

UNITEDHEALTH GROUP INC
Form S-4
November 10, 2003
Table of Contents

As filed with the Securities and Exchange Commission on November 7, 2003 Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

UNITEDHEALTH GROUP INCORPORATED

(exact name of registrant as specified in its charter)

Minnesota
(state or other jurisdiction
of organization)

6324
(primary standard industrial
classification code number)

41-1321939
(IRS employer
identification no.)

UNITEDHEALTH GROUP CENTER

9900 BREN ROAD EAST

MINNETONKA, MINNESOTA 55343

(952) 936-1300

(address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

David J. Lubben, Esq.

General Counsel

UnitedHealth Group Incorporated

UnitedHealth Group Center

9900 Bren Road East

Minnetonka, Minnesota 55343

(952) 936-1300

(name, address, including zip code, and telephone number, including area code, of agent for service)

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

Copies to:

Dannette L. Smith, Esq.	Alan J. Berkeley, Esq.
Stephen K. Kozachok, Esq.	Alissa A. Parisi, Esq.
Dorsey & Whitney LLP	Kirkpatrick & Lockhart LLP
50 South Sixth Street, Suite 1500	1800 Massachusetts Ave. N.W.
Minneapolis, Minnesota 55402	Washington, D.C. 20036-1800
(612) 340-2600	(202) 778-9000
Thomas A. Roberts, Esq.	Frederick W. Kanner, Esq.
Marita A. Makinen, Esq.	M. Adel Aslani-Far, Esq.
Weil Gotshal & Manges LLP	Dewey Ballantine LLP
767 Fifth Avenue	1301 Avenue of the Americas
New York, New York 10153	New York, New York 10019
(212) 310-8000	(212) 259-8000

APPROXIMATE DATE OF COMMENCEMENT OF THE PROPOSED SALE TO THE PUBLIC: At the effective time of the merger of Mid Atlantic Medical Services, Inc. with and into a direct wholly owned subsidiary of the Registrant, which shall occur as soon as practicable after the effective date of this Registration Statement and the satisfaction or waiver of all conditions to closing of such merger.

If the only securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

CALCULATION OF REGISTRATION FEE

Title of each class of Securities to be registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee
--	-----------------------------	---	---	----------------------------

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

Common stock, par value \$.01 per share	39,200,000	N/A	\$ 1,947,848,000	\$ 157,581
---	------------	-----	------------------	------------

- (1) Based upon the maximum number of shares of the Registrant's common stock expected to be issued in connection with the merger described herein to holders of shares of common stock of Mid Atlantic Medical Services, Inc. at the effective time of the merger.
- (2) Estimated solely for purposes of calculating the registration fee required by Section 6(b) of the Securities Act of 1933, as amended. This fee has been computed pursuant to Rules 457(c) and (f) and is based on (i) \$49.69, the average of the high and low sales price per share of common stock, par value \$0.01 per share, of Mid Atlantic Medical Services, Inc. on the New York Stock Exchange on November 5, 2003 multiplied by (ii) 39,200,000, the maximum estimated number of shares of Mid Atlantic Medical Services, Inc. common stock which will be converted into shares of Registrant common stock pursuant to the merger.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.

Table of Contents

Subject to completion, dated _____, 2003

The information in this proxy statement/prospectus is not complete and may be changed. UnitedHealth Group may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Dear MAMSI Stockholders:

You are cordially invited to attend a special meeting of stockholders of Mid Atlantic Medical Services, Inc., referred to as MAMSI, which will be held on _____, 2003 beginning at 10:00 a.m. local time at MAMSI's offices at 10 Taft Court, Rockville, Maryland 20850. At the special meeting, MAMSI's stockholders will be asked to adopt the merger agreement that MAMSI has entered into with UnitedHealth Group Incorporated and MU Acquisition LLC, a wholly owned subsidiary of UnitedHealth Group, pursuant to which the business of MAMSI will be continued by a wholly owned subsidiary of UnitedHealth Group.

As a result of the merger, MAMSI will become part of a combined company that is a national leader in forming and operating markets for the delivery of health and well-being services. Following the merger, MAMSI stockholders are expected to own in the aggregate approximately _____% of the combined company. By becoming part of a much larger health and well-being company, MAMSI's ability to market its services and expand its business is expected to be greatly enhanced. Upon completion of the merger, it is anticipated that MAMSI's operations will be integrated with those of UnitedHealth Group's Health Care Services unit and that MAMSI will continue to operate from our offices in Maryland.

In the merger, each share of your MAMSI common stock will be exchanged for 0.82 shares of UnitedHealth Group common stock and \$18.00 in cash, referred to as the merger consideration. The cash component of the merger consideration could be decreased and the stock component increased if required to preserve the intended tax treatment of the merger, as explained under the caption "The Merger Agreement Tax Adjustment" beginning on page _____ of this proxy statement/prospectus. The UnitedHealth Group common stock is listed on the New York Stock Exchange, Inc., referred to as the New York Stock Exchange, under the symbol "UNH" and the MAMSI common stock is listed on the New York Stock Exchange under the symbol "MME". The last reported sale price of UnitedHealth Group common stock on the New York Stock Exchange was _____ on _____, 2003. **The value of the merger consideration to be received by MAMSI stockholders will fluctuate with changes in the price of UnitedHealth Group's common stock if the price of UnitedHealth Group's common stock decreases, the value of the merger consideration decreases. There can be no assurance as to the market price of the UnitedHealth Group common stock at any time prior to the completion of the merger or at any time thereafter.** Stockholders are urged to obtain current market quotations for UnitedHealth Group common stock and MAMSI common stock.

Our board of directors has reviewed and considered the terms of the merger and the merger agreement and has unanimously determined that the proposed merger is advisable, fair to and in the best interests of, MAMSI and its stockholders and unanimously recommends that you vote FOR the adoption of the merger agreement.

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

Lehman Brothers Inc. and Houlihan Lokey Howard & Zukin Financial Advisors, Inc. have each rendered written opinions to our board of directors, each dated October 26, 2003, to the effect that, as of that date and based upon and subject to the matters stated in such opinions, the consideration to be received by our stockholders under the merger agreement is fair, from a financial point of view, to our stockholders. The written opinions of Lehman Brothers and Houlihan Lokey have been attached as Annexes B-1 and B-2 to the proxy statement/prospectus and you should read them carefully in their entirety.

Only stockholders who hold shares of MAMSI common stock at the close of business on _____, 2003 will be entitled to vote at the special meeting. If the merger agreement is adopted by the MAMSI stockholders, the parties intend to close the merger shortly after the special meeting and after all of the conditions to closing the merger are satisfied.

Table of Contents

The proxy statement/prospectus provides you with detailed information concerning UnitedHealth Group, MAMSI and the merger. Please give all of the information contained in the proxy statement/prospectus your careful attention. **In particular, you should carefully consider the discussion in the section entitled Risk Factors beginning on page [] of this proxy statement/prospectus.**

YOUR VOTE IS VERY IMPORTANT. MAMSI cannot complete the proposed merger unless the merger agreement is adopted by the affirmative vote of holders of a majority of the shares of MAMSI common stock outstanding on the close of business on _____, 2003. Whether or not you plan to attend the special meeting, please complete, sign, date and promptly return the accompanying proxy in the enclosed postage paid envelope. You may also vote your shares by telephone, using a toll-free number, or the Internet. Your proxy card contains instructions for using these convenient services. Returning the proxy does not deprive you of your right to attend our special meeting. If you decide to attend our special meeting and wish to change your proxy vote, you may do so by voting in person at the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote in person at the special meeting, you must obtain from the record holder a proxy issued in your name.

TO ADOPT THE MERGER AGREEMENT, YOU MUST VOTE FOR THE PROPOSAL BY FOLLOWING THE INSTRUCTIONS STATED ON THE ENCLOSED PROXY CARD. IF YOU DO NOT VOTE AT ALL, YOU WILL, IN EFFECT, HAVE VOTED AGAINST THE PROPOSAL.

If the merger is completed, you will be sent written instructions for exchanging your certificates of MAMSI common stock for UnitedHealth Group common stock and the cash payment. Please do not send in your certificates until you have received these instructions.

On behalf of the MAMSI board of directors, I thank you for your support and urge you to VOTE FOR ADOPTION of the merger agreement.

Sincerely,

Mark D. Groban, M.D.

Chairman of the Board of Directors

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the shares of UnitedHealth Group common stock to be issued in the merger, or determined if the proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The date of this proxy statement/prospectus is _____, 2003.

This proxy statement/prospectus and the form of proxy are first being mailed to the stockholders of MAMSI on or about _____, 2003.

Table of Contents

MID ATLANTIC MEDICAL SERVICES, INC.

4 Taft Court

Rockville, Maryland 20850

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON _____, 2003

To MAMSI Stockholders:

Notice is Hereby Given, that we will hold a special meeting of stockholders of Mid Atlantic Medical Services, Inc., a Delaware corporation, which is referred to as MAMSI, at 10:00 a.m., local time, on _____, 2003 at MAMSI's offices located at 10 Taft Court, Rockville, Maryland 20850, for the following purposes:

1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger by and among UnitedHealth Group Incorporated, MU Acquisition LLC, and MAMSI, dated October 26, 2003, which is referred to as the merger agreement in the enclosed documents, pursuant to which MAMSI will merge with and into MU Acquisition LLC, and MAMSI will become a wholly owned subsidiary of UnitedHealth Group, referred to as the merger. Each outstanding share of MAMSI common stock will be converted into the right to receive 0.82 shares of UnitedHealth Group common stock and \$18.00 in cash. The cash component of the merger consideration could be decreased and the stock component increased if required to preserve the intended tax treatment of the merger, as explained under the caption "The Merger Agreement Tax Adjustment" beginning on page _____ of the proxy statement/prospectus.

2. To transact such other business as may properly come before the special meeting.

We describe the merger and the merger agreement more fully in the proxy statement/prospectus attached to and forming part of this notice. You are encouraged to read the entire document carefully. As of the date of this notice, MAMSI's board of directors knows of no other business to be conducted at the special meeting.

Only stockholders of record of MAMSI common stock at the close of business on _____, 2003 are entitled to notice of, and will be entitled to vote at, the special meeting or any adjournment or postponement. Adoption of the merger agreement will require the affirmative vote of MAMSI stockholders representing a majority of the outstanding shares of MAMSI common stock entitled to vote at the special meeting.

MAMSI stockholders have the right to dissent from the merger and obtain payment in cash of the fair value of their shares of common stock under applicable provisions of Delaware law. In order to perfect dissenters' rights, stockholders must give written demand for appraisal of their shares before the taking of the vote on the merger at the special meeting and must not vote in favor of the merger. A copy of the applicable Delaware statutory provision is included as Annex C to the attached proxy statement/prospectus and a summary of this provision can be found under "Appraisal Rights for MAMSI Stockholders" beginning on page _____ of the attached proxy statement/prospectus.

Your vote is important. To ensure that your shares are represented at the special meeting, you are urged to complete, date and sign the enclosed proxy and mail it promptly in the postage-paid envelope provided, whether or not you plan to attend the special meeting in person. You may also vote your shares by telephone, using a toll-free number, or the Internet. Your proxy card contains instructions for using these convenient services.

You may revoke your proxy in the manner described in the accompanying proxy statement/prospectus at any time before it has been voted at the special meeting. If you attend the special meeting you may vote in person even if you returned a proxy. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote in person at the special meeting, you must obtain from the record holder a proxy issued in your name.

Please do not send your stock certificates at this time. If the merger is completed, you will be sent instructions regarding the surrender of your stock certificates.

BY ORDER OF THE BOARD OF DIRECTORS

Sharon C. Pavlos

Secretary

Rockville, Maryland

, 2003

Table of Contents

The information in this proxy statement/prospectus is not complete and may be changed. UnitedHealth Group may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated _____, 2003

Proxy Statement of Mid Atlantic Medical Services, Inc.

Prospectus of United Health Group Incorporated

This proxy statement/prospectus is being furnished to stockholders of Mid Atlantic Medical Services, Inc., a Delaware corporation, referred to as MAMSI, in connection with the solicitation of proxies by the board of directors of MAMSI for use at the special meeting of stockholders of MAMSI to be held on _____, 2003 at 10:00 a.m., local time, at MAMSI's offices at 10 Taft Court, Rockville, Maryland 20850. At the special meeting, holders of MAMSI common stock, \$0.01 par value, are being asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, referred to as the merger agreement, dated as of October 26, 2003, among MAMSI, UnitedHealth Group Incorporated, a Minnesota corporation, referred to as UnitedHealth Group, and MU Acquisition LLC, a Delaware limited liability company and a wholly owned subsidiary of UnitedHealth Group, providing for, among other things, the merger of MAMSI with and into MU Acquisition LLC. A copy of the merger agreement is attached hereto as Annex A and made part hereof.

At the effective time of the merger, MAMSI will merge with and into MU Acquisition LLC. Each outstanding share of MAMSI common stock will be converted into the right to receive 0.82 shares of UnitedHealth Group common stock and \$18.00 in cash. The cash component of the merger consideration could be decreased and the stock component increased if required to preserve the intended tax treatment of the merger, as explained under the caption "The Merger Tax Adjustment" on page _____ of this proxy statement/prospectus. For additional information regarding the terms of the merger, see the merger agreement attached as Annex A hereto and the discussion under the caption "The Merger" herein. Completion of the merger is conditioned upon, among other things, receipt of all required shareholder and regulatory approvals.

The UnitedHealth Group common stock is listed on the New York Stock Exchange, Inc., under the symbol "UNH" and the MAMSI common stock is listed on the New York Stock Exchange under the symbol "MME". The last reported sale price of UnitedHealth Group common stock on the New York Stock Exchange was _____ on _____, 2003. **There can be no assurance as to the market price of the UnitedHealth Group common stock at any time prior to the effective time of the merger or at any time thereafter.** Stockholders are urged to obtain current market quotations for UnitedHealth Group common stock and MAMSI common stock.

MAMSI stockholders are strongly urged to read and consider carefully this proxy statement/prospectus in its entirety, particularly the matters referred to under "Risk Factors" starting on page [].

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the shares of UnitedHealth Group common stock to be issued in the merger, or determined if the proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

The date of this proxy statement/prospectus is _____, 2003.

This proxy statement/prospectus and the form of proxy are first being mailed to the stockholders of MAMSI on or about _____, 2003.

Table of Contents**TABLE OF CONTENTS**

	<u>Page</u>
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER</u>	1
<u>SUMMARY OF THE PROXY STATEMENT/PROSPECTUS</u>	4
<u>The Companies</u>	4
<u>Structure of the Transaction</u>	5
<u>Stockholder Approval</u>	6
<u>Recommendation of MAMSI's Board of Directors</u>	6
<u>Fairness Opinions</u>	6
<u>Risk Factors</u>	6
<u>Conditions to the Merger</u>	7
<u>Termination of the Merger Agreement</u>	7
<u>Payment of Termination Fee</u>	8
<u>No Solicitation of Transactions Involving MAMSI</u>	8
<u>Interests of Certain Persons in the Merger</u>	8
<u>Material U.S. Federal Income Tax Consequences of the Merger</u>	9
<u>Accounting Treatment</u>	9
<u>Regulatory Approvals</u>	9
<u>Restrictions on the Ability to Sell UnitedHealth Group Common Stock</u>	9
<u>Dissenters' or Appraisal Rights</u>	9
<u>Surrender of Stock Certificates</u>	10
<u>Certain Effects of the Merger</u>	10
<u>SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF UNITEDHEALTH GROUP INCORPORATED</u>	11
<u>SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF MID ATLANTIC MEDICAL SERVICES, INC.</u>	12
<u>MARKET PRICE AND DIVIDEND INFORMATION</u>	13
<u>Recent Closing Prices</u>	13
<u>Historical Market Price Data</u>	13
<u>Dividend Information</u>	14
<u>Number of Stockholders</u>	14
<u>Shares Held by Certain Stockholders</u>	14
<u>UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION</u>	15
<u>UNAUDITED COMPARATIVE PER SHARE DATA</u>	21
<u>RECENT DEVELOPMENTS</u>	22
<u>RISK FACTORS</u>	23
<u>Risks Associated with the Merger</u>	23
<u>Risks Related to UnitedHealth Group's Business</u>	26
<u>Risks Related to MAMSI's Business</u>	27
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	27
<u>THE SPECIAL MEETING OF MAMSI STOCKHOLDERS</u>	29
<u>Date, Time and Place of the Special Meeting</u>	29
<u>Matters to be Considered at the Special Meeting</u>	29
<u>Record Date and Shares Entitled to Vote</u>	29
<u>Vote Required</u>	29
<u>Voting of Proxies: Revocation of Proxies</u>	29

Table of Contents

<u>Holdings of MAMSI Options</u>	30
<u>Quorum: Broker Abstentions and Broker Non-Votes</u>	30
<u>Expenses of Solicitation</u>	31
<u>Householding</u>	31
<u>Board Recommendation</u>	31
<u>THE MERGER</u>	32
<u>General Description of the Merger</u>	32
<u>Background of the Merger</u>	32
<u>UnitedHealth Group's Reasons for the Merger</u>	37
<u>MAMSI's Reasons for the Merger and Board of Directors Recommendation</u>	38
<u>Opinions of MAMSI's Financial Advisors</u>	41
<u>Opinion of Lehman Brothers Inc.</u>	41
<u>Opinion of Houlihan Lokey Howard & Zukin Financial Advisors, Inc.</u>	48
<u>Other Financial Advisory Services</u>	55
<u>Completion and Effectiveness of the Merger</u>	56
<u>Operations Following the Merger</u>	56
<u>Interests of Certain Persons in the Merger</u>	57
<u>Indemnification and Insurance</u>	61
<u>MAMSI Common Stock Ownership</u>	61
<u>Regulatory Matters</u>	63
<u>Material U.S. Federal Income Tax Consequences of the Merger</u>	63
<u>Accounting Treatment</u>	66
<u>Dissenters' or Appraisal Rights</u>	66
<u>Restrictions on Sale of Shares by Affiliates of MAMSI and UnitedHealth Group</u>	66
<u>Stock Market Listing</u>	67
<u>THE MERGER AGREEMENT</u>	68
<u>Structure of the Merger, Conversion of MAMSI Common Stock and Termination of the Stock Compensation Trust</u>	68
<u>Closing and Effective Time</u>	69
<u>Tax Adjustment</u>	69
<u>Surrender of MAMSI Stock Certificates</u>	69
<u>Dividends</u>	69
<u>Representations and Warranties</u>	69
<u>Concept of Material Adverse Effect</u>	71
<u>MAMSI's Conduct of Business Before Completion of the Merger</u>	71
<u>No Solicitation of Transactions</u>	73
<u>Conditions to the Merger</u>	74
<u>Termination of the Merger Agreement</u>	74
<u>Payment of Fees and Expenses</u>	75
<u>Amendments, Extension and Waivers</u>	76
<u>APPRAISAL RIGHTS FOR MAMSI STOCKHOLDERS</u>	77
<u>CERTAIN INFORMATION CONCERNING UNITEDHEALTH GROUP</u>	80
<u>Directors</u>	80
<u>Director Compensation</u>	82
<u>Executive Officers of UnitedHealth Group</u>	82
<u>SUMMARY COMPENSATION TABLE</u>	84
<u>OPTION GRANTS IN 2002</u>	85
<u>AGGREGATED OPTION EXERCISES IN 2002 AND OPTION VALUES AT DECEMBER 31, 2002</u>	85
<u>PERFORMANCE AWARDS UNDER EXECUTIVE INCENTIVE PLAN - AWARDS IN LAST FISCAL YEAR</u>	86

Table of Contents

<u>Executive Employment Agreements</u>	86
<u>Executive Savings Plans</u>	89
<u>UnitedHealth Group Common Stock Ownership</u>	89
<u>Properties</u>	91
<u>Employees</u>	91
<u>Certain Relationships and Transactions</u>	91
<u>COMPARISON OF RIGHTS OF SHAREHOLDERS OF UNITEDHEALTH GROUP AND STOCKHOLDERS OF MAMSI</u>	92
<u>Shareholder Meetings</u>	92
<u>Right to Call Special Meetings</u>	92
<u>Actions by Written Consent of Shareholders/Stockholders</u>	93
<u>Rights of Dissenting Shareholders/Stockholders</u>	93
<u>Board of Directors</u>	94
<u>Filling Vacancies on the Board of Directors</u>	94
<u>Amendments to Bylaws and Articles</u>	95
<u>Indemnification of Directors, Officers and Employees</u>	96
<u>Liabilities of Directors</u>	97
<u>Shareholder/Stockholder Approval of Merger</u>	97
<u>Business Combinations, Control Share Acquisitions and Anti-Takeover Provisions</u>	98
<u>Preemptive Rights</u>	100
<u>Advance Notice Requirements of Shareholder/Stockholder Proposals</u>	100
<u>DESCRIPTION OF UNITEDHEALTH GROUP CAPITAL STOCK</u>	101
<u>UnitedHealth Group Common Stock</u>	101
<u>UnitedHealth Group Preferred Stock</u>	101
<u>Special Voting Rights</u>	101
<u>Board of Directors</u>	101
<u>Transfer Agent and Registrar</u>	101
<u>EXPERTS</u>	102
<u>LEGAL MATTERS</u>	102
<u>FUTURE SHAREHOLDER PROPOSALS</u>	103
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	103
<u>CERTAIN INFORMATION REGARDING UNITEDHEALTH GROUP AND MAMSI</u>	104
<u>Annex A</u>	Agreement and Plan of Merger
<u>Annex B-1</u>	Opinion of Lehman Brothers Inc.
<u>Annex B-2</u>	Opinion of Houlihan Lokey Howard & Zukin Financial Advisors, Inc.
<u>Annex C</u>	Appraisal Rights under Section 262 of the Delaware General Corporation Law
<u>Annex D</u>	MAMSI Annual Report on Form 10-K for the fiscal year ended December 31, 2002
<u>Annex E</u>	MAMSI Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2003
<u>Annex F</u>	UnitedHealth Group Annual Report on Form 10-K for the fiscal year ended December 31, 2002
<u>Annex G</u>	UnitedHealth Group Selected Financial Data for the fiscal year ended December 31, 2002
<u>Annex H</u>	UnitedHealth Group Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2002
<u>Annex I</u>	UnitedHealth Group Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2003

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: WHY ARE WE PROPOSING TO MERGE?

A: As a result of the merger, MAMSI will become part of a combined company that is a national leader in forming and operating markets for the delivery of health and well-being services. By becoming part of a much larger health and well-being company, MAMSI's ability to market its services, expand its business and serve its members is expected to be greatly enhanced. Upon completion of the merger, it is anticipated that MAMSI's operations will be integrated with those of UnitedHealth Group's Health Care Services unit.

Q: WHAT WILL HAPPEN IN THE MERGER?

A: In the merger, MAMSI will merge with and into the merger subsidiary, MU Acquisition LLC, which is a wholly owned subsidiary of UnitedHealth Group, with MU Acquisition LLC continuing after the merger as the surviving entity and a wholly owned subsidiary of UnitedHealth Group.

Q: AS A MAMSI STOCKHOLDER, WHAT WILL I RECEIVE IN THE MERGER?

A: If the merger is completed, for each share of MAMSI common stock you own, you will receive 0.82 shares of UnitedHealth Group common stock and \$18.00 in cash, referred to as the merger consideration. The cash component of the merger consideration could be decreased and the stock component increased if required to preserve the intended tax treatment of the merger, as explained under the caption "The Merger Agreement Tax Adjustment" beginning on page [redacted] of this proxy statement/prospectus. UnitedHealth Group will not issue fractional shares of common stock. Instead, in lieu of any fractional share that you would otherwise receive, you will receive cash based on the closing market price of UnitedHealth Group common stock as of the effective date of the merger or, if such date is not a trading day, the last trading day prior to the effective date of the merger. Following the merger, MAMSI stockholders are expected to own in the aggregate approximately [redacted] % of the outstanding shares of UnitedHealth Group common stock.

Q: CAN THE VALUE OF THE TRANSACTION CHANGE BETWEEN NOW AND THE TIME THE MERGER IS COMPLETED?

