HealthMarkets, Inc.
Form DEF 14C
April 28, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14C
Information Statement Pursuant to Section 14(c)
of the Securities Exchange Act of 1934

Check the appropriate box:

o Preliminary Information Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))
þ Definitive Information Statement

HealthMarkets, Inc.

(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box:)

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

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

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o 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:

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INFORMATION STATEMENT

April 30, 2009

Dear Fellow Stockholder:

I cordially invite you to attend the 2009 Annual Meeting of Stockholders of HealthMarkets, Inc. The meeting this year will be held at 2:00 p.m., Central Daylight Time, on Thursday, May 21, 2009, at the offices of HealthMarkets, Inc., 9151 Boulevard 26, North Richland Hills, Texas. The attached notice of Annual Meeting and Information Statement describes the items currently anticipated to be acted upon by the stockholders at the Annual Meeting. **Please note that the Board of Directors is not soliciting proxies from the holders of the Class A-2 shares in connection with the Annual Meeting.**

One of the purposes of the Information Statement is to give you important information regarding HealthMarkets Board of Directors and executive management. We urge you to read the Information Statement carefully.

On behalf of the management and directors of HealthMarkets, Inc., I want to thank you for your continued support and confidence in HealthMarkets. We look forward to seeing you at the 2009 Annual Meeting.

Sincerely,

PHILLIP J. HILDEBRAND
President and Chief Executive Officer

TABLE OF CONTENTS

Table of Contents

HEALTHMARKETS, INC.
9151 BOULEVARD 26
NORTH RICHLAND HILLS, TEXAS 76180

NOTICE OF ANNUAL MEETING

Dear Stockholder:

You are cordially invited to attend the 2009 Annual Meeting of Stockholders of HealthMarkets, Inc. to be held on Thursday, May 21, 2009 at 2:00 p.m., Central Daylight Time, at the Company s offices located at 9151 Boulevard 26, North Richland Hills, Texas 76180.

This Information Statement is being delivered in connection with the following matters:

1. Election of nine (9) directors to serve until our next annual stockholders meeting;

2. Approval of 2009 fiscal year performance goals for certain long-term incentive plan awards;

3. Ratification of the appointment of KPMG LLP to serve as HealthMarkets independent registered public accounting firm; and

4. Any other matters that may properly come before the Annual Meeting or any postponement or its adjournment.

Members of HealthMarkets Board of Directors and stockholders holding approximately 90% of our outstanding Common Stock as of March 31, 2009, have indicated that they intend to vote in favor of electing the proposed slate of directors, approving the 2009 performance goals for long-term incentive plan awards and ratifying the appointment of the Company s independent registered public accountants. Therefore, the proposals will be assured of receiving the required vote and will be approved at the Annual Meeting and will become effective immediately following the Annual Meeting.

By Order of the Board of Directors,

PEGGY G. SIMPSON
Corporate Secretary

Date: April 30, 2009

WE ARE NOT ASKING YOU FOR A PROXY AND
YOU ARE REQUESTED NOT TO SEND US A PROXY.

Table of Contents

INFORMATION STATEMENT FOR THE 2009 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 21, 2009

General

This Information Statement is being distributed in connection with the 2009 Annual Meeting of Stockholders (the Annual Meeting) of HealthMarkets, Inc., a Delaware corporation (we , our , us or other words of similar import), to held at our offices located at 9151 Boulevard 26, North Richland Hills, Texas on May 21, 2009, at 2:00 p.m., Central Daylight Time.

This Information Statement includes information relating to the proposals to be voted on at the Annual Meeting, the voting process, compensation of directors and our most highly paid officers, and other required information.

This Information Statement is being furnished to our stockholders for informational purposes only, and we will bear all of the costs of the preparation and dissemination of this Information Statement. Each person who is receiving this Information Statement also is receiving a copy of our Annual Report on Form 10-K for the year ended December 31, 2008. We intend to commence distribution of this Information Statement, together with the notice and any accompanying materials, on or about April 30, 2009.

Our Board of Directors has approved, and has recommended that the stockholders approve, the following proposals (collectively, the Proposals):

1. The election of the slate of nine (9) directors proposed by our Nominating Committee to serve until the next annual meeting of stockholders and until their respective successors are chosen and qualified;

2. The approval of the 2009 fiscal year performance goals for certain long-term incentive plan (LTIP) awards (the 2009 LTIP Performance Goals);

3. The ratification of the selection of KPMG LLP as the Company s independent registered public accountants to audit the accounts of the Company for the fiscal year ending December 31, 2009; and

4. Such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Important Notice Regarding the Availability of Information Statement Materials for the Annual Meeting of Stockholders to be Held on May 21, 2009.

1. This Information Statement and our Annual Report on Form 10-K for the year ended December 31, 2008 is available on the Financial Information page of the Company s website (http://www.healthmarketsinc.com).

2. The following materials are available on the Financial Information page of the Company s website (http://www.healthmarketsinc.com):

a. Notice of Annual Meeting

b. Information Statement

c. Annual Report on Form 10-K

3. If you wish to attend the Annual Meeting and need directions, please contact us at (817) 255-5200.

Table of Contents

Merger

On April 5, 2006, HealthMarkets, Inc. completed its merger (the Merger) providing for the acquisition of the Company by affiliates of a group of private equity investors, including The Blackstone Group, Goldman Sachs Capital Partners and DLJ Merchant Banking Partners. The stock ownership of each of these private equity firms is set forth below under the caption Security Ownership of Certain Beneficial Owners and Management. As a result of the Merger, holders of record on April 5, 2006 of HealthMarkets common shares (other than shares held by certain members of management and shares held through HealthMarkets agent stock accumulation plans) received $37.00 in cash per share.

In the transaction, HealthMarkets public shareholders received aggregate consideration of approximately $1.6 billion, of which approximately $985.0 million was contributed as equity by the Private Equity Investors. The balance of the Merger consideration was financed with the proceeds of a $500.0 million term loan facility extended by a group of banks, the proceeds of $100.0 million of trust preferred securities issued in a private placement, and Company cash on hand in the amount of approximately $42.8 million.

Voting

The Board of Directors has selected the close of business on March 31, 2009 (the Record Date) as the time for determining the holders of record of our Class A-1 Common Stock, par value $0.01 per share, and Class A-2 Common Stock, par value $0.01 per share (collectively, Common Stock), entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof. Shares of Common Stock outstanding on the record date are the only securities that entitle holders to vote at the Annual Meeting or any adjournment or postponement thereof. Each share of Class A-1 Common Stock and Class A-2 Common Stock is entitled to one vote per share on all matters to be presented at the Annual Meeting.

Members of the Board of Directors, members of management and other significant holders of our Class A-1 Common Stock (collectively, the Consenting Stockholders) own a total of 26,834,924 shares, or approximately 90% of our total voting power. Because the Consenting Stockholders have indicated that they will vote in favor of all of the Proposals and because such Consenting Stockholders control more than a majority of the voting power, the Proposals are assured of receiving the required vote and being adopted and, thus, we are not soliciting any proxies from holders of the Class A-2 Common Stock.

Stockholders attending the Annual Meeting are welcome to vote at the Annual Meeting and may address any matters that may properly come before the Annual Meeting.

How Many Shares of HealthMarkets Common Stock Were Outstanding as of the Record Date?

As of March 31, 2009, our record date, 31,026,166.2016 shares of our Common Stock were issued and 29,735,376.7216 shares were outstanding, consisting of 26,834,924.7216 shares of Class A-1 Common Stock and 2,900,452 shares of Class A-2 Common Stock. Each share owned entitles the holder to one vote for each share so held. A list of our Stockholders entitled to vote is available at our executive offices at 9151 Boulevard 26, North Richland Hills, Texas 76180. The telephone number of our executive offices is (817) 255-5200.

How Many Shares Are Needed to Constitute a Quorum at the Meeting?

The presence, in person or by proxy, of stockholders holding at least a majority of the voting power are necessary to constitute a quorum at the Annual Meeting. However, the stockholders present at the Annual Meeting may adjourn the Annual Meeting despite the absence of a quorum.

What Vote is Required to Approve the Proposals?

A plurality of the votes cast is required to elect directors. For all of the other Proposals, the affirmative vote of the holders of a majority of the voting power of the shares present or represented by proxy is required to approve the other Proposals. Abstentions will have the same effect as votes against the Proposals, although abstentions will count toward the presence of a quorum.

Table of Contents

Why Isn t HealthMarkets Required to Solicit Proxies for the Proposals?

As indicated above, the Consenting Stockholders have indicated they will vote in favor of the Proposals, thereby ensuring that such Proposals will be adopted. Therefore, the solicitation of proxies is not necessary, and, in order to eliminate the costs and management time involved, our Board of Directors has decided not to solicit proxies.

When Will Each Proposal Become Effective?

The Proposals will be effective immediately following the completion of the Annual Meeting, which is at least 20 days after the mailing of this Information Statement. We are mailing this Statement on or about April 30, 2009 and will hold our Annual Meeting on May 21**,** 2009.

How Can Stockholders Participate in the Meeting?

Each stockholder of record as of the record date can participate in the Annual Meeting personally or through another person or persons designated to act for such stockholder by proxy.

How Will Our Stockholders Know When the Proposals are Effective?

Those stockholders that attend the Annual Meeting will be notified then of the effectiveness of the Proposals. In addition, we will notify our stockholders of the effective dates of the Proposals described in this Information Statement when we file our Form 10-Q for the quarter ended June 30, 2009, which will be the first Quarterly Report on Form 10-Q following the Annual Meeting.

Who Will Pay for the Costs Associated with this Information Statement?

HealthMarkets will pay all costs associated with distributing this Information Statement, including the costs of printing and mailing.

No additional action is required by you in connection with the Proposals. However, Section 14(c) of the Securities Exchange Act of 1934 requires the mailing to our stockholders of the information set forth in this Information Statement at least twenty (20) days prior to the earliest date on which the corporate action may be taken.

PROPOSAL 1

ELECTION OF DIRECTORS

Election of Directors

Nine (9) directors will be elected at the Annual Meeting, each of whom is expected to serve until our next annual meeting of stockholders and until his successor has been duly elected and qualified. All of the nominees are currently directors of the Company, and each nominee has consented to being named as a nominee and to serve, if elected.

In connection with the Merger, we entered into a stockholders agreement with various investment affiliates of The Blackstone Group, Goldman Sachs Capital Partners and DLJ Merchant Banking (the Private Equity Investors), as well as certain management stockholders. The Stockholders Agreement provides that the Board of Directors of the Company consist of the following:

up to four directors (plus the number of Non-Investor Directors) nominated or designated by the investment affiliates of Blackstone and any permitted transferee thereof (collectively, the Blackstone Investor Group);

up to two directors nominated or designated by the investment affiliates of Goldman Sachs and any permitted transferee thereof (collectively, the GS Investor Group);

Table of Contents

one director nominated or designated by the investment affiliates of DLJ Merchant Banking and any permitted transferee thereof (collectively, the DLJ Investor Group, and each of the Blackstone Investor Group, the GS Investor Group and the DLJ Investor Group, a Private Equity Investor Group);

one member of management, which we refer to as the Management Director, to be nominated by Private Equity Investors holding a majority of the Class A-1 Common Stock held by Private Equity Investors; and

additional directors, which we refer to as the Additional Directors, including directors who may be considered independent under various SEC and stock exchange definitions to the extent deemed necessary or advisable.

