance by an additional 500,000 shares to 1,500,000 in the aggregate per calendar year; and
5. Ratify the appointment of BDO Seidman LLP as independent public accountants for the fiscal year ending December 31, 2003.

We plan 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, 4 and 5.** These proposals are further described in the proxy statement.

Also enclosed is QuadraMed's 2002 Annual Report to Stockholders. 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 September 24, 2003 are entitled to notice of and to vote at the meeting and any adjournment of it. A quorum is a majority of outstanding shares. For ten (10) days prior to the annual meeting, a list of stockholders entitled to vote will be available for inspection at QuadraMed's offices located at 12110 Sunset Hills Road, 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 2003 ANNUAL MEETING.

By order of the Board of Directors,

/s/ Lawrence P. English
Lawrence P. English
Chairman of the Board

	Page
TABLE OF CONTENTS	
GENERAL INFORMATION ABOUT QUADRAMED'S ANNUAL MEETING	1
Location	1
Who is Entitled to Vote	1
Solicitation of Proxies	1
Meeting Business	1
Proposals for Stockholder Vote and Approval Requirements	2
Voting and Proxy Procedure	4
PROPOSAL ONE	5
Amendments to Certificate of Incorporation and Bylaws to Eliminate the Classified Board of Directors	5
PROPOSAL TWO	6
Election of Directors	6
Business Experience of Nominees	7
The Board and Its Committees	10
Compensation Committee Interlocks and Insider Participation	11
Director Compensation	11
EXECUTIVE OFFICERS	13
SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS	14
EXECUTIVE COMPENSATION AND RELATED INFORMATION	15
Executive Compensation	15
Stock Option Grants	16
Stock Option Exercises	17
Employment Agreements and Termination and Change in Control Provision	17
Compensation Committee Report on Executive Compensation	21

OTHER INFORMATION	22
Performance Graph	22
Certain Relationships and Related Transactions	23
Largest Security Holders	23
Equity Compensation Plan Information	23
Beneficial Ownership Reporting Compliance	24
PROPOSAL THREE	24
Amendment of QuadraMed Corporation's Certificate of Incorporation to Increase its Authorized Common Stock	24
PROPOSAL FOUR	25
Amendment of the 1996 Stock Incentive Plan	25
PROPOSAL FIVE	33
Ratification of Appointment of Independent Accountants	33
Audit Committee Report	34
Changes in Independent Accountants	35
Fees of Independent Accountants	35
STOCKHOLDER PROPOSALS FOR 2004 ANNUAL MEETING	36
DIRECTIONS TO THE QUADRAMED ANNUAL MEETING	37

**PROXY STATEMENT FOR
2003 ANNUAL MEETING OF STOCKHOLDERS OF
QUADRAMED CORPORATION TO BE HELD ON**

OCTOBER 29, 2003

GENERAL INFORMATION ABOUT QUADRAMED'S ANNUAL MEETING

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 October 7, 2003.

WHEN AND WHERE IS THE ANNUAL MEETING?

The annual meeting will be held on Wednesday, October 29, 2003, at 9:00 AM at QuadraMed's offices located at 12110 Sunset Hills Road, Reston, Virginia 20190. Directions to the meeting are at the back of the Proxy Statement.

WHO IS ENTITLED TO VOTE AT THE ANNUAL MEETING?

Anyone who owns QuadraMed common stock as of the close of business on September 24, 2003 is entitled to one vote per share owned. There were 27,615,069 shares outstanding on that date.

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

QuadraMed's Board of Directors is soliciting your "proxy," or your authorization for our representatives to vote your shares. Your proxy will be effective for the October 29, 2003, 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 the Altman Group, a proxy solicitation firm, for an estimated fee of \$7,000. 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 annual meeting, a quorum of 13,807,535 shares of QuadraMed common stock (50% of the issued and outstanding shares entitled to vote) must be in attendance or represented by proxy.

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 QuadraMed's quarterly report on Form 10-Q for the third quarter of 2003. The report will be filed with the Securities and Exchange Commission in mid-November, and you may receive a copy by contacting QuadraMed Investor Relations at 415-482-2100, 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 www.quadramed.com by clicking on "Investors" and "Financial Information" or through EDGAR, the SEC's electronic data system, at www.sec.gov ..