A: Yes. The value of the merger consideration composed of UnitedHealth Group common stock can change. The 0.82 exchange ratio is a fixed exchange ratio, meaning that you will receive 0.82 shares of UnitedHealth Group common stock for each share of MAMSI common stock you own plus \$18.00 in cash regardless of the trading price of UnitedHealth Group common stock on the effective date of the merger. The cash component of the merger consideration could be decreased and the stock component increased if required to preserve the intended tax treatment of the merger, as explained under the caption "The Merger Agreement Tax Adjustment" beginning on page [redacted] of this proxy statement/prospectus. The market value of the total transaction, and of the UnitedHealth Group common stock you may receive in the merger, will increase or decrease as the trading price of UnitedHealth Group's common stock increases or decreases. There can be no assurance as to the market price of the UnitedHealth Group common stock at any time prior to the completion of the merger or at any time thereafter. Stockholders are urged to obtain current market quotations for UnitedHealth Group common stock and MAMSI common stock.

Q: AS A HOLDER OF OPTIONS TO PURCHASE MAMSI COMMON STOCK, WHAT WILL I RECEIVE IN THE MERGER?

A: During the thirty-day period prior to the effective date of the merger, each holder of an outstanding option to purchase a share of MAMSI common stock (whether or not then vested or exercisable by its terms) will have the opportunity to exercise such stock options upon payment of the exercise price in accordance with the terms of the applicable MAMSI stock plan, or, at the option of MAMSI, on a net cashless exercise basis upon delivery to MAMSI of an exercise agreement. Except for vested options being exercised in accordance with the terms of the applicable MAMSI stock plan, such option exercises will be deemed effective as of, and conditioned upon, the completion of the merger. Each outstanding option to purchase a share of MAMSI that is not exercised prior to the effective date of the merger will be cancelled upon the effective date of the merger and no consideration will be paid for such options.

Table of Contents

Q: WHEN AND WHERE WILL THE SPECIAL MEETING TAKE PLACE?

A: The special meeting is scheduled to take place at 10:00 a.m., local time, on _____, 2003, at MAMSI's offices located at 10 Taft Court, Rockville, Maryland 20850.

Q: WHO IS ENTITLED TO VOTE AT THE SPECIAL MEETING?

A: Holders of record of MAMSI common stock as of the close of business on _____, 2003, referred to as the record date, are entitled to vote at the special meeting. Each stockholder has one vote for each share of MAMSI common stock he, she, or it owns on the record date.

Q: WHAT VOTE IS REQUIRED TO ADOPT THE MERGER AGREEMENT?

A: The affirmative vote of a majority of the shares of MAMSI common stock outstanding as of the record date is required to adopt the merger agreement.

MAMSI's board of directors unanimously recommends that MAMSI stockholders vote FOR adoption of the merger agreement.

Q: WHAT DO I NEED TO DO NOW?

A: After carefully reading and considering the information contained in this proxy statement/prospectus, please mail your signed proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at the special meeting. You may also vote your shares by telephone, using a toll-free number, or the Internet. Votes by telephone or the Internet must be received by _____ .m., eastern time, on _____, 2003. Your proxy card contains instructions for using these convenient services. You may also attend the special meeting and vote in person. If your shares are held in _____ street name by your broker or bank, your broker or bank will vote your shares only if you provide instructions on how to vote. You should follow the directions provided by your broker or bank regarding how to instruct your broker to vote your shares.

Q: WHAT IF I DO NOT VOTE?

A: It is very important for you to vote. If you do not submit a proxy or instruct your broker how to vote your shares if your shares are held in _____ street name, and you do not vote by telephone, the Internet or in person at the special meeting, the effect will be the same as if you voted _____ AGAINST the adoption of the merger agreement. If you submit a signed proxy without specifying the manner in which you would like your shares to be voted, your shares will be voted _____ FOR the adoption of the merger agreement. However, if your shares are held in _____ street name and you do not instruct your broker how to vote your shares, your broker will leave your shares unvoted, referred to as a broker non-vote, which will have the same effect as voting _____ AGAINST the adoption of the merger agreement. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. This ensures that your shares will be voted at the special meeting.

Q: CAN I CHANGE MY VOTE AFTER I HAVE DELIVERED MY PROXY?

A: Yes. You may change your vote at any time before the vote takes place at the special meeting. To change your vote, you may submit a later dated proxy card by mail, telephone or the Internet, or send a written notice to the Secretary of MAMSI stating that you would like to revoke your proxy. You may also change your vote by attending the special meeting and voting in person. However, if you elect to vote in person at the special meeting and your shares are held by a broker, bank or other nominee, you must bring to the meeting a legal proxy from the broker, bank or other nominee authorizing you to vote the shares.

Q: WILL A PROXY SOLICITOR BE USED?

A: Yes. MAMSI has engaged Morrow & Co., Inc. to assist in the solicitation of proxies for the special meeting.

Table of Contents

Q: DO I NEED TO ATTEND THE SPECIAL MEETING IN PERSON?

A: No, it is not necessary for you to attend the special meeting to vote your shares if MAMSI has previously received your proxy, although you are welcome to attend.

Q: SHOULD I SEND IN MY STOCK CERTIFICATES NOW?

A: No. After we complete the merger, The Bank of New York, acting as our exchange agent, will send you instructions explaining how to exchange your shares of MAMSI common stock for the appropriate number of UnitedHealth Group common stock shares and cash. **Please do not send in your stock certificates with your proxy.**

Q: WHEN DO YOU EXPECT TO COMPLETE THE MERGER?

A: We are working to complete the merger as quickly as possible. We currently anticipate that the merger will be completed as promptly as practicable after the special meeting, likely in the first quarter of 2004. However, because the merger is subject to closing conditions, including approval under the Hart-Scott-Rodino Act and the approval of regulatory agencies, such as the Maryland Insurance Administration and the Departments of Insurance of each of North Carolina and Pennsylvania, we cannot predict the exact timing.

Q: WHAT ARE THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER TO ME?

A: Assuming the merger is completed as currently contemplated, we expect that, for U.S. federal income tax purposes, you generally will recognize gain, but not loss, as a result of the merger but generally will not recognize gain in excess of the cash, including cash in lieu of fractional shares, you receive in the merger. This treatment may not apply to all MAMSI stockholders. For further information concerning U.S. federal income tax consequences of the merger, please see **Material U.S. Federal Income Tax Consequences of the Merger** beginning on page of this proxy statement/prospectus.

Tax matters are very complicated and the consequences of the merger to any particular MAMSI stockholder will depend on that stockholder's particular facts and circumstances. You are urged to consult your own tax advisor to determine your own tax consequences from the merger.

Q: WILL I HAVE APPRAISAL RIGHTS AS A RESULT OF THE MERGER?

A: Yes. In order to exercise your appraisal rights, you must follow the requirements of Delaware law. A copy of the applicable Delaware statutory provision is included as Annex C to the proxy statement/prospectus and a summary of this provision can be found under **Appraisal Rights for MAMSI Stockholders** beginning on page of this proxy statement/prospectus.

Q: HOW WILL MAMSI STOCKHOLDERS RECEIVE THE MERGER CONSIDERATION?

A: Following the merger, you will receive a letter of transmittal and instructions on how to obtain shares of UnitedHealth Group and cash in exchange for MAMSI common stock. You must return the completed letter of transmittal and your MAMSI stock certificates as described in the instructions, and you will receive your portion of the merger consideration as soon as practicable after The Bank of New York, as the exchange agent, receives your completed letter of transmittal and MAMSI stock certificates. If you hold shares through a brokerage account, your broker will handle the surrender of stock certificates to The Bank of New York.

Q: WHO CAN I CALL WITH QUESTIONS?

A: If you have any questions about the merger or other matters discussed in this proxy statement/prospectus, you should contact Morrow & Co., Inc. at (212) 754-8000.

Table of Contents

SUMMARY OF THE PROXY STATEMENT/PROSPECTUS

This summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. You should carefully read this entire document and the other documents referred to for a more complete understanding of the merger agreement and the merger. In particular, you should read the documents attached to this proxy statement/prospectus, including the merger agreement and the fairness opinions, which are attached as Annexes A, B-1, and B-2 and made part hereof. In addition, we have attached hereto as Annexes D, E, F, G, H and I important business and financial information about MAMSI and UnitedHealth Group, which information is made part of this proxy statement/prospectus. This summary and the balance of this proxy statement/prospectus contain forward-looking statements about events that are not certain to occur as described or at all, and you should not place undue reliance on those statements. Please carefully read Cautionary Statement Regarding Forward-Looking Statements beginning on page _____ of this proxy statement/prospectus.

The Companies

Mid Atlantic Medical Services, Inc.

4 Taft Court

Rockville, Maryland 20850

(301) 294-5140

MAMSI is a holding company for subsidiaries active in managed health care and other life and health insurance related activities. MAMSI and its subsidiaries offer a broad range of health care coverage and related ancillary products and deliver these services through health maintenance organizations, a preferred provider organization, and a life and health insurance company. MAMSI also owns a home health care company, a home infusion services company, a hospice company, a coordination of benefits identification and collections company and maintains a partnership interest in an outpatient surgery center. MAMSI was incorporated in Delaware in 1986.

For further information concerning MAMSI, please refer to MAMSI's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, attached as Annex D, and its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003, attached as Annex E, both of which are attached hereto and made part of this proxy statement/prospectus.

UnitedHealth Group Incorporated

UnitedHealth Group Center

9900 Bren Road East

Minnetonka, Minnesota 55343

(952) 936-1300

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

UnitedHealth Group is a leader in the health and well-being industry, serving more than 50 million Americans. Through its family of businesses, UnitedHealth Group combines clinical insight with consumer-friendly services and advanced technology to help people achieve optimal health and well being through all stages of life. UnitedHealth Group conducts its business primarily through its operating divisions in four business segments.

UnitedHealth Group's Uniprise segment serves the employee benefit needs of large organizations by developing cost-effective health care access and benefit strategies and programs, technology and service-driven solutions tailored to the specific needs of each corporate customer. Uniprise offers consumers access to a wide spectrum of health and well-being products and services.

UnitedHealth Group's Health Care Services segment consists of the UnitedHealthcare, Ovations and AmeriChoice businesses. UnitedHealthcare coordinates health and well-being services on behalf of local employers and consumers nationwide. Ovations provides health and well-being services for Americans age 50 and older, addressing their unique needs for preventative and acute health care services, for services dealing with chronic disease and for responding to specialized issues relating to their overall well-being. AmeriChoice engages in facilitating health care benefits and services for state Medicaid programs and their beneficiaries.

Table of Contents

UnitedHealth Group's Specialized Care Services segment is a portfolio of health and well-being companies, each serving a specific market need with a unique blend of benefits, provider networks, services and resources. Specialized JCare Services provides comprehensive products and services that are focused on highly specialized health care needs, such as mental health and chemical dependency, employee assistance, specialty networks, vision and dental services, chiropractic services, health-related information and other health and well-being services.

UnitedHealth Group's Ingenix segment is a leader in the field of health care data and information, research, analysis and application. Ingenix serves multiple health care markets on a business-to-business basis, including pharmaceutical companies, health insurers and other payers, physicians and other health care providers, large employers and government agencies.

UnitedHealth Group Incorporated, formerly known as United HealthCare Corporation, is a Minnesota corporation, incorporated in January 1977. For further information concerning UnitedHealth Group, please see Certain Information Concerning UnitedHealth Group beginning on page _____ and refer to UnitedHealth Group's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, attached hereto as Annex F, its Selected Financial Data for the fiscal year ended December 31, 2002, attached hereto as Annex G, its Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2002, as attached hereto as Annex H, and its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003, attached hereto as Annex I, all of which Annexes are made part of this proxy statement/prospectus.

MU Acquisition LLC

UnitedHealth Group Center

9900 Bren Road East

Minnetonka, Minnesota 55343

(952) 936-1300

MU Acquisition LLC is a Delaware limited liability company formed by UnitedHealth Group on October 24, 2003 for the sole purpose of effecting the merger. This is the only business of MU Acquisition LLC.

Structure of the Transaction (see page _____)

MAMSI will merge with and into MU Acquisition LLC, a newly formed, wholly owned subsidiary of UnitedHealth Group. MU Acquisition LLC will be the surviving entity and will continue as a wholly owned subsidiary of UnitedHealth Group, and will succeed to and assume all the rights and obligations of MAMSI. Holders of MAMSI common stock (other than holders perfecting appraisal rights, see Appraisal Rights for MAMSI Stockholders beginning on page _____) will receive 0.82 shares of UnitedHealth Group common stock and \$18.00 in cash for each share of MAMSI common stock they own. The cash component of the merger consideration could be decreased and the stock component increased if required to preserve the intended tax treatment of the merger, as explained under the caption The Merger Agreement Tax Adjustment beginning on page _____. Stockholders will receive cash for any fractional shares that they would otherwise receive in the merger. UnitedHealth Group intends to change the name of the surviving entity to MAMSI promptly following the merger.

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

During a thirty-day period prior to the effective date of the merger, each holder of an outstanding option to purchase a share of MAMSI common stock (whether or not then vested or exercisable by its terms) will have the opportunity to exercise such stock options upon payment of the exercise price in accordance with the terms of the applicable MAMSI stock plan, or, at the option of MAMSI, on a net cashless exercise basis upon delivery to MAMSI of an exercise agreement. Except for vested options being exercised in accordance with the terms of the applicable MAMSI stock plan, such option exercises will be deemed effective as of, and conditioned upon, the completion of the merger. Each outstanding option to purchase a share of MAMSI common stock that is not exercised prior to the effectiveness of the merger will be cancelled upon the effectiveness of the merger and no consideration will be paid for such options.

The merger agreement is attached to this proxy statement/prospectus as Annex A. Stockholders of MAMSI are encouraged to carefully read the merger agreement in its entirety.

Table of Contents

Stockholder Approval (see page)

In order for the merger to be completed, holders of a majority of the shares of MAMSI common stock outstanding as of the record date must adopt the merger agreement. UnitedHealth Group shareholders are not required to adopt the merger agreement.

You are entitled to cast one vote per share of MAMSI common stock you owned as of , 2003, the record date.

Recommendation of MAMSI's Board of Directors (see page)

After careful consideration, MAMSI's board of directors has unanimously approved and adopted the merger agreement and determined that the merger is advisable, fair to and in the best interests of, MAMSI and its stockholders and unanimously recommends that MAMSI stockholders vote FOR adoption of the merger agreement.

Fairness Opinions

Opinion of Lehman Brothers Inc. (see page)

On October 26, 2003, Lehman Brothers Inc., referred to as Lehman Brothers, rendered its written opinion to MAMSI's board of directors that, as of such date, and based upon and subject to specified matters set forth in the opinion, from a financial point of view, the consideration offered to the MAMSI stockholders in the merger is fair to such stockholders.

The full text of the written Lehman Brothers opinion is attached as Annex B-1 to this proxy statement/prospectus. MAMSI stockholders should read the opinion for a discussion of the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Lehman Brothers in rendering its opinion.

Lehman Brothers provided its opinion for the information and assistance of the MAMSI board of directors in connection with its consideration of the merger. The Lehman Brothers opinion is not intended to be and does not constitute a recommendation to any MAMSI stockholder as to how such stockholder should vote in connection with the merger.

Opinion of Houlihan Lokey Howard & Zukin Financial Advisors, Inc. (see page)

Houlihan Lokey Howard & Zukin Financial Advisors, Inc., referred to as Houlihan Lokey, delivered its written opinion to MAMSI's board of directors to the effect that, as of October 26, 2003, and based upon and subject to the considerations set forth in its opinion, the \$18.00 in cash

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

and 0.82 shares of UnitedHealth Group's common stock to be paid for each share of MAMSI common stock is fair, from a financial point of view, to the holders of MAMSI common stock.

The written opinion of Houlihan Lokey is attached as Annex B-2 to this proxy statement/prospectus. MAMSI stockholders should read the opinion for a discussion of the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Houlihan Lokey in providing its opinion.

The written opinion of Houlihan Lokey is directed to MAMSI's board of directors and addresses only the fairness from a financial point of view to the holders of MAMSI's common stock, as of the date of the opinion, of the per share merger consideration to be paid by UnitedHealth Group pursuant to the merger agreement. The written opinion of Houlihan Lokey does not address any other aspect of the transaction and does not constitute a recommendation to MAMSI's stockholders as to how to vote at MAMSI's stockholder meeting.

Risk Factors (see page)

See **Risk Factors** for a discussion of factors you should carefully consider before deciding how to vote your shares of MAMSI common stock at the special meeting.

Table of Contents

Conditions to the Merger (see page)

The parties' obligations to complete the merger are subject to the prior satisfaction or waiver of conditions specified in the merger agreement. The following conditions, in addition to other customary closing conditions, must be satisfied or waived before the completion of the merger:

the merger agreement must be adopted by the holders of a majority of the outstanding shares of MAMSI common stock as of the record date;

the waiting period under the Hart-Scott-Rodino Act must have been terminated or expired;

specified governmental consents, including State Department of Health and/or State Department of Insurance approvals, must be obtained without conditions which would reasonably be expected to have a material adverse effect on UnitedHealth Group or MAMSI or materially impair the anticipated long-term benefits of the merger;

the shares of UnitedHealth Group common stock issuable to MAMSI stockholders must have been approved for listing, subject to official notice of issuance, on the New York Stock Exchange;

each party must have received an opinion of counsel to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

there must be no litigation or other proceeding by a governmental entity pending or threatened seeking (i) to prohibit the ownership or operation of MAMSI by UnitedHealth Group, (ii) to impair the ownership or operation of MAMSI by UnitedHealth Group (including by requiring disposal of assets), or (iii) damages, which in the case of (ii) or (iii) would reasonably be expected to have a material adverse effect on UnitedHealth Group or MAMSI or materially impair the anticipated long-term benefits of the merger;

there must be no legal restraint in effect which would reasonably be likely to have any of the effects set forth in (i) through (iii) of the above bullet point;

the representations and warranties of each party set forth in the merger agreement must be true and correct without giving effect to any qualification as to materiality or material adverse effect, except where the failure to be true and correct would not reasonably be likely to have a material adverse effect on such party, in each case as of the date of the merger agreement and as of the date the merger is to be completed;

the parties to the merger agreement must have performed in all material respects all of their agreements and covenants required by the merger agreement; and

the registration statement, of which this proxy statement/prospectus is a part, must be effective under the Securities Act of 1933 and must not be the subject of any stop order or pending or threatened proceeding seeking a stop order.

Termination of the Merger Agreement (see page)

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

The merger agreement may be terminated by mutual consent, or by either UnitedHealth Group or MAMSI under specified circumstances, at any time before the completion of the merger, including:

if the merger is not completed, through no fault of the terminating party, by July 31, 2004;

if the MAMSI stockholders do not adopt the merger agreement at the special meeting;

if any legal restraint having the effect of (i) prohibiting the ownership or operation of MAMSI by UnitedHealth Group, (ii) impairing the ownership of MAMSI by UnitedHealth Group (including by requiring disposal of assets) or (iii) awarding damages, which in the case of (ii) or (iii) would reasonably be expected to have a material adverse effect on UnitedHealth Group or MAMSI or materially impair the anticipated long-term benefits of the merger, shall be in effect and shall have become final and nonappealable; or

Table of Contents

if the other party has breached any of its representations and warranties or failed to perform any of its covenants and the breach or failure to perform would give rise to the failure of specified closing conditions and is not cured or curable within 30 days following receipt of notice of the breach.

In addition, the merger agreement may be terminated by UnitedHealth Group within 45 days of the date on which the MAMSI board of directors (i) withdraws (or modifies in a manner adverse to UnitedHealth Group) its recommendation of the merger agreement or recommends an alternate takeover proposal or (ii) fails to publicly confirm its recommendation of the merger agreement within three business days after a written request by UnitedHealth Group that it do so.

Payment of Termination Fee (see page)

MAMSI has agreed to pay UnitedHealth Group a termination fee of \$116,388,089 if the merger agreement is terminated under several specified circumstances. See The Merger Agreement Payment of Fees and Expenses beginning on page .

No Solicitation of Transactions Involving MAMSI (see page)

MAMSI has agreed, subject to limited exceptions, that it will not, whether directly or indirectly, until the merger is completed or the merger agreement is terminated:

solicit, initiate, cause, knowingly encourage or knowingly facilitate any inquiries or takeover proposals (as described below); or

participate in discussions or negotiations with, or furnish any information to, a third party in connection with or furtherance of a takeover proposal.

However, prior to the special meeting, MAMSI may, in response to an unsolicited takeover proposal by a third party, and with two business days written notice to UnitedHealth Group, furnish information to, pursuant to a confidentiality agreement no less restrictive than the one with UnitedHealth Group, and participate in discussions with, such third party regarding the takeover proposal if:

MAMSI's board of directors determines in good faith that the takeover proposal constitutes, or is reasonably likely to constitute, a superior proposal (as described below), and

MAMSI's board of directors determines in good faith, after receiving advice from its outside legal counsel, that such action is necessary in order to comply with its fiduciary duties under applicable law.

A takeover proposal is any inquiry, proposal or offer (other than the proposed merger) for a merger, consolidation or other business combination with MAMSI, for the issuance of 20% or more of the equity securities of MAMSI as consideration for the assets or securities of a third party or for the acquisition of 20% or more of the assets or equity securities of MAMSI. A superior proposal is a takeover proposal to acquire 50% or more of the outstanding capital stock of MAMSI, or all or substantially all of the assets of MAMSI and its subsidiaries, taken as a whole, (i) on terms that the MAMSI board determines, in good faith, with advice from an independent financial advisor and outside legal counsel, to be more

favorable to MAMSI's stockholders from a financial point of view than the terms of the merger with UnitedHealth Group and (ii) which is reasonably likely to be completed.

Interests of Certain Persons in the Merger (see page)

Certain executive officers and directors of MAMSI have interests in the merger that are different from and in addition to the interests of MAMSI stockholders generally. Certain executive officers of MAMSI have entered into employment agreements with UnitedHealth Group that become effective upon completion of the merger. Certain executive officers of MAMSI will receive change in control benefits upon completion of the merger. In addition, in connection with the merger, stock options granted to certain executive officers will immediately vest

Table of Contents

and become exercisable in accordance with MAMSI's stock option plans. UnitedHealth Group also agreed in the merger agreement to indemnify and provide liability insurance to MAMSI's officers and directors. The directors of MAMSI and UnitedHealth Group knew about these additional interests and considered them when they approved the merger.

Material U.S. Federal Income Tax Consequences of the Merger (see page)

The completion of the merger is conditioned on the receipt by MAMSI and UnitedHealth Group of tax opinions from their respective counsel dated as of the date of the merger to the effect that the merger will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Assuming the merger so qualifies, MAMSI stockholders generally will recognize gain, but not loss, for U.S. federal income tax purposes as a result of the merger but generally will not recognize gain in excess of the cash they receive in the merger. This treatment may not apply to all MAMSI stockholders. For further information concerning U.S. federal income tax consequences of the merger, please see "Material U.S. Federal Income Tax Consequences of the Merger" beginning on page .

Tax matters are very complicated and the consequences of the merger to any particular MAMSI stockholder will depend on that stockholder's particular facts and circumstances. MAMSI stockholders are urged to consult their own tax advisors to determine their own tax consequences from the merger.

Accounting Treatment (see page)

UnitedHealth Group will account for the merger under the purchase method of accounting for business combinations.

Regulatory Approvals (see page)

The merger is subject to U.S. antitrust laws. UnitedHealth Group and MAMSI have made the required filings with the U.S. Department of Justice and the Federal Trade Commission, and the applicable waiting period was terminated on . The Department of Justice or the Federal Trade Commission, as well as a state or private person, may challenge the merger at any time before or after its completion.

In addition, the Departments of Insurance of the States of Maryland, Pennsylvania and North Carolina must approve UnitedHealth Group's acquisition of control of MAMSI and certain MAMSI subsidiaries. On October 31, 2003, UnitedHealth Group filed a Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer as required by law, with the Maryland Insurance Administration and on November 3, 2003 with the North Carolina Department of Insurance. In addition, the parties must file pre-notifications of merger with the insurance departments of various states in which MAMSI and its subsidiaries conduct business. These approvals are more fully described at "The Merger" Regulatory Matters.