The allocation of board representation to the Private Equity Investor Groups will be reduced as the ownership interest of Class A-1 Common Stock of such Private Equity Investor Group is reduced. The Blackstone Investor Group will have the ability to designate a majority of the directors for so long as it holds a majority of the shares of Class A-1 Common Stock issued to the Private Equity Investors in the Merger. Each Private Equity Investor Group will lose its right to designate directors entirely when its ownership of shares of Class A-1 Common Stock is less than the greater of (i) five percent of the shares of Class A-1 Common Stock issued to the Private Equity Investors in the Merger and (ii) three percent of the then-outstanding shares of Class A-1 Common Stock.

Generally, each director will have one vote. However, if the Blackstone Investor Group nominates or designates fewer than the maximum number of directors to which it is entitled, then the Blackstone Investor Group s directors will have aggregate voting power on board matters equal to the maximum number of directors that the Blackstone Investor Group is entitled to nominate or designate divided by the number of directors they have actually nominated or designated.

The Blackstone Investor Group has designated Chinh E. Chu, Jason K. Giordano and David K. McVeigh for nomination as directors. The GS Investor Group has designated Adrian M. Jones and Sumit Rajpal for nomination as directors. The DLJ Investor Group has designated Ryan M. Sprott for nomination as a director. Phillip J. Hildebrand has been designated as the Management Director. Mural R. Josephson and Steven J. Shulman have been designated as Additional Directors.

THE BOARD OF DIRECTORS HAS NOMINATED THE FOLLOWING SLATE OF DIRECTORS TO HEALTHMARKETS BOARD AND HAS RECOMMENDED APPROVAL OF THEIR ELECTION TO SERVE UNTIL THE NEXT ANNUAL MEETING OF ITS STOCKHOLDERS IN 2010 OR UNTIL THEIR RESPECTIVE SUCCESSORS ARE ELECTED AND QUALIFIED. IF A NOMINEE IS UNAVAILABLE FOR ELECTION, THE BOARD MAY REDUCE THE NUMBER OF DIRECTORS TO BE ELECTED AT THE ANNUAL MEETING.

Name	Age	Background	Year First Elected Director
Chinh E. Chu	42	Mr. Chu has been a director of the Company since April 2006 and served as Chairman of the Board from April 2006 until July 2006, and from February 2009 to present. Mr. Chu is a member of the Executive Committee, Executive Compensation Committee, Compliance & Governance Committee and Nominating Committee of the Board. Mr. Chu	2006

is a Senior Managing Director of The Blackstone Group LP, which he joined in 1990. He currently serves as a director of Alliant Insurance Services, Allied Barton Security Services, Bayview Asset Management, Catalent Pharma Solutions, DJO Incorporated, Financial Guaranty Insurance Company, Graham Packaging Holdings Company and SunGard Data Systems.

Table of Contents

Name	Age	Background	Year First Elected Director
Phillip J. Hildebrand	56	Mr. Hildebrand has served as a Director and CEO of HealthMarkets, Inc. since June 2008 and as President since September 2008. Mr. Hildebrand is a member of the Executive Committee. He also serves as a Director, Chairman, President and Chief Executive Officer of the Company s insurance subsidiaries. Prior to joining the Company, from 1975 to 2006, Mr. Hildebrand held several senior management positions with New York Life Insurance Company before retiring in 2006 as Vice Chairman. Mr. Hildebrand currently serves as a director of DJO Incorporated and previously served as a director of New York Life subsidiaries in Hong Kong and Taiwan and of MacKay Shields an institutional investment manager. He is also a past director of the Million Dollar Round Table Foundation and LIMRA International.	2008
Jason K. Giordano	30	Mr. Giordano has been a director of the Company since February 2009 and is a member of the Audit Committee and Investment Committee of the Board. Mr. Giordano joined The Blackstone Group in 2006 and is an Associate in the Corporate Private Equity Group. Prior to joining Blackstone, Mr. Giordano attended Harvard Business School from 2004 to 2006 and worked in the private equity group at Bain Capital from 2002 to 2004. Prior to that, Mr. Giordano worked as an investment banker with Goldman, Sachs & Co. Mr. Giordano also serves as a director of Pinnacle Foods.	2009
Adrian M. Jones	44	Mr. Jones has been a director of the Company since April 2006. Mr. Jones is a member of the Executive Committee, Executive Compensation Committee, Compliance & Governance Committee and Investment Committee of the Board. Mr. Jones has been a Managing Director of Goldman, Sachs & Co. since 2002. Mr. Jones joined Goldman, Sachs & Co. s Investment Banking Division in 1994 and moved to its Merchant Banking Division in 1998. Before joining Goldman Sachs, Mr. Jones served as a lieutenant in the Irish Army and worked at Bank of Boston. Mr. Jones currently serves as a director of Dollar General, Education Management Corporation, Biomet and Signature Hospital Holdings.	2006

Table of Contents

Name	Age	Background	Year First Elected Director
Mural R. Josephson	60	Mr. Josephson has been a director of the Company since May 2003 and is a member of the Audit Committee and Executive Compensation Committee of the Board. Following his retirement in October 2002 as Senior Vice President and Chief Financial Officer of Lumbermens Mutual Casualty Company (the lead company of Kemper Insurance Companies), Mr. Josephson has served as a consultant to various financial institutions. In July 1998, Mr. Josephson retired as a partner with KPMG LLP after 28 years with the firm. Mr. Josephson is a licensed Certified Public Accountant in the State of Illinois, and is a member of the American Institute of Certified Public Accountants. He has serves as a director of SeaBright Insurance Holdings, Inc. (a publicly-traded company providing multi-jurisdictional workers compensation insurance) and Argo Group International Holdings, Ltd. (formerly PXRE Group Ltd.) (a publicly-traded company providing primarily property and casualty insurance and reinsurance products globally). He previously served as a director of ALPS Corporation and its wholly-owned subsidiary, Attorneys Liability Protection Society, Inc. (a privately-held insurance company that writes attorney errors and omissions coverage).	2003
David K. McVeigh	41	Mr. McVeigh began serving as a member of the Board in February 2009. He also serves as a member of the Compliance & Governance Committee and Nominating Committee of the Board. Mr. McVeigh joined The Blackstone Group in 2006 and is an Executive Director in the Corporate Private Equity Group. Before joining Blackstone, Mr. McVeigh was a partner with McKinsey and Company, where he was employed from 1994 to 2006. Mr. McVeigh also serves as a director of Biomet and RGIS.	2009
Sumit Rajpal	33	Mr. Rajpal has served as a director of the Company since June 2007. Mr. Rajpal is a member of the Audit Committee of the Board. He is Managing Director in the Principal Investment Area of Goldman, Sachs & Co. which he joined in 2000. Prior to joining Goldman Sachs, Mr. Rajpal worked for McKinsey & Company. Mr. Rajpal currently serves as a director of USI Holdings Corporation, Entertainment Co AB (CSI), Alliance Films and Buck Acquisition (Dollar General).	2007

Table of Contents

Name	Age	Background	Year First Elected Director
Steven J. Shulman	57	Mr. Shulman began serving as a director of the Company in July 2006. Mr. Shulman is a member of the Executive Compensation Committee of the Board. He also serves as non-executive Chairman of Magellan Health Services, Inc. (a manager of behavioral health and radiology benefits) and served as Magellan s Chief Executive Officer from 2003 until February 2008. Prior to joining Magellan Health Services, Mr. Shulman founded IHCG, an early-stage healthcare technology venture fund, and served as its Chairman and Chief Executive Officer from 2000 to 2002. Prior to IHCG, he was employed by Prudential Healthcare, Inc. as its Chairman, President and Chief Executive Officer from 1997 to 1999. Mr. Shulman co-founded Value Health, Inc., a New York Stock Exchange-listed specialty managed health care company, and served as President of its Pharmacy and Disease Management Group and director from 1991 to 1997. Mr. Shulman also serves as a director of IHCG, Digital Insurance (a private employee benefit service company) and BenefitPoint, Inc. (a private insurance software company).	2006
Ryan M. Sprott	36	Mr. Sprott has served as a director of the Company since April 2009 and is a member of the Executive Committee, Investment Committee and Nominating Committee of the Board. Mr. Sprott is a Managing Director of Credit Suisse in the Asset Management division, based in New York. He is a Partner of DLJ Merchant Banking Partners, the Bank s private equity investment business. Mr. Sprott joined Credit Suisse First Boston in 1996 working in the Natural Resources Group within the Investment Banking Department and then in 1998 he joined the Private Equity group focusing on middle market buyout and growth investments. Mr. Sprott also serves as a director of Hard Rock Hotel Holdings (operator of the Hard Rock Hotel and Casino in Las Vegas), Specialized Technology Resources, Gateway Energy Services, United Site Services, DenMat Holdings, Deffenbaugh Industries, Inc. and Merrill Corporation.	2009

Table of Contents

INFORMATION ABOUT THE BOARD OF DIRECTORS

Director Compensation for the 2008 Fiscal Year

The following table shows the compensation paid to our directors for their services during the fiscal year ended December 31, 2008. Directors who are our employees do not receive additional compensation for their services as directors. Accordingly, Mr. Hildebrand receives no compensation for his services as a director. Messrs. Chu, Giordano, Jones, McVeigh, Rajpal and Sprott, members of our Board designated by the Private Equity Investors, are not considered to be independent and therefore also do not receive compensation for their services. We provide our independent directors with an annual retainer for Board and Committee membership and have, historically, awarded stock option grants to our independent directors. We reimburse all directors for travel and lodging expenses they incur in connection with their attendance at directors meetings and meetings of the stockholders of the Company.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards(9) ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Allen F. Wise(1)	500,000		208,848				708,848
Phillip J. Hildebrand							
Chinh E. Chu							
Harvey D. DeMovick, Jr.(2)	118,750		26,678				145,428
William J. Gedwed(3)							
Jason K. Giordano							
Adrian M. Jones							
Mural R. Josephson(4)	175,000		11,651				186,651
Matthew S. Kabaker(5)							
Andrew S. Kahr(6)	75,000		(3,996)				71,004
David K. McVeigh							
Sumit Rajpal							
Kamil M. Salame(7)							
Steven J. Shulman(8)	125,000		19,420				144,420
Ryan M. Sprott							

(1) Mr. Wise received an annual retainer for Board membership of $500,000. Mr. Wise resigned effective February 6, 2009.

(2) Mr. DeMovick received an annual retainer for the following: Board membership $100,000; Audit Committee membership $25,000 (a pro-rated portion of which was paid, due to Mr. DeMovick s appointment to the

Committee in May 2008). Mr. DeMovick resigned effective February 9, 2009.