PROPOSALS FOR STOCKHOLDER VOTE AND APPROVAL REQUIREMENTS

Management is presenting five (5) proposals for a stockholder vote. Delaware law and QuadraMed's Certificate of Incorporation and Bylaws govern the vote on each proposal.

PROPOSAL 1. APPROVAL OF AMENDMENT OF THE CERTIFICATE OF INCORPORATION AND BYLAWS TO ELIMINATE THE CLASSIFICATION OF THE BOARD OF DIRECTORS

The first agenda item to be voted on is the proposal to amend QuadraMed's Certificate of Incorporation and QuadraMed's Bylaws to eliminate the classified Board of Directors. The Board unanimously recommends that you vote FOR this proposal.

You may find information about this proposal beginning on Page 5.

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 66 2/3% of the total number of shares issued and outstanding as of the record date. Abstentions or broker non-votes will not be counted as votes for or against the proposal. However, because approval of the proposal requires the affirmative vote of at least two-thirds of all outstanding shares (and not simply of those shares voted, in person or by proxy, at the annual meeting), an abstention or broker non-vote will have the same effect as a vote 'against' the proposal.

PROPOSAL 2. ELECTION OF DIRECTORS

The second agenda item to be voted on is the election of three Class I Directors or, if the first agenda item is approved, the election of eight Directors. The Board has nominated three people as Class I Directors and eight people as Directors, each of whom is currently serving as a Director of QuadraMed, and unanimously recommends that you vote FOR such nominees.

You may find information about these nominees, as well as information about QuadraMed's 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, the nominees receiving the highest number of votes will be elected. Stockholders may not cumulate their votes. Abstentions and broker non-votes will have no effect on the outcome of the vote.

PROPOSAL 3. APPROVAL OF AMENDMENT OF THE CERTIFICATE OF INCORPORATION TO INCREASE THE AMOUNT OF AUTHORIZED COMMON STOCK

The third agenda item to be voted on is the proposal to amend QuadraMed's Certificate of Incorporation to increase its authorized common stock from 50,000,000 shares to 150,000,000 shares and the total number of shares the Company is authorized to issue from 55,000,000 shares to 155,000,000 shares. The Board unanimously recommends that you vote FOR this proposal.

You may find information about this proposal beginning on Page 24 .

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 total number of shares outstanding as of the record date.

Abstentions or broker non-votes will not be counted as votes for or against the proposal. However, because approval of the proposal requires the affirmative vote of a majority of all outstanding shares (and not simply of those shares voted, in person or by proxy, at the annual meeting), an abstention or broker non-vote will have the same effect as a vote 'against' the proposal.

PROPOSAL 4. APPROVAL OF AMENDMENT OF THE 1996 STOCK INCENTIVE PLAN

The fourth agenda item to be voted on is the proposal to amend Company's 1996 Stock Incentive Plan ("1996 Plan") to increase the number of shares authorized for issuance thereunder from 7,430,160 to 9,930,160, an increase of 2,500,000 shares, and to increase the maximum number of shares for which any one person may receive options, separately exercisable stock appreciation rights and direct stock issuance by an additional 500,000 shares to 1,500,000 in the aggregate per calendar year. Because the approval and implementation of this proposal would require additional authorized shares of common stock, such approval and implementation is contingent upon shareholder approval of Proposal Three, above. If Proposal Three is not approved by the shareholders, the Board will be deemed to have withdrawn Proposal Four. The Board unanimously recommends that you vote FOR this proposal.

You may find information about this proposal beginning on Page 25 .

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 represented and entitled to vote at the annual meeting.

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.

PROPOSAL 5. RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The fifth agenda item to be voted on is the proposal to ratify the appointment of BDO Seidman LLP as independent public accountants for the fiscal year ending December 31, 2003 . The Board unanimously recommends that you vote FOR this proposal.

You may find information about QuadraMed's relationship with BDO Seidman LLP beginning on Page 33 .

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 represented and entitled to vote at the annual meeting.

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.

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 2003 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 36 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, and 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, 4 and 5. 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, JOHN C. WRIGHT , AT 22 PELICAN WAY, SAN RAFAEL, CALIFORNIA 94901.**

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. Wright 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).