Restrictions on the Ability to Sell UnitedHealth Group Common Stock (see page)

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

All shares of UnitedHealth Group common stock you receive in connection with the merger will be freely transferable unless you are considered an affiliate of either MAMS1 or UnitedHealth Group for the purposes of the Securities Act of 1933, in which case you will be permitted to sell the shares of UnitedHealth Group common stock you receive in the merger only pursuant to an effective registration statement or an exemption from the registration requirements of the Securities Act of 1933. This proxy statement/prospectus does not register the resale of stock held by affiliates.

Dissenters or Appraisal Rights (see page)

Under Delaware law, you are entitled to appraisal rights in connection with the merger.

Table of Contents

You will have the right under Delaware law to have the fair value of your shares of MAMSI common stock determined by the Delaware Chancery Court. This right to appraisal is subject to a number of restrictions and technical requirements. Generally, in order to exercise your appraisal rights you must:

send a written demand to MAMSI for appraisal in compliance with the Delaware General Corporation Law before the vote on the merger;

not vote in favor of the merger; and

continuously hold your MAMSI common stock, from the date you make the demand for appraisal through the closing of the merger.

Merely voting against the merger will not protect your rights to an appraisal, which requires all the steps provided under Delaware law. Delaware law requirements for exercising appraisal rights are described in further detail beginning on page . The relevant section of Delaware law regarding appraisal rights is reproduced and attached as Annex C to this proxy statement/prospectus.

If you vote for the merger, you will waive your rights to seek appraisal of your shares of MAMSI common stock under Delaware law.

Surrender of Stock Certificates (see page)

Following the effective time of the merger, UnitedHealth Group will cause a letter of transmittal to be mailed to all holders of MAMSI common stock containing instructions for surrendering their certificates. Certificates should not be surrendered until the letter of transmittal is received, fully completed and returned as instructed in the letter of transmittal.

Certain Effects of the Merger (see page)

Upon completion of the merger, MAMSI stockholders will become shareholders of UnitedHealth Group. The internal affairs of UnitedHealth Group are governed by the Minnesota Business Corporation Act and UnitedHealth Group's articles of incorporation and bylaws. The merger will result in differences in the rights of MAMSI stockholders, which are summarized in Comparison of Rights of Shareholders of UnitedHealth Group and MAMSI beginning on page .

Table of Contents

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA
OF UNITEDHEALTH GROUP INCORPORATED

The following table summarizes selected historical consolidated financial data of UnitedHealth Group which should be read in conjunction with the consolidated financial statements of UnitedHealth Group, and the notes thereto, included in Annex H and made part of this proxy statement/prospectus. The financial data for the five years ended December 31, 2002 has been derived from the audited consolidated financial statements of UnitedHealth Group. The financial data as of and for the six months ended June 30, 2003 and 2002 has been derived from the unaudited condensed consolidated financial statements of UnitedHealth Group. In the opinion of UnitedHealth Group's management, all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial data for the six months ended June 30, 2003 and 2002 have been reflected therein. Operating results for the six months ended June 30, 2003 are not necessarily indicative of the results that may be expected for the full year. On May 7, 2003, UnitedHealth Group's board of directors declared a two-for-one split of UnitedHealth Group's common stock in the form of a 100 percent common stock dividend. The stock dividend was paid on June 18, 2003, to shareholders of record on June 2, 2003. All per share calculations reflect the two-for-one common stock split.

(In millions, except per share data)	For the Six Months		For the Year Ended December 31,				
	Ended June 30,						
	2003	2002	2002	2001	2000	1999	1998(1)
Consolidated Operating Results							
Revenues	\$ 14,062	\$ 12,091	\$ 25,020	\$ 23,454	\$ 21,122	\$ 19,562	\$ 17,355
Earnings (Loss) From Operations	\$ 1,362	\$ 1,005	\$ 2,186	\$ 1,566	\$ 1,200	\$ 943	\$ (42)
Net Earnings (Loss)	\$ 842	\$ 620	\$ 1,352	\$ 913	\$ 736	\$ 568	\$ (166)
Net Earnings (Loss) Applicable to Common Shareholders	\$ 842	\$ 620	\$ 1,352	\$ 913	\$ 736	\$ 568	\$ (214)
Return on Shareholders' Equity (annualized)	37.3%	31.7%	33.0%	24.5%	19.8%	14.1%	na
Basic Net Earnings (Loss) per Common Share	\$ 1.42	\$ 1.01	\$ 2.23	\$ 1.46	\$ 1.14	\$ 0.82	\$ (0.28)
Diluted Net Earnings (Loss) per Common Share	\$ 1.36	\$ 0.97	\$ 2.13	\$ 1.40	\$ 1.09	\$ 0.80	\$ (0.28)
Common Stock Dividends per Share	\$ 0.015	\$ 0.015	\$ 0.015	\$ 0.015	\$ 0.008	\$ 0.008	\$ 0.008
Consolidated Cash Flows From (Used For):							
Operating Activities	\$ 1,490	\$ 1,030	\$ 2,423	\$ 1,844	\$ 1,521	\$ 1,189	\$ 1,071
Investing Activities	\$ 367	\$ (99)	\$ (1,391)	\$ (1,138)	\$ (968)	\$ (623)	\$ 21
Financing Activities	\$ (734)	\$ (775)	\$ (1,442)	\$ (585)	\$ (739)	\$ (605)	\$ (198)
Consolidated Financial Condition							
(As of period end)							
Cash and Investments	\$ 6,954	\$ 5,731	\$ 6,329	\$ 5,698	\$ 5,053	\$ 4,719	\$ 4,424
Total Assets	\$ 14,838	\$ 12,838	\$ 14,164	\$ 12,486	\$ 11,053	\$ 10,273	\$ 9,675
Debt	\$ 1,750	\$ 1,530	\$ 1,761	\$ 1,584	\$ 1,209	\$ 991	\$ 708
Shareholders' Equity	\$ 4,673	\$ 3,981	\$ 4,428	\$ 3,891	\$ 3,688	\$ 3,863	\$ 4,038
Debt-to-Total-Capital Ratio	27.2%	27.8%	28.5%	28.9%	24.7%	20.4%	14.9%

-
- (1) 1998 results include operational realignment and other charges of \$725 million, \$175 million of charges related to contract losses associated with certain Medicare markets and other increases to commercial and Medicare medical costs payable estimates, and a \$20 million convertible preferred stock redemption premium.

Table of Contents

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA
OF MID ATLANTIC MEDICAL SERVICES, INC.

The following table summarizes selected historical consolidated financial data of MAMSI which should be read in conjunction with the consolidated financial statements of MAMSI, and the notes thereto, included in Annex D and made part of this proxy statement/prospectus. The financial data for the five years ended December 31, 2002 has been derived from the audited consolidated financial statements of MAMSI. The financial data as of and for the six months ended June 30, 2003 and 2002 has been derived from the unaudited condensed consolidated financial statements of MAMSI. In the opinion of MAMSI's management, all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial data for the six months ended June 30, 2003 and 2002 have been reflected therein. Operating results for the six months ended June 30, 2003 are not necessarily indicative of the results that may be expected for the full year.

(In millions, except per share data)	For the Six Months		For the Year Ended December 31,				
	Ended June 30,						
	2003	2002	2002	2001	2000	1999	1998
Consolidated Operating Results							
Revenues	\$ 1,338	\$ 1,125	\$ 2,328	\$ 1,808	\$ 1,484	\$ 1,317	\$ 1,188
Earnings From Operations	\$ 111	\$ 55	\$ 147	\$ 84	\$ 57	\$ 40	\$ 12
Net Earnings	\$ 73	\$ 37	\$ 97	\$ 57	\$ 39	\$ 26	\$ 9
Net Earnings Applicable to Common Shareholders	\$ 73	\$ 37	\$ 97	\$ 57	\$ 39	\$ 26	\$ 9
Return on Shareholders' Equity (annualized)	37.2%	24.6%	30.9%	22.5%	18.9%	13.8%	4.5%
Basic Net Earnings per Common Share	\$ 1.88	\$ 0.95	\$ 2.49	\$ 1.48	\$ 1.04	\$ 0.64	\$ 0.20
Diluted Net Earnings per Common Share	\$ 1.78	\$ 0.89	\$ 2.34	\$ 1.41	\$ 1.00	\$ 0.64	\$ 0.20
Common Stock Dividends per Share	\$	\$	\$	\$	\$	\$	\$
Consolidated Cash Flows From (Used For):							
Operating Activities	\$ 133	\$ 130	\$ 211	\$ 129	\$ 86	\$ 62	\$ 55
Investing Activities	\$ (124)	\$ (113)	\$ (149)	\$ (121)	\$ (77)	\$ (41)	\$ (19)
Financing Activities	\$ (6)	\$ (16)	\$ (60)	\$ (9)	\$ (7)	\$ (27)	\$ (29)
Consolidated Financial Condition							
(As of period end)							
Cash and Investments	\$ 619	\$ 484	\$ 494	\$ 373	\$ 275	\$ 206	\$ 184
Total Assets	\$ 925	\$ 735	\$ 773	\$ 594	\$ 467	\$ 389	\$ 363
Debt	\$ 3	\$ 3	\$ 3	\$ 4	\$ 3	\$ 4	\$ 2
Shareholders' Equity	\$ 437	\$ 321	\$ 347	\$ 281	\$ 226	\$ 187	\$ 191
Debt-to-Total-Capital Ratio	0.7%	0.9%	0.9%	1.4%	1.3%	2.1%	1.0%

Table of Contents**MARKET PRICE AND DIVIDEND INFORMATION****Recent Closing Prices**

The table below presents the closing price per share of UnitedHealth Group common stock on the New York Stock Exchange, and the closing price per share of MAMSI common stock on the New York Stock Exchange, on October 24, 2003, the last full trading day immediately preceding the public announcement of the proposed merger, and on [redacted], the most recent practicable date prior to the mailing of this proxy statement/prospectus, as well as the equivalent stock price plus cash of shares of MAMSI common stock on such dates. The equivalent stock price plus cash of shares of MAMSI common stock represents the closing sales price per share for UnitedHealth Group's common stock on the New York Stock Exchange on October 24, 2003 and [redacted], multiplied by the exchange ratio, plus the cash consideration of \$18.00 to be paid with respect to each share of MAMSI common stock. Keep in mind that the value of the merger consideration to be received by MAMSI stockholders will fluctuate with changes in the price of UnitedHealth Group common stock. If the price of UnitedHealth Group's common stock decreases, the merger consideration decreases. There can be no assurances as to the market price of UnitedHealth Group common stock at any time prior to the merger or any time thereafter. Stockholders should obtain current market quotations for shares of UnitedHealth Group common stock and MAMSI common stock prior to making any decision with respect to the merger.

	UnitedHealth Group Common Stock (price per share)	MAMSI Common Stock (price per share)	MAMSI Equivalent Stock Price Plus Cash (price per share)
October 24, 2003	\$ 54.25	\$ 53.88	\$ 62.49
[redacted]	\$ [redacted]	\$ [redacted]	\$ [redacted]

Historical Market Price Data

MAMSI's common stock is quoted on the New York Stock Exchange under the symbol MME. UnitedHealth Group's common stock is quoted on the New York Stock Exchange under the symbol UNH.

The following table sets forth the high and low sales prices per share of UnitedHealth Group and MAMSI common stock as adjusted for all stock splits, as reported on the New York Stock Exchange for the periods indicated:

	UnitedHealth Group Common Stock		MAMSI Common Stock	
	High	Low	High	Low
2001				
Quarter ended March 31, 2001	\$ 32.18	\$ 25.25	\$ 20.86	\$ 14.69
Quarter ended June 30, 2001	\$ 33.70	\$ 26.25	\$ 21.35	\$ 15.00
Quarter ended September 30, 2001	\$ 35.00	\$ 29.40	\$ 23.18	\$ 17.50

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

Quarter ended December 31, 2001	\$ 36.40	\$ 31.21	\$ 23.15	\$ 16.60
2002				
Quarter ended March 31, 2002	\$ 38.40	\$ 33.93	\$ 29.14	\$ 22.30
Quarter ended June 30, 2002	\$ 48.95	\$ 37.57	\$ 39.75	\$ 27.90
Quarter ended September 30, 2002	\$ 48.15	\$ 40.74	\$ 38.17	\$ 26.75
Quarter ended December 31, 2002	\$ 50.50	\$ 37.52	\$ 43.20	\$ 28.50
2003				
Quarter ended March 31, 2003	\$ 46.35	\$ 39.20	\$ 40.70	\$ 29.58
Quarter ended June 30, 2003	\$ 52.67	\$ 44.10	\$ 54.00	\$ 38.41
Quarter ended September 30, 2003	\$ 56.25	\$ 47.25	\$ 60.70	\$ 45.70
Quarter ended December 31, 2003 (through October 24, 2003)	\$ 55.64	\$ 49.50	\$ 55.65	\$ 51.00

Table of Contents

Dividend Information

MAMSI has never paid a cash dividend on its common stock. UnitedHealth Group paid a cash dividend equal to \$0.015 per share, split-adjusted, on its common stock for its fiscal years 2001, 2002 and 2003.

Number of Stockholders

As of _____, 2003, there were approximately _____ stockholders of record of MAMSI common stock, as shown on the records of MAMSI's transfer agent for such shares. As of _____, 2003, there were approximately _____ shareholders of record of UnitedHealth Group, as shown on the records of UnitedHealth Group's transfer agent for such shares.

Shares Held by Certain Stockholders

Adoption of the merger agreement by MAMSI's stockholders requires the affirmative vote of the holders of a majority of the shares of MAMSI common stock outstanding and entitled to vote at the special meeting. As of _____, 2003, approximately _____ % of the outstanding shares of MAMSI common stock were held by directors and executive officers of MAMSI and their affiliates.

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On October 26, 2003, UnitedHealth Group entered into a definitive agreement to acquire MAMSI. Under the terms of the agreement, holders of MAMSI common stock will receive 0.82 shares of UnitedHealth Group common stock and \$18.00 in cash for each share of MAMSI common stock they own. Total consideration for the transaction, to be issued upon closing, is comprised of approximately 38.6 million shares of UnitedHealth Group common stock, valued at approximately \$2,050 million based upon the average of UnitedHealth Group's share closing price from October 23, 2003 through October 29, 2003, and approximately \$600 million in cash after considering stock option and residual share proceeds.

The unaudited pro forma condensed combined financial information gives effect to the acquisition of MAMSI by UnitedHealth Group as if the acquisition had occurred on January 1, 2002 for purposes of the pro forma condensed combined statements of operations and on June 30, 2003 for purposes of the pro forma condensed combined balance sheet as of June 30, 2003.

Under the purchase method of accounting, the total estimated purchase price is allocated to the net tangible and intangible assets of an acquired entity based on their fair values as of the completion of the transaction. A final determination of these fair values will include management's consideration of a valuation prepared by an independent valuation specialist. This valuation will be based on the actual net tangible and intangible assets of the acquired entity that exist as of the closing date of the transaction, currently estimated to occur in the first quarter of 2004.

Because this unaudited pro forma condensed combined financial information has been prepared based on preliminary estimates of fair values, the actual amounts recorded as of the completion of the transaction may differ materially from the information presented in this unaudited pro forma condensed combined financial information. In addition to the independent valuation, the impact of any integration activities, the timing of completion of the transaction and other changes in MAMSI's net tangible and intangible assets that occur prior to completion of the transaction could cause material differences from the information presented below.

The unaudited pro forma condensed combined financial information should be read in conjunction with the historical consolidated financial statements and accompanying notes of UnitedHealth Group and MAMSI, included in Annexes D, E, G, H and I and made part of this proxy statement/prospectus, and the summary historical consolidated financial data included elsewhere in this proxy statement/prospectus. All share and per share amounts have been restated to reflect the UnitedHealth Group two-for-one common stock split that occurred on June 18, 2003. The unaudited pro forma condensed combined financial information is not intended to represent or be indicative of the consolidated results of operations or financial condition of UnitedHealth Group that would have been reported had the transactions been completed as of the dates presented, and should not be taken as representative of the future consolidated results of operations or financial condition of UnitedHealth Group.

Table of Contents**Pro Forma Condensed Combined Statement of Operations**

Six Months Ended June 30, 2003

(Unaudited)

(In millions, except per share amount)

	Historical UnitedHealth Group	Historical MAMSI	Pro Forma Adjustments	Pro Forma Combined
Revenues				
Premiums	\$ 12,396	\$ 1,306	\$	\$ 13,702
Services	1,549	24		1,573
Investment and Other Income	117	8		125
Total Revenues	14,062	1,338		15,400
Medical and Operating Costs				
Medical Costs	10,159	1,078		11,237
Operating Costs	2,394	142		2,536
Depreciation and Amortization	147	6	9 ⁽⁴⁾	162
Total Medical and Operating Costs	12,700	1,226	9	13,935
Earnings From Operations				
Interest Expense	1,362	112	(9)	1,465
	(47)	(1)	(4) ⁽¹⁰⁾	(52)
Earnings Before Income Taxes	1,315	111	(13)	1,413
Provision for Income Taxes	(473)	(38)	5 ⁽¹¹⁾	(506)
Net Earnings	\$ 842	\$ 73	\$ (8)	\$ 907
Basic Net Earnings Per Common Share	\$ 1.42	\$ 1.88		\$ 1.44
Diluted Net Earnings Per Common Share	\$ 1.36	\$ 1.78		\$ 1.38
Basic Weighted-Average Number of Common Shares Outstanding				
	593.0	38.9		631.6 ⁽¹²⁾
Weighted-Average Number of Common Shares Outstanding, Assuming Dilution				
	621.0	41.2		659.6 ⁽¹²⁾

Table of Contents**Pro Forma Condensed Combined Statement of Operations**

Year Ended December 31, 2002

(Unaudited)

(In millions, except per share amount)

	Historical UnitedHealth Group	Historical MAMSI	Pro Forma Adjustments	Pro Forma Combined
Revenues				
Premiums	\$ 21,906	\$ 2,269	\$	\$ 24,175
Services	2,894	44		2,938
Investment and Other Income	220	15		235
Total Revenues	25,020	2,328		27,348
Medical and Operating Costs				
Medical Costs	18,192	1,907		20,099
Operating Costs	4,387	262		4,649
Depreciation and Amortization	255	11	19 ⁽⁴⁾	285
Total Medical and Operating Costs	22,834	2,180	19	25,033
Earnings From Operations				
	2,186	148	(19)	2,315
Interest Expense	(90)	(1)	(11) ⁽¹⁰⁾	(102)
Earnings Before Income Taxes				
	2,096	147	(30)	2,213
Provision for Income Taxes	(744)	(50)	11 ⁽¹¹⁾	(783)
Net Earnings	\$ 1,352	\$ 97	\$ (19)	\$ 1,430
Basic Net Earnings Per Common Share				
	\$ 2.23	\$ 2.49		\$ 2.22
Diluted Net Earnings Per Common Share				
	\$ 2.13	\$ 2.34		\$ 2.12
Basic Weighted-Average Number of Common Shares Outstanding				
	606.8	39.2		645.4 ⁽¹²⁾
Weighted-Average Number of Common Shares Outstanding, Assuming Dilution				
	636.2	41.7		674.8 ⁽¹²⁾

Table of Contents**Pro Forma Condensed Combined Balance Sheet**

As of June 30, 2003

(Unaudited)

(In millions)

	<u>Historical UnitedHealth Group</u>	<u>Historical MAMSI</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Combined</u>
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 2,253	\$ 10	\$	\$ 2,263
Short-Term Investments	231	609		840
Accounts Receivable, net	836	144		980
Assets Under Management	2,007			2,007
Deferred Income Taxes and Other	457	40		497
Total Current Assets	5,784	803		6,587
Long-Term Investments	4,470	22		4,492
Property, Equipment, Capitalized Software and Other Assets, net	1,036	100	20 ⁽³⁾	1,156
Goodwill	3,403		2,028 ⁽²⁾	5,431
Intangible Assets, net	145		360 ⁽²⁾⁽⁴⁾	505
Total Assets	\$ 14,838	\$ 925	\$ 2,408	\$ 18,171
Liabilities and Shareholders' Equity				
Current Liabilities				
Medical Costs Payable	\$ 4,031	\$ 352	\$	\$ 4,383
Accounts Payable and Accrued Liabilities	1,753	65	62 ⁽⁵⁾	1,880
Other Policy Liabilities	1,765			1,765
Short-Term Debt and Current Maturities of Long-Term Debt	350	3		353
Unearned Premiums	452	64		516
Total Current Liabilities	8,351	484	62	8,897
Long-Term Debt, less current maturities	1,400		609 ⁽¹⁾⁽⁶⁾	2,009
Deferred Income Taxes and Other Liabilities	414	4	126 ⁽²⁾⁽⁷⁾	544
Shareholders' Equity				
Common Stock	6	1	(1) ⁽⁸⁾	6
Additional Paid-In Capital	14	684	(684) ⁽⁸⁾	2,062
Treasury Stock		(305)	2,048 ⁽¹⁾⁽⁹⁾	
Stock Compensation Trust		(443)	305 ⁽⁸⁾	
Retained Earnings	4,468	489	443 ⁽⁸⁾	4,468
Accumulated Other Comprehensive Income:			(489) ⁽⁸⁾	
Net Unrealized Gains on Investments, net of tax effects	185	11	(11) ⁽⁸⁾	185
Total Shareholders' Equity	4,673	437	1,611	6,721

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

Total Liabilities and Shareholders Equity	\$ 14,838	\$ 925	\$ 2,408	\$ 18,171
---	-----------	--------	----------	-----------

Table of Contents**Notes to Unaudited Pro Forma Condensed Combined Financial Information**

- (1) The unaudited pro forma condensed combined financial information gives effect to the issuance of UnitedHealth Group common stock and cash based upon the exchange ratio of 0.82 shares of UnitedHealth Group common stock and \$18.00 of cash for each outstanding share of MAMSI common stock. The cash component of the merger consideration could be decreased and the stock component increased if required to preserve the intended tax treatment of the merger, explained under the caption "The Merger Agreement Tax Adjustment" beginning on page . The average market price per share of UnitedHealth Group common stock of \$53.05 is based upon the average of the closing prices for a range of trading days (October 23, 2003 through October 29, 2003) around the announcement date (October 27, 2003) of the transaction. This results in an estimated purchase price of \$2,695 million (\$2,048 million in stock, \$609 million in cash and \$38 million of estimated transaction costs) as follows (in millions, except per share amounts):

Stock Consideration

UnitedHealth Group average market price per share	\$ 53.05	
Exchange ratio	0.82	
Equivalent per share consideration	\$ 43.50	
Outstanding shares of MAMSI at October 26, 2003	47.07 ^(a)	
Fair Value of UnitedHealth Group shares to be issued		\$ 2,048

Cash Consideration

Per share cash consideration	\$ 18.00	
Net outstanding shares of MAMSI	47.07 ^(a)	
Cash to be paid	\$ 847	
Cash estimated to be received from stock option exercises	(238) ^(b)	
Net cash to be paid		609
Estimated transaction costs		38
Estimated purchase price		\$ 2,695

- (a) Assumes MAMSI stock options are to be exercised in full. MAMSI stock options become fully exercisable prior to the closing of the transaction and will be canceled if not exercised prior to the effective time of the merger.
- (b) Assumes MAMSI stock options will be exercised by cash payment of the exercise price, as opposed to on a net cashless exercise basis.

- (2) The estimated purchase price of \$2,695 million has been preliminarily allocated to acquired tangible and intangible assets and liabilities based upon their estimated fair values as of June 30, 2003 as detailed below (in millions):

Estimated purchase price	\$ 2,695
Net tangible assets MAMSI June 30, 2003 balance sheet	(437)
Estimated fair value adjustment land and buildings	(20)
MAMSI employment agreements liability due to change in control	24
Total excess purchase price	2,262
Estimated finite-lived intangible assets	(360)
Deferred tax liability for finite-lived intangible assets	126
Estimated goodwill	\$ 2,028

- (3) Represents the estimated increase in MAMSI property value as a result of land and building appraisals to be completed at closing.