(3) Mr. Gedwed resigned effective December 3, 2008.

(4) Mr. Josephson receives annual retainers for the following: Board membership $100,000; Chairmanship of the Audit Committee $50,000; Executive Compensation Committee membership $25,000.

(5) Mr. Kabaker resigned effective January 16, 2009.

(6) Mr. Kahr received $75,000, representing one-half of his annual retainer for Board membership. Mr. Kahr resigned effective July 31, 2008.

(7) Mr. Salame resigned effective April 1, 2009.

(8) Mr. Shulman receives annual retainers for the following: Board membership $100,000; Executive Compensation Committee membership $25,000.

(9) Calculated in accordance with Statement of Financial Accounting Standards 123R. Represents compensation expense recognized in 2008 for financial reporting purposes. At December 31, 2008, stock option awards for the independent directors were outstanding as follows: Wise 74,323; DeMovick 6,102; Josephson 4,054; Shulman 6,757.

Director Independence

The Board has determined that Messrs. Josephson, and Shulman are independent, as that term is defined under the listing standards of the New York Stock Exchange. Mr. Hildebrand is not independent due to his affiliation with the Company. Messrs. Chu, Giordano, Jones, McVeigh, Rajpal and Sprott are not independent due to their respective affiliations with the Private Equity Investors.

Annual Meeting Attendance

We encourage but do not require our directors to attend the Annual Meeting of Stockholders. One (1) of the Company s then directors attended the Annual Stockholder Meeting held May 22, 2008.

Stockholder Communication with Our Board

All current members of the Company s Board are listed under the heading About HealthMarkets, Inc. on the Company s website (http://www.healthmarketsinc.com). Stockholders may communicate directly with the HealthMarkets Board of Directors, including the Chairman of the Audit Committee, the Chairman of the Nominating Committee and/or the non-Management Directors individually or as a group. All communications should be directed to our Corporate Secretary, c/o HealthMarkets, Inc., 9151 Boulevard 26, North Richland Hills, TX 76180. In addition, we maintain contact information, both telephone and email, on our website under the heading Contact Us. The envelope should clearly indicate the person or persons to whom the Corporate Secretary should forward the communication. Communications will be distributed to the Board, or to any individual director or directors as appropriate, depending on the facts and circumstances outlined in the communications, with the exception of spam, business solicitations and advertisements, product inquiries and suggestions, resumes and other forms of job inquiries, surveys, and obvious junk and mass mailings.

Board Meetings, Attendance, and Executive Sessions

During the fiscal year ended December 31, 2008, the Board of Directors met six (6) times and took action on other occasions by unanimous consent of its members. Each member of the Board of Directors who held such position in 2008 attended at least 75% in the aggregate of all meetings of the Board and any committee on which such director served. The Board met in executive session during all regularly scheduled meetings, without management present, and plans to continue that practice going forward.

Table of Contents

Board Committees

To assist the Board in the discharge of its responsibilities, the Company has established a standing Audit Committee, Executive Committee, Investment Committee, Compliance & Governance Committee, Nominating Committee, and Executive Compensation Committee. The following chart shows the current composition of the committees.

Director	Audit	Executive	Investment	Compliance & Governance	Nominating	Executive Compensation
Chinh E. Chu		x*		x*	x*	x*
Phillip J. Hildebrand		x				
Jason K. Giordano	x		x*			
Adrian M. Jones		x	x	x		x
Mural R. Josephson	x*					x
David K. McVeigh				x	x	
Sumit Rajpal	x					
Steven J. Shulman						x
Ryan M. Sprott		x	x		x	
Fiscal 2008 Meetings	8	2	4	4	0	4

x Committee Member

* Committee Chair

The functions and composition of these Board committees are described below:

Audit Committee, Financial Expert

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities by assessing the processes related to the Company s risks and control environment, overseeing the integrity of the Company s financial statements and financial reporting and compliance with legal and regulatory requirements and evaluating the Company s audit processes. The Audit Committee confers with the Company s independent registered public accounting firm and internal auditors regarding audit procedures, including proposed scope of examination, audit results and related management letters. The Audit Committee reviews the services performed by the independent registered public accounting firm in connection with determining their independence, reviews the reports of the independent registered public accounting firm and internal auditors, and reviews recommendations about internal controls. The Committee selects and appoints the Company s independent registered public accounting firm and approves any significant non-audit relationship with the independent registered public accounting firm.

KPMG LLP, the Company s independent registered public accounting firm, has direct access to the Audit Committee and may discuss any matters that arise in connection with their audits, the maintenance of internal controls, and any other matters relating to the Company s financial affairs. The Audit Committee may authorize the independent registered public accounting firm to investigate any matters that the Audit Committee deems appropriate and may present its recommendations and conclusions to the Board.

Since joining the Board in May 2003, Mr. Josephson has served as the Audit Committee Chairman. The Board of Directors has determined that Mr. Josephson, who is independent of management of the Company, is an audit committee financial expert , as that term is defined under applicable Securities Exchange Act rules. Following his retirement in October 2002 as Senior Vice President and Chief Financial Officer of Lumbermens Mutual Casualty Company (the lead company of Kemper Insurance Companies), Mr. Josephson has served as a consultant to various financial institutions. In July 1998, Mr. Josephson retired as a partner with KPMG LLP after 28 years with the firm. Mr. Josephson is a licensed Certified Public Accountant in the State of Illinois, and is a member of the American Institute of Certified Public Accountants. The other members of the Audit Committee are not independent.

The Audit Committee operates under a written charter adopted by the Board of Directors. The charter is available for review on the Corporate Governance page of the Company s website (http://www.healthmarketsinc.com). A copy of the charter is available in print to any stockholder who requests it. Requests for a copy of the charter should be directed to the Corporate Secretary, c/o HealthMarkets, Inc., 9151 Boulevard 26, North Richland Hills, TX 76180. The Committee reviews and assesses the adequacy of its charter on an annual basis.

The Audit Committee has adopted procedures governing the receipt, retention and handling of concerns regarding accounting, internal accounting controls or auditing matters that are reported by employees, stockholders and other persons. Employees may report such concerns confidentially and anonymously by utilizing a toll free hot line number (877-778-5463) or by accessing Report-It (http://www.reportit.net), a third party reporting service. All others may direct such concerns in writing to the Board of Directors, Audit Committee and/or the non-Management Directors, c/o our Corporate Secretary, HealthMarkets, Inc., 9151 Boulevard 26, North Richland Hills, TX 76180.

The Audit Committee s Report appears elsewhere in this Information Statement.

Executive Committee

The Executive Committee has the authority of the full Board of Directors in the management and affairs of the Company, except that the Committee *may not* effect certain fundamental corporate actions, including (a) declaring a dividend, (b) amending the Certificate of Incorporation or Bylaws, (c) adopting an agreement of merger or consolidation, or (d) imposing a lien on substantially all of the assets of the Company. In practice, the Executive Committee meets infrequently and does not act except on matters that are not sufficiently important to require action by the full Board of Directors. In addition to two meetings held during the Company s 2008 fiscal year, the Committee also took action on selected occasions by unanimous consent of its members.

Investment Committee

The Investment Committee coordinates with the Investment/Finance Committees of the Company s insurance subsidiaries in supervising and implementing the investments of the funds of the Company and its insurance subsidiaries.

Compliance & Governance Committee

The Compliance & Governance Committee was established by the Board of Directors on August 30, 2006. The Committee develops and recommends to the Board the Corporate Governance Guidelines applicable to the Company; oversees the evaluation of the Board and management, and reviews the succession plan of the Chief Executive Officer and other key officer positions. The Committee also oversees and monitors the Company s compliance and regulatory functions, including the assessment on a periodic basis of the processes related to the Company s risk and control environment, the oversight of the integrity of the Company s compliance with legal and regulatory requirements and evaluation of the Company s overall compliance program. The Committee also makes recommendations concerning the structure, size and membership of the various committees of the Board of Directors.

The Compliance & Governance Committee operates under a written charter adopted by the Board of Directors. The charter is available for review on the Corporate Governance page of the Company s website (http://www.healthmarketsinc.com). A copy of the charter is available in print to any stockholder who requests it. Requests for a copy of the charter should be directed to the Corporate Secretary, c/o HealthMarkets, Inc., 9151 Boulevard 26, North Richland Hills, TX 76180.

Nominating Committee

The Nominating Committee identifies individuals qualified to become directors and recommends that the Board select the director nominees to be voted on at the next annual meeting of stockholders. None of the members of the Nominating Committee are independent.

As a result of the Merger and the terms of the Stockholders Agreement that provide for the designation of directors by the Private Equity Investor Groups, the Board of Directors has determined that it is not appropriate to establish specific qualifications for nominees or a formal process for identifying and evaluating such nominees for director.

Table of Contents

In carrying out its responsibilities to nominate directors, the Nominating Committee will consider candidates recommended by the Board of Directors and by stockholders of the Company. All suggestions by stockholders for nominees for director for 2010 must be made in writing and received by the Corporate Secretary of the Company, 9151 Boulevard 26, North Richland Hills, Texas 76180 not later than March 1, 2010 (*see* Stockholder Proposals for the 2010 Annual Meeting). The mailing envelope must contain a clear notation indicating that the enclosed letter is a Director Nominee Recommendation. The letter must identify the author as a stockholder and provide a brief summary of the candidate s qualifications, as well as contact information for both the candidate and the stockholder. At a minimum, candidates for election to the Board must meet the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended. Candidates should also have relevant business and financial experience, and must be able to read and understand fundamental financial statements. The Committee has not historically received director candidate recommendations from the Company s stockholders but will consider all relevant qualifications as well as the needs of the Company in terms of compliance with the Securities and Exchange Commission rules.

The Nominating Committee operates under a written charter adopted by the Board of Directors, which is available for review on the Corporate Governance page of the Company s website (http://www.healthmarketsinc.com). A copy of the charter is available in print to any stockholder who requests it. Requests for a copy of the charter should be directed to the Corporate Secretary, c/o HealthMarkets, Inc., 9151 Boulevard 26, North Richland Hills, TX 76180.

Although the Nominating Committee did not meet during 2008, the Committee took action on selected occasions by unanimous consent of its members.

The Nominating Committee did not receive any recommendations from stockholders regarding candidates for election to the Board at the 2009 Annual Stockholder Meeting.

Executive Compensation Committee

The Executive Compensation Committee administers the Company s compensation programs and remuneration arrangements for its highest-paid executives. The Committee is authorized to provide assistance to the Company s directors in fulfilling their responsibility to shareholders to ensure that the Company s officers, key executives and directors are compensated in accordance with the Company s total compensation objectives and executive compensation policy. The Company is also authorized to advise, recommend, and approve compensation policies, strategies, and pay levels necessary to support organizational objectives. The Committee may form and delegate to subcommittees when appropriate.