Page 4

HOW WILL PROXIES BE VOTED IF I GIVE MY AUTHORIZATION?

If you properly execute your proxy on the accompanying form, return it to QuadraMed, and do not subsequently revoke your proxy, your shares will be voted at the 2003 annual meeting in accordance with your instructions. In the absence of instructions, our representatives will vote your shares "FOR" the approval of the amendment of the Certificate of Incorporation and Bylaws to declassify QuadraMed's Board of Directors, "FOR" the election of each director nominee, "FOR" the approval of the amendment of the Certificate of Incorporation to increase QuadraMed's authorized common stock, "FOR" approval of the amendment of the 1996 Stock Incentive Plan, and "FOR" ratification of the appointment of BDO Seidman LLP as QuadraMed's independent accountants. If other matters should properly come before the meeting, our representatives will vote on such matters in accordance with their best judgment.

HOW WILL VOTES BE COUNTED?

The inspector of elections appointed by the Board for the annual meeting will separately tabulate affirmative and negative votes, abstentions, and broker non-votes. 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 instruction 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. Proposals to amend our Certificate of Incorporation, however, are not considered routine. Such proposals are determined based on the vote of all outstanding shares entitled to vote at the annual meeting, not just those shares present in person or by proxy. Therefore, abstentions and broker non-votes on such proposals have the same effect as a vote "against" such proposals.

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
AMENDMENTS TO CERTIFICATE OF INCORPORATION AND BYLAWS TO ELIMINATE THE
CLASSIFIED BOARD OF DIRECTORS

The first agenda item to be voted on is the proposal to amend QuadraMed's Certificate of Incorporation and QuadraMed's Bylaws to eliminate the classified Board of Directors. The Board unanimously recommends that you vote FOR this proposal.

QuadraMed's Board of Directors is currently divided into three classes, with one class being elected each year and the members of each class elected for three-year terms. The proposed amendments to QuadraMed's Certificate of Incorporation and Bylaws would eliminate this classification system. If this proposal is approved, all directors would serve for a one-year term expiring at the next annual meeting held following their election, and all directors would be required to stand for re-election at each annual meeting of stockholders.

Page 5

In September 2003, the Board, upon the recommendation of its Nominating and Corporate Governance Committee, reviewed the classified board structure that the Company has had in place since 1998 and determined that it would be in the best interests of the Company and its stockholders to eliminate the classified Board of Directors and, in its place, to provide for the annual election of all directors.

In reaching its determination, the Board took into consideration the following factors:

- the Board's belief that it is desirable, as part of the director nomination process, for the Board to have the opportunity to assess the contributions of all directors annually, and not just of those whose three-year term is scheduled to expire, so that the Board's composition can be appropriately adjusted to address QuadraMed's evolving needs;
- stockholder perception of classified board provisions, including the fact that classified boards may have the appearance of being self-serving, regardless of the motivation for their adoption, and the fact that many stockholders believe annual elections increase the accountability of directors to stockholders; and
- the Board's belief that it is appropriate for stockholders to have the opportunity on an annual basis to vote on the election of all members of the Board of Directors.

The Board also took into consideration the benefits provided by classified boards, including added continuity in management, facilitation of long-range planning and deterrence against unsolicited takeover proposals that are inadequate or unfair. The Board, however, determined that, at this time, these benefits were outweighed by the other considerations listed above. Therefore, the Board voted to recommend to the stockholders that they approve the amendments contemplated by this proposal.

Approval of this proposal will constitute approval of an amendment to Article Seventh of QuadraMed's Certificate of Incorporation, which contains the provisions authorizing and implementing the classified board, and an amendment to Section 2.2 of QuadraMed's Bylaws which contains provisions implementing the current classified board and related provisions. If this proposal is approved by the stockholders, the Board of Directors will adopt new Bylaws providing

for the annual election of directors. A copy of the proposed amendment to the Certificate of Incorporation is attached to this proxy statement as Appendix A.