Table of Contents

(4) Finite-lived intangible assets and the associated incremental amortization expense have been estimated as follows (in millions):

	Estimated Fair Value	Estimated Useful Life	Estimated Annual Amortization	Estimated Six-Months Amortization
Member list	\$ 340	20	\$ 17	\$ 8
Provider and hospital networks	17	20	1	0
Non-compete agreements	3	3	1	1
	<u>\$ 360</u>		<u>\$ 19</u>	<u>\$ 9</u>

(5) Represents an accrual of \$38 million for transaction costs and \$24 million for additional liabilities to be settled under MAMSI employment agreements as a result of the acquisition.

(6) Represents the borrowing of the net cash to be paid as consideration in the transaction as detailed in note (1).

(7) Represents the deferred tax liability established for the book and tax basis difference of finite-lived intangible assets, which are amortizable for book purposes but not for income tax purposes.

(8) Represents the elimination of MAMSI's equity accounts.

(9) Represents the issuance of UnitedHealth Group stock as consideration paid in the transaction as detailed in note (1).

(10) Represents the estimated interest expense associated with borrowing the net \$609 million cash to be paid as consideration in the transaction. The interest rates are based on our current plans of issuing five-year floating-rate debt and our estimated borrowing rates of 1.9% during the year ended December 31, 2002 and 1.4% during the six month period ended June 30, 2003 for such debt.

(11) Represents the pro forma tax effect of the acquisition of MAMSI based upon the statutory federal income tax rate of 35%.

(12) Represents the increase in weighted average shares outstanding assuming the issuance of 38.6 million shares of UnitedHealth Group common stock at the beginning of the period presented. The share issuance is based upon the 47.07 million outstanding shares of MAMSI stock multiplied by the 0.82 exchange ratio as detailed in note (1).

Table of Contents**UNAUDITED COMPARATIVE PER SHARE DATA**

In the following table, UnitedHealth Group and MAMSI provide you with historical and unaudited pro forma combined per share data, after giving effect to the merger and the issuance of 0.82 shares of UnitedHealth Group common stock and the payment of \$18.00 in cash in exchange for each share of MAMSI common stock. The cash component of the merger consideration could be decreased and the stock component increased if required to preserve the intended tax treatment of the merger, as explained under the caption *The Merger Agreement Tax Adjustment* beginning on page of this proxy statement/prospectus. This data should be read along with the selected consolidated historical financial data and the historical financial statements of UnitedHealth Group and MAMSI and the notes thereto that are included in Annexes D, E, G, H and I and attached hereto and made part hereof. The pro forma information is presented for illustrative purposes only. You should not rely on the pro forma financial information as an indication of the combined financial position or results of operations of future periods or the results that actually would have been realized had the entities been a single entity during the periods presented. The MAMSI equivalent pro forma combined per share data is calculated by multiplying the pro forma combined UnitedHealth Group per share amounts by the exchange ratio of 0.82.

	As of or For the Year Ended December 31, 2002	As of or For the Six Months Ended June 30, 2003
UnitedHealth Group Historical Per Common Share:		
Basic Net Earnings Per Common Share	\$ 2.23	\$ 1.42
Diluted Net Earnings Per Common Share	\$ 2.13	\$ 1.36
Book Value Per Common Share	\$ 7.39	\$ 7.92
Cash Dividends Per Common Share	\$ 0.015	\$ 0.015
MAMSI Historical Per Common Share:		
Basic Net Earnings Per Common Share	\$ 2.49	\$ 1.88
Diluted Net Earnings Per Common Share	\$ 2.34	\$ 1.78
Book Value Per Common Share	\$ 7.38	\$ 9.06
Cash Dividends Per Common Share	\$	\$
Pro Forma Combined Per UnitedHealth Group Common Share:		
Basic Net Earnings Per Common Share	\$ 2.22	\$ 1.44
Diluted Net Earnings Per Common Share	\$ 2.12	\$ 1.38
Book Value Per Common Share	n/a	\$ 10.69
Cash Dividends Per Common Share	n/a	\$ 0.015
Pro Forma Combined Per MAMSI Equivalent Common Share:		
Basic Net Earnings Per Common Share	\$ 1.82	\$ 1.18
Diluted Net Earnings Per Common Share	\$ 1.74	\$ 1.13
Book Value Per Common Share	n/a	\$ 8.77
Cash Dividends Per Common Share	n/a	\$ 0.012

n/a not required to be presented.

Table of Contents

RECENT DEVELOPMENTS

On October 16, 2003, UnitedHealth Group announced its third quarter results. Third quarter 2003 diluted net earnings per share were \$0.77, an increase of 38% from \$0.56 in the third quarter of 2002. Net earnings for the three months ended September 30, 2003 were \$476 million, an increase of \$123 million or 35% from the three months ended September 30, 2002. Total revenues for the three months ended September 30, 2003 exceeded \$7.2 billion, an increase of \$1 billion or 16% from the three months ended September 30, 2002. Operating costs were 16.9% of revenues in the third quarter of 2003, an improvement of 70 basis points from the third quarter of 2002.

On November 5, 2003, MAMSI announced its third quarter results. Third quarter 2003 diluted net earnings per share were \$1.10 compared to \$0.54 in the third quarter of 2002. Net income for the three months ended September 30, 2003 was \$46.2 million, an increase of \$23.7 million or 104.9%, compared to \$22.5 million for the three months ended September 30, 2002. Total revenues for the three months ended September 30, 2003 was \$670 million, compared to \$595.5 million for the three months ended September 30, 2002.

Table of Contents

RISK FACTORS

Before you vote for adoption of the merger agreement, you should carefully consider the risks described below in addition to the other information contained in this proxy statement/prospectus, including the section entitled "Cautionary Statement Regarding Forward-Looking Statements" beginning on page . By voting in favor of the merger, you will be choosing to invest in UnitedHealth Group common stock. In addition to the other information contained in this proxy statement/prospectus, you should carefully consider the following risk factors in deciding whether to adopt the merger agreement. The risks and uncertainties described below are not the only ones facing UnitedHealth Group and MAMSI. Additional risks and uncertainties not presently known to either UnitedHealth Group or MAMSI or that we believe are now immaterial may also impair UnitedHealth Group's business, MAMSI's business or the anticipated results of the merger. If any of the following risks actually occur, UnitedHealth Group's business, financial condition or results of operations could be materially adversely affected, the value of UnitedHealth Group's common stock could decline and you may lose all or part of your investment.

Risks Associated with the Merger

The anticipated benefits of combining UnitedHealth Group and MAMSI may not be realized.

UnitedHealth Group and MAMSI entered into the merger agreement with the expectation that the merger will result in various benefits including, among other things, benefits relating to enhanced revenues, technology, human resources, cost savings and operating efficiencies. There can be no assurance that we will realize any of these benefits or that the merger will not result in the deterioration or loss of significant business of the combined company. Costs incurred and liabilities assumed in connection with the merger, including pending and threatened disputes and litigation, could have a material adverse effect on the combined company's business, financial condition and operating results.

UnitedHealth Group may have difficulty and incur substantial costs in integrating MAMSI.

Integrating UnitedHealth Group and MAMSI will be a complex, time-consuming and expensive process. Before the merger, UnitedHealth Group and MAMSI operated independently, each with its own business, products, customers, employees, culture and systems.

The combined company may face substantial difficulties, costs and delays in integrating UnitedHealth Group and MAMSI. These factors may include:

potential difficulty in leveraging the value of the separate technologies of the combined company;

perceived adverse changes in product offerings available to customers or customer service standards, whether or not these changes do, in fact, occur;

managing customer and provider overlap and potential pricing conflicts;

costs and delays in implementing common systems and procedures;

difficulty integrating differing distribution models;

charges to earnings resulting from the application of purchase accounting to the transaction;

difficulty comparing financial reports due to differing management systems;

diversion of management resources from the business of the combined company;

potential incompatibility of business cultures and philosophies;

the retention of existing customers of each company;

Table of Contents

reduction or loss of customer orders due to the potential for market confusion, hesitation and delay;

retaining and integrating management and other key employees of the combined company; and

coordinating infrastructure operations in an effective and efficient manner.

After the merger, we may seek to combine certain operations and functions using common information and communication systems; operating procedures; financial controls; and human resource practices, including training, professional development and benefit programs. We may be unsuccessful in implementing the integration of these systems and processes.

Any one or all of these factors may cause increased operating costs, worse than anticipated financial performance or the loss of customers and employees. Many of these factors are also outside the control of either company. The failure to effectively and efficiently integrate UnitedHealth Group and MAMSI could have a material adverse effect on the combined company's business, financial condition and operating results.

We must obtain several governmental and other consents to complete the merger, which, if delayed, not granted or granted with unacceptable conditions may jeopardize or postpone the merger, result in additional expense or reduce the anticipated benefits of the transaction.

We must obtain specified approvals and consents in a timely manner from federal and state agencies prior to the completion of the merger. If we do not receive these approvals on terms that satisfy the merger agreement, then we will not be obligated to complete the merger. The governmental agencies from which we seek approvals have broad discretion in administering the regulations. As a condition to approval of the merger, agencies may impose requirements, limitations or costs that could negatively affect the way the combined companies conduct business. UnitedHealth Group is not obligated to complete the merger if an agency imposes a requirement, limitation or additional cost that would reasonably be expected to have a material adverse effect on UnitedHealth Group or MAMSI or that would materially impair the anticipated long-term benefits of the merger. If UnitedHealth Group decides to agree to any material requirements, limitations or costs in order to obtain any approvals required to complete the merger, these requirements, limitations or additional costs could adversely affect UnitedHealth Group's ability to integrate the business of MAMSI or reduce the anticipated benefits of the merger, which could have a material adverse effect on the combined company's business, results of operations and financial condition.

The value of the shares of UnitedHealth Group common stock that MAMSI stockholders receive in the merger will vary as a result of the fixed exchange ratio and fluctuations in the price of UnitedHealth Group's common stock.

At the effective time of the merger, each outstanding share of MAMSI common stock will be converted into 0.82 shares of UnitedHealth Group common stock and \$18.00 in cash. The cash component of the merger consideration could be decreased and the stock component increased if required to preserve the intended tax treatment of the merger, as explained under the caption "The Merger Agreement Tax Adjustment" beginning on page . The ratio at which the shares will be converted is fixed and any changes in the price of UnitedHealth Group common stock will affect the value of the consideration that MAMSI stockholders receive in the merger such that if the price of UnitedHealth Group common stock declines prior to completion of the merger, the value of the merger consideration to be received by MAMSI stockholders will decrease. Stock price variations could be the result of changes in the business, operations or prospects of UnitedHealth Group, MAMSI or the combined company, market assessments of the likelihood that the merger will be completed within the anticipated time or at all, general market and economic conditions and other factors which are beyond the control of UnitedHealth Group or MAMSI. Recent market prices of UnitedHealth Group common stock and MAMSI common stock are set forth on page under the heading "Market Price and Dividend Information."

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

We encourage MAMSI stockholders to obtain current market quotations for UnitedHealth Group common stock and MAMSI common stock. The price of UnitedHealth Group common stock and MAMSI common stock at the effective time of the merger may vary from their prices on the date of this proxy statement/

Table of Contents

prospectus. The historical prices of UnitedHealth Group's common stock and MAMSI's common stock included in this proxy statement/prospectus are not indicative of their prices on the date the merger is effective. The future market prices of UnitedHealth Group common stock and MAMSI common stock cannot be guaranteed or predicted.

The merger may result in a loss of customers and partners.

Some customers may seek alternative sources of product and/or service after the announcement of the merger due to, among other reasons, a desire not to do business with the combined company or perceived concerns that the combined company may not continue to support and develop certain product lines. The combined company could experience some customer attrition by reason of announcement of the merger or after the merger. Difficulties in combining operations could also result in the loss of partners and potential disputes or litigation with customers, partners or others. There can be no assurance that any steps by management to counter such potential increased customer or partner attrition will be effective. Failure by management to control attrition could have a material adverse effect on the combined company's business, financial condition and operating results.

The combined company will depend on key personnel, the loss of whom could harm its business.

The successful integration of MAMSI with UnitedHealth Group after the merger will depend in part on the retention of personnel critical to the business and operations of the combined company. In connection with the execution of the merger agreement, key employees of MAMSI entered into employment agreements with UnitedHealth Group that will be effective upon completion of the merger and will receive significant payments in connection with the completion of the merger. However, the combined company may be unable to retain MAMSI personnel that are critical to the success of the combined companies, resulting in disruption of operations, loss of key information, expertise or know-how, and unanticipated additional recruitment and training costs and otherwise diminishing anticipated benefits of the merger.

The loss of the services of any member of the combined company's management team, or of any other key employee, could divert management's time and attention, increase the combined company's expenses and adversely affect its ability to conduct its business efficiently. The combined company's future success also depends on the combined company's continuing ability to attract, retain and motivate highly skilled employees. Competition for employees in the combined company's industry is intense. The combined company may be unable to retain the combined company's key employees or attract, assimilate or retain other highly qualified employees in the future, which could have a material adverse effect on the combined company's business, financial condition and operating results.

If the conditions to the merger are not met, the merger will not occur.

Specified conditions set forth in the merger agreement must be satisfied or waived to complete the merger. UnitedHealth Group and MAMSI cannot assure you that each of the conditions will be satisfied or waived. If the conditions are not satisfied or waived, the merger will not occur or will be delayed, and UnitedHealth Group and MAMSI each may lose some or all of the intended benefits of the merger. See "The Merger Agreement - Conditions to the Merger" on page [redacted] for a summary of the conditions to the merger.

UnitedHealth Group and MAMSI may waive one or more of the conditions to the merger without resoliciting stockholder approval for the merger.

Each of the conditions to UnitedHealth Group's and MAMSI's obligations to complete the merger may be waived, in whole or in part, to the extent permitted by applicable law, by agreement of UnitedHealth Group and MAMSI if the condition is a condition to both UnitedHealth Group's and MAMSI's obligations to complete the merger, or by the party for which such condition is a condition of its obligation to complete the merger. The boards of directors of UnitedHealth Group and MAMSI will evaluate the materiality of any such waiver to determine whether amendment of this proxy statement/prospectus and resolicitation of proxies is necessary. However, UnitedHealth Group and MAMSI generally do not expect any such waiver to be significant enough to

Table of Contents

require resolicitation of stockholders. In the event that any such waiver is not determined to be significant enough to require resolicitation of stockholders, the companies will have the discretion to complete the merger without seeking further stockholder approval. See The Merger Agreement Conditions to the Merger on page for a summary of the conditions to the merger.

Substantial expenses will be incurred and payments made even if the merger is not completed.

The merger may not be completed. Whether or not the merger is completed, UnitedHealth Group and MAMSI will incur substantial expenses in pursuing the merger. In addition, if the merger is terminated under specified circumstances, MAMSI may be required to pay UnitedHealth Group a termination fee under the merger agreement in the amount of \$116,388,089. See The Merger Agreement Payment of Fees and Expenses beginning on page for a discussion of these fees and expenses.

Failure to complete the merger could cause UnitedHealth Group's or MAMSI's stock price to decline.

If the merger is not completed for any reason, UnitedHealth Group's or MAMSI's stock price may decline to the extent that the current market price reflects a market assumption that the merger will be completed or the market's perceptions as to the reason why the merger was not completed. In addition, if the merger is not completed, UnitedHealth Group's or MAMSI's stock price may decline because costs related to the merger, such as legal, accounting and financial advisor fees, must be paid by the party incurring such expenses even if the merger is not completed.

Some directors and officers of MAMSI have interests that differ from those of MAMSI stockholders in recommending that MAMSI stockholders vote in favor of adoption of the merger agreement.

Some of the directors and officers of MAMSI who recommend that MAMSI stockholders adopt the merger agreement have certain interests in the merger that differ from those of MAMSI stockholders generally. The receipt of compensation or other benefits in the merger, including change of control payments and new employment agreements with UnitedHealth Group, the vesting of stock options or the continuation of indemnification arrangements for current directors and officers of MAMSI following completion of the merger, may influence directors in making their recommendation that you vote in favor of the merger agreement and officers in supporting the merger. For more information about these interests, please see Interests of Certain Persons in the Merger on page .

UnitedHealth Group may pursue additional acquisitions in the future.

UnitedHealth Group may, as part of its business strategy, pursue additional acquisitions of companies or businesses. Any acquisition strategy is subject to inherent risk and UnitedHealth Group cannot guarantee that it will be able to complete any acquisition, including the ability to identify potential partners, successfully negotiate economically beneficial terms, successfully integrate such business, retain its key employees and achieve the anticipated revenue, cost benefits or synergies. For example, UnitedHealth Group is working to complete its acquisition of Golden Rule Financial Corporation, and we cannot guarantee that the integration of Golden Rule Financial Corporation will be successful. Additionally, UnitedHealth Group may issue additional shares in connection with any future acquisition which could dilute the holdings of UnitedHealth Group common stock by former MAMSI stockholders.

Risks Related to UnitedHealth Group's Business

For risks related to UnitedHealth Group's business, please see Exhibit 99 to UnitedHealth Group's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, which is attached hereto as Annex I and made part of this proxy statement/prospectus.

Table of Contents

Risks Related to MAMSI's Business

For risks related to MAMSI's business, please see Management's Discussion and Analysis of Financial Condition and Results of Operations Forward-Looking Information contained in MAMSI's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, which is attached hereto as Annex E and made part of this proxy statement/prospectus.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be made directly in this proxy statement/prospectus referring to UnitedHealth Group or MAMSI, including the Annexes attached hereto and made part hereof, and may include statements regarding the period following completion of the merger. These statements are intended to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are based on current projections about operations, industry, financial condition and liquidity. Words such as may, will, should, plan, predict, potential, anticipate, estimate, expect, project, intend, believe and words and terms of similar connection with any discussion of future operating or financial performance, the merger or our businesses, identify forward-looking statements. You should note that the discussion of UnitedHealth Group's and MAMSI's reasons for the merger and the description of MAMSI's financial advisors' opinions contain many forward-looking statements that describe beliefs, assumptions and estimates as of the indicated dates and those forward-looking expectations may have changed as of the date of this proxy statement/prospectus. In addition, any statements that refer to expectations, projections or other characterizations or future events or circumstances, including any underlying assumptions, are forward-looking statements. Those statements are not guarantees and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results could differ materially and adversely from these forward-looking statements.

Health benefits companies operate in a highly competitive, constantly changing environment that is significantly influenced by aggressive marketing and pricing practices of competitors, regulatory oversight and organizations that have resulted from business combinations. The following is a summary of factors, the results of which, either individually or in combination, if markedly different from our planning assumptions, could cause our results to differ materially from those expressed in any forward-looking statements contained in this proxy statement/prospectus, including the Annexes attached hereto and made part hereof:

trends in health care costs and utilization rates

ability to secure sufficient premium rate increases;

competitor pricing below market trends of increasing costs;

increased government regulation of health benefits and managed care;

significant acquisitions or divestitures by major competitors;

introduction and utilization of new prescription drugs and technology;

a downgrade in our financial strength ratings;

litigation targeted at health benefits companies;

ability to contract with providers consistent with past practice;

general economic downturns;

the level of realization, if any, of expected cost savings and other synergies from the merger;

difficulties related to the integration of the business of UnitedHealth Group and MAMSI may be greater than expected; and

revenues following the merger may be lower than expected.

Table of Contents

The above list is not intended to be exhaustive and there may be other factors that would preclude us from realizing the predictions made in the forward-looking statements. Because such forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. UnitedHealth Group shareholders and MAMSI stockholders are cautioned not to place undue reliance on such statements, which speak only as of the date of this proxy statement/prospectus or the date of the financial advisors' opinions.

All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement/prospectus and attributable to UnitedHealth Group or MAMSI or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, neither UnitedHealth Group nor MAMSI undertakes any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events.

Table of Contents

THE SPECIAL MEETING OF MAMSI STOCKHOLDERS

This proxy statement/prospectus is furnished in connection with the solicitation of proxies from the holders of MAMSI common stock by the MAMSI board of directors for use at the special meeting of MAMSI stockholders. The purpose of the special meeting is for you to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated October 26, 2003, by and among UnitedHealth Group, MU Acquisition LLC, a wholly owned subsidiary of UnitedHealth Group, and MAMSI, and the transactions contemplated by the merger agreement, including the merger of MAMSI with and into MU Acquisition LLC. A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A and made part hereof.

This proxy statement/prospectus is first being furnished to MAMSI stockholders on or about _____, 2003.

Date, Time and Place of the Special Meeting

The special meeting will be held on _____, 2003 at 10:00 a.m. local time at the offices of MAMSI at 10 Taft Court, Rockville, Maryland 20850.

Matters to be Considered at the Special Meeting

At the special meeting, stockholders of MAMSI will be asked to consider and vote upon a proposal to adopt the merger agreement and to transact such other business as may properly come before the special meeting or any postponements or adjournments thereof. Adoption of the merger agreement will also constitute approval of the merger and the other transactions contemplated by the merger agreement.

Record Date and Shares Entitled to Vote

MAMSI's board of directors has fixed the close of business on _____, 2003 as the record date for determination of MAMSI stockholders entitled to notice of and to vote at the special meeting. As of the close of business on _____, 2003, there were _____ shares of MAMSI common stock outstanding and entitled to vote, held of record by approximately _____ stockholders. A majority of these shares, present in person or represented by proxy, will constitute a quorum for the transaction of business. If a quorum is not present, it is expected that the special meeting will be adjourned or postponed to solicit additional proxies. Each MAMSI stockholder is entitled to one vote for each share of MAMSI common stock held as of the record date.

Vote Required

Adoption of the merger agreement by MAMSI's stockholders is required by the Delaware General Corporation Law. Such adoption requires the affirmative vote of the holders of a majority of the shares of MAMSI common stock outstanding on the record date and entitled to vote at the

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

special meeting. The directors and executive officers of MAMSI beneficially own approximately _____ % of the outstanding shares of MAMSI common stock, including options exercisable within 60 days, as of the record date. As of the record date and the date of this proxy statement/prospectus, neither UnitedHealth Group nor any of its directors or officers owned any shares of MAMSI common stock.

Voting of Proxies; Revocation of Proxies

If you vote your shares of MAMSI common stock by signing and returning the enclosed proxy in the enclosed prepaid and addressed envelope, by telephone or by the internet, your shares, unless your proxy is revoked, will be voted at the special meeting as you indicate on your proxy. If no instructions are indicated on your signed proxy card, your shares will be voted **FOR** adoption of the merger agreement.

You are urged to mark the box on the proxy card, following the instructions included on your proxy card, to indicate how to vote your shares. To vote by telephone or the Internet, please follow the instructions included on your proxy card. If you vote by telephone or the Internet you do not need to complete and mail your proxy

Table of Contents

card. Votes by telephone or the Internet must be received by _____ .m., eastern time, on _____, 2003. Voting by telephone or the Internet will not affect your right to vote in person should you decide to attend the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct such institution on how to vote your shares. Your broker or bank will vote your shares only if you provide instructions on how to vote by following the information provided to you by your broker or bank. If you do not instruct your broker, bank or other nominee, they will not be able to vote your shares.

MAMSI's board of directors does not presently intend to bring any other business before the special meeting and, so far as is presently known to MAMSI's board of directors, no other matters are to be brought before the special meeting. As to any business that may properly come before the special meeting, however, it is intended that proxies, in the form enclosed, will be voted in respect thereof in accordance with the judgment of the persons voting such proxies.

You may revoke your proxy at any time prior to its use by delivering to the Secretary of MAMSI, at MAMSI's offices at 4 Taft Court, Rockville, Maryland 20850, a signed notice of revocation, by granting a duly executed later-dated, signed proxy or by submitting a later-dated proxy by telephone or the Internet, or if you are a holder of record by attending the special meeting and voting in person. If you hold your shares in _____ street name you must get a proxy from your broker, bank or other custodian to vote your shares in person at the special meeting. Attendance at the special meeting does not in itself constitute the revocation of a proxy.

