

HealthMarkets, Inc.  
Form 4  
May 10, 2006

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2005  
Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
MCQUAGGE TROY A

(Last) (First) (Middle)  
536 SILICON DRIVE, SUITE 100  
  
(Street)

SOUTHLAKE, TX 76092

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
HealthMarkets, Inc. [N/A]

3. Date of Earliest Transaction  
(Month/Day/Year)  
05/08/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

\_\_\_ Director \_\_\_ 10% Owner  
\_\_\_ Officer (give title \_\_\_X\_\_\_ Other (specify below) below)  
Division Manager

6. Individual or Joint/Group Filing(Check Applicable Line)  
\_X\_ Form filed by One Reporting Person  
\_\_\_ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D)	Code V Amount (D) Price		

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474  
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
---------------------------------	---------------------------	--------------------------------------	-----------------------------------	---------------------	------------------------------------	--	---

Edgar Filing: HealthMarkets, Inc. - Form 4

(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)	Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option	\$ 37	05/08/2006			A		48,667		05/08/2007 <sup>(1)</sup>	05/08/2016	Class A-1 Common Stock	48,667
Stock Option	<u>(2)</u>	05/08/2006			A		48,666		05/08/2007 <sup>(3)</sup>	05/08/2016	Class A-1 Common Stock	48,666
Stock Option	\$ 11.5								02/12/2004 <sup>(4)</sup>	03/13/2008	Class A-1 Common Stock	30,000
Stock Option	\$ 30.75								03/16/2006 <sup>(4)</sup>	06/14/2010	Class A-1 Common Stock	60,000
Stock Option	\$ 11.4								12/08/2002 <sup>(4)</sup>	01/07/2007	Class A-1 Common Stock	4,000

**Reporting Owners**

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MCQUAGGE TROY A 536 SILICON DRIVE SUITE 100 SOUTHLAKE, TX 76092				Division Manager

**Signatures**

Troy A. McQuagge By /s/ Peggy G. Simpson,  
 POA  
 \*\*Signature of Reporting Person  
 Date

**Explanation of Responses:**

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The options vest in 20% increments on each of the first, second, third, fourth and fifth anniversaries of May 8, 2006
- (2) The initial exercise price of the option is \$37.00. The exercise price of the option will accrete by 10% per year, starting on May 8, 2008. If the optionee exercises the option prior to May 8, 2008, the exercise price will be \$37.00. If the optionee exercises the option on or after May 8, 2008 but prior to May 8, 2009, the exercise price will be \$40.70. If the optionee exercises the option on or after May 8, 2009 but prior to May 8, 2010, the exercise price will be \$44.77. If the optionee exercises the option on or after May 8, 2010 but prior to May 8,

## Edgar Filing: HealthMarkets, Inc. - Form 4

2011, the exercise price will be \$49.25. If the optionee exercises the option on or after May 8, 2011, the exercise price will be \$54.17.

The option vests in different increments on each of the first five anniversaries of May 8, 2006. Twenty-five percent of the option vests on

- (3) May 8, 2007. Twenty-five percent of the option vests on May 8, 2008. Seventeen percent of the option vests on May 8, 2009. Seventeen percent of the option vests on May 8, 2010. The remaining 16% of the option vests on May 8, 2011.
- (4) Options vest and become exercisable in 20% annual increments on each of the first, second, third, fourth and fifth anniversaries of the grant date

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.