**PROPOSAL TWO
ELECTION OF DIRECTORS**

The second agenda item to be voted on is the election of three Class I Directors or, if the first agenda item is approved, the election of eight Directors. The Board has nominated three people as Class I Directors and eight people as Directors, each of whom is currently serving as a Director of QuadraMed, and unanimously recommends that you vote FOR such nominees.

The Board of Directors consists of eight directors, three of whom are Class I Directors (with terms expiring at the 2003 Annual Meeting), two of whom are Class II Directors (with terms expiring at the 2004 Annual Meeting) and three of whom are Class III Directors (with terms expiring at the 2005 Annual Meeting).

If the stockholders approve the proposed amendments to QuadraMed's Certificate of Incorporation and Bylaws eliminating QuadraMed's classified Board of Directors as described in Proposal One above, the persons named in the enclosed proxy will vote to elect the three nominees for Class I Directors and all of the current Class II and Class III Directors as directors for terms ending at the 2004 Annual Meeting of Stockholders, unless you withhold authority to vote for any or all of the nominees by marking the proxy to that effect. If the stockholders do not approve the proposed amendments in Proposal One, the persons named in the enclosed proxy will vote to elect the three nominees for Class I Directors as Class I Directors for terms ending at the 2006 Annual Meeting of Stockholders,

unless you withhold authority to vote for any or all of the nominees by marking the proxy to that effect. 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 CLASS I DIRECTORS

<u>NAME, AGE, YEAR ELECTED TO BOARD</u>	OCCUPATION AND BACKGROUND
F. Scott Gross, 57 Director since 2000	<ul style="list-style-type: none"> • Private investor since January of 2002. • Founder, President, and Chief Executive Officer of Primus Management, Inc., a health services management company formerly known as Alpha Hospital Management Inc., from 1989 to December 2001.

	<ul style="list-style-type: none"> • Director of Fountain View, Inc., a nursing home chain, since 1999. • Bachelor of Science degree in Biology from California State University, Northridge. • Masters Degree in Public Administration (Healthcare Management Option) from the University of Southern California.
<p>William K. Jurika*, 63 Director since 2003</p>	<ul style="list-style-type: none"> • Private investor since 2001. • Co-founder of JMK Investment Partners, LLC, an investment company. • Chief Executive Officer and then Chairman of the Board until 2001 of Jurika & Voyles, Inc., an investment management firm that Mr. Jurika founded in 1976. • Bachelor of Science degree in Marketing from the University of Denver.
<p>Robert L. Pevenstein**, 57 Director since 2003</p>	<ul style="list-style-type: none"> • Director of the University of Maryland Medical System, which includes six community hospitals, since 2003. • Regent of the University System of Maryland, which includes thirteen higher education institutions, since 2003. • President Princeville Partners LLC, a mergers and acquisitions and business consulting group, since 1998. • Senior Vice President and Chief Financial Officer, UNC Incorporated, an aviation services company, from 1987 to 1997. • Certified Public Accountant. • Masters of Business Administration from Pepperdine University. • Bachelor of Science degrees in Business Administration and Accounting from the University of Maryland.

* Mr. Jurika was elected in July of 2003 to fill the vacancy created by the resignation of E.A. Roskovensky on May 29, 2003.

**Mr. Pevenstein was elected in September of 2003 to fill the vacancy created by the resignation of Albert Greene on September 19 , 2003

CLASS II DIRECTORS

	<p><u>OCCUPATION AND BACKGROUND</u></p>
--	--

<u>NAME, AGE, YEAR ELECTED TO BOARD</u>	
Michael J. King, 64 Director since 1999	<ul style="list-style-type: none"> • Chairman and Chief Executive Officer of HealthScribe, Inc., a computerized medical transcription company, since May 1999. • Chairman of the Board of Directors and Chief Executive Officer of The Compucare Company, a healthcare information systems company acquired by QuadraMed in March 1999, from 1996 to 1999. • Director of Osprey Systems, an e-business consulting services firm, since 1999. • Degree in Mechanical Engineering from the University of Sheffield. • Master of Business Administration equivalent in Management Studies from the University of Hatfield.
Cornelius T. Ryan, 71 Director since 2000; Previously from 1995 to 1999.	<ul style="list-style-type: none"> • Founding General Partner of Oxford Partners LP, a Delaware limited partnership, since 1981 and of Oxford Bioscience Partners LP, since 1991. Oxford is a venture capital firm specializing in life sciences currently managing over \$800 million in committed capital. • Bachelor of Commerce in Economics from the University of Ottawa. • Master of Business Administration from the Wharton School of Business, University of Pennsylvania.