Holders of MAMSI Options

If you hold unexercised options (whether or not vested) to purchase shares of MAMSI common stock, you will receive with this proxy statement/prospectus voting instruction forms, that instruct you how to vote a pro rata portion of the MAMSI common stock held by the trustee of the Stock Compensation Trust. Neither MAMSI nor the trustee can exercise discretion as to the voting of shares in the Stock Compensation Trust. If you hold unexercised options and do not provide instructions, or if your instructions are not received in a timely manner, your portion of the shares held by the Stock Compensation Trust will be voted in the same proportion to the shares for which the trustee has received timely instructions from other holders of unexercised options. Because the trustee for the Stock Compensation Trust must process voting instructions from holders of unexercised options before the date of the special meeting, you are urged to deliver your instructions well in advance of the special meeting. The deadline for returning your instructions is _____, 2003. If you vote the shares underlying your unexercised options and then wish to revoke your instructions, you should submit a notice of revocation to the trustee as soon as possible.

If you hold shares of MAMSI common stock through your interest in MAMSI's 401(k) plans, you will receive voting instruction forms with respect to shares held by Wachovia National Bank, the trustee of the 401(k) plans, that instruct you how to vote your shares of MAMSI common stock held in the 401(k) plans.

Quorum; Broker Abstentions and Broker Non-Votes

The required quorum for the transaction of business at the special meeting is a majority of the shares of MAMSI common stock issued and outstanding on the record date. Abstentions and broker non-votes each will be included in determining the number of shares present and voting at the meeting for the purpose of determining the presence of a quorum. Because adoption of the merger agreement and the completion of the merger requires the affirmative vote of a majority of the outstanding shares of MAMSI common stock entitled to vote, abstentions and broker non-votes will have the same effect as votes against adoption of the merger agreement and the completion of the merger. In addition, the failure of a MAMSI stockholder to return a proxy will have the effect of a vote against the adoption of the merger agreement.

Table of Contents

The actions proposed in this proxy statement/prospectus are not matters that can be voted on by brokers holding shares for beneficial owners without the owners' specific instructions. If you do not instruct your broker, bank or other nominee, they will not be able to vote your shares, referred to as a broker non-vote. Accordingly, if a broker or bank holds your shares you are urged to instruct your broker or bank on how to vote your shares.

Expenses of Solicitation

UnitedHealth Group and MAMSI will share equally the costs of preparing and distributing this proxy statement/prospectus for the special meeting. In addition to solicitation by mail, directors, officers and regular employees of MAMSI or its subsidiaries may solicit proxies from stockholders by telephone, telegram, e-mail, personal interview or other means. UnitedHealth Group and MAMSI currently expect not to incur any costs beyond those customarily expended for a solicitation of proxies in connection with a merger agreement. Directors, officers and employees will not receive additional compensation for their solicitation activities, but may be reimbursed for reasonable out of pocket expenses incurred by them in connection therewith. Brokers, dealers, commercial banks, trust companies, fiduciaries, custodians and other nominees have been requested to forward proxy solicitation materials to their customers and such nominees will be reimbursed for their reasonable out of pocket expenses. MAMSI has engaged Morrow & Co., Inc. to assist in the solicitation of proxies for the meeting and MAMSI estimates it will pay Morrow & Co., Inc. a fee of approximately \$10,000.

Householding

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of this proxy statement/prospectus or annual report may have been sent to multiple stockholders in your household. MAMSI will promptly deliver a separate copy of this proxy statement/prospectus, including the attached annual report, to you if you write or call MAMSI at the following address or phone number: 4 Taft Court, Rockville, Maryland 20850, Telephone: (301) 294-5140. If you wish to receive separate copies of an annual report or proxy statement in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or other nominee record holder, or you may contact MAMSI, as applicable, at the above address and phone number.

Board Recommendation

The MAMSI board of directors has unanimously approved and adopted the merger agreement and unanimously recommends that MAMSI stockholders vote FOR adoption of the merger agreement.

The matters to be considered at the special meeting are of great importance to the stockholders of MAMSI. Accordingly, you are urged to read and carefully consider the information presented in this proxy statement/prospectus, and to complete, date, sign and promptly return the enclosed proxy in the enclosed postage-paid envelope or submit your proxy by telephone or the Internet.

Stockholders should not send any stock certificates at this time. A transmittal form with instructions for the surrender of stock certificates for MAMSI common stock will be mailed to you as soon as practicable after completion of the merger.

Table of Contents

THE MERGER

This section of the proxy statement/prospectus describes material aspects of the proposed merger. While UnitedHealth Group and MAMSI believe that the description covers the material terms of the merger and the related transactions, this summary may not contain all of the information that is important to you. You should read this entire proxy statement/prospectus, the attached annexes, and the other documents referred to, carefully for a more complete understanding of merger.

General Description of the Merger

At the effective time of the merger, MAMSI will merge with and into MU Acquisition LLC, a Delaware limited liability company and a wholly owned subsidiary of UnitedHealth Group. Upon completion of the merger, the separate corporate existence of MAMSI will cease and MU Acquisition LLC will continue as the surviving entity. UnitedHealth Group intends to change the name of the surviving entity to MAMSI promptly after the merger.

As a result of the merger, each share of MAMSI common stock outstanding at the effective time of the merger will be converted automatically into the right to receive 0.82 of a share of UnitedHealth Group common stock, sometimes referred to as the exchange ratio, plus \$18.00 in cash, without interest. The cash component of the merger consideration could be decreased and the stock component increased if required to preserve the intended tax treatment of the merger, as explained under the caption The Merger Agreement Tax Adjustment beginning on page . MAMSI stockholders will receive cash instead of fractional shares of UnitedHealth Group common stock that would have otherwise been issued as a result of the merger. If the number of shares of either UnitedHealth Group common stock or MAMSI common stock changes before the merger is complete because of stock dividend, subdivision, reclassification, recapitalization, split, combination, exchange of shares or similar transaction, then an appropriate and proportionate adjustment will be made to the stock and cash to be received by MAMSI stockholders in the merger.

Based on the number of shares of MAMSI common stock and UnitedHealth Group common stock outstanding or issuable upon exercise of outstanding stock options, whether or not vested with respect to MAMSI options, as of the record date and the exchange ratio, approximately million shares of UnitedHealth Group common stock will be issuable pursuant to the merger agreement, representing approximately % of the UnitedHealth Group common stock outstanding immediately after the merger.

UnitedHealth Group will account for the merger as a purchase for financial reporting purposes. See Accounting Treatment beginning on page . The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code for U.S. federal income tax purposes. See Material U.S. Federal Income Tax Consequences of the Merger beginning on page for a discussion of material U.S. federal income tax consequences of the merger.

Background of the Merger

As a regional managed care organization, MAMSI continually considered strategic alternatives to become more competitive in both its regional and the national market since 2001. To assist in such endeavors, MAMSI hired Merrill Lynch & Co. as a financial advisor on February 21, 2001.

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

From time to time since 2001, Mark D. Groban, M.D., Chairman of the Board of MAMSI, Thomas P. Barbera, President and Chief Executive Officer of MAMSI, and Robert E. Foss, Senior Executive Vice President and Chief Financial Officer of MAMSI, spoke with third parties interested in exploring the possibility of a business combination with MAMSI. During this period, Dr. Groban regularly reviewed with the MAMSI board of directors the status of those discussions and MAMSI's strategic plans to maximize stockholder value. Except for the discussions set forth below with UnitedHealth Group, Dr. Groban and such executives have not received any offers from any third parties regarding a possible acquisition of or strategic business combination with MAMSI.

Table of Contents

On July 15, 2002, Dr. Groban met with William McGuire, M.D., Chairman of the Board and Chief Executive Officer of UnitedHealth Group. Dr. McGuire expressed an interest in commencing a process to explore a possible business combination with MAMSI. There was no commitment for any specific action discussed at the meeting. After the meeting, Dr. Groban and Dr. McGuire spoke by telephone on several occasions about both companies' strategic opportunities.

UnitedHealth Group continually evaluates strategic opportunities and business scenarios as a part of its ongoing evaluation of the market and opportunities to strengthen its business. In connection with this ongoing evaluation, management of UnitedHealth Group regularly evaluates other companies across its business units and regularly updates its board of directors on potential acquisitions. As a result of this ongoing evaluation, UnitedHealth Group has been generally familiar with the operations of MAMSI over the past several years. As part of this evaluation, on January 7, 2003, UnitedHealth Group management was provided with discussion materials by MAMSI's financial advisor that included information on various managed care companies, including MAMSI.

On February 11, 2003, as part of a regularly scheduled board meeting, a high-level summary of potential merger or acquisition candidates across UnitedHealth Group's business units was provided to UnitedHealth Group's board of directors. MAMSI was included in this summary as a potential candidate for further evaluation by UnitedHealth Group's management. No action was requested of UnitedHealth Group's board of directors at this time.

During the regularly scheduled meeting of the MAMSI board of directors on February 13, 2003, Dr. Groban presented information to the MAMSI board regarding various on-going activities by the executive management team concerning strategic alignments and competitive consolidations in the market, including discussions with representatives from UnitedHealth Group.

On March 10, 2003, UnitedHealth Group and MAMSI signed a confidentiality agreement to allow UnitedHealth Group to conduct due diligence activities regarding MAMSI's business and operations in connection with UnitedHealth Group's evaluation of a possible strategic transaction with MAMSI. Also on March 10, 2003, Dr. Groban met with Stephen J. Hemsley, President and Chief Operating Officer of UnitedHealth Group, in Washington, D.C. Dr. Groban and Mr. Hemsley discussed the long-term strategies and goals of each company and their plans for the mid-Atlantic region. They discussed the strategic options for both companies and the opportunities presented for a possible strategic combination.

On March 12, 2003, Mr. Hemsley, Robert J. Sheehy, Chief Executive Officer of UnitedHealthcare, William A. Munsell, Executive Vice President of UnitedHealthcare, and G. Mike Mikan, Vice President Corporate Development of UnitedHealth Group, met with Dr. Groban, Mr. Barbera, Mr. Foss and Sharon C. Pavlos, Associate Senior Executive Vice President and General Counsel of MAMSI, to review MAMSI's background and an overview of its services. At the meeting, MAMSI's representatives provided Mr. Mikan with additional background information on MAMSI.

On April 4, 2003, UnitedHealth Group engaged The Goldman Sachs Group, Inc., as its financial advisor in connection with a potential acquisition of MAMSI.

On April 8, 2003, Dr. Groban and Mr. Hemsley met in Washington, D.C. and had further discussions regarding their respective companies and the possible strategic and economic benefits to both companies from a potential business combination. At this meeting, Mr. Hemsley and Dr. Groban had preliminary discussions involving a potential combination of MAMSI with UnitedHealth Group. Mr. Hemsley proposed initial valuations which Dr. Groban indicated would likely be insufficient.

On April 26, 2003, Dr. McGuire and Dr. Groban met to continue discussions regarding company cultures and values and strategic opportunities regarding a possible business combination.

On May 7, 2003 and July 29, 2003, as part of regularly scheduled board meetings, members of management of UnitedHealth Group provided the board of directors with an update on UnitedHealth Group's merger and acquisition outlook, including a discussion of the strategic elements, business points and valuation considerations of a potential transaction with MAMSI.

Table of Contents

During MAMSI's regularly scheduled meetings of the board of directors held on May 7, 2003 and August 5, 2003, Dr. Groban updated the board regarding various discussions by the executive management team concerning strategic alignments and competitive consolidations in the market. At these meetings, Dr. Groban also described discussions and contacts with a number of potential strategic partners, including UnitedHealth Group.

At an August 15, 2003 meeting between Dr. McGuire and Dr. Groban, Dr. McGuire indicated UnitedHealth Group's interest in pursuing a business combination with MAMSI. The parties discussed various scenarios and possibilities and agreed to continue conversations.

During the period from August 19, 2003 to August 25, 2003, Dr. Groban, Dr. McGuire and Mr. Hemsley had several telephone discussions regarding possible transaction scenarios. The parties agreed to have their financial advisors develop scenarios of a possible business combination.

On August 20, 2003, MAMSI retained Lehman Brothers Inc. as its lead financial advisor.

During the period from August 26, 2003 to September 26, 2003, Lehman Brothers had conversations with the financial advisor of UnitedHealth Group, Goldman Sachs, to develop possible transaction parameters.

On September 19, 2003, Messrs. Mikan and Foss discussed by telephone in general the timing and process regarding a potential acquisition and additional information that UnitedHealth Group requested in order to continue to analyze a possible transaction with MAMSI. Following this call, Mr. Foss provided Mr. Mikan an update on MAMSI's financial outlook for the pending fiscal quarter.

At an October 2, 2003 special meeting of the MAMSI board of directors, Lehman Brothers reviewed factors influencing the health care insurance industry in general and MAMSI specifically and the various strategic alternatives available to MAMSI in view of market and industry developments. The board discussed the advantages and disadvantages of various options including continuing MAMSI's current strategic business plan, growing through strategic acquisitions of other companies, and a merger with, or acquisition by, a larger company in the health care insurance industry. The board was provided with information concerning UnitedHealth Group. Lehman Brothers then described and reviewed in detail the industry position, business culture and prospects of UnitedHealth Group. At the conclusion of the meeting and after discussions with MAMSI's financial advisors, the MAMSI board authorized Dr. Groban and MAMSI's senior management team to continue discussions with UnitedHealth Group regarding a possible strategic business combination.

On October 3, 2003, Dr. Groban and Mr. Hemsley discussed various matters relating to a potential transaction, including the importance of maintaining MAMSI's current management, the structure of a potential transaction and a range of possible purchase prices for MAMSI, subject to due diligence and additional negotiations.

On October 4, 2003, the MAMSI board of directors held a special meeting at which Dr. Groban updated the board on discussions with UnitedHealth Group and outlined the key financial terms of the possible strategic business combination. The MAMSI board approved management's continued discussions with UnitedHealth Group toward a strategic business combination on the best financial terms achievable.

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

From October 4 through October 6, 2003, Dr. McGuire had several telephone conversations with the other members of the UnitedHealth Group board of directors to apprise them of the status of the proposed transaction.

On October 7, 2003, UnitedHealth Group provided MAMSI with a due diligence list of items to be reviewed.

Table of Contents

On October 9, 2003, Dr. Groban and Mr. Foss met with Mr. Hemsley and Mr. Mikan to discuss the due diligence process and integration strategies and UnitedHealth Group commenced a financial, legal, and operational due diligence review of MAMSI's business and operations which continued until October 26, 2003.

On October 14, 2003, as part of the Audit Committee's regular meeting to discuss UnitedHealth Group's third quarter earnings release, Dr. McGuire and Mr. Hemsley discussed with the Audit Committee the terms and status of the proposed transaction and the status of ongoing due diligence.

On October 16, 2003, MAMSI engaged Houlihan Lokey Howard & Zukin Financial Advisors, Inc. to render an opinion as to the fairness, from a financial point of view, of the consideration to be received by MAMSI's stockholders in connection with the proposed transaction, independent of the fairness opinion to be rendered by Lehman Brothers.

On October 18, 2003, UnitedHealth Group provided MAMSI with a list of employees that UnitedHealth Group determined were key to MAMSI's ongoing operations. UnitedHealth Group informed MAMSI that UnitedHealth Group employment agreements with such individuals would be a condition to UnitedHealth Group entering into the transaction, as UnitedHealth Group believed that the retention of existing management was essential to achieving the anticipated benefits of the merger.

On October 20, 2003, representatives from UnitedHealth Group provided a draft merger agreement to representatives of MAMSI and on October 21, 2003, representatives of the parties made arrangements for MAMSI to conduct a due diligence review of UnitedHealth Group's finances and operations at its offices in Minnetonka, Minnesota.

On October 22, 2003, Dr. McGuire and Messrs. Hemsley and Mikan discussed with representatives of MAMSI in general the process regarding a potential transaction, including timing, structure and possible valuations. In these discussions, UnitedHealth Group emphasized the importance of its requested deal protection measures contained in the draft merger agreement, including, in particular, a requirement that MAMSI's stockholders vote on the UnitedHealth Group merger proposal even if a competing proposal had been made.

From October 20, 2003 to October 26, 2003, MAMSI's and UnitedHealth Group's senior management each worked to finalize their due diligence and review of the proposed business combination, reviewing financial and other terms of the transaction and the latest versions of the draft merger agreement, disclosure schedules, employment agreements and related documents.

From October 20, 2003 to October 26, 2003, Dr. McGuire and Mr. Hemsley had several telephone conversations with the other members of UnitedHealth Group's board of directors apprising them of the terms and status of the proposed transaction and seeking input and support for the manner in which the proposed acquisition was progressing.

From October 20, 2003 to October 24, 2003, representatives of UnitedHealth Group and MAMSI met to negotiate the provisions of the draft merger agreement. Numerous issues regarding the draft merger agreement were discussed, including the scope of the representations and warranties, closing conditions and deal protections. During these meetings MAMSI's representatives emphasized that the final agreement had to afford MAMSI's board of directors a meaningful opportunity to respond to unsolicited third-party acquisition proposals.

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

On October 24, 2003, the MAMSI board of directors met in Baltimore, Maryland. Dr. Groban reviewed the activities and discussions with UnitedHealth Group over the past several weeks, including reporting on MAMSI's due diligence investigation of UnitedHealth Group and UnitedHealth Group's due diligence investigation of MAMSI. He described the plan to merge the operations of MAMSI and UnitedHealth Group in the mid-Atlantic region, the geographical, operational and cultural fit of the two companies, the intention of UnitedHealth Group to retain the senior management team of MAMSI, the benefits to be derived by MAMSI's stockholders and members from the combination of businesses and the economic benefits to be received by

Table of Contents

MAMSI senior management as a result of the merger. Dr. Groban also described the status of negotiations relating to the consideration that would be paid to MAMSI's stockholders in the proposed merger.

Representatives of MAMSI's outside counsel, Dewey Ballantine LLP and Kirkpatrick & Lockhart LLP, reviewed the board's fiduciary duties and the provisions of the draft merger agreement, identifying those provisions that were still the subject of negotiations with UnitedHealth Group. They also discussed the federal income tax consequences of the proposed merger consideration to stockholders of MAMSI.

Representatives of Lehman Brothers were also present at the meeting and reviewed the financial implications to MAMSI and its stockholders of the proposed transaction and commented on the terms of the transaction that had been tentatively agreed to and those that were still under discussion. Representatives of Houlihan Lokey were also present at the meeting and independently reviewed the financial implications to MAMSI and its stockholders of the proposed transaction. Representatives of Lehman Brothers and Houlihan Lokey did not participate in, and were not present for, each other's presentations to MAMSI's board of directors.

The parties continued their discussions and negotiations on October 24, 25 and 26, 2003. During this period, the terms of the merger agreement were finalized, including the scope of the representations and warranties, closing conditions and deal protections. As part of these final negotiations, the parties reached a compromise that UnitedHealth Group would have the right to insist that its merger proposal be submitted to MAMSI stockholders even if the MAMSI board of directors were to withdraw, adversely modify or fail to confirm its recommendation in favor of the merger but that if UnitedHealth Group did require such a vote and the MAMSI stockholders then failed to approve the merger proposal, no termination fee would be payable to UnitedHealth Group, even if MAMSI subsequently committed to an alternative takeover proposal.

On October 25, 2003, UnitedHealth Group and MAMSI finalized the merger consideration to be paid to MAMSI stockholders in the transaction, subject to satisfactory completion of definitive documentation and the approval of each party's board of directors. In addition, on October 25, 2003, UnitedHealth Group, MAMSI and certain executive officers of MAMSI agreed on the terms to be offered in the employment agreements that specified officers of MAMSI would be entering into with UnitedHealth Group, to be effective upon completion of the merger.

On October 26, 2003, UnitedHealth Group presented a detailed review of the proposed transaction to its board of directors, including an overview of MAMSI, material terms of the draft merger agreement, valuation parameters, due diligence findings and other matters. Goldman Sachs & Co., UnitedHealth Group's financial advisor also presented a financial overview of the proposed transaction. UnitedHealth Group's board of directors unanimously approved the merger agreement and the transactions contemplated by the merger agreement, including the merger.

Also on October 26, 2003, the MAMSI board of directors met to discuss the proposed transaction. Dr. Groban reviewed in detail the terms of the transaction as reflected in the draft merger agreement which had been made available to the board and the strategic rationale for the merger. Dr. Groban also reviewed the financial terms of the merger including the specific cash and stock consideration to be provided in the proposed merger, as well as the premium to the then current market price of MAMSI's common stock that consideration would provide, and the economic benefits to be received by MAMSI senior management as a result of the merger. MAMSI's outside counsel reviewed the final significant terms of the proposed transaction, including the agreed-upon deal protection features. Lehman Brothers reviewed with the board its detailed, updated analyses of the financial terms of the proposed merger and provided an oral opinion, which was subsequently confirmed by receipt of a written opinion dated the same date, based upon and subject to matters stated in its opinion, that as of such date, from a financial point of view, the consideration to be offered to MAMSI stockholders in the merger is fair to the MAMSI stockholders. Houlihan Lokey reviewed with the board its detailed, updated analyses of the

Table of Contents

financial terms of the proposed merger and provided an oral opinion, which was subsequently confirmed by receipt of a written opinion dated the same date, that based upon and subject to matters stated in its opinion, that as of such date, from a financial point of view, the consideration to be offered to MAMSI stockholders in the merger is fair to the MAMSI stockholders. At the conclusion of this meeting, the MAMSI board of directors unanimously authorized the execution of the merger agreement and resolved to recommend that the MAMSI stockholders adopt the merger agreement.

Following such meetings, on October 26, 2003, management of UnitedHealth Group and MAMSI executed the merger agreement and UnitedHealth Group entered into employment agreements with certain key employees of MAMSI.

On October 27, 2003, the parties publicly announced the execution of the merger agreement.

UnitedHealth Group's Reasons for the Merger

In approving the merger and the merger agreement, the UnitedHealth Group board of directors considered a number of factors, including the facts discussed in the following paragraphs. In light of the number and wide variety of factors considered in connection with its evaluation of the merger, the UnitedHealth Group board did not consider it practicable to, and did not attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its determination. The board viewed its position and recommendations as being based on all of the information available and the factors presented to and considered by it. In addition, individual directors may have given different weight to different factors. This explanation of UnitedHealth Group's reasons for the merger and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Cautionary Statement Regarding Forward-Looking Statements" beginning on page .

In reaching its decision, the board consulted with UnitedHealth Group's management with respect to strategic and operational matters and with UnitedHealth Group's legal counsel with respect to the merger agreement and the transactions contemplated thereby. The board also consulted with Goldman Sachs, UnitedHealth Group's financial advisor, with respect to the financial aspects of the merger.

The board identified a number of potential benefits of the merger that it believes will contribute to the success of the combined enterprise. These potential benefits include:

since MAMSI is a market leader in the fast growing mid-Atlantic region, the merger strengthens UnitedHealth Group's market position in that region with a combined membership of 3.5 million members in the region;

MAMSI's assets, brand and reputation significantly expand and enhance UnitedHealth Group's customer products and services;

the merger provides UnitedHealth Group a significant business opportunity to improve access to affordable health services for employers and consumers in the mid-Atlantic region, home to approximately 30 Fortune 500 employers;

similar corporate cultures and values focused on providing quality products and services to customers and building collaborative relationships with physicians, the complementary nature of the two companies' operations, and the experience, reputation and financial

strength of MAMSI;

the consideration to be paid in the merger is consistent with recent comparable transactions in the health benefits industry;

the intended treatment of the merger as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

Table of Contents

MAMSI's relationships with institutions and care providers will benefit the current and future customers of UnitedHealthcare and Uniprise, while the offerings and capabilities of UnitedHealth Group will become available to the people currently served by MAMSI;

an immediate increase in earnings per share;

strong growth and profitability prospects for the future;

MAMSI has strong cost controls with room for continued improvement, allowing cost synergies to be realized;

the merger is an opportunity to leverage UnitedHealth Group's expertise and investment in technology to improve the delivery of health care services to the people currently served by MAMSI;

the merger provides a cross-selling opportunity for higher-margin specialty products and services such as dental, vision and mental health benefits to existing MAMSI customers; and

the merger allows for continued improvement in monitoring costs of service through economies of scale.