The Executive Compensation Committee evaluates the CEO s performance and sets the CEO s compensation level based on this evaluation. The Committee meets in executive session without the CEO to determine his compensation. The Committee receives recommendations from the CEO as to compensation of other executive officers, and the CEO participates in Committee discussions regarding the compensation of such officers.

The Executive Compensation Committee also makes recommendations to the Board with respect to incentive-compensation plans and equity-based plans, evaluates, from time to time, the compensation to be paid to directors for their service on the Board or any committee thereof, and prepares a report on executive compensation as required by the Securities and Exchange Commission to be included in the Information Statement.

In 2008, the Executive Compensation Committee did not engage the services of a compensation consultant and no consultant played a role in the setting of executive and director compensation.

A subcommittee of the Executive Compensation Committee (the Subcommittee) consisting solely of two (2) outside directors (Mr. Josephson and Mr. Shulman) has been granted the sole authority to approve any compensation matters where such compensation is intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

The Executive Compensation Committee operates under a written charter adopted by the Board of Directors, which is available for review on the Corporate Governance page of the Company s website (http://www.healthmarketsinc.com).

Requests for a copy of the charter should be directed to the Corporate Secretary, c/o HealthMarkets, Inc., 9151 Boulevard 26, North Richland Hills, TX 76180.

Compensation Committee Interlocks and Insider Participation in Compensation Decisions

The Board has determined that Messrs. Chu and Jones are not independent as that term is defined under the listing standards of the New York Stock Exchange, due to their respective affiliations with the Private Equity Investors. During 2008, no Executive Compensation Committee member was an officer or employee of us or our subsidiaries, or formerly an officer, nor had any relationship otherwise requiring disclosure under the rules of the Securities and Exchange Commission. None of our executive officers served as a member of the Executive Compensation Committee or as a director of any company where an executive officer of that company is a member of our Executive Compensation Committee. The members of the Executive Compensation Committee thus do not have any compensation committee interlocks or insider participation. Certain relationships and related transactions that may indirectly involve our board members are described below under the caption Certain Relationships and Related Party Transactions.

Family Relationships

There are no family relationships between any of the directors or executive officers.

Involvement in Certain Legal Proceedings

During the past five years, none of the directors or executive officers has been involved in any legal proceedings that are material to the evaluation of their ability or integrity.

COMPENSATION DISCUSSION AND ANALYSIS

Overview of the Company s Executive Compensation Program

The Company s compensation objectives are to support the Company s overall business strategy and objectives, attract and retain the best possible executive talent, motivate executive officers to achieve the Company s performance objectives, and reward individual performance and contributions. We intend that our executive compensation program will effectively and appropriately compensate our executives and will guide their activities in response to targeted incentives we provide.

Prior to the April 5, 2006 Merger in which the Private Equity Investors acquired the Company, our compensation programs and policies were administered and overseen by a compensation committee composed entirely of independent directors. Following the Merger, the Executive Compensation Committee (the Committee) (of which Chinh Chu (Chairman), Adrian Jones, Mural R. Josephson and Steven Shulman serve as members) administers the Company s compensation programs and remuneration arrangements for its highest-paid executives. As discussed in more detail above under the heading Compensation Committee Interlocks and Insider Participation in Compensation Decisions, several of the members of the Committee are not considered independent.

Compensation of the executive officers named in the Summary Compensation Table on page 23 below (the Named Executive Officers or the NEOs) for 2008 is generally based on the terms of their employment agreements and, in the case of certain former officers, their separation agreements. Messrs. Colliflower, Gedwed, McQuagge and Plato entered into definitive employment agreements with the Company in connection with the Merger. Mr. Hildebrand, Mr. Erwin, Ms. Cocozza, Mr. Heller, Mr. Fields, Mr. Boxer and Mr. Rydzewski entered into definitive employment agreements in connection with their commencement of employment with the Company in June 2008, September 2008, March 2007, December 2006, October 2007, September 2006 and August 2007, respectively. Messrs. Hildebrand, Erwin and Heller are currently employed by the Company and, as such, remain subject to the terms of their employment agreements. Ms. Cocozza and Messrs. Colliflower, Gedwed, Fields, Boxer, Rydzewski, McQuagge and Plato are no longer employed by the Company and are subject to the terms of separation agreements. The terms of the employment agreements and separation agreements are discussed in further detail below under the heading Employment and Separation Agreements.

Table of Contents

Components of Executive Compensation

Historically, we have used a variety of compensation elements to reach our executive compensation program goals. These include base salary, annual bonus compensation, awards of stock and stock options, long-term incentive plan awards, employee benefit plans, and termination and change in control provisions within employment agreements. We also offer limited perquisites to executive officers. Each component of compensation has been designed to complement the other components and, when considered together, to meet the Company s overall compensation objectives; however, there is no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation.

Base Salaries

Base salary is the primary fixed portion of executive pay. It compensates executives for performing their day-to-day duties and responsibilities. The base salaries of the NEOs for 2008 were based on the terms of their employment agreements, which were entered into in connection with the Merger or their commencement of employment with the Company. Base salaries of the NEOs who are direct reports of the Chief Executive Officer are evaluated annually by the Committee, generally by the end of the first quarter. Mr. Gedwed and his direct reports Ms. Cocozza and Messrs. Colliflower, Fields, Boxer, McQuagge did not receive an increase in base salary in the first quarter of 2008. However, in connection with Mr. Field s promotion to President and Chief Operating Officer effective June 1, 2008, the Committee approved an increase in Mr. Fields annual base salary (from $495,000 to $800,000), in recognition of his increased responsibilities. Mr. Plato, who separated from the Company in the first quarter of 2008, did not receive an increase in base salary for 2008. Messrs. Heller and Rydzewski received an increase in base salary of 4% and 2%, respectively, representing annual merit increases in recognition of their performance in 2007. Mr. Rydzewski s merit increase took into account the fact that he was employed for only a portion of 2007. Mr. Hildebrand s and Mr. Erwin s employment did not commence until June 2008 and September 2008, respectively, after the Committee s annual evaluation of base salaries.

Annual Bonus Compensation

The Company has established an annual bonus compensation plan for employees, including the Named Executive Officers. Under this plan, the Company creates an annual bonus pool (approximately $9,565,000 in 2008), determines performance targets that must be achieved for the bonus pool to be allocated, and sets a bonus potential for each participant, generally as a percentage of base compensation. The annual bonus compensation plan is designed to achieve the Company s objective of linking compensation to annual performance results, attracting, motivating and retaining high-caliber leadership, and aligning the interests of senior executives and stockholders.

In 2008, the bonus potential established for the Named Executive Officers (other than Messrs. Hildebrand and Erwin, who commenced employment in June 2008 and September 2008, respectively) ranged from 40% to 200% of base salary and was based on the terms of the employment agreements with each NEO.

Table of Contents

The performance targets applicable to the 2008 bonus program were initially established in the first quarter of 2008. At its August 5, 2008 meeting, the Committee determined that the performance targets could not be achieved and that it would be in the best interest of the Company to revise the performance targets to a more achievable level. As a result, the Committee established the following performance targets applicable to the 2008 bonus program:

2008 Performance Targets

Adjusted EBITDA 40% Weighting	Target	Revised EBITDA	Bonus Pool Funding
	90%	$ 107,645,000	75%
	100%	$ 119,605,000	100%
	Original Target	$ 211,997,000	

Commercial Health Policies Sold 20% Weighting	Target	Revised Policies	Bonus Pool Funding
	90%	77,908	75%
	100%	86,565	100%
	Original Target	118,273	

1st Year Persistency (Policies that last 12 months) 20% Weighting	Target	Revised Persistency	Bonus Pool Funding
	95%	48.3%	75%
	100%	50.8%	100%
	Original Target	57.3%	125%

Multi-State Market Conduct Exam Deliverables 20% Weighting	Target	Deliverables	Bonus Pool Funding
	100%	14	100%

In the case of the Adjusted EBITDA and Commercial Health Policies Sold targets, partial achievement at 90% of target would result in the funding of 75% of the portion of the bonus pool attributable to such target. In the case of 1st Year Persistency, partial achievement at 95% of target would result in the funding of 75% of the portion of the bonus pool attributable to such target, and achievement of the original target (in excess of 100% of the revised target) would result in the funding of 125% of the portion of the bonus pool attributable to such target. Funding of the portion of the bonus pool attributable to the Multi-State Market Conduct Exam Deliverables target is subject to achievement at 100% of target.

At its meeting on January 23, 2009, the Committee determined that each of the performance targets applicable to the 2008 bonus program had been achieved at 100%, which made available the entire annual bonus pool for distribution among employees, including the Named Executive Officers. Mr. Hildebrand also reviewed with the Committee his recommendations for 2008 bonus compensation for his direct reports, including his recommendation that Mr. Heller receive his maximum bonus opportunity of 100% of base salary, based on Mr. Heller s significant contributions toward achievement of the 2008 performance targets. The Committee approved Mr. Hildebrand s recommendations and awarded Mr. Heller a bonus of 100% of base salary. The annual bonus paid to Mr. Heller is included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation table on page 23 below. At its January 23, 2009 meeting, the Committee also established performance targets applicable to the 2009 bonus program.

Ms. Cocozza and Messrs. Colliflower, Gedwed, Fields, Boxer, Rydzewski, McQuagge and Plato separated from the Company in 2008. As a result, their annual bonus compensation was not addressed at the January 23, 2009 Committee meeting. Rather, pursuant to the terms of their employment agreements, Ms. Cocozza and Messrs. Colliflower, Gedwed, Fields, Boxer and Rydzewski received a pro-rata portion of their 2008 target bonuses in connection with their separation from the Company. Messrs. McQuagge and Plato did not receive 2008 bonuses because they separated from the

Table of Contents

Company before the last day of the first quarter of 2008. These amounts are included in the All Other Compensation column of the Summary Compensation Table on page 23 below.

Pursuant to the terms of their employment agreements, Messrs. Hildebrand and Erwin each received a guaranteed bonus for the first twelve (12) months of their employment terms, a pro rata portion of which was paid to each executive in December 2008, with the balance paid in 2009. One-half of Mr. Erwin s guaranteed first year bonus is payable in the form of shares of the Company s Class A-1 Common Stock based on their fair market value, with the balance payable in cash. For the 2009 fiscal year and fiscal years thereafter, Messrs. Hildebrand and Erwin will be eligible to participate in the Company s annual bonus program described above, pursuant to which each executive will have a target bonus opportunity and a maximum bonus opportunity, subject to the achievement of annual performance goals established by the Committee. In Mr. Hildebrand s case, if the annual performance goals are achieved, payment will be at no less than the target bonus amount. In each case, the executive s bonus for the 2009 fiscal year will be reduced to take into account portions of the year covered by the executive s first year guaranteed bonus. For the 2009 fiscal year, Mr. Hildebrand will only be paid 7/12 of his bonus (because 5/12 of the year was covered by a portion of the first year guaranteed bonus), and Mr. Erwin s bonus will be reduced by the amount of his first year guaranteed bonus paid in 2009.