CLASS III DIRECTORS

<u>NAME, AGE, YEAR ELECTED TO BOARD</u>	OCCUPATION AND BACKGROUND
Lawrence P. English, 63 Director since 2000	<ul style="list-style-type: none"> • Chairman of the Board since December 2000 and Chief Executive Officer since June 2000 of QuadraMed. • Founder and Chief Executive Officer of Lawrence P. English, Inc., a private turn-around management firm, from January 1999 to June 2000.

Edgar Filing: QUADRAMED CORP - Form DEF 14A

	<ul style="list-style-type: none"> • Chairman of the Board and Chief Executive Officer of Aesthetics Medical Management, Inc., a physician practice management company for plastic surgeons, from July 1997 to January 1999. • President of CIGNA Healthcare, one of the largest HMO providers in the United States, from March 1992 to August 1996. • Director of Curative Health Services Inc. (Nasdaq: CURE) since May 2000. • Director of Clarent Hospital Corporation, formerly Paracelsus Healthcare Corporation, since May 1999. Elected Non-Executive Chairman of the Board in February 2000. • Bachelor of Arts degree from Rutgers University. • Master of Business Administration from George Washington University. • Graduate of Harvard Business School's Advanced Management Program.
<p>Joseph L. Feshbach, 49 Director since 2001</p>	<ul style="list-style-type: none"> • Chairman of the Board, Curative Health Services, Inc. (Nasdaq: CURE), a disease management company focused on chronic wound care and specialty pharmacy, since October 2000. Director since February 2000. • Private investor since 1998. • General Partner of Feshbach Brothers, a money management and stock brokerage firm, from 1985 to 1998.
<p>Robert W. Miller*, 62 Director since 2003</p>	<ul style="list-style-type: none"> • Adjunct Professor of Law, Emory University School of Law. • Director and Audit Committee Chairman of Magellan Health Services, Inc. • Partner in the law firm of King & Spalding from 1985 until his retirement in 1997. • A.B. in History from the University of Georgia. • LL.B. from the Yale Law School.

*Mr. Miller was elected in May 2003 to fill the vacancy created by the resignation of Lawrence J. Furnstahl on February 29, 2002.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of Directors held eleven (11) meetings in 2002, either in person or by telephone. Each director attended at least 75% of all Board and applicable committee meetings during 2002. The following table describes the Board's committees.

COMMITTEE NAME AND MEMBERSHIP	COMMITTEE RESPONSIBILITIES	NUMBER OF MEETINGS IN 2002
Audit F. Scott Gross* Robert W. Miller Robert L. Pevenstein	<ul style="list-style-type: none"> • Acts under a written charter that was amended, restated, adopted and approved by our Board of Directors on September 24, 2003 and is attached to this proxy statement as Appendix B. • Review of the integrity of QuadraMed's auditing, accounting, and reporting processes and consideration and approval of appropriate changes. • Review of QuadraMed's financial reports and other financial information provided to the public and filed with the U.S. Securities and Exchange Commission. • Review of QuadraMed's internal controls regarding finance, accounting, legal compliance, and ethics. • Recommendation of QuadraMed's independent accountants and annual review of their performance. • All members of the Audit Committee are independent for purposes of the NASD's listing standards. 	23
Compensation F. Scott Gross William K. Jurika Cornelius T. Ryan*	<ul style="list-style-type: none"> • Oversight of administration of QuadraMed's employee stock incentive plans, employee stock purchase plan, and disinterested administration of employee benefit plans in which executive officers may participate. • Determination of senior management compensation and collaboration with senior management on benefit and compensation programs for QuadraMed employees. 	3
Executive Lawrence P. English Michael J. King*	<ul style="list-style-type: none"> • Authorized to act with Board's powers and authority in the management of QuadraMed's business and affairs between Board meetings. • Authority is limited to approval of acquisition, disposal, or investment of any asset representing five (5%) percent or less of QuadraMed's total assets. 	0
Nominating and Governance Committee (1)	<ul style="list-style-type: none"> • Recommends candidates for election to the Board. 	0