The UnitedHealth Group board also identified and considered a number of uncertainties and risks. Those negative factors included:

the risk that the potential benefits of the merger might not be realized;

the risk that the merger may not be completed;

the challenges, costs and risks of integrating the business of UnitedHealth Group and MAMSI and the potential management, customer, supplier, partner and employee disruption that may be associated with the merger;

the diversion of management focus and resources from other strategic opportunities and from operational matters while working to implement the merger; and

various other applicable risks associated with the combined company and the merger, including those described under the section entitled "Risk Factors" beginning on page .

The board weighed the benefits, advantages and opportunities against the challenges inherent in the combination of two businesses of the size of UnitedHealth Group and MAMSI and the possible resulting diversion of management attention for an extended period of time. The board realized that there can be no assurance about future results, including results expected or considered in the factors listed above. However, the board concluded that the potential benefits outweighed the potential risks of consummating the merger.

After taking into account these and other factors, the board unanimously determined that the merger agreement and the transactions contemplated thereby were fair to, and in the best interests of, UnitedHealth Group and its shareholders, and approved and authorized the merger agreement and the transactions contemplated thereby, including the merger.

MAMSI s Reasons for the Merger and Board of Directors Recommendation

In approving and adopting the merger agreement, the MAMSI board of directors considered a number of factors, including factors discussed in the following paragraphs. In view of the number and wide variety of factors considered in connection with its evaluation of the merger, the MAMSI board of directors did not

Table of Contents

consider it practicable to, and did not attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its determination. The MAMSI board of directors viewed its position and recommendations as being based on all of the information and the factors presented to and considered by it. In addition, individual directors may have given different weight to different information and factors. This explanation of MAMSI's reasons for the merger and all other information presented in this section are forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading *Cautionary Statement Regarding Forward-Looking Statements* beginning on page .

The MAMSI board of directors believes that the merger presents an opportunity to combine and expand two complementary and market leading health benefits companies. The MAMSI board consulted with management with respect to strategic and operational matters and also consulted financial advisors and determined that the merger was consistent with the strategic plans of MAMSI and was in the best interests of MAMSI and its stockholders. In reaching the conclusion to unanimously approve and adopt the merger agreement, the MAMSI board considered a number of factors, including the following:

Strategic Growth

The MAMSI board of directors considered its knowledge of the business, operations, financial condition, earnings and prospects of UnitedHealth Group. The board considered UnitedHealth Group's size and scope, which would allow the combined company to compete more effectively in the increasingly competitive market for health benefits, to be in a better position to take advantage of growth opportunities and to serve members and providers more efficiently. The MAMSI board also considered the superior growth opportunity for the combined company to expand and enhance the availability of products and services for employers and consumers, particularly for large self-insured employers, including Fortune 500 companies headquartered or having employees located within the mid-Atlantic region.

Synergies

The MAMSI board considered the ability of the combined company to achieve economies of scale and thereby enhance profitability by leveraging the experienced management teams and best practices from both companies and extending each company's geographic reach. Specifically, the board considered:

UnitedHealth Group's history of growth of profitable enrollment;

UnitedHealth Group's operating efficiencies as demonstrated by its operating margins;

UnitedHealth Group's strong management and operating expertise; and

UnitedHealth Group's technology tools and service platforms.

The MAMSI board noted that the synergies expected from the merger should result in an enhanced sales channel, superior provider contracting strength, administrative costs savings, revenue enhancements, and more effective procurement of medical services on behalf of customers at affordable rates. Based on these considerations, the MAMSI board considered the benefits that would be derived from the complementary strengths and regional coverage of the two companies.

Trends in the Health Benefits Industry

The MAMSI board of directors considered the current environment and trends in the health benefits industry, including the regulatory uncertainty related to managed care generally, industry consolidation and pricing trends. The board considered the advantages that large companies have in such an environment and that access to UnitedHealth Group's size and scope would place MAMSI in a better position to take advantage of growth opportunities, meet competitive pressures and serve customers efficiently.

Table of Contents

Strategic Alternatives

The MAMSI board of directors considered trends and competitive developments in the health benefits industry and the range of strategic alternatives available to MAMSI, including MAMSI continuing its existing strategy of seeking internal growth and improving its cost structure.

Merger Consideration and Stock Price

The MAMSI board of directors considered the relationship of the consideration to be paid pursuant to the merger agreement to recent and historical market prices of its common stock and UnitedHealth Group common stock. It also considered the form of the merger consideration, the premium to be paid to MAMSI stockholders and the certainty of the value of the cash component of the merger consideration as well as the ability of the holders of MAMSI common stock to become holders of UnitedHealth Group common stock and participate in the future prospects of the combined business of UnitedHealth Group and MAMSI. It also took into account that the consideration to be paid in the merger was consistent with recent comparable transactions in the health benefits industry. The board also evaluated the detailed financial analyses and presentations of each of Lehman Brothers Inc. and Houlihan Lokey Howard & Zukin Financial Advisors, Inc. as well as their respective opinions that, based on and subject to the considerations set forth in their respective opinions, as of the date of such opinions, the consideration to be offered to the MAMSI stockholders in the merger is fair, from a financial point of view, to the MAMSI stockholders.

United States Federal Income Tax Treatment

The MAMSI board of directors considered the intended treatment of the merger as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Similar Corporate Cultures

The MAMSI board of directors considered the complementary nature of the operations of MAMSI and UnitedHealth Group, management's belief that the companies have similar corporate cultures and values focused on providing quality products and services to customers and the experience, reputation and financial strength of UnitedHealth Group. It was noted by the board that, like MAMSI, UnitedHealth Group has a progressive culture, disciplined management, a commitment to the study and application of data, and a strong track record of value creation.

Personnel

The board considered the fact that, upon completion of the merger, the current management team will remain in place and lead UnitedHealth Group's mid-Atlantic region, positioning the company to continue its strong performance.

Revenue and Revenue Enhancements

The board took note of the opportunity for additional penetration of MAMSI products, as well as the ability to broaden its customer relationships through UnitedHealth Group's product offerings, multi-site capabilities and technology. Further, the board noted that the merger will be immediately accretive to the combined company's earnings.

At a special meeting held on October 26, 2003, the MAMSI board of directors determined that the merger and the merger agreement are advisable, fair to and in the best interests of MAMSI and its stockholders. Accordingly, the MAMSI board of directors unanimously approved and adopted the merger agreement and unanimously recommends that MAMSI shareholders vote FOR the adoption of the merger agreement.

Table of Contents

Opinions of MAMSI's Financial Advisors

The board of directors of MAMSI retained Lehman Brothers Inc. to act as its lead financial advisor in connection with the proposed merger of MAMSI with and into a subsidiary of UnitedHealth Group pursuant to the merger agreement. The board of directors of MAMSI also retained Houlihan Lokey Howard & Zukin Financial Advisors, Inc. to render an independent fairness opinion in connection with the proposed transaction.

Opinion of Lehman Brothers Inc.

On October 26, 2003, Lehman Brothers rendered its opinion to the MAMSI board of directors that as of such date and, based upon and subject to matters stated in its opinion, from a financial point of view, the consideration to be offered to the MAMSI stockholders in the merger is fair to such stockholders. For purposes of the Lehman Brothers opinion, the consideration to be offered in the merger was defined as 0.82 shares of UnitedHealth Group common stock and \$18.00 in cash.

The full text of Lehman Brothers' opinion, dated October 26, 2003 is attached as Annex B-1 to this proxy statement/prospectus. Stockholders may read such opinion for a discussion of the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Lehman Brothers in rendering its opinion. The following is a summary of the Lehman Brothers opinion and the methodology that Lehman Brothers used to render its fairness opinion.

Lehman Brothers' advisory services and opinion were provided for the information and assistance of the MAMSI board of directors in connection with its consideration of the merger. The Lehman Brothers opinion is not intended to be and does not constitute a recommendation to any stockholder of MAMSI as to how such stockholder should vote in connection with the merger. Lehman Brothers was not requested to opine as to, and the Lehman Brothers opinion does not address, MAMSI's underlying business decision to proceed with or effect the merger.

In arriving at its opinion, Lehman Brothers reviewed and analyzed:

the merger agreement, and the specific terms of the merger;

publicly available information concerning MAMSI that Lehman Brothers believed to be relevant to its analyses, including MAMSI's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and MAMSI's Quarterly Reports on Form 10-Q for the quarters ended March 31 and June 30, 2003;

publicly available information concerning UnitedHealth Group that Lehman Brothers believed to be relevant to its analyses, including UnitedHealth Group's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and UnitedHealth Group's Quarterly Reports on Form 10-Q for the quarters ended March 31 and June 30, 2003;

financial and operating information with respect to the business, operations and prospects of MAMSI furnished to Lehman Brothers by MAMSI, including the near-term expectations of MAMSI management for the financial performance of MAMSI for the remainder of 2003;

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

the trading history of MAMSI's common stock from October 23, 2002 to October 24, 2003 and a comparison of that trading history with those of other companies and market indices that Lehman Brothers deemed relevant;

financial and operating information with respect to the business, operations and prospects of UnitedHealth Group furnished to Lehman Brothers by UnitedHealth Group;

the trading history of UnitedHealth Group common stock from October 22, 1993 to October 24, 2003 and UnitedHealth Group's price to earnings ratio from October 23, 2000 to October 24, 2003 and a comparison of that ratio with those of other companies that Lehman Brothers deemed relevant;

a comparison of the historical financial results and present financial condition of MAMSI with those of other companies that Lehman Brothers deemed relevant;

Table of Contents

a comparison of the historical financial results and present financial condition of UnitedHealth Group with those of other companies that Lehman Brothers deemed relevant;

independent research analysts' estimates of the future financial performance of MAMSI published by First Call;

independent research analysts' estimates of the future financial performance of UnitedHealth Group published by First Call;

the relative financial contributions of MAMSI and UnitedHealth Group to the combined company on a pro forma basis following consummation of the merger;

the potential pro forma effect of the merger on the future financial performance of UnitedHealth Group, including the effect on UnitedHealth Group's pro forma earnings per share;

the results of efforts by MAMSI and its other financial advisors to solicit indications of interest from third parties with respect to a purchase of MAMSI;

the strategic and competitive positions of MAMSI and UnitedHealth Group in comparison to other companies in the healthcare insurance and well-being industry; and

a comparison of the financial terms of the merger with the financial terms of certain other transactions that Lehman Brothers deemed relevant.

In addition, Lehman Brothers discussed with the management of MAMSI and UnitedHealth Group their respective businesses, operations, assets, financial conditions and prospects, and undertook such other studies, analyses and investigations as Lehman Brothers deemed appropriate.

In arriving at its opinion, Lehman Brothers assumed and relied upon the accuracy and completeness of the financial and other information used by it without assuming any responsibility for independent verification of such information and further relied upon the assurances of the management of MAMSI and UnitedHealth Group that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial projections of MAMSI for the remainder of 2003 that were furnished to Lehman Brothers by MAMSI, with the consent of MAMSI, Lehman Brothers assumed that such projections were reasonably prepared on a basis reflecting the best estimates and judgments of MAMSI's management then available as to the future performance of MAMSI for the period ending December 31, 2003, and that MAMSI will perform substantially in accordance with such projections. However, for purposes of Lehman Brothers' analysis, Lehman Brothers also considered independent research analysts' estimates for the period ending December 31, 2003 and thereafter. Lehman Brothers discussed these independent research analysts' estimates with the management of MAMSI and based upon advice of MAMSI's management, Lehman Brothers assumed that these estimates were a reasonable basis upon which to evaluate the future performance of MAMSI and, with MAMSI's consent, Lehman Brothers used such estimates in performing its analysis. Lehman Brothers was not provided with, and did not have any access to, any financial projections of UnitedHealth Group prepared by management of UnitedHealth Group. Accordingly, upon advice of UnitedHealth Group's management and with the consent of MAMSI's management, Lehman Brothers assumed that the independent research analysts' estimates for UnitedHealth Group published by First Call were a reasonable basis upon which to evaluate the future financial performance of UnitedHealth Group and Lehman Brothers used such estimates in performing its analysis. In arriving at its opinion, Lehman Brothers conducted only a limited physical inspection of the properties and facilities of MAMSI and UnitedHealth Group. Lehman Brothers did not make or obtain any evaluations or appraisals of the assets or liabilities of either MAMSI or UnitedHealth Group. The Lehman Brothers opinion was necessarily based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of Lehman Brothers' opinion.

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

Lehman Brothers expressed no opinion as to the prices at which shares of UnitedHealth Group common stock will trade at any time following the announcement of the merger or the completion of the merger. The

Table of Contents

Lehman Brothers opinion should not be viewed as providing any assurance that the market value of the UnitedHealth Group shares to be held by the stockholders of MAMSI after the completion of the merger will be in excess of the market value of MAMSI shares owned by such stockholders at any time prior to the announcement or the completion of the merger. Although Lehman Brothers evaluated the fairness, from a financial point of view, of the consideration to be offered to the stockholders of MAMSI in the merger, Lehman Brothers was not requested to, and did not, recommend the specific consideration to be received by the MAMSI stockholders in the merger, the consideration for which was determined through negotiations between MAMSI and UnitedHealth Group. No other limitation was imposed on Lehman Brothers with respect to the investigations made or procedures followed by Lehman Brothers in rendering its opinion.

In connection with rendering its opinion, Lehman Brothers performed certain financial, comparative and other analyses as summarized below. In arriving at its opinion, Lehman Brothers did not ascribe a specific range of value to MAMSI or UnitedHealth Group, but rather made its determination as to the fairness, from a financial point of view, to MAMSI stockholders of the consideration to be offered to such stockholders in the merger on the basis of financial and comparative analyses. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial and comparative analysis and the application of those methods to the particular circumstances. Therefore, such an opinion is not readily susceptible to summary description. Furthermore, in arriving at its opinion, Lehman Brothers did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Lehman Brothers believes that its analyses must be considered as a whole and that considering any portion of such analyses and factors, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying its opinion. In its analyses, Lehman Brothers made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of MAMSI and UnitedHealth Group. None of MAMSI, UnitedHealth Group, Lehman Brothers or any other person assumes responsibility if future results are materially different from those discussed. Any estimates contained in these analyses were not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth therein. In addition, analyses relating to the value of businesses do not purport to be appraisals or to reflect the prices at which businesses actually may be sold.

The following is a summary of the material financial analyses used by Lehman Brothers in connection with providing its opinion to the board of directors of MAMSI. Certain of the summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses used by Lehman Brothers, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Accordingly, the analyses listed in the tables and described below must be considered as a whole. Considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying the Lehman Brothers opinion.

Table of Contents*Stock Trading History*

Lehman Brothers considered historical data with regard to the trading price of MAMSI shares for the period from October 23, 2002 to October 24, 2003 and the relative stock price performances during this same period of the Standard & Poor's 500 Index, an index of Blue Cross Blue Shield Companies, an index of healthcare insurance companies serving multiple geographic regions, referred to as Multi-market Companies, and an index of healthcare insurance companies serving various regional areas, referred to as Regional Companies. Lehman Brothers noted that during this time period, the share price of MAMSI increased 26.2%, which outperformed all of the comparable indices except the regional index, which increased 28.7%. The following chart identifies each of the companies included by Lehman Brothers as Blue Cross Blue Shield Companies, Multi-market Companies and Regional Companies.

Blue Cross Blue Shield Companies	Multi-market Companies	Regional Companies
Anthem, Inc.	Aetna Inc.	Health Net, Inc.
WellChoice, Inc.	American Medical Security Group, Inc.	Oxford Health Plans, Inc.
WellPoint Health Networks Inc.	CIGNA Corporation	PacifiCare Health Systems, Inc
	Coventry Health Care, Inc.	Sierra Health Services, Inc.
	First Health Group Corp.	
	Humana Inc.	
	UnitedHealth Group Inc.	

Historical Exchange Ratio Analysis

Lehman Brothers compared the historical share prices of MAMSI and UnitedHealth Group during different periods during the one-year period prior to October 24, 2003, in order to determine the implied average exchange ratio that existed for those periods. Lehman Brothers noted that the exchange ratio for the merger of 1.15x is greater than the exchange ratio for the time periods specified below. The following table indicates the average exchange ratio of MAMSI shares for each UnitedHealth Group share for the periods indicated:

	Exchange Ratio
Implied Transaction (assuming an all-stock transaction)	1.15x
October 24, 2003	0.99x
30 day average	1.01x
60 day average	1.00x
180 day average	0.97x
1 year average	0.92x

Premiums Paid Analysis

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

Using the closing price of UnitedHealth Group on October 24, 2003 as well as the average closing price for UnitedHealth Group for the thirty day, sixty day, one hundred and eighty day and one year periods ended October 24, 2003, Lehman Brothers analyzed the 0.82 shares of UnitedHealth Group common stock and the \$18.00 a share in cash offered to the MAMSI stockholders, to derive premiums over the stock price of MAMSI on October 24, 2003 as well as the average closing price for MAMSI for the thirty day, sixty day, one hundred and eighty day and one year periods ending October 24, 2003. The results of this analysis are set forth below.

	<u>Implied Premium</u>
October 24, 2003	16.0%
30 day average	15.2%
60 day average	16.5%
180 day average	22.6%
1 year average	30.6%

Table of Contents

Lehman Brothers reviewed the one-day premiums for transactions valued between \$1 billion and \$5 billion since January 1, 2001, excluding all-cash transactions and certain other transactions that Lehman Brothers deemed not to be relevant. Lehman Brothers reviewed these premiums in quartiles as compared to MAMSI's implied one-day premium of 16.0%, the results of which are set forth below. Lehman Brothers noted that the MAMSI one-day implied premium was within the third quartile of premiums reviewed.

	<u>Low</u>	<u>Average</u>	<u>High</u>
First Quartile	31.0%	45.1%	83.0%
Second Quartile	24.0%	26.6%	31.0%
Third Quartile	10.0%	16.2%	22.0%
Fourth Quartile	(9.0)%	2.3%	9.5%

Analysis of MAMSI

Comparable Company Analysis. In order to assess how the public market values shares of publicly traded companies similar to MAMSI, Lehman Brothers reviewed and compared specific financial and operating data relating to MAMSI, the Blue Cross Blue Shield Companies, the Multi-market Companies and the Regional Companies. Using publicly available information, Lehman Brothers calculated and analyzed each company's October 24, 2003 stock price to its projected calendar year (CY) 2003 and 2004 earnings per share (commonly referred to as a price earnings ratio, or P/E) and each company's enterprise value to certain historical financial criteria, including the latest twelve months (LTM) revenues and earnings before interest, taxes, depreciation and amortization (EBITDA) and projected CY 2003 and 2004 financial criteria (such as revenues and EBITDA). The enterprise value of each company was obtained by adding its short and long-term debt to the sum of the market value of its diluted common equity, the value of any preferred stock (at liquidation value), the book value of any minority interest and the value of any material debt-equivalent liabilities.

	<u>Enterprise Value as a multiple of:</u>				<u>P/E</u>	
	<u>LTM</u> <u>Revenue</u>	<u>LTM</u> <u>EBITDA</u>	<u>Projected</u> <u>CY 2003</u> <u>EBITDA</u>	<u>Projected</u> <u>CY 2004</u> <u>EBITDA</u>	<u>Projected</u> <u>CY 2003</u>	<u>Projected</u> <u>CY 2004</u>
<i>Blue Cross Blue Shield Companies</i>						
Mean	0.72x	8.9x	8.6x	7.6x	15.0x	12.9x
Median	0.77x	9.1x	8.3x	7.4x	15.0x	12.9x
<i>Multi-market Companies</i>						
Mean	1.04x	9.6x	8.7x	7.9x	13.7x	11.9x
Median	0.66x	9.1x	8.2x	7.2x	13.6x	12.3x
<i>Regional Companies</i>						
Mean	0.51x	6.7x	6.3x	5.5x	10.4x	9.3x
Median	0.49x	6.8x	6.3x	5.5x	10.2x	9.3x
<i>MAMSI</i>						
<i>Independent Research Analysts' Estimates</i>						
Current	0.90x	10.6x	9.5x	8.4x	14.8x	12.9x
Implied Transaction	1.07x	12.5x	11.2x	9.9x	17.2x	15.0x
<i>MAMSI Management Projections</i>						
Current	0.90x	10.6x	8.7x		13.5x	
Implied Transaction	1.07x	12.5x	10.2x		15.6x	

Lehman Brothers determined, based on the geographic scope of MAMSI's operations, that the regional companies are the most appropriate comparables. However, because of the inherent differences between the business, operations and prospects of MAMSI and the business, operations and prospects of the companies

Table of Contents

included in the comparable companies, Lehman Brothers believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the comparable company analysis and accordingly also made qualitative judgments concerning differences between the financial and operating characteristics and prospects of MAMSI and the companies included in the comparable company analysis that would affect the public trading values of each.

Lehman Brothers noted that the implied transaction multiples for MAMSI utilizing both the independent research analysts' estimates and MAMSI's projections were in excess of the mean and median of the regional companies as of October 24, 2003, the last trading date prior to the delivery of the Lehman Brothers opinion.

Comparable Transaction Analysis. Lehman Brothers reviewed six acquisitions of companies that Lehman Brothers deemed comparable to the merger. Set forth below are the announcement date and parties to those transactions:

<u>Announcement Date</u>	<u>Target</u>	<u>Acquirer</u>
June 23, 2003	Cobalt Corporation	WellPoint Health Networks Inc.
January 16, 2003	CareFirst, Inc.	WellPoint Health Networks Inc.
June 17, 2002	AmeriChoice Corp.	UnitedHealth Group Inc.
April 29, 2002	Trigon Healthcare, Inc.	Anthem, Inc.
October 17, 2001	RightCHOICE Managed Care, Inc.	WellPoint Health Networks Inc.
November 28, 2000	Cerulean Companies	WellPoint Health Networks Inc.

Lehman Brothers considered the transaction values as a multiple of LTM (prior to the acquisition) EBITDA and LTM revenues and also considered the transaction value of the acquisitions on a per member basis based upon the number of members served by the respective acquisition target immediately prior to the acquisition announcement. Lehman Brothers compared these results to the values implied by the merger. Lehman Brothers also considered the equity values of the comparable transactions as a multiple of LTM net income and projected net income according to third party research that was available at the time immediately before the respective transactions were announced and compared them to the values implied by the merger. Lehman Brothers deemed the multiple of LTM EBITDA to be a particularly relevant benchmark, because multiples of EBITDA are the most consistent and available of the set of metrics across the comparable set of transactions, and because it is easily calculated using the same methodology for each comparable transaction. Lehman Brothers noted that the implied transaction LTM EBITDA multiple of 12.5x was in excess of the mean and median of the comparable transactions.

	<u>Mean</u>	<u>Median</u>	<u>High</u>	<u>Low</u>	<u>MAMSI Implied Transaction</u>
<i>Transaction Value divided by:</i>					
LTM Revenue	0.77x	0.73x	1.41x	0.20x	1.07x
LTM EBITDA	11.1x	10.8x	15.8x	8.1x	12.5x
Members	\$ 890.8	\$ 588.0	\$ 1,763.0	\$ 379.8	\$ 1,370.1
<i>Equity Value as a multiple of:</i>					
LTM Net Income	22.4x	23.1x	25.7x	18.3x	19.3x
1 Year Forward Net Income	20.2x	20.7x	23.7x	16.4x	15.0x

Contribution Analysis. Lehman Brothers analyzed the respective contributions of MAMSI and UnitedHealth Group to certain income statement metrics such as the LTM EBITDA, LTM EBIT and LTM net income for the combined company. This analysis indicated that the contribution from MAMSI was consistent with the implied ownership of the combined company of 7.1%, assuming an all-stock transaction.

Table of Contents

Analysis of UnitedHealth Group

Comparable Company Analysis

In order to assess how the public market values shares of publicly traded companies similar to UnitedHealth Group, Lehman Brothers reviewed and compared specific financial and operating data relating to UnitedHealth Group with the Blue Cross Blue Shield Companies, the Multi-market Companies (excluding UnitedHealth Group) and the Regional Companies, as Lehman Brothers deemed these companies comparable to UnitedHealth Group.