Stock Options 2006 Management Stock Option Plan

On May 8, 2006, the Board of Directors adopted the 2006 Management Stock Option Plan (as amended, the 2006 Plan), in accordance with which options to purchase shares of HealthMarkets Class A-1 Common Stock may be granted from time to time to officers, employees and non-employee directors of HealthMarkets or any subsidiary. The purpose of the 2006 Plan is to attract and retain officers and other key employees for the Company and its subsidiaries and to provide to such persons incentives and rewards for superior performance. The Committee believes that the Company will be able to enhance the prospects for its business objectives and more closely align the interests of outside directors, officers and key employees with those of the Company s stockholders by providing those individuals with the opportunity to increase their equity interests in the Company on meaningful terms.

In May and June of 2006, the Company granted non-qualified options under the 2006 Plan to Messrs. Colliflower, Gedwed, McQuagge and Plato in connection with the Merger. Option grants to Mr. Hildebrand, Mr. Erwin, Ms. Cocozza, Mr. Heller, Mr. Fields, Mr. Boxer and Mr. Rydzewski were made in connection with their commencement of employment with the Company in June 2008, September 2008, March 2007, December 2006, October 2007, September 2006 and August 2007, respectively. The Named Executives Officers generally have not received additional stock option grants. However, in limited cases, the Committee has approved additional grants in recognition of increased responsibilities in connection with a promotion or to recognize past performance. In August 2006, Mr. Colliflower received an additional grant of non-qualified stock options in connection with his promotion to Executive Vice President and General Counsel. In July 2008, Mr. Heller received an additional grant of non-qualified stock options in order to maintain the competitiveness of his compensation relative to the market and to recognize past performance.

These options were intended to provide a long-term incentive opportunity to the executives that also linked the interests of the executive with those of the stockholders, as the options provide no value unless the value of the underlying shares increases. The number of stock options granted to a particular executive officer was based on the executive s position and an evaluation of the executive s ability to influence the long-term growth and profitability of the Company. The number of options previously granted to, and shares held by, an officer were not considered in determining the number of options granted in May and June of 2006 to the officer. These options are included in the Grants of Plan Based Awards table on page 25 below. The Committee does not time the grant of stock options in consideration of the release of material non-public information.

Under the 2006 Plan, the option price may not be less than 100% of the Fair Market Value (as defined below) on the date of grant, except that the option price of an incentive stock option issued to an employee who owns Class A-1 Common Stock possessing more than ten percent (10%) of the total combined voting power of all classes of Company stock may not be less than 110% of the Fair Market Value on the date of grant. Under the 2006 Plan, Fair Market Value is defined to mean the fair market value of a share as determined from time to time by the Board

Table of Contents

in good faith or, in the event of a termination of employment by certain key executives (other than for cause) within six months of an IPO or change of control, the consideration paid per share pursuant to such transaction.

In connection with the extraordinary cash dividend declared on May 3, 2007, and to prevent a dilution of the rights of participants in the 2006 Plan, the Board of Directors approved an adjustment of options granted under the 2006 Plan, pursuant to which the exercise price was reduced by $10.51 per share the amount of the extraordinary cash dividend.

With the exception of stock options granted to Mr. Hildebrand, Mr. Erwin and a limited number of senior executives hired in 2008 and 2009, the stock options granted to employees under the 2006 Plan vest in three tranches. One-third of the options vest in 20% increments over five years with an exercise price equal to the fair market value per share at the date of grant (the Time-Based Options). One-third of the options vest in increments of 25%, 25%, 17%, 17% and 16% over five years, provided that certain specified performance targets have been achieved, with an exercise price equal to the fair market value on the date of grant (the Performance-Based Options). The remaining one-third of the options (the Tranche C Options) vest in increments of 25%, 25%, 17%, 17% and 16% over five years with an initial exercise price equal to the fair market value at the date of grant. The exercise price increases 10% each year beginning on the second anniversary of the grant date and ending on the fifth anniversary of the grant date. Options granted to directors (Director Options) vest in 20% increments over five years. Director Options, Time Based Options, Performance-Based Options and Tranche C Options expire ten years following the grant date and become immediately exercisable upon the occurrence of a Change in Control (as defined in the 2006 Plan) if the optionee remains in the continuous employ or service of the Company or any subsidiary until the date of the consummation of such Change in Control.

On May 3, 2007, the Committee established 2007 performance targets applicable to the second 25% vesting tranche of the Performance-Based Options granted during the Company s 2006 fiscal year and the first 25% vesting tranche of the Performance-Based Options granted during the Company s 2007 fiscal year. The performance targets required that in the twelve (12) months ended December 31, 2007, the Company generate income from continuing operations (before taxes, interest expense and certain other fees and expenses) equal to or in excess of $230.2 million. At its March 13, 2008 meeting, the Committee determined that the performance targets were unsuitable, as they focused solely on adjusted income and did not otherwise take into account other measures, such as individual performance and other Company performance, that would allow the Committee to adequately measure and determine achievement resulting from the favorable operational progress made by the Company and management during the Company s 2007 fiscal year. This progress included the Company s initiative to expand into the Medicare market, progress in resolution of the multi-state market conduct examination and continued success in recruiting talented individuals to fill senior management roles.

In light of such favorable progress, the Committee exercised its discretion provided under the terms of the 2006 Plan to adjust the acceptable level of achievement for the Performance-Based Options that were subject to the 2007 performance targets and determined that 50% of those Performance-Based Options would vest upon satisfaction of the continued employment conditions applicable to those Performance-Based Options and that the remaining 50% of the Performance-Based Options that were subject to the 2007 performance targets (the 2007 Carryover Options) would remain outstanding, subject to vesting contingent upon (i) achievement of the 2008 performance targets established by the Committee and (ii) the continued employment conditions applicable to such Performance-Based Options.

On August 15, 2008, the Committee established the performance targets applicable to the third 17% vesting tranche of the Performance-Based Options granted during the Company s 2006 fiscal year, the second 25% vesting tranche of the Performance-Based Options granted during the Company s 2007 fiscal year and the first 25% vesting tranche of the Performance-Based Options granted during the Company s 2008 fiscal year. The Committee determined that the performance targets described on page 15 above, in the table entitled 2008 Performance Targets, would also be applied to these options. With respect to the 2007 Carryover Options, achievement of all

four targets at no less than 100% was required. The Committee adopted a weighted average formula for the remaining unvested options subject to the 2008 performance targets, as more specifically set forth below:

Total Weighted Average of Performance Criteria	Options Granted
100%	100%
80%-99%	80%
60%-79%	60%
50%-60%	50%

Performance targets for 2009 were established by the Committee on January 23, 2009. Performance targets for any Performance-Based Options granted by the Company for future years are expected to be established annually by the Committee.

During 2008, non-qualified options to purchase shares of Class A-1 common stock were granted under the 2006 Plan to certain newly-hired executive officers of the Company, including Messrs. Hildebrand and Erwin, pursuant to the terms of employment agreement with these executives (the Executive Options). The Executive Options generally consist of time-based options, which vest over periods ranging from three to five years, and performance-based options. Mr. Hildebrand received a grant of 990,000 options, one-half of which are time-based options and one-half of which are performance-based options. Mr. Erwin received a grant of 175,000 options, of which 150,000 are time-based options and 25,000 are performance based options. Mr. Hildebrand s time-based options vest in installments, with 20% vesting on the first anniversary of his start date (Effective Date) and the remainder vesting in equal quarterly installments thereafter until the fifth anniversary of his Effective Date. Mr. Erwin s time-based options will vest in installments, with one-third vesting on the first anniversary of his Effective Date and the remainder vesting in equal quarterly installments thereafter until the third anniversary of his Effective Date. The performance based options become exercisable only upon the achievement by the Private Equity Investors and their respective affiliates, based on cash proceeds received, of a 1.6x or greater cash-on-cash return on the value of their equity investment in the Company as of the executive s Effective Date. If the performance-based options have not become exercisable as of the fourth anniversary of the executive s Effective Date, then exercise of the performance-based options is also subject to achievement by the Private Equity Investors and their respective affiliates of a 15% or greater internal rate of return from and after the Effective Date. The initial exercise price of the Executive Options is equal to the fair market value at the date of grant; however, Mr. Hildebrand s options provide that the initial exercise price for 82,500 of his time-based options and 82,500 of his performance-based options will accrete at a rate of 10% each year beginning on the first anniversary of his Effective Date and ending on the fifth anniversary of his Effective Date. The Executive Options expire ten years following the grant date.

Stock Options 1987 Amended and Restated Stock Option Plan

In connection with the Merger, each outstanding option to purchase shares of HealthMarkets Common Stock granted under the Company s 1987 Amended and Restated Stock Option Plan (the 1987 Plan) became fully vested, and (except with respect to 360,030 options granted under the 1987 Plan that were held by certain executive officers and converted into options to acquire shares of Class A-1 Common Stock) each option granted under the 1987 Plan was cancelled and converted into the right to receive a payment (subject to any applicable withholding taxes) equal to the difference between $37.00 and the exercise price for the option. Options under the 1987 Plan held by Messrs. Colliflower and Gedwed were settled in connection with their separations from employment. No options remain outstanding under the 1987 Plan.

Long-Term Incentive Plan Awards

During 2008, the Company granted LTIP Awards to several newly-hired executive officers pursuant to the terms of employment agreement with these executives. Messrs. Hildebrand and Erwin are the only Named Executive Officers to receive LTIP awards in 2008. The LTIP awards are intended to attract and retain key executives and to provide to such persons incentives and rewards for superior performance. The Committee believes that the LTIP awards help align the interests of key executives with those of the Company s stockholders by providing these executives with an opportunity to earn additional compensation based upon achievement of specific performance goals.

Mr. Hildebrand received an initial LTIP award in 2008 consisting of 34,483 shares of the Company s A-1 Common Stock. Subject to his continued employment with the Company (or certain qualifying terminations of his employment), the initial LTIP award will vest in three equal installments on each of the first, second and third anniversaries of Mr. Hildebrand s Effective Date (June 5, 2008), and will be delivered to him on the third anniversary of his Effective Date. The Stock Awards column of the Summary Compensation Table on page 23 below reflects the compensation costs associated with Mr. Hildebrand s initial LTIP award recognized for financial statement reporting pursuant to SFAS No. 123(R). Mr. Erwin received an initial LTIP award in 2008 with a target value of $133,000 which is subject to the achievement of performance goals established by the Subcommittee. Subject to achievement of the performance goals and continued employment with the Company through each applicable vesting date, Mr. Erwin s initial LTIP award will vest in three equal annual installments on each of the first, second and third anniversaries of Mr. Erwin s Effective Date (September 30, 2008).