F. Scott Gross* William K. Jurika Robert W. Miller Cornelius T. Ryan	<ul style="list-style-type: none"> • Reviews candidates for election to the Board submitted by shareholders before the deadline for stockholder proposals. • 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 principals. • Provides oversight of corporate governance. 	
---	--	--

Strategic Planning Joseph L. Feshbach* F. Scott Gross Michael J. King	<ul style="list-style-type: none"> • Supervision of development of QuadraMed's growth strategies, including mergers, acquisitions, divestitures, and organic growth initiatives. 	1
---	---	---

* Chairperson

(1) The Nominating and Governance Committee was created by the Board on July 23, 2002.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Directors Ryan and Gross were members of the Compensation Committee during the last fiscal year. None of the members of the Compensation Committee has ever been an officer or employee of QuadraMed Corporation or any of its subsidiaries.

DIRECTOR COMPENSATION

QuadraMed executive officers do not receive additional compensation for service as a director.

Compensation for non-employee directors in 2002 is shown in the following table:

COMPENSATION	2002	2003(5)
Annual Retainer Fee(1)	\$15,000	\$15,000
Annual Option Grant(2)	6,000 shares	11,500 shares
Board Meeting Attendance		\$1,500 - in person or by telephone

	\$1,500 - in person \$1,000 - by telephone	
Committee Meeting Attendance	\$1,500 - in person \$1,000 - by telephone	\$1,500 - in person or by telephone \$2,000 - in person or by telephone for Audit Committee Meetings
Expenses	Reasonable	Reasonable
Option Grant Upon First Election	20,000 shares(3)	23,000 shares(6)
Option Grant Upon Election as Committee Chairman	20,000 shares(4)	None

(1) Non-employee directors may elect to participate in the Director Fee Option Grant Program under QuadraMed's 1996 Stock Incentive Plan. In 2001, there were no elections to participate in the program. This program allows non-employee directors to apply all or a percentage of their annual retainer fee otherwise payable in cash to a special option grant. The terms of the special option grant are:

Page 11

Exercise Price:

- One-third (1/3) of the fair market value of QuadraMed common stock, as determined by the closing price reported on a nationally recognized stock exchange or market, on the first trading day of January (FMV).

No. of Option Shares:

- Equal to the amount of annual retainer fee elected divided by two-thirds (2/3) of the FMV, rounded down to the next whole share.

Vesting:

- Fifty percent (50%) on completion of six (6) months of Board service; and
- Remaining fifty-percent (50%) in six (6) equal monthly installments thereafter.
- Immediate vesting upon director's death or disability.
- Immediate vesting upon the occurrence of a Corporate Transaction or Change of Control (each as defined in QuadraMed's 1996 Stock Incentive Plan) while the director is a Board member.

Term:

- Ten (10) years.

(2) The terms of the automatic annual stock option are:

Edgar Filing: QUADRAMED CORP - Form DEF 14A

- Exercise Price:
- Equal to the fair market value of QuadraMed common stock, as determined by the closing price reported on a nationally recognized stock exchange or market, on the date of election.
- Vesting:
- Equal monthly installments over 12 months.
 - Death or disability.
 - Change of Control.
- Term:
- Ten (10) years.

(3) The terms of the stock option granted upon first election to the Board are:

- Exercise Price:
- Equal to the fair market value of QuadraMed common stock, as determined by the closing price reported on a nationally recognized stock exchange or market, on the date of each annual meeting of stockholders.
- Vesting:
- One-third (1/3) vests on the first anniversary of the grant; and
 - Remaining two-thirds (2/3) vests in equal monthly installments over the following twenty-four (24) months.
 - Immediate vesting upon a director's death or disability.
 - Immediate vesting upon the occurrence of a Corporate Transaction or a Change of Control.
- Term:
- Ten (10) years.

