

MCQUAGGE TROY A  
Form 4  
June 28, 2006

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

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

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

(Print or Type Responses)

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

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

SOUTHLAKE, TX 76092

(City) (State) (Zip)

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

3. Date of Earliest Transaction  
(Month/Day/Year)  
06/26/2006

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

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

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

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

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

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(9-02)

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

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities Acquired	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Security (Instr. 3 and 4)
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)		(A) or Disposed of (D) (Instr. 3, 4, and 5)		Date Exercisable	Expiration Date	Title	An or No of
			Code	V	(A)	(D)				
Stock Option	Ⓐ	06/26/2006		D		48,666	05/08/2007 <sup>(2)</sup>	05/08/2016	Class A-1 Common Stock	4
Stock Option	\$ 37	06/26/2006		D		48,667	05/08/2007 <sup>(4)</sup>	05/08/2016	Class A-1 Common Stock	4
Stock Option	Ⓔ	06/26/2006		A		48,666	06/26/2007 <sup>(6)</sup>	06/26/2016	Class A-1 Common Stock	4
Stock Option	\$ 37	06/26/2006		A		48,667	06/26/2007 <sup>(7)</sup>	06/26/2016	Class A-1 Common Stock	4

## Reporting Owners

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

## Signatures

Troy A. McQuagge By Peggy G. Simpson,  
POA 06/28/2006

        Signature of Reporting Person

        Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

The initial exercise price of the option is \$37.00. The exercise price of the option will accrete by 10% per year, starting on May 8, 2008. If the optionee exercises the option prior to May 8, 2008, the exercise price will be \$37.00. If the optionee exercises the option on or after May 8, 2008 but prior to May 8, 2009, the exercise price will be \$40.70. If the optionee exercises the option on or after May 8, 2009 but prior to May 8, 2010, the exercise price will be \$44.77. If the optionee exercises the option on or after May 8, 2010 but prior to May 8, 2011, the exercise price will be \$49.25. If the optionee exercises the option on or after May 8, 2011, the exercise price will be \$54.17.

The option vests in different increments on each of the first five anniversaries of May 8, 2006. Twenty-five percent of the option vests on May 8, 2007. Twenty-five percent of the option vests on May 8, 2008. Seventeen percent of the option vests on May 8, 2009. Seventeen percent of the option vests on May 8, 2010. The remaining 16% of the option vests on May 8, 2011.

(3) The reporting person agreed to the cancellation of an employee option granted to him on May 8, 2006 in exchange for a new employee option.

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- (4) The options vest in 20% increments on each of the first, second, third, fourth and fifth anniversaries of May 8, 2006

The initial exercise price of the option is \$37.00. The exercise price of the option will accrete by 10% per year, starting on June 26, 2008. If the optionee exercises the option prior to June 26, 2008, the exercise price will be \$37.00. If the optionee exercises the option on or

- (5) after June 26, 2008 but prior to June 26, 2009, the exercise price will be \$40.70. If the optionee exercises the option on or after June 26, 2009 but prior to June 26, 2010, the exercise price will be \$44.77. If the optionee exercises the option on or after June 26, 2010 but prior to June 26, 2011, the exercise price will be \$49.25. If the optionee exercises the option on or after June 26, 2011, the exercise price will be \$54.17.

The options vest in different increments on each of the first five anniversaries of June 26, 2006. Twenty-five percent of the option vests

- (6) on June 26, 2007. Twenty-five percent of the option vests on June 26, 2008. Seventeen percent of the option vests on June 26, 2009. Seventeen percent of the option vests on June 26, 2010. The remaining 16% of the option vests on June 26, 2011.

- (7) The options vest in 20% increments on each of the first, second, third, fourth and fifth anniversaries of June 26, 2006

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

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