For the Company s 2009 fiscal year and each fiscal year thereafter during the term of his employment agreement, Mr. Hildebrand is eligible to receive an annual LTIP with a target value of no less than $1.2 million. For the Company s 2010 fiscal year and each fiscal year thereafter during the term of his employment agreement, Mr. Erwin is eligible to receive an annual LTIP with a target value of no less than $100,000. These annual LTIP awards will be awarded in cash and will become earned based on the achievement of performance goals established by the Subcommittee. Subject to achievement of the performance goals and continued employment with the Company through each applicable vesting date, the LTIP award will be granted to the executive after the completion of the applicable fiscal year and will vest in three equal annual installments on each of the first three anniversaries of the executive s Effective Date occurring after the end of the applicable fiscal year performance period. For example, in Mr. Hildebrand s case, if the performance goals are met with respect to the Company s 2009 fiscal year, Mr. Hildebrand will be granted an award in January 2010, which will vest in three equal annual installments in June 2010, June 2011 and June 2012. The annual LTIP will become payable on the third anniversary of the executive s Effective Date occurring after the applicable fiscal year performance period.

On March 18, 2009, the Subcommittee established performance goals applicable to 2009 annual LTIP awards, including Mr. Hildebrand s 2009 annual LTIP award and Mr. Erwin s initial LTIP award. On April 24, 2009, the Subcommittee approved limited revisions to the performance goals applicable to 2009 annual LTIP awards, intended to clarify the adjustments necessary to establish Adjusted EBITDA. The 2009 performance goals established by the Subcommittee are described below in Proposal 2 to this Information Statement.

HealthMarkets 401(k) and Savings Plan

The Company maintains for the benefit of its and its subsidiaries employees the HealthMarkets 401(k) and Savings Plan (the Employee Savings Plan). The Employee Savings Plan enables eligible employees to make pre-tax contributions to the Employee Savings Plan (subject to overall limitations) and to direct the investment of such contributions among several investment options. The Employee Savings Plan, which is made available to all employees, is intended to assist in attracting and retaining employees by providing them with a tax-advantaged means to save a portion of their earnings for retirement purposes.

During 2008, the Company made certain matching contributions and supplemental contributions to participants accounts in cash. All contributions made on behalf of the Named Executive Officers were calculated using the same formula as is used for all other eligible employees. Contributions by the Company and its subsidiaries to the Employee Plan currently vest in prescribed increments over a six-year period. Effective April 1, 2008, the Company discontinued supplemental contributions and increased the matching contribution for those employees who elect to participate.

Employee Benefit Plans

The Company offers benefit plans such as vacation, medical, prescription drug, vision, dental and term life insurance coverage to the Named Executive Officers on the same basis as offered to all employees. The Company offers these plans to attract, motivate and retain high-caliber employees.

Table of Contents

The Company does not maintain a pension plan or non-qualified deferred compensation plan for executives or its other employees.

Perquisites

Historically, the Company has not made available a broad array of perquisites and personal benefits to its executive officers. The Company has chosen to offer only a very limited number of perquisites to its executives as an incremental benefit to recognize their position within the Company and as an accommodation to certain executives who maintain a residence in States other than the location of their Company office or who might otherwise incur certain expenses associated with the commencement of their employment. In 2008, the Company provided each of Mr. Hildebrand and Mr. Erwin with a relocation benefit of $75,000, a monthly car allowance (for Mr. Hildebrand), reimbursement for personal travel and/or housing expenses (including reimbursement of rental car expenses for Mr. Erwin) and reimbursement of legal fees incurred in connection with the negotiation of their employment agreements with the Company. The Company also purchased a club membership for use by Mr. Hildebrand for business development and entertainment purposes. Such perquisites were provided pursuant to employment agreements with these executives. The Company reimbursed Messrs. Boxer and Fields for personal travel and housing expenses incurred in connection with commuting to the Company s headquarters from primary residences in other States. In connection with his relocation to accept employment with the Company, the Company also reimbursed Mr. Rydzewski for closing costs on his new home. The Company furnished these executives with tax gross-ups for income attributable to such payments. The Company believes that these payments enhanced its ability to attract and retain these executives. The Company chose to provide the tax gross-ups to preserve the level of benefits intended to be provided under these arrangements. The value of each of these perquisites is included in the All Other Compensation column of the Summary Compensation Table on page 23 below.

Other

Prior to his appointment as an officer of the Company in December 2006, Mr. Heller served as an independent agent of the Company s insurance subsidiaries for approximately 15 years, 11 of which he spent as a regional sales leader. Pursuant to his agent contract with the insurance subsidiaries, Mr. Heller is entitled to ongoing commissions for sales production during this period. These amounts are included in the All Other Compensation column of the Summary Compensation Table on page 23 below. The Committee did not take Mr. Heller s commissions income into account when setting his compensation for 2008.

Severance and Change of Control Provision in Employment Agreements

Under the terms of employment agreements with the Company, Messrs. Hildebrand, Erwin and Heller the only Named Executive Officers currently employed by the Company are entitled to severance payments in the event of their termination in certain specified circumstances. Generally, these executives would be entitled to receive severance ranging from one times to two times the executive s base salary plus target bonus payable in monthly installments, continuation of certain welfare benefits for a period ranging from one to two years, as well as a pro-rata bonus, based on the executive s target bonus, if such termination occurs after the last day of the first quarter of the applicable fiscal year (in the case of Messrs. Hildebrand and Erwin, subject to achievement of applicable performance targets). In addition, if Mr. Hildebrand is terminated in certain specified circumstances (i) he would be entitled to a relocation allowance, provided that the termination occurs on or prior to the third anniversary of his Effective Date and (ii) to the extent then unvested and unpaid, Mr. Hildebrand s initial LTIP award would vest and be paid to him in accordance with its normal payment schedule. Messrs. Hildebrand, Erwin and Heller are entitled to full change-of-control parachute excise tax gross up protection on all payments and benefits due to the executive; provided, however, that following a Change of Control (as defined in the employment agreements), the surviving corporation would be entitled to reduce the executive s payments (but not by more than 10%) if the reduction would allow the avoidance of the imposition of any excise tax associated with the change of control. In addition, each of these executives has agreed to post-termination non-competition and non-solicitation covenants for time periods consistent with the period of their severance. The terms of the employment agreements, including the circumstances under which the executives are entitled to severance, are described in more detail under the heading Employment and Separation Agreements.

Table of Contents

In connection with their separations from the Company, Ms. Cocozza and Messrs. Colliflower, Gedwed, Fields, Boxer, Rydzewski, McQuagge and Plato each executed separation agreements with the Company, the terms of which are described in more detail under the heading Employment and Separation Agreements.

Generally, currently outstanding stock options provide for post-termination exercise periods ranging from the earlier of ninety (90) calendar days or the remaining term of the option (in the case of voluntary terminations by the employee), to the earlier of one (1) year or the remaining term of the option (in the case of termination due to death or disability, termination by the employee for good reason, or termination by the Company without cause). Termination of employment for cause results in expiration of all options on the date of the termination. However, in the case of performance-based options granted to Messrs. Hildebrand and Erwin, the options will remain exercisable and eligible to vest for one (1) year (and will vest if the performance targets are achieved during this period) and all vested performance-based options will remain exercisable until the earlier of the expiration of the original term or one (1) year from the date of vesting (if vesting occurs during the one (1) year look-forward period).

Provisions addressing a change in control of the Company are contained in various Company plans applicable to the Named Executive Officers as well to other employees. Stock options granted to the NEOs (other than Messrs. Hildebrand and Erwin) under the 2006 Plan provide that upon the occurrence of a Change of Control (as defined in the 2006 Plan), if the executive has remained in the continuous employ of the Company, and his or her employment terminates for any reason (other than a termination for cause by the Company or a voluntary termination by the employee), the executive may exercise any options exercisable as of the date of the executive s termination or that would have become exercisable if the executive had remained employed until the first anniversary of the date of the employee s termination. With respect to stock options granted under the 2006 Plan to Messrs. Hildebrand and Erwin, the time-based options become immediately exercisable upon the occurrence of a Change of Control if the executive remains in the continuous employ of the Company or any subsidiary until the date of the consummation of such Change of Control. The performance-based options will not become exercisable upon a Change of Control but will remain in effect following a Change of Control in which the Private Equity Investors receive marketable securities, provided that the performance targets would have been satisfied if the value of such securities had been included as cash. In this event, the performance-based options will remain in effect following such Change of Control until the earlier of (i) the remaining term of the performance-based options and (ii) the first anniversary of the termination of the executive s employment and, to the extent not already vested, shall become exercisable if, during such period, upon conversion of such securities into cash (or other distribution or disposition) by the Private Equity Investors, the performance targets are satisfied.

With respect to LTIP awards made to Messrs. Hildebrand and Erwin, any outstanding LTIP awards will vest in full upon a Change of Control and will, in certain cases, be paid to the executive upon such Change of Control.

We believe that the change of control arrangements described above benefit the Company and its stockholders by assuring key employees that we are aware of the issues they could face upon a change of control; by providing key employees with financial assurances so that they can perform their jobs with minimum distraction in the face of a pending change of control; by encouraging key employees to stay with the Company while a change of control is occurring, so that an acquiring company can retain individuals who have been key to the Company s success; and by helping the Company recruit employees who may have similar agreements with other companies.

Accounting and Tax Issues

Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, limits the deductibility of compensation in excess of $1.0 million paid to the Company s Chairman, principal executive officer or to any of the Company s three other highest-paid executive officers (other than the principal financial officer) unless certain specific and detailed criteria are satisfied. The Committee considers the anticipated tax treatment to the Company and its executive officers in its review and establishment of compensation programs and payments, but has determined that it will not necessarily seek to limit compensation to that amount otherwise deductible under Section 162(m).

Table of Contents

COMPENSATION COMMITTEE REPORT

The Executive Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis appearing above. Based on the review and discussions referred to above, the Executive Compensation Committee recommends to the Company s Board of Directors that the Compensation Discussion and Analysis be included in the Company s Information Statement on Schedule 14C.