(4) The terms of the stock option granted upon election as a committee chairperson are:

- Exercise Price:
- Equal to the fair market value of QuadraMed common stock, as determined by the closing price reported on a nationally recognized stock exchange or market, on the date of election.
- Vesting:
- One-third (1/3) vests on the first anniversary of the grant; and
 - Remaining two-thirds (2/3) vests in equal monthly installments over the following twenty-four (24) months.
 - Immediate vesting upon a director's death or disability.
 - Immediate vesting upon the occurrence of a Corporate Transaction or a Change of Control.

Term: • Ten (10) years.

(5) On May 29, 2003, upon the recommendation of the Compensation Committee who had been advised by an independent compensation expert, the Board approved changes to the compensation of Directors that included a "front load" for three years of grants providing for (a) 46,000 options to a new director who joins in 2003, 50% vesting on the new director's first year anniversary and 50% vesting on the second anniversary and (b) 34,500 options to ongoing directors that vest 33% upon grant, 33% on the one-year anniversary, and 33% on the two-year anniversary.

(6) The terms of the stock option granted upon first election to the Board are:

Exercise Price:

- Equal to the fair market value of QuadraMed common stock, as determined by the closing price reported on a nationally recognized stock exchange or market, on the date of each annual meeting of stockholders.

Vesting:

- One-third (1/2) vests on the first anniversary of the grant; and
- Remaining two-thirds (1/2) vests in equal monthly installments over the following twelve (12) months.
- Immediate vesting upon a director's death or disability.
- Immediate vesting upon the occurrence of a Corporate Transaction or a Change of Control.

Term:

- Ten (10) years.

EXECUTIVE OFFICERS

<u>NAME, AGE, TITLE</u>	<u>OCCUPATION AND BACKGROUND</u>
Lawrence P. English, 63 Chairman of the Board and Chief Executive Officer	<ul style="list-style-type: none"> • Chairman of the Board since December 2000 and Chief Executive Officer since June 2000. • Founder and Chief Executive Officer of Lawrence P. English, Inc., a private turn-around management firm, from January 1999 to June 2000.

Edgar Filing: QUADRAMED CORP - Form DEF 14A

	<ul style="list-style-type: none"> • Chairman of the Board and Chief Executive Officer of Aesthetics Medical Management, Inc., a physician practice management company for plastic surgeons, from July 1997 to January 1999. • President of CIGNA Healthcare, one of the largest HMO providers in the United States, from March 1992 until August 1996. • Director of Curative Healthcare Corporation since May 2000. • Director of Clarent Hospital Corporation, formerly Paracelsus Healthcare Corporation, since May 1999. Non-Executive Chairman of the Board since February 2000. • Bachelor of Arts degree from Rutgers University. • Master of Business Administration from George Washington University. • Graduate of Harvard Business School's Advanced Management Program.
<p>Michael S. Wilstead, 45 President and Chief Operating Officer</p>	<ul style="list-style-type: none"> • President since March 2003 and Chief Operating Officer since December 2001. Previously, President of the Health Information Management Service and Software Divisions and the former EZ-CAP Division. Joined QuadraMed in July 1998 as Vice President of Sales. • Group President at STERIS Corporation, an infection control and surgical support products company, from 1995 to 1998. • Various positions at AMSCO International, a medical equipment company, from 1990 to 1995. • Bachelor of Science degree in Business Administration from the University of Phoenix.
<p>Charles J. Stahl, 56 Executive Vice President and Chief Financial Officer</p>	<ul style="list-style-type: none"> • Executive Vice President and Chief Financial Officer since April 2003. • Certified Public Accountant. • Partner with Deloitte & Touche LLP from 1978 to 2001 with various roles and responsibilities including Managing Partner of the Valuation and Realty Consulting Group, National Director of Financial Consulting and audit partner in the technology industry.
<p>Dean A. Souleles, 41 Executive Vice President, Enterprise Division</p>	<ul style="list-style-type: none"> • Executive Vice President, Enterprise Division, since September 2002. • Chief Technology Officer beginning August 2000. Joined QuadraMed in February 2000 as Vice President of Development. • Chief Technology Officer and Director of Research and Development for Chase Credit Systems, Inc., a software and technical services firm serving the mortgage credit reporting industry, from March 1997 to February 2000. • Technology consultant to Forest Lawn Mortuary from January to June 1997.