Lehman Brothers determined that, because equity analysts primarily value these comparable companies on projected earnings, the use of CY 2003 P/E and CY 2004 P/E multiple range was the most appropriate reference range in analyzing how the public market values the UnitedHealth Group shares. Lehman Brothers calculated the CY 2003 P/E for UnitedHealth Group as of October 24, 2003 at 18.6x and CY 2004 P/E for UnitedHealth Group as of October 24, 2003 at 15.3x. Lehman Brothers also considered UnitedHealth Group's one-year forward P/E multiple over time from October 23, 2000 to October 24, 2003 as compared to the Blue Cross Blue Shield Companies, Multi-market Companies (excluding UnitedHealth Group) and Regional Companies (adding MAMSI to this group for purposes of the UnitedHealth Group analysis), and noted that UnitedHealth Group is typically valued at a premium to these comparable groups. Lehman Brothers also noted that UnitedHealth Group's average one-year forward P/E multiple from October 23, 2000 to October 24, 2003 was 22.6x and that the current one-year forward P/E of 18.6x was lower than that average.

However, because of the inherent differences between the business, operations and prospects of UnitedHealth Group and the business, operations and prospects of the companies included in the comparable companies, Lehman Brothers believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the comparable company analysis and accordingly also made qualitative judgments concerning differences between the financial and operating characteristics and prospects of UnitedHealth Group and the companies included in the comparable company analysis that would affect the public trading values of each.

Pro Forma Analysis

Lehman Brothers analyzed the pro forma effect of the transaction on the earnings per share of UnitedHealth Group. For the purposes of this analysis, Lehman Brothers utilized projections consistent with independent research analysts' estimates and certain assumptions regarding the financing of the cash portion of the merger. This analysis indicated that the merger would be accretive to UnitedHealth Group's earnings per share in 2004 and 2005. The financial forecasts and assumptions that underlie this analysis are subject to substantial uncertainty and, therefore, actual results may be substantially different.

Miscellaneous

Lehman Brothers is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. MAMSI's board of directors selected Lehman Brothers because of its expertise, reputation and familiarity with MAMSI and the healthcare insurance and well-being industry generally, and because its investment banking professionals have substantial experience in transactions comparable to the transaction.

As compensation for its services in connection with the merger, MAMSI has agreed to pay Lehman Brothers a fee based on the value, at closing, of the consideration paid by UnitedHealth Group. Based on the October 26, 2003 value of such consideration, such fee would aggregate approximately \$11 million, a portion of which was payable upon the announcement of the proposed merger and a significant portion of which is contingent upon the completion of the merger. In addition, MAMSI has agreed to reimburse Lehman Brothers for

Table of Contents

reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Lehman Brothers for certain liabilities that may arise out of its engagement by MAMSI and the rendering of the Lehman Brothers opinion.

In the ordinary course of its business, Lehman Brothers may actively trade in the debt or equity securities of MAMSI and UnitedHealth Group for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities. In addition, within the past year, Lehman Brothers co-managed a public offering of UnitedHealth Group debt securities for which it received customary underwriting compensation.

Opinion of Houlihan Lokey Howard & Zukin Financial Advisors, Inc.

On October 26, 2003, Houlihan Lokey rendered to MAMSI's board of directors its written opinion that, as of such date and based upon the considerations set forth in the opinion, the consideration to be received by MAMSI's stockholders in connection with the merger was fair from a financial point of view. The full text of the opinion is attached as Appendix B-2 to this proxy statement/prospectus.

You are urged to read the opinion carefully and in its entirety. The opinion has certain limitations: it is directed to MAMSI's board of directors, it addresses only the fairness of the consideration to be received by MAMSI's stockholders, from a financial point of view and it does not address any other aspect of the merger or constitute a recommendation to any of MAMSI's stockholders as to how they should vote on the merger. This summary is qualified in its entirety by reference to the full text of the opinion.

The opinion does not address MAMSI's underlying business decision to effect the merger. Houlihan Lokey did not negotiate the merger. Houlihan Lokey was not engaged to identify prospective purchasers or to ascertain the actual prices at which and terms on which all or part of MAMSI or its securities could currently be sold. The opinion was only one of the factors taken into consideration by MAMSI's board of directors in making its determination to approve and adopt the merger agreement.

In connection with the opinion, Houlihan Lokey made such reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances. Among other things, Houlihan Lokey: (1) reviewed MAMSI's annual reports to stockholders on Form 10-K for the fiscal years ended December 31, 2000 through 2002 and quarterly report on Form 10-Q for the quarter ended June 30, 2003, which MAMSI's management has identified as the most current information available; (2) reviewed UnitedHealth Group's annual reports to shareholders on Form 10-K for the fiscal years ended December 31, 2000 through 2002 and quarterly report on Form 10-Q for the quarter ended June 30, 2003; (3) reviewed the merger agreement; (4) met or spoke with certain members of the senior management of MAMSI and UnitedHealth Group to discuss the operations, financial condition, future prospects and projected operations and performance of MAMSI and UnitedHealth Group; (5) reviewed earnings estimates prepared by management of MAMSI with respect to MAMSI for the year ended December 31, 2003; (6) reviewed the historical market prices and trading volume for MAMSI's and UnitedHealth Group's publicly traded securities; (7) reviewed MAMSI's board meeting minutes for fiscal year 2003; (8) reviewed certain other publicly available financial data for certain companies that Houlihan Lokey deemed comparable to MAMSI and UnitedHealth Group, and publicly available prices and premiums paid in other transactions that Houlihan Lokey considered similar to the merger; and (9) conducted such other studies, analyses and inquiries as Houlihan Lokey deemed appropriate.

In rendering the opinion, Houlihan Lokey relied upon and assumed, without independent verification, that the earnings estimates provided to it were reasonably prepared and reflect the best currently available estimates of the future financial results and condition of MAMSI, and that there had been no material change in MAMSI's assets, financial condition, business or prospects since the date of the most recent financial statements made available to Houlihan Lokey. In rendering the opinion, Houlihan Lokey further relied upon the assurances of MAMSI's management that they were not aware of any facts that would make such information inaccurate or misleading.

Table of Contents

Houlihan Lokey did not independently verify the accuracy and completeness of the information supplied to it with respect to MAMSI or UnitedHealth Group and does not assume any responsibility with respect to such information. Houlihan Lokey is not an actuarial firm and its services did not include any actuarial determinations or evaluations by Houlihan Lokey or an attempt to evaluate actuarial assumptions. Houlihan Lokey made no analyses of, and expresses no opinion as to, the adequacy of the reserves of MAMSI or UnitedHealth Group and relied upon information supplied to it by MAMSI and UnitedHealth Group as to such adequacy. In addition, Houlihan Lokey did not make a physical inspection or independent appraisal of the properties or assets and liabilities (contingent or otherwise) of MAMSI or UnitedHealth Group or any of their respective subsidiaries and Houlihan Lokey was not furnished with any such appraisal. Houlihan Lokey assumed that the merger would qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Houlihan Lokey also assumed that the merger would be completed in a timely manner and in accordance with the terms of the merger agreement without any limitations, restrictions, conditions, amendments or modifications, regulatory or otherwise, that would have an adverse effect on the parties to the merger agreement or on MAMSI and UnitedHealth Group on a combined basis or on the contemplated benefits of the merger and Houlihan Lokey further assumed that all material governmental, regulatory or other consents or approvals necessary for the completion of the merger would be obtained without any adverse effect. The opinion is necessarily based on business, economic, market and other conditions as they existed and could be evaluated by Houlihan Lokey at the date of the opinion.

Presentations to MAMSI Board of Directors

On October 24, 2003, Houlihan Lokey presented to MAMSI's board of directors the financial analyses performed by Houlihan Lokey, as of such date, in connection with its opinion. At the meeting of the board of directors, Houlihan Lokey stated that it would be able to deliver its opinion subject to negotiation of the final terms of the merger agreement and barring any unforeseen events, as to the fairness, from a financial point of view, of the merger consideration to be received by the stockholders of MAMSI based on such analyses. Subsequently, on October 26, 2003, Houlihan Lokey, after updating its analysis to account for the final terms of the merger agreement, rendered its opinion as to the fairness, from a financial point of view, of the merger consideration to be paid to the stockholders of MAMSI common stock. The following is a summary of the material financial analyses performed by Houlihan Lokey and presented to MAMSI's board of directors in connection with rendering the oral and written opinion described above.

The following summary, however, does not purport to be a complete description of the analyses performed by Houlihan Lokey. The order of analyses described, and the results of those analyses, do not represent relative importance or weight given to those analyses by Houlihan Lokey. Some of the summaries of the financial analyses include information presented in tabular format. In order to fully understand such analyses, the tables must be read together with the full text of each summary and are alone not a complete description of Houlihan Lokey's financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before October 24, 2003 and is not necessarily indicative of current market conditions. Considering the data set forth below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses.

Stock Price History

Houlihan Lokey reviewed the historical prices of the common stock of UnitedHealth Group from October 22, 2002 to October 22, 2003 both separately and in relation to MAMSI, the S&P 500 Index and to an index comprised of the following 7 managed care companies:

Anthem, Inc.	Oxford Health Plans, Inc.
Coventry Health Care, Inc.	WellChoice, Inc.
Health Net, Inc.	WellPoint Health Networks Inc.

Humana, Inc.

Table of Contents

Houlihan Lokey reviewed the volume of shares of UnitedHealth Group traded at various price ranges. In addition, Houlihan Lokey reviewed both individually and in relation to each other, the price to earnings ratio history of MAMSI and UnitedHealth Group from July 27, 2001 to October 15, 2003.

Analysis of the Implied Offer Price

Using the closing price of UnitedHealth Group stock as of October 24, 2003, as well as the average closing price of UnitedHealth Group stock 10 days prior, 30 days prior, 60 days prior and 90 days prior to October 24, 2003, Houlihan Lokey analyzed the \$18.00 in cash and the 0.82 shares of UnitedHealth Group common stock to be paid for each share of MAMSI common stock to derive the offer premium over MAMSI's closing share price on October 24, 2003, as well as the closing price of MAMSI common stock 10 days prior, 30 days prior, 60 days prior and 90 days prior.

	<u>10/24/2003</u> <u>Close</u>	<u>10 Days Prior</u> <u>Average</u>	<u>30 Days Prior</u> <u>Average</u>	<u>60 Days Prior</u> <u>Average</u>	<u>90 Days Prior</u> <u>Average</u>
Premium to MAMSI closing share price	16.0%	16.2%	16.3%	11.6%	14.3%

In addition, Houlihan Lokey reviewed certain implied multiples for MAMSI, using the closing price of UnitedHealth Group common stock as of October 24, 2003, as well as the average closing price of UnitedHealth Group stock 10 days prior, 30 days prior, 60 days prior and 90 days prior to October 24, 2003 as well as MAMSI's LTM and projected 2003 earnings estimates and equity research analyst's estimates for 2004. The multiples reviewed included: enterprise value as a multiple of total operating revenue, enterprise value as a multiple of earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA, and equity consideration as a multiple of net income. Enterprise value was calculated as equity value plus medical claims payable and debt, less cash and marketable securities, restricted cash and investments. Revenue and EBITDA metrics excluded investment income.

Enterprise Value as a multiple of total operating revenue

	<u>10/24/2003</u> <u>Close</u>	<u>10 Days Prior</u> <u>Average</u>	<u>30 Days Prior</u> <u>Average</u>	<u>60 Days Prior</u> <u>Average</u>	<u>90 Days Prior</u> <u>Average</u>
LTM	0.96x	0.93x	0.89x	0.92x	0.92x
FY 2003E	0.90x	0.87x	0.84x	0.87x	0.87x
FY 2004E	0.80x	0.77x	0.74x	0.77x	0.77x

Enterprise Value as a multiple of EBITDA

	<u>10/24/2003</u> <u>Close</u>	<u>10 Days Prior</u> <u>Average</u>	<u>30 Days Prior</u> <u>Average</u>	<u>60 Days Prior</u> <u>Average</u>	<u>90 Days Prior</u> <u>Average</u>
LTM	12.1x	11.7x	11.3x	11.7x	11.7x
FY 2003E	10.7x	10.3x	9.9x	10.3x	10.3x
FY 2004E	9.0x	8.7x	8.4x	8.7x	8.7x

Equity consideration (diluted) as a multiple of net income

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

	10/24/2003	10 Days Prior	30 Days Prior	60 Days Prior	90 Days Prior
	Close	Average	Average	Average	Average
LTM	20.3x	19.7x	19.0x	19.6x	19.6x
FY 2003E	17.9x	17.3x	16.7x	17.3x	17.3x
FY 2004E	15.0x	14.6x	14.1x	14.6x	14.6x

Table of Contents

Premium Analysis. Houlihan Lokey reviewed the transaction premium to MAMSI's closing share price 1 day, 10 days and 30 days prior, and compared the premiums to the mean and median premiums realized in change of control transactions within the managed care industry. Houlihan Lokey acknowledged that MAMSI's common stock had increased by 58.7% from January 2, 2003 to October 24, 2003.

<u>Announced Date</u>	<u>Target</u>	<u>Acquirer</u>	<u>Premium over Closing Price 1 Day Prior</u>	<u>Premium over Closing Price 10 Days Prior</u>	<u>Premium over Closing Price 30 Days Prior</u>
6/3/2003	Cobalt Corporation	Wellpoint Health Networks	13.9%	22.3%	42.2%
4/29/2002	Trigon	Anthem	19.6%	33.2%	38.8%
10/18/2001	RightCHOICE Managed Care	Wellpoint Health Networks	46.3%	32.8%	41.0%
Mean			26.6%	29.4%	40.7%
Median			19.6%	32.8%	41.0%
10/24/2003	MAMSI	UnitedHealth Group	16.0%	19.5%	23.3%

Exchange Ratio Analysis. Houlihan Lokey performed an exchange ratio analysis comparing the closing prices for MAMSI common stock and UnitedHealth Group common stock on October 24, 2003 and the average daily closing prices of MAMSI common stock and UnitedHealth Group common stock for the 10, 30, 60 and 90 days preceding October 24, 2003. After taking into account the \$18.00 in cash component of the consideration to be paid for each share of MAMSI common stock, this analysis yielded an implied exchange ratio range of 0.65x to 0.70x, as compared to the exchange ratio provided for in the merger of 0.82x.

<u>Period</u>	<u>Implied Exchange Ratio</u>
October 24, 2003	0.66
10 Days Prior	0.66
30 Days Prior	0.65
60 Days Prior	0.70
90 Days Prior	0.67

Accretion Dilution Analysis. Houlihan Lokey analyzed the potential pro forma financial effect of the merger on UnitedHealth Group's estimated EPS for calendar year 2004. Estimated data for MAMSI and UnitedHealth Group were based on publicly available research analysts' estimates. Estimated data for this analysis did not take into account any potential cost savings or other synergies that could result from the merger. Based on the merger consideration, this analysis suggested that the merger could be accretive to UnitedHealth Group's estimated EPS in calendar year 2004. The actual results achieved by the combined company may vary from projected results and the variations may be material.

Contribution Analysis. Houlihan Lokey analyzed the relative contributions of MAMSI and UnitedHealth Group to certain income statement items for the projected fiscal years 2003 and 2004 as well as the equity and enterprise valuations for the combined company. Estimates of 2003 revenue, EBITDA, earnings before interest and taxes (EBIT) and net income for MAMSI were based on projections prepared by MAMSI and

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

analyst estimates. Estimates of 2003 revenue, EBITDA, EBIT and net income for UnitedHealth Group and estimates of 2004 revenue, EBITDA, EBIT and net income for both MAMSI and UnitedHealth Group were based on analyst estimates. No synergies from the merger were considered. This analysis indicated that MAMSI would contribute the following to the combined company: 8.6% for fiscal year 2003 and 8.8% for fiscal year 2004 of total operating revenue; 7.1% for fiscal year 2003 and 7.2% for fiscal year 2004 of EBITDA; 7.5% for fiscal year 2003 and 7.5% for fiscal year 2004 of EBIT; and 7.8% for fiscal year 2003 and 7.7% for fiscal year 2004 of net

Table of Contents

income. This analysis further indicated that MAMSI would contribute 5.7% of the diluted equity market capitalization and 6.9% of the enterprise value.

	2003		2004	
	MAMSI	UnitedHealth Group	MAMSI	UnitedHealth Group
Revenue	8.6%	91.4%	8.8%	91.2%
EBITDA	7.1%	92.9%	7.2%	92.8%
EBIT	7.5%	92.5%	7.5%	92.5%
Net Income	7.8%	92.2%	7.7%	92.3%
Fully Diluted Market Capitalization	5.7%	94.3%		
Enterprise Value	6.9%	93.1%		

Independent Valuation Analyses MAMSI

Houlihan Lokey relied on the market multiple method and precedent transactions to independently value MAMSI.

Market Multiple Method. The market multiple method involved the derivation of indications of value through the multiplication of statistics of MAMSI by appropriate multiples. Multiples were determined through an analysis of publicly traded companies that were deemed by Houlihan Lokey to be comparable from an investment standpoint to MAMSI, which Houlihan Lokey refers to as comparable public companies. A comparative analysis between MAMSI and the comparable public companies formed the basis for the selection of appropriate multiples for MAMSI. The comparative analysis incorporates quantitative and qualitative factors, which relate to, among other things, the nature of the industry in which MAMSI is engaged and the relative financial performance of MAMSI and the comparable public companies.

Houlihan Lokey selected Anthem, Inc., Health Net, Inc., Humana, Inc., WellPoint Health Networks Inc., Coventry Health Care, Inc., Oxford Health Plans, Inc., and WellChoice, Inc. for comparison because they are publicly traded managed care companies with operations that, for purposes of this analysis, may be considered similar to the operations of MAMSI.

Houlihan Lokey reviewed publicly available information as of October 24, 2003, including information from publicly available research analyst materials, to calculate and compare ratios of total enterprise value to EBITDA and price to earnings for LTM and projected fiscal years 2003 and 2004. The results of the analysis are summarized in the following tables.

Selected Companies	TEV/EBITDA		
	LTM	Projected 2003	Projected 2004
Range	5.0x 9.9x	4.5x 8.7x	4.0x 7.6x
Median	8.2x	7.1x	6.4x
Mean	7.5x	6.8x	6.0x

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

Price/Earnings

Selected Companies	LTM	Projected 2003	Projected 2004
Range	8.3x-18.6x	10.2x 15.0x	9.4x 13.3x
Median	15.8x	14.1x	12.4x
Mean	14.2x	13.4x	12.0x

After analyzing and considering both qualitative and quantitative factors, Houlihan Lokey selected (i) an LTM EBITDA multiple range of 11.0x to 12.0x, and an LTM earnings multiple range of 19.0x to 21.0x, (ii) a projected 2003 EBITDA multiple range of 9.0x to 10.0x, and a 2003 projected earnings multiple range of 16.0x to 17.0x and (iii) a projected 2004 EBITDA multiple range of 8.0x to 9.0x and a 2004 projected earnings multiple range of 13.0x to 14.0x.

Table of Contents

MAMSI's EBITDA for the latest twelve month period was \$199.2 million and earnings for the LTM period were \$122.2 million. MAMSI's projected EBITDA for fiscal year 2003 is \$226.3 million and projected earnings for fiscal year 2003 are \$151.4 million. MAMSI's projected EBITDA for fiscal year 2004 is \$268.7 million and projected earnings for fiscal year 2004 are \$179.9 million. Applying the multiples selected by Houlihan Lokey to the actual and projected EBITDA and earnings of MAMSI produced an indication of enterprise value for MAMSI of \$2.0 billion to \$2.2 billion.

Precedent Transactions. Houlihan Lokey reviewed publicly available information for completed merger or acquisition transactions in the managed care industry since October 18, 2001. Houlihan Lokey reviewed equity values as a multiple of LTM net income and next fiscal year and enterprise values of multiples of LTM EBITDA and next fiscal year EBITDA. The selected transactions considered by Houlihan Lokey included:

Cobalt Corporation / WellPoint Health Networks, announced June 3, 2003;

AmeriChoice / UnitedHealth Group, announced June 17, 2002;

Trigon / Anthem, announced April 29, 2002; and

RightCHOICE Managed Care / WellPoint Health Networks, announced October 18, 2001.

The following table compares information with respect to the ranges of multiples for these selected transactions:

	<u>Selected Transactions Range</u>	<u>Mean</u>	<u>Median</u>
EV as a multiple of latest twelve months EBITDA	8.3x to 18.8x	13.6x	13.6x
Equity consideration as a multiple of latest twelve months net income	13.2x to 32.3x	21.5x	20.3x
EV as a multiple of next fiscal year EBITDA	8.9x to 9.5x	9.3x	9.4x
Equity consideration as a multiple of next fiscal year net income	14.5x to 17.6x	15.9x	15.7x

Houlihan Lokey deemed the WellPoint Health Networks acquisition of Cobalt Corporation, Anthem's acquisition of Trigon and Wellpoint Health Networks acquisition of RightCHOICE Managed Care as the most relevant precedents. After analyzing and considering both qualitative and quantitative factors, Houlihan Lokey selected (i) an LTM EBITDA multiple range of 11.5x to 12.5x, and an LTM earnings multiple range of 20.0x to 21.0x. MAMSI's EBITDA for the latest twelve month period was \$199.2 million and MAMSI's earnings for the latest twelve month period were \$122.2 million. Applying the multiples selected by Houlihan Lokey to the actual EBITDA and earnings of MAMSI produced an indication of enterprise value for MAMSI of \$2.1 billion to \$2.3 billion.

Table of Contents*Valuation Conclusion.*

Based on the Market Multiple and Precedent Transactions Methods, Houlihan Lokey concluded an enterprise value from operations of \$2.1 billion to \$2.35 billion for MAMSI. Adding back cash and assumed proceeds from the exercise of options of \$806 million and subtracting debt and medical claims payable of \$355 million indicates an aggregate equity value of \$2.4 billion to \$2.6 billion and a value per share of \$52.01 to \$57.46, based on fully-diluted shares of 45.9 million, compared to MAMSI's closing share price of \$53.88 as of October 24, 2003.

	<u>Low</u>	<u>High</u>
<i>(\$ in million, except per share amounts)</i>		
Market Multiple Methodology	\$ 2,100	\$ 2,300
Precedent Transactions	\$ 2,200	\$ 2,400
<hr/>		
Enterprise Value	\$ 2,100	\$ 2,350
<hr/>		
Add: Cash	\$ 806	\$ 806
Less:		
Debt and Medical Claims Payable	\$ 355	\$ 355
<hr/>		
Equity Value	\$ 2,386	\$ 2,636
<hr/>		
Total Shares	45.9	45.9
<hr/>		
Share Price in Dollars	\$ 52.01	\$ 57.46
<hr/>		
Closing Share Price as of October 24, 2003		\$53.88

Independent Valuation Analyses UnitedHealth Group

Houlihan Lokey relied on the market multiple method to independently value UnitedHealth Group.

Market Multiple Method. The Market Multiple Method involved the derivation of indications of value through the multiplication of statistics of UnitedHealth Group by appropriate multiples. Multiples were determined through an analysis of publicly traded companies that were deemed by Houlihan Lokey to be comparable from an investment standpoint to UnitedHealth Group, which we refer to as comparable public companies. A comparative analysis between UnitedHealth Group and the comparable public companies formed the basis for the selection of appropriate multiples for UnitedHealth Group. The comparative analysis incorporates quantitative and qualitative factors, which relate to, among other things, the nature of the industry in which UnitedHealth Group is engaged and the relative financial performance of UnitedHealth Group and the comparable public companies.

Houlihan Lokey selected Anthem, Inc., Health Net, Inc., Humana, Inc., WellPoint Health Networks Inc., Coventry Health Care, Inc., Oxford Health Plans, Inc., and WellChoice, Inc. for comparison because they are publicly traded managed care companies with operations that, for

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

purposes of this analysis, may be considered similar to the operations of UnitedHealth Group.

Houlihan Lokey reviewed publicly available information as October 24, 2003, including information from publicly available research analyst materials, to calculate and compare ratios of total enterprise value to EBITDA and price to earnings for the latest twelve month period and projected fiscal years 2003 and 2004. The results of the analysis are summarized in the following tables.