EXECUTIVE COMPENSATION COMMITTEE

Chinh E. Chu (Chairman)
Adrian M. Jones
Mural R. Josephson
Steven J. Shulman

Table of Contents

SUMMARY COMPENSATION TABLE

The following table summarizes all compensation for services to us and our subsidiaries earned by or awarded or paid to the persons who were the principal executive officer, the principal financial officer, the three other most highly compensated executive officers of the Company serving as such at December 31, 2008, and two other former officers who would have been among the next three most highly compensated executive officers but for the fact that they were not serving at December 31, 2008.

me	Year	Salary ($)(1)	Bonus ($)(2)	Stock Awards ($)(3)	Option Awards ($)(4)	Non-Equity Incentive Plan Compensation ($)(5)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(18)	Total ($)
illip J.									
debrand(7)	2008	692,308	933,333	233,338	1,524,398			449,336	3,832,71
esident and Chief	2007								
ecutive Officer	2006								
even P. Erwin(8)	2008	155,769	166,667		156,926			116,187	595,54
ecutive Vice									
esident and	2007								
ief Financial									
ficer	2006								
ncy G. Cocozza(9)	2008	350,000			6,716			1,833,922	2,190,63
ecutive Vice									
esident	2007	257,115	315,000		319,797			18,273	910,18
	2006								
chael A.									
lliflower(10)	2008	330,000			21,707			1,540,444	1,892,15
ecutive Vice									
esident and	2007(6)								
neral Counsel	2006(6)								
k V. Heller(11)	2008	343,200			116,677	300,000		507,429	1,267,30
Vice President	2007(6)								
	2006(6)								
lliam J.									
dwed(12)	2008	265,385			536,525			2,492,721	3,294,63
rmer President and									
ief	2007	600,000			1,153,035			16,341	1,769,37
ecutive Officer	2006	600,000	750,000		893,337			2,040,965	4,284,30
vid W. Fields(13)	2008	487,091			(134,700)			1,489,112	1,841,50
	2007(6)								

rmer President and							
ief							
erating Officer	2006(6)						
chael E. Boxer(14)	2008	273,462			172,595	2,169,384	2,615,44
rmer Executive							
ce	2007	450,000	450,000		493,461	120,755	1,514,21
esident and Chief	2006	119,423	160,000		81,127	22,175	382,72
ancial Officer							
ilip Rydzewski(15)	2008	285,600			65,302	470,680	821,58
rmer Sr. Vice							
esident and	2007(6)						
ief Accounting							
ficer	2006(6)						
oy A.							
cQuagge(16)	2008	164,424			407,149	2,247,857	2,819,43
rmer President							
ency	2007	450,000			1,072,351	16,234	1,538,58
arketing Group	2006	400,000	700,000		612,057	3,399,426	5,111,48
nes N. Plato(17)	2008	123,750			7,540	1,203,293	1,334,58
rmer President Life	2007	325,000	250,000		208,559	17,357	800,91
urance Division	2006	325,000	250,000	758	191,410	1,151,111	1,918,27

(1) The salary amount represents the salary earned from January 1 through December 31 of the applicable year.

(2) Represents discretionary cash bonuses paid and accrued for the year in addition to guaranteed annual bonus payments in 2008 for Mr. Hildebrand of $933,333 and Mr. Erwin of $166,667. Excludes balance of guaranteed bonus payments in 2009 for Mr. Hildebrand of $666,667 and Mr. Erwin of $333,333.

(3) The amounts reported in the Stock Awards Column are the compensation costs recognized for financial statement reporting pursuant to SFAS No. 123(R). The assumptions used in the valuation are discussed in Note 14 to the Company s Consolidated Financial Statement included in the Company s Annual Report of Form 10-K for the year ended December 31, 2008.

(4) The amounts reported in the Option Awards Column are the compensation costs recognized for financial statement reporting pursuant to SFAS No. 123(R). The assumptions used in the valuation are discussed in Note 14 to the Company s Consolidated Financial Statement included in the Company s Annual Report of Form 10-K for the year ended December 31, 2008.

(5) Represents an annual management incentive award earned pursuant to the NEO s employment agreement.

(6) The officers were not Named Executive Officers for the years indicated.

(7) Mr. Hildebrand s employment began on June 5, 2008.

(8) Mr. Erwin s employment began on September 10, 2008.

(9) Ms. Cocozza s employment began on March 30, 2007 and terminated on December 31, 2008.

(10) Mr. Colliflower s employment terminated on December 31, 2008.

(11) Mr. Heller s employment began on December 18, 2006.

(12) Mr. Gedwed s employment terminated on June 1, 2008.

(13) Mr. Fields employment terminated on September 19, 2008.

(14) Mr. Boxer s employment terminated on June 27, 2008.

(15) Mr. Rydzewski s employment terminated on December 31, 2008.

(16) Mr. McQuagge s employment terminated on March 21, 2008.

(17) Mr. Plato s employment terminated on March 28, 2008.

(18) The following table contains a breakdown of the compensation and benefits included under All Other Compensation for 2008:

pany aid ife rance $)	Company Contribution to 401k Plan ($)	Personal Travel & Car Allowance ($)	Housing Allowances ($)	Closing Costs ($)	Tax Gross-ups ($)	Sign On Bonus ($)	Severance and Termination Benefits ($)	Settlement of Other Stock Options ($)	Club Dues ($)	Legal Fees ($)	C
312	13,667	7,000			109,647	75,000			191,166	52,544	
	1,731	5,982	5,698		10,436	75,000				17,340	
874	12,650						1,820,398				
,232	13,667						1,487,357	37,478			

924	13,543						
624	13,800					2,476,397	
827	13,667	46,273	15,542		25,803	1,387,000	
572	13,543	25,057	11,595		27,035	2,091,582	
737	13,800			22,010	7,915	426,218	
312	9,953					2,010,892	225,000
312	13,050					1,188,231	

Table of Contents

Grants of Plan-Based Awards During Fiscal Year 2008

The following table sets forth information concerning each award granted to the Named Executive Officers in 2008:

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards(3)			All Other Stock Awards	All Other Option Awards
Grant Date	Board Action Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)(4)	(#)(3)
6/30/2008	6/4/2008								412,500
6/30/2008	6/4/2008								82,500
6/30/2008	6/4/2008					412,500	412,500		
6/30/2008	6/4/2008					82,500	82,500		
7/10/2008	6/4/2008							34,483	
			133,000	133,000(2)					
9/30/2008	9/11/2008								150,000
9/30/2008	9/11/2008					25,000	25,000		
			350,000	350,000(1)					
3/13/2008	3/13/2008					3,937	3,937		
			165,000	247,500(1)					
3/13/2008	3/13/2008					1,083	1,083		
3/13/2008	3/13/2008					437	437		
		171,600	257,400	343,200(1)					
7/9/2008	7/9/2008								6,667
7/9/2008	7/9/2008								6,666
3/13/2008	3/13/2008					1,250	1,250		
			600,000	1,200,000(1)					
3/13/2008	3/13/2008					8,691	8,691		
			495,000	990,000(1)					
3/13/2008	3/13/2008					6,875	6,875		
		337,500	450,000	675,000(1)					
3/13/2008	3/13/2008					4,396	4,396		
3/13/2008	3/13/2008					760	760		
				114,240(1)					
3/13/2008	3/13/2008					520	520		
			450,000	900,000(1)					
3/13/2008	3/13/2008					6,083	6,083		
			243,750	406,250(1)					
3/13/2008	3/13/2008					869	869		

(1) The amount reflects the minimum, target and maximum value of amounts payable pursuant to the annual management incentive program under the Named Executive Officer s employment agreement. The potential payments for the award are performance-based.

(2) Initial LTIP Award included in Mr. Erwin s employment agreement. The award will vest over three years if performance targets are met.

(3) Represent options granted under the 2006 Plan. Options have a ten year term and vest over time as described below.

(4) Restricted stock granted pursuant to Mr. Hildebrand s employment agreement. The restricted stock will vest in three equal annual installments.

(5) Options were granted with an exercise price equal to fair value of the Company s stock on the date first awarded by the Board. The fair value of the Company s stock is set by the Board of Directors on a quarterly basis.

(6) The grant date fair value of these awards was calculated in accordance with Statement of Financial Accounting Standards 123(R).

(7) Ms. Cocozza s employment terminated on December 31, 2008. Ms. Cocozza s payment under the annual management incentive program is included in All Other Compensation (Severance and Termination Benefits) in the Summary Compensation Table.

(8) Mr. Colliflower s employment terminated on December 31, 2008. Mr. Colliflower s payment under the annual management incentive program is included in All Other Compensation (Severance and Termination Benefits) in the Summary Compensation Table.

(9) Mr. Gedwed s employment terminated on June 1, 2008. Mr. Gedwed s payment under the annual management incentive program is included in All Other Compensation (Severance and Termination Benefits) in the Summary Compensation Table.

(10) Mr. Fields employment terminated on September 19, 2008. Mr. Fields payment under the annual management incentive program is included in All Other Compensation (Severance and Termination Benefits) in the Summary Compensation Table.

(11) Mr. Boxer s employment terminated on June 27, 2008. Mr. Boxer s payment under the annual management incentive program is included in All Other Compensation (Severance and Termination Benefits) in the Summary Compensation Table.

(12) Mr. Rydzewski s employment terminated on December 31, 2008. Mr. Rydzewski s payment under the annual management incentive program is included in All Other Compensation (Severance and Termination Benefits) in the Summary Compensation Table.

(13) Mr. McQuagge s employment terminated on March 21, 2008. Mr. McQuagge did not receive payment under the annual management incentive program because he separated from the Company before the last day of the first quarter of 2008.

(14) Mr. Plato s employment terminated on March 28, 2008. Mr. Plato did not receive payment under the annual management incentive program because he separated from the Company before the last day of the first quarter of 2008.

(15) The initial exercise price of the options is $34.80 per share. The exercise price will accrete at the rate of ten percent (10%) on each anniversary of the grant date of June 5, 2008.

(16) The initial exercise price of the options is $24.00 per share. The exercise price will accrete at the rate of ten percent (10%) on each anniversary of the grant date of July 9, 2008, beginning on the second anniversary of the grant date.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information concerning stock options held by the Named Executive Officers at December 31, 2008:

	Options Awards					Stock Awards	
Name	**# Exercisable**	**# Unexercisable**	**Equity Incentive Plan # Unearned**	**Option Exercise Price ($)**	**Options Expiration Date**	**# Unvested**	**Value of Unvested Stock Awards ($)**
Phillip J. Hildebrand		412,500	412,500	34.80	06/05/2018	34,483	655,177
		82,500	82,500	34.80(1)	06/05/2018		
Steven P. Erwin		150,000	25,000	24.00	09/30/2018		

Jack V. Heller	3,250	8,000		39.49	03/29/2017
	2,500	7,500		39.49(2)	03/29/2017
		6,667		24.00	07/09/2018
		6,666	(6)	24.00(3)	07/09/2018
William J. Gedwed	28,408			7.34	03/03/2009
	77,249			26.49	12/03/2009
	46,587			29.14(4)	12/03/2009
Philip Rydzewski	5,102			40.97	12/31/2009
Troy A. McQuagge	37,715			26.49	05/31/2010
	24,333			29.14(5)	05/31/2010

(1) The initial exercise price of the options is $34.80 per share. The exercise price will accrete at the rate of ten percent (10%) on each anniversary of the grant date of June 5, 2008.

(2) The initial exercise price of the options is $39.49 per share. The exercise price will accrete at the rate of ten percent (10%) on each anniversary of the grant date of March 29, 2007, beginning on the second anniversary of the grant date.

(3) The initial exercise price of the options is $24.00 per share. The exercise price will accrete at the rate of ten percent (10%) on each anniversary of the grant date of July 9, 2008, beginning on the second anniversary of the grant date.

(4) The initial exercise price of the options was $26.49 per share. The exercise price increased 10% on the second anniversary of the grant date, June 26, 2006, to $29.14. The exercise price will accrete an additional ten percent (10%) before the options expire on December 3, 2009.

(5) The initial exercise price of the options was $26.49 per share. The exercise price increased 10% on the second anniversary of the grant date, June 26, 2006, to $29.14. The exercise price will accrete an additional ten percent (10%) before the options expire on May 31, 2010.