	<ul style="list-style-type: none"> • Chief Technology Officer, SureNet Corporation, an Internet service provider, from October 1995 to December 1996. • Consultant to NASA's Jet Propulsion Laboratory as principal engineer and system architect on various space, civil and defense programs from March 1986 to October 1995.
<p>John C. Wright, 55 Executive Vice President</p>	<ul style="list-style-type: none"> • Executive Vice President and Corporate Secretary since September 2003. • Certified Public Accountant. • Advisor to QuadraMed Audit Committee from January 2003 to July 2003. • Chief Financial Officer, Teligent, Inc. from September 2000 to March 2001. • Partner with Ernst & Young from 1982 to 2000.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS AS OF JULY 20, 2003

The following table shows how much QuadraMed common stock is directly and beneficially owned by:

- Each nominee for director, director, QuadraMed's Chief Executive Officer, and the next four most highly compensated executive officers other than the Chief Executive Officer.
- The nominees for director, directors, the Chief Executive Officer, and all QuadraMed executive officers as a group.
- The total number of shares and percent of ownership for each named officer includes shares of QuadraMed common stock that he has the right to acquire on or before September 18, 2003, which are deemed to be outstanding, but are not deemed to be outstanding for the purposes of computing the number of shares beneficially owned and percent of outstanding common stock of any other named person.
- The beneficial ownership percentages have been calculated based on 27,530,502 shares of common stock outstanding on July 20, 2003.

Name	Number of Shares Owned	Right to Acquire	Total	%
------	------------------------	------------------	-------	---

Lawrence P. English (1) (2)	100,000	809,792	909,792	3.3
Joseph L. Feshbach (1)	20,000	49,732	69,732	*
Albert L. Greene (1)	-	45,500	45,500	*
F. Scott Gross (1)	-	52,565	52,565	*
William K. Jurika (1)	3,806,040	-	3,806,040	13.8
Michael J. King (1)	-	198,817	198,817	*
Robert W. Miller (1)	-	-	-	*
Robert L. Pevenstein (1)	-	-	-	*
E.A. Roskovensky (1)	2,900	44,070	46,970	*
Cornelius T. Ryan (1)	5,000	74,681	79,681	*
Dean A. Souleles (2)	-	59,375	59,375	*
Charles J. Stahl (2)	-	37,500	37,500	*
Michael S. Wilstead (2)	2,500	273,333	275,833	1.0
All directors and executive officers as a group (13)	3,933,540	1,601,295	5,534,835	20.1

(1) Directors

(2) Executive officers

* Less than 1%

EXECUTIVE COMPENSATION

The following tables show, for the last three fiscal years, compensation information for QuadraMed's Chief Executive Officer and the next four most highly compensated executives. Other tables that follow provide more detail about the specific type of compensation. Each of these officers is referred to as a "named executive officer".

Name and Principle Position	Annual Compensation				Long Term Compensation		
	Fiscal Year	Salary (\$) ⁽¹⁾	Bonus (\$) ⁽²⁾	Other Compensation (\$)	Restricted Stock Awards (\$) ⁽³⁾	Securities Underlying Options (#)	401(k) Compensation (\$) ⁽⁴⁾
Lawrence P. English ⁽⁵⁾ CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER	2002	407,500	250,000	-	-	110,000	4,000
	2001	400,000	200,000	-	360,000	-	46,886 ⁽⁶⁾
	2000	222,820	-	-	-	1,000,000	708
Michael S. Wilstead	2002	285,000	113,125	-	62,090	40,000	4,000

Edgar Filing: QUADRAMED CORP - Form DEF 14A

PRESIDENT AND CHIEF OPERATING OFFICER	2001 2000	237,083 226,250	111,625 50,000	- -	367,000 -	100,000 126,700	3,400 -
Mark N. Thomas ⁽⁷⁾ CHIEF FINANCIAL OFFICER	2002 2001 2000	285,000 250,000 135,416	111,250 278,500 -	- - 2,987 ⁽⁸⁾	285,840 180,000 -	40,000 - 350,000	4,000 3,400 -
Michael H. Lanza ⁽⁹⁾ EXECUTIVE VICE PRESIDENT	2002 2001 2000	215,000 ⁽¹⁰⁾ 221,250 61,250					