		TEV/EBITDA					
Selected Companies	LTM	Projected 2003		Projected 2004			
Range	5.0x 9.9x	4.5x	8.7x	4.0x	7.6x		
Median	8.2x	7.1x		6.4x			
Mean	7.5x	6.8x		6.0x			
		Price/Earnings					
Selected Companies	LTM	Projected 2003		Projected 2004			
Range	8.3x-18.6x	10.2x	15.0x	9.4x	13.3x		
Median	15.8x	14.1x		12.4x			
Mean	14.2x	13.4x		12.0x			

Table of Contents

After analyzing and considering both qualitative and quantitative factors, Houlihan Lokey selected (i) a latest twelve month EBITDA multiple range of 11.0x to 12.0x, and a latest twelve month earnings multiple range of 20.0x to 22.0x, (ii) a projected 2003 EBITDA multiple range of 9.0x to 10.0x, and a 2003 projected earnings multiple range of 17.0x to 18.0x and (iii) a projected 2004 EBITDA multiple range of 7.0x to 8.0x, and a 2004 projected earnings multiple range of 14.0x to 15.0x.

UnitedHealth Group's EBITDA for the latest twelve month period was \$2.6 billion and earnings for the latest twelve month period were \$1.5 billion. UnitedHealth Group's projected EBITDA for fiscal year 2003 is \$2.9 billion and projected earnings are \$1.8 billion. UnitedHealth Group's projected EBITDA for fiscal year 2004 is \$3.5 billion and projected earnings are \$2.2 billion. Applying the multiples selected by Houlihan Lokey to the actual and projected EBITDA and earnings of UnitedHealth Group produced an indication of enterprise value for UnitedHealth Group of \$27.6 billion to \$30.3 billion.

Valuation Conclusion

Based on the Market Multiple Method, Houlihan Lokey concluded an enterprise value of \$28.0 billion to \$30.0 billion for UnitedHealth Group. Adding back cash of \$7.0 billion and subtracting out debt and medical claims payable of \$5.8 billion indicates an aggregate equity value of \$33.2 billion to \$35.2 billion and a value per share of \$53.19 to \$56.40, based on fully-diluted shares of 624.2 million, compared to UnitedHealth Group's closing share price was \$54.25 as of October 24, 2003.

	<u>Low</u>	<u>High</u>
<i>(\$ in million, except per share amounts)</i>		
Market Multiple Methodology	\$ 27,600	\$ 30,300
Enterprise Value	\$ 28,000	\$ 30,000
Add: Cash	\$ 6,954	\$ 6,954
Less:		
Debt and Medical Claims Payable	\$ 5,781	\$ 5,781
Equity Value	\$ 33,204	\$ 35,204
Total Shares	624.2	624.2
Share Price in Dollars	\$ 53.19	\$ 56.40
Closing Share Price as of October 24, 2003		\$54.25

Miscellaneous

Pursuant to the terms of its engagement with Houlihan Lokey, MAMSI has agreed to pay Houlihan Lokey for its services in connection with its opinion an aggregate fee of \$750,000. MAMSI has also agreed to reimburse Houlihan Lokey for reasonable out-of-pocket expenses incurred by it in performing its services, including reasonable fees and expenses for legal counsel, and to indemnify Houlihan Lokey and certain related persons and entities against certain liabilities, including liabilities under the federal securities laws, arising out of Houlihan Lokey's engagement.

MAMSI selected Houlihan Lokey to perform an independent fairness evaluation in connection with the merger because Houlihan Lokey is an internationally recognized investment banking firm with substantial experience in similar transactions and is familiar with MAMSI and its business. Houlihan Lokey is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive bids and private placements.

Other Financial Advisory Services

MAMSI has agreed to pay Merrill Lynch & Co. a fee for financial advisory services, based on the value, at closing, of the consideration paid by UnitedHealth Group. Based on the value of such consideration, on October 26,

Table of Contents

2003, such fee would aggregate approximately \$11 million, which is payable upon the completion of the merger. In addition, MAMSI has agreed to reimburse Merrill Lynch & Co. for reasonable out-of-pocket expenses incurred in connection with financial advisor services and to indemnify Merrill Lynch & Co. for certain liabilities that may arise out of its engagement by MAMSI.

Completion and Effectiveness of the Merger

The merger will be completed when all of the conditions to completion of the merger are satisfied or waived, including adoption of the merger agreement by the stockholders of MAMSI. The merger will become effective upon the filing of a certificate of merger with the State of Delaware.

UnitedHealth Group and MAMSI are working to complete the merger as quickly as possible, and we hope to do so as promptly as practicable after the special meeting, likely in the first quarter of 2004. However, because the merger is subject to closing conditions, including approval under the Hart-Scott-Rodino Act and the approval of certain regulatory agencies such as the Maryland Insurance Administration Departments of Insurance of each of North Carolina and Pennsylvania, UnitedHealth Group and MAMSI cannot predict the exact timing of its closing.

As promptly as practicable after the merger is completed, The Bank of New York, the exchange agent for the merger, will mail to you a letter of transmittal and instructions for surrendering your MAMSI stock certificates in exchange for UnitedHealth Group common stock and cash. When you deliver your MAMSI stock certificates to the exchange agent along with a properly executed letter of transmittal and any other required documents, your MAMSI stock certificates will be cancelled and you will receive a certificate representing that number of whole shares of UnitedHealth Group stock that you are entitled to receive pursuant to the merger agreement and a check for the cash that you are entitled to receive pursuant to the merger agreement.

You should not submit your stock certificates for exchange until you have received the letter of transmittal and instructions referred to above.

You will be entitled to receive dividends or other distributions on UnitedHealth Group common stock with a record date after the merger is completed, but only after you have surrendered your MAMSI stock certificates. If there is any dividend or other distribution on UnitedHealth Group common stock with a record date after the merger, you will receive the dividend or distribution promptly after the later of the date that your UnitedHealth Group shares are issued to you or the date the dividend or other distribution is paid to all UnitedHealth Group shareholders.

UnitedHealth Group will issue a UnitedHealth Group stock certificate or check in a name other than the name in which a surrendered MAMSI stock certificate is registered only if you present the exchange agent with all documents required to show and effect the unrecorded transfer of ownership and show that you paid any applicable stock transfer taxes.

Operations Following the Merger

Following the merger, the business of MAMSI will be continued by a wholly owned subsidiary of UnitedHealth Group. Upon completion of the merger, the managers and officers of MU Acquisition LLC will operate the business formerly conducted by MAMSI. The stockholders of

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

MAMSI will become shareholders of UnitedHealth Group and their rights as shareholders will be governed by the UnitedHealth Group second restated articles of incorporation, the UnitedHealth Group second amended and restated bylaws and the laws of the State of Minnesota. See

Comparison of Rights of Shareholders of UnitedHealth Group and MAMSI for a discussion of some of the differences in the rights of shareholders of UnitedHealth Group and the stockholders of MAMSI.

Table of Contents

Interests of Certain Persons in the Merger

MAMSI's directors and executive officers have interests in the merger as individuals in addition to, and that may be different from, their interests as stockholders. Each of the MAMSI board of directors and UnitedHealth Group board of directors was aware of these interests of MAMSI's directors and executive officers and considered them in its decision to approve and adopt the merger agreement.

Employment Agreements between MAMSI Executive Officers and UnitedHealth Group

Certain of MAMSI's executive officers and senior management personnel have executed employment agreements with UnitedHealth Group that will take effect upon the completion of the merger. At such time, all prior employment agreements between MAMSI and such executives will terminate, subject to UnitedHealth Group's assumption of MAMSI's obligations under such employment arrangements payable as a result of the merger, as described below under *Change in Control Benefits*. Certain terms of the employment agreements are summarized below.

Mark D. Groban, M.D. Dr. Groban's employment agreement with UnitedHealth Group is for an initial term of two years and will renew automatically for succeeding one-year terms unless Dr. Groban or UnitedHealth Group provide notice of an intention not to renew. Dr. Groban will hold the executive level position of Chairman of the Board of Managers of the surviving entity, an equivalent position to the one he currently holds with MAMSI, for one year and will thereafter retain the title of Chairman Emeritus and serve as a consultant to UnitedHealth Group. Pursuant to the terms of the employment agreement, Dr. Groban's annual base salary will be \$450,000, subject to adjustment after the first year of employment. As additional consideration for entering into the employment agreement, Dr. Groban will receive a nonqualified stock option to purchase 100,000 shares of UnitedHealth Group common stock with an exercise price equal to the fair market value of UnitedHealth Group common stock on the date of grant. The shares subject to the option are scheduled to vest and become exercisable based on the continued employment of Dr. Groban at a rate of 25% per year commencing on the first anniversary of the grant date. Pursuant to the terms of the employment agreement, Dr. Groban will be eligible to participate in UnitedHealth Group's incentive compensation plans (with a target bonus percentage of 80% of his base salary, subject to adjustment after the first year of employment), to receive additional stock option awards, to participate in UnitedHealth Group's employee benefit plans, and to receive, upon the first anniversary of the effective date of the employment agreement, a supplemental merger bonus of up to \$650,000, each subject to the discretion of UnitedHealth Group.

Severance benefits equal to $\frac{1}{26}$ of the sum of Dr. Groban's annualized base salary (less withholding taxes and deductions) plus his target incentive compensation (excluding for such purposes any supplemental merger bonus paid) are payable in bi-weekly installments in the event of the termination of the employment agreement (i) by mutual agreement of the parties, (ii) without cause by UnitedHealth Group, (iii) because of the death or disability of Dr. Groban, or (iv) by Dr. Groban due to a change in employment, as such term is defined in the employment agreement. Severance benefits will commence on the date of termination and continue for the remaining portion of the initial two-year term of the employment agreement.

During the term of his employment with UnitedHealth Group, in any period in which he receives severance benefits, and for twelve months after a termination of the employment agreement by Dr. Groban or by UnitedHealth Group for cause, Dr. Groban will be subject to a restrictive covenant that prohibits him from engaging in certain activities that are in conflict with his duties under the employment agreement, such as conducting business with the customers of UnitedHealth Group, recruiting or hiring the employees of UnitedHealth Group, or rendering services to a competitor of UnitedHealth Group.

Thomas P. Barbera. Mr. Barbera's employment agreement with UnitedHealth Group is for an initial term of two years and will renew automatically for succeeding one-year terms unless Mr. Barbera or UnitedHealth Group provide notice of an intention not to renew. Mr. Barbera

will hold the position of President and Chief

Table of Contents

Executive Officer of the surviving entity, the same position that he currently holds with MAMSI. Pursuant to the terms of the employment agreement, Mr. Barbera's annual base salary will be \$350,000. As additional consideration for entering into the employment agreement, Mr. Barbera will receive a nonqualified stock option to purchase 50,000 shares of UnitedHealth Group common stock with an exercise price equal to the fair market value of UnitedHealth Group common stock on the date of grant. The shares subject to the option are scheduled to vest and become exercisable based on the continued employment of Mr. Barbera at a rate of 25% per year commencing on the first anniversary of the grant date. Pursuant to the terms of the employment agreement, Mr. Barbera will be eligible to participate in UnitedHealth Group's incentive compensation plans (with a target bonus percentage of 75% of his base salary), to receive additional stock option awards, to participate in UnitedHealth Group's employee benefit plans, and to receive, upon the first and second anniversaries of the effective date of the employment agreement, a supplemental merger bonus of up to \$400,000 per year, each subject to the discretion of UnitedHealth Group.

Severance benefits equal to $\frac{1}{26}$ of the sum of Mr. Barbera's annualized base salary (less withholding taxes and deductions) plus his target incentive compensation (excluding for such purposes any supplemental merger bonus paid) are payable in bi-weekly installments in the event of the termination of the employment agreement (i) by mutual agreement of the parties, (ii) without cause by UnitedHealth Group, (iii) because of the death or disability of Mr. Barbera, or (iv) by Mr. Barbera due to a change in employment, as such term is defined in the employment agreement. Severance benefits will commence on the date of the termination and continue for a period of time equal to the remaining agreement term as of the time of the termination, plus twelve months.

During the term of his employment with UnitedHealth Group, in any period in which he receives severance benefits, and for twelve months after a termination of the employment agreement by Mr. Barbera or by UnitedHealth Group for cause, Mr. Barbera will be subject to a restrictive covenant that prohibits him from engaging in certain activities that are in conflict with his duties under the employment agreement, such as conducting business with the customers of UnitedHealth Group, recruiting or hiring the employees of UnitedHealth Group, or rendering services to a competitor of UnitedHealth Group.

Robert E. Foss. Mr. Foss's employment agreement with UnitedHealth Group is for an initial term of two years and will renew automatically for succeeding one-year terms unless Mr. Foss or UnitedHealth Group provide notice of an intention not to renew. Mr. Foss will hold the executive level position of Senior Executive Vice President and Chief Financial Officer of the surviving entity, the same position that he currently holds with MAMSI. Pursuant to the terms of the employment agreement, Mr. Foss's annual base salary will be \$350,000. As additional consideration for entering into the employment agreement, Mr. Foss will receive a nonqualified stock option to purchase 50,000 shares of UnitedHealth Group common stock with an exercise price equal to the fair market value of UnitedHealth Group common stock on the date of grant. The shares subject to the option are scheduled to vest and become exercisable based on the continued employment of Mr. Foss at a rate of 25% per year commencing on the first anniversary of the grant date. Pursuant to the terms of the employment agreement, Mr. Foss will be eligible to participate in UnitedHealth Group's incentive compensation plans (with a target bonus percentage of 75% of his base salary), to receive additional stock option awards, to participate in UnitedHealth Group's employee benefit plans, and to receive, upon the first and second anniversaries of the effective date of the employment agreement, a supplemental merger bonus of up to \$400,000 per year, each subject to the discretion of UnitedHealth Group.

Severance benefits equal to $\frac{1}{26}$ of the sum of Mr. Foss's annualized base salary (less withholding taxes and deductions) plus his target incentive compensation (excluding for such purposes any supplemental merger bonus paid) are payable in bi-weekly installments in the event of the termination of the employment agreement (i) by mutual agreement of the parties, (ii) without cause by UnitedHealth Group, (iii) because of the death or disability of Mr. Foss, or (iv) by Mr. Foss due to a change in employment, as such term is defined in the employment agreement. Severance benefits will commence on the date of the termination and continue for a period of time equal to the remaining agreement term as of the time of the termination, plus twelve months.

During the term of his employment with UnitedHealth Group, in any period in which he receives severance benefits, and for twelve months after a termination of the employment agreement by Mr. Foss or by

Table of Contents

UnitedHealth Group for cause, Mr. Foss will be subject to a restrictive covenant that prohibits him from engaging in certain activities that are in conflict with his duties under the employment agreement, such as conducting business with the customers of UnitedHealth Group, recruiting or hiring the employees of UnitedHealth Group, or rendering services to a competitor of UnitedHealth Group.

Sharon C. Pavlos. Ms. Pavlos's employment agreement with UnitedHealth Group is for an initial term of two years and will renew automatically for succeeding one-year terms unless Ms. Pavlos or UnitedHealth Group provide notice of an intention not to renew. Ms. Pavlos will hold the executive level position of Associate Senior Executive Vice President and General Counsel of the surviving entity, the same position that she currently holds with MAMSI. Pursuant to the terms of the employment agreement, Ms. Pavlos's annual base salary will be \$300,000. As additional consideration for entering into the employment agreement, Ms. Pavlos will receive a nonqualified stock option to purchase 50,000 shares of UnitedHealth Group common stock with an exercise price equal to the fair market value of UnitedHealth Group common stock on the date of grant. The shares subject to the option are scheduled to vest and become exercisable based on the continued employment of Ms. Pavlos at a rate of 25% per year commencing on the first anniversary of the grant date. Pursuant to the terms of the employment agreement, Ms. Pavlos will be eligible to participate in UnitedHealth Group's incentive compensation plans (with a target bonus percentage of 75% of her base salary), to receive additional stock option awards, to participate in UnitedHealth Group's employee benefit plans, and to receive, upon the first and second anniversaries of the effective date of the employment agreement, a supplemental merger bonus of up to \$300,000 per year, each subject to the discretion of UnitedHealth Group.

Severance benefits equal to $\frac{1}{26}$ of the sum of Ms. Pavlos's annualized base salary (less withholding taxes and deductions) plus her target incentive compensation (excluding for such purposes any supplemental merger bonus paid) are payable in bi-weekly installments in the event of the termination of the employment agreement (i) by mutual agreement of the parties, (ii) without cause by UnitedHealth Group, (iii) because of the death or disability of Ms. Pavlos, or (iv) by Ms. Pavlos due to a change in employment, as such term is defined in the employment agreement. Severance benefits will commence on the date of the termination and continue for a period of time equal to the remaining agreement term as of the time of the termination, plus twelve months.

During the term of her employment with UnitedHealth Group, in any period in which she receives severance benefits, and for twelve months after a termination of the employment agreement by Ms. Pavlos or by UnitedHealth Group for cause, Ms. Pavlos will be subject to a restrictive covenant that prohibits her from engaging in certain activities that are in conflict with her duties under the employment agreement, such as conducting business with the customers of UnitedHealth Group, recruiting or hiring the employees of UnitedHealth Group, or rendering services to a competitor of UnitedHealth Group.

Other Employment Agreements

The merger agreement provides that MAMSI will use its best efforts to procure the agreement of approximately 35 additional employees, of whom five are executive officers of MAMSI, to enter into employment agreements with UnitedHealth Group to be effective upon the completion of the merger. In general, the employment agreements will provide for, among other things, base salary, incentive compensation, stock option awards, employee benefits and severance benefits and will subject such employees to a restrictive covenant. As of November 5, 2003, 29 employees had entered into employment agreements with UnitedHealth Group.

Change in Control Benefits

MAMSI has entered into employment agreements with Dr. Groban, Mr. Barbera, Mr. Foss and Ms. Pavlos, each referred to as an executive, effective as of January 1, 2001, with a term expiring on December 31, 2003. In October 2003, new agreements were entered into, effective

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

January 1, 2004. Such agreements provide for certain benefits to the executives upon a change in control of MAMSI, regardless of whether the executive remains employed after the change in control. The merger will be regarded as a change in control under the MAMSI employment agreements, and UnitedHealth Group has agreed to assume MAMSI's obligation to provide such benefits upon the completion of the merger.

Table of Contents

Pursuant to the MAMSI employment agreements, upon completion of the merger, each executive is entitled to a single lump sum cash payment of an amount equal to two times the sum of (i) the executive's current base salary, and in the case of Dr. Groban, his Chairman's fee; (ii) the maximum performance bonus that the executive could have earned for the year in which the change in control occurs (50% of the executive's then-current base salary) had he or she been employed until the end of the year regardless of whether he or she receives a performance bonus that year; and (iii) the maximum annual senior management bonus the executive could have earned had he or she been employed until the end of the year regardless of whether he or she receives a senior management bonus that year. In addition, each executive will receive the increased value of the executive's fully vested retirement benefit (such increase primarily due to an additional tenure credit of 24 months due to the change in control) and tax gross up thereon in cash, if applicable. This payment to executives is referred to as a CIC Payment. Each executive is also entitled to receive an amount necessary to compensate him or her for any excise taxes imposed for the CIC Payment under Section 4999 of the Internal Revenue Code and any income or other payroll taxes imposed as a result of the gross up payment.

The MAMSI employment agreements also provide that, at or prior to the completion of the merger, MAMSI will, at the election of the executive, either purchase for the executive an annuity based on the executive's fully vested retirement benefit and tax gross up thereon or pay the executive the equivalent amount in cash. Each of the executives has elected to receive the equivalent cash payment. This payment to executives is referred to as a CIC SERP Payment.

The following table sets forth MAMSI management's estimate of the value of the change in control benefits to which the executives are entitled upon completion of the merger, exclusive of any additional payments to indemnify the executives for excise taxes that may be due under Section 4999 of the Internal Revenue Code.

	<u>Groban</u>	<u>Barbera</u>	<u>Foss</u>	<u>Pavlos</u>
CIC Payment	\$ 3,933,786	\$ 3,733,786	\$ 2,794,544	\$ 1,719,506
CIC SERP Payment ¹	\$ 2,014,062	\$ 5,242,864	\$ 3,860,230	\$ 981,683
Total	\$ 5,947,848	\$ 8,976,650	\$ 6,654,774	\$ 2,701,189

¹ Reflects the lump sum present value of the CIC SERP Payment, and related income tax gross up payments payable upon the completion of the merger.

Stock Options

In addition, in connection with the merger, all MAMSI stock options granted to each executive will immediately vest and become exercisable in accordance with MAMSI's stock option plans. During the thirty (30) day period prior to the completion of the merger, each holder of outstanding MAMSI stock options (whether or not then vested or exercisable by its terms) will have the opportunity to exercise his or her options upon payment of the exercise price in accordance with the terms of the applicable MAMSI stock option plan, or, at the option of MAMSI, on a net cashless exercise basis upon delivery to MAMSI of an exercise agreement in a form mutually acceptable to UnitedHealth Group and MAMSI. Except for vested options being exercised in accordance with the terms of the applicable MAMSI stock option plan, such option exercises shall be deemed effective as of, and conditioned upon, the completion of the merger. All outstanding MAMSI stock options which are not exercised prior to the completion of the merger will be cancelled upon the completion of the merger and no consideration will be paid for such options.

The following table summarizes the estimated amounts that would become payable to each of MAMSI's executive officers and directors in connection with the exercise of vested stock options and accelerated stock options resulting from the merger. For purposes of the following

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

table, the dollar values have been calculated using the fair market value of UnitedHealth Group common stock as of _____, 2003, the most recent practicable date prior to the mailing of this proxy statement/prospectus, as well as the equivalent stock price plus cash _____ of shares of MAMSI common stock on such date.

Table of Contents

	Vested Stock Options		Accelerated Stock Options	
	(# of shares)	Value of Vested Stock Options	(# of shares)	Value of Accelerated Stock Options
<i>Executive Officers</i>				
Thomas P. Barbera*	895,750	\$		\$
Robert E. Foss*	691,000	\$		\$
Mark D. Groban, M.D.*	842,750	\$		\$
Sharon C. Pavlos*	345,000	\$		\$
All other executive officers (5 people)	165,750	\$	231,000	\$
<i>Directors</i>				
Howard M. Arnold	5,000	\$		\$
Francis C. Bruno, M.D.	27,500	\$		\$
Raymond H. Cypess, D.V.M., Ph.D.	10,000	\$		\$
John W. Dillon	8,000	\$		\$
Charles H. Epps, Jr., M.D.	10,000	\$		\$
Edward J. Muhl	15,000	\$		\$
Janet L. Norwood	20,000	\$		\$
John A. Paganelli	20,000	\$		\$
Ivan R. Sabel	15,000	\$		\$
James A. Wild	8,000	\$		\$

* Pursuant to the terms of the existing employment agreements between MAMSI and each of Dr. Groban, Mr. Barbera, Mr. Foss and Ms. Pavlos, each executive is entitled to receive an option grant on January 1, 2004, with an exercise price equal to the fair market value of MAMSI common stock on the date of grant, for an amount of shares determined by the board of directors of MAMSI, subject to a minimum number of shares under each such option as provided in their employment agreements. If MAMSI's Board of Directors were to apply the same option award determination formula for these grants of options as it did for option grants made for 2002 and 2003, the aggregate number of shares subject to such options could be up to approximately 1,100,000, which is also the total number of shares still left available for options grants under the MAMSI Stock Plans. While it is expected that the historical option award formula will be applied to options granted in 2004, and that the maximum number of shares subject to options will be awarded, such awards remain subject to further board action by MAMSI. Pursuant to the terms of the merger agreement, MAMSI must receive the prior written consent of UnitedHealth Group prior to granting such options. UnitedHealth Group has indicated that it expects to approve grants of options to these individuals in the indicated aggregate amount. Any such grants of options will vest 50% at the time of grant with the balance vesting upon completion of the merger. The value of such options, if any, to the individuals cannot now be determined. If these options are granted and exercised, the assets available upon termination of the SCT to satisfy MAMSI's obligations under its employee benefit plans under the terms of the trust will be correspondingly reduced. See Structure of the Merger, Conversion of MAMSI Common Stock and Termination of the Stock Compensation Trust.

Indemnification and Insurance

The merger agreement provides that