(6) Excludes Performance-Based Options where performance goals have not been established for financial statement reporting purposes pursuant to FAS 123R. 15,417 Performance-Based Options are excluded for Mr. Heller.

Option Exercises and Stock Vested

The following table summarizes exercises of stock options and vesting of restricted shares for the Named Executive Officers during 2008.

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise #**	**Value Realized on Exercise $**	**Number of Shares Acquired on Vesting #**	**Value Realized on Vesting $**
Michael A. Colliflower	2,166	17,999		
Michael E. Boxer	52,588	364,961		
Troy A. McQuagge	17,045	471,465		
James N. Plato	8,861	75,407		

Employment and Separation Agreements

During the 2008 fiscal year, the Company maintained an employment agreement with each of the Named Executive Officers and entered into a separation agreement with each Executive Officer who separated from the Company in 2008.

Hildebrand Employment Agreement

On June 5, 2008, the Company entered into an employment agreement with Mr. Hildebrand, governing the terms of his employment as the Company s Chief Executive Officer. The agreement provides for an initial term of three years and thereafter automatically renews for successive one-year terms unless either party notifies the other that it does not wish to renew the agreement. Pursuant to the terms of his employment agreement, Mr. Hildebrand is entitled to receive an annual base salary of at least $1.2 million. With respect to the first 12 months of his employment with the Company, Mr. Hildebrand will receive a guaranteed bonus of $1.6 million, with 7/12ths of this bonus vesting and being paid in December 2008 and 5/12ths of this bonus vesting and being paid in June 2009. For the Company s 2009 fiscal year, Mr. Hildebrand will have a target bonus amount of $1,600,000, and an actual bonus equal to 7/12ths of whatever bonus he earns for the year. With respect to the Company s 2010 fiscal year and following fiscal years that commence during the term of the agreement, Mr. Hildebrand will have a target bonus opportunity of $1.6 million and a maximum bonus opportunity of $3.2 million. During the term of his agreement, Mr. Hildebrand will be eligible to participate in the Company s equity and long-term incentive plans and programs as well as any employee benefit plans and perquisite programs. In connection with Mr. Hildebrand s commencement of employment with the Company, the Company agreed to provide him with relocation benefits of $75,000 in addition to 30 days of temporary living expenses (capped at $8,000).

Pursuant to the terms of his employment agreement Mr. Hildebrand is also entitled to receive long-term incentive awards as described in Long-Term Incentive Plan Awards on pages 18-19 of this Information Statement and, in connection with commencement of his employment, Mr. Hildebrand was granted an option to purchase 990,000 shares of the Company s Class A-1 common stock with the terms described in Stock Options 2006 Management Stock Option Plan on pages 16-18 of this Information Statement.

If Mr. Hildebrand s employment is terminated by the Company without Cause (as defined in the agreement), by Mr. Hildebrand for Good Reason (as defined in the agreement) or due to Mr. Hildebrand s death or Disability (as defined in the agreement), subject to his execution and non-revocation of a release of claims, Mr. Hildebrand will be entitled to the following payments and benefits: (1) except in the event of a termination due to death or Disability, an amount equal to the sum of (a) one years base salary and (b) one times his target bonus for the year of termination, payable in 12 equal monthly installments (or in a lump sum within 30 days following the date of his termination if the termination occurs after a Change of Control); (2) if the termination occurs after the last day of the first quarter of any fiscal year, a pro-rata bonus, based upon the achievement of the applicable performance goals and the number of days Mr. Hildebrand was employed in the applicable performance period; (3) 12 months of continued health and life insurance benefits; (4) to the extent then unvested and unpaid, Mr. Hildebrand s initial long-term incentive award will vest and be paid to him in accordance with its normal payment schedule; (5) the portion of any other outstanding equity which vests solely based on time/service (Time-Vested Equity) that would have vested if Mr. Hildebrand had remained employed through the first anniversary of the date of termination will vest on the date of termination and all vested options that constitute Time-Vested Equity will remain exercisable until the earlier of the expiration of the original term or the first anniversary of the date of termination; (5) the portion of any outstanding equity which vests based on the achievement of performance targets (Performance Equity) will continue to remain outstanding and be eligible to vest until the first anniversary of the date of termination (and will vest if the performance targets are achieved during this time period) and, all vested options that constitute Performance Equity will remain exercisable until the earlier of the expiration of the original term or the first anniversary of the date of vesting (if vesting occurs during the one-year look-forward period); and (6) if Mr. Hildebrand s employment is terminated without Cause or for Good Reason on or prior to the third anniversary of his start date, he will be entitled to relocation, at his choice, to either Arizona or Utah on the same terms as he was relocated to the Dallas/Ft. Worth area. In addition, if Mr. Hildebrand s employment is terminated without Cause or for Good Reason (i) after a definitive agreement is entered into which will result in a Change of Control (provided such agreement results in a Change of Control) or (ii) within six months prior to a Change of Control, any Time-Vested Equity will be treated as if it had fully vested as of the date of the Change of Control and any Performance Equity will be treated as if they had been fully vested on the date of the Change of Control to the extent the applicable performance conditions have been satisfied as of such date (and will be forfeited to the extent the applicable performance conditions have not been satisfied as of such date).

On June 30, 2008, Mr. Hildebrand purchased 57,472 shares of the Company s Class A-1 Common Stock at a purchase price of $34.80 per share, for a total investment of $2 million. Upon a termination of Mr. Hildebrand s employment for any reason other than by the Company for Cause or by Mr. Hildebrand without Good Reason prior to an initial public offering or a Change of Control, Mr. Hildebrand will have the right to sell such shares owned by him pursuant to his initial equity investment in the Company or pursuant to his initial long-term incentive award to the Company based on their Fair Market Value (as defined in the agreement) of such equity at any time during the six-month period following the six month anniversary of his termination of employment. In addition, upon a termination of Mr. Hildebrand s employment for any reason prior to an initial public offering or a Change of Control, the Company will have the right to purchase any shares held by Mr. Hildebrand at Fair Market Value (except in the event of a termination by the Company for Cause, in which case the purchase price will be at the lower of the original cost of the shares or Fair Market Value) at any time following the later of six months following (i) Mr. Hildebrand s receipt of such shares or (ii) termination of his employment.

Mr. Hildebrand is entitled to a full change-of-control parachute excise tax gross up protection on all payments and benefits due to him; provided, however, that following a Change of Control (as defined in the employment agreement), the surviving corporation would be entitled to reduce this payments (but not by more than 10%) if the reduction would allow the avoidance of the imposition of any excise tax associated with the change of control. In addition, while employed by the Company and for one year following his termination of employment, Mr. Hildebrand will be subject to certain non-competition and non-solicitation restrictions and will be subject to ongoing confidentiality restrictions. If Mr. Hildebrand breaches the non-compete, the non-solicitation or confidentiality covenants in the agreement, the Company will not be obligated to make additional payments of the cash severance described above or the pro-rata bonus and will not be obligated to provide him and his eligible dependents with any continued health and life insurance benefits and he will be required to pay back to the Company any cash severance amounts or pro-rata bonus amounts previously paid to him.

Erwin Employment Agreement

The Company entered into an employment agreement with Mr. Erwin dated September 30, 2008, governing the terms of his employment as the Company s Chief Financial Officer. The agreement provides for an initial term of three years and thereafter automatically renews for successive one-year terms unless either party notifies the other that it does not wish to renew the agreement. Pursuant to the terms of his employment agreement, Mr. Erwin is entitled to receive an annual base salary of at least $500,000. With respect to the first 12 months of his employment, Mr. Erwin is entitled to a guaranteed bonus of $500,000, with $166,666.67 paid in December 2008 (the First Installment) and $333,333.33 paid in September 2009 (the Second Installment). $83,333.34 of the First Installment and $166,666.66 of the Second Installment will be paid to Mr. Erwin in the form of shares of the Company s Class A-1 Common Stock, less applicable withholding taxes, and the balance will be payable in cash. For the Company s 2009 fiscal year, Mr. Erwin is eligible for a target bonus opportunity of 100% of base salary and a maximum bonus opportunity of not less than 200% of base salary, with the actual bonus for such fiscal year, if any, reduced by $333,333.33 (to account for portions of the year covered by the first year guaranteed bonus) and for the Company s 2010 fiscal year and following fiscal years that commence during the term of the employment agreement, Mr. Erwin is eligible for a target bonus opportunity of 100% of base salary and a maximum bonus opportunity of not less than 200% of base salary.

Pursuant to the terms of his employment agreement Mr. Erwin is also entitled to receive long-term incentive awards as described in Long-Term Incentive Plan Awards on pages 18-19 of this Information Statement and, in connection with commencement of his employment, Mr. Erwin was granted an option to purchase 175,000 shares of the Company s Class A-1 common stock with the terms described in Stock Options 2006 Management Stock Option Plan on pages 16-18 of this Information Statement.

During the term of his agreement, Mr. Erwin will be eligible to participate in the Company s equity and long-term incentive plans and programs as well as any employee benefit plans and perquisite programs. In connection with Mr. Erwin s commencement of employment with the Company, the Company agreed to provide him with relocation benefits of $75,000 in addition to up to 180 days of temporary living expenses.

If Mr. Erwin s employment is terminated by the Company without Cause (as defined in the employment agreement) or by Mr. Erwin for Good Reason (as defined in the employment agreement), subject to his execution and non-revocation of a release of claims, Mr. Erwin would be entitled to receive the following: (1) an amount equal to the sum of (a) one times his annual base salary in effect at the time of termination and (b) one times the product of (x) the base salary in effect at the time of termination and (y) the target bonus percentage for the year of termination of employment, generally payable in equal installments over the one-year period following termination of employment in accordance with the Company s regular payroll schedule; (2) if the termination occurs after the last day of the first quarter of any fiscal year, a pro-rata bonus, based upon the achievement of the applicable performance goals and the number of days Mr. Erwin was employed in the applicable performance period; (3) the time-based vesting options granted to Mr. Erwin in connection with the commencement of his employment (the Time-Based Options) that would have vested if Mr. Erwin had remained employed through the first anniversary of the date of termination will vest on the date of termination and all vested Time-Based Options will remain exercisable until the earlier of the expiration of the original term or the first anniversary of the date of termination; (4) the performance-based vesting options granted to Mr. Erwin in connection with the commencement of his employment (the Performance-Based Options) will continue to remain outstanding and be eligible to vest until the first anniversary of the date of termination (and will vest if the performance targets are achieved during this time period) and, all vested Performance-Based Options will remain exercisable until the earlier of the expiration of the

Table of Contents

original term or the first anniversary of the date of vesting (if vesting occurs during the one-year look-forward period); and (5) 12 months of continued health care benefit plans, except disability coverage.

On September 30, 2008, Mr. Erwin purchased 10,416 shares of the Company s Class A-1 Common Stock at a purchase price of $24.00 per share, for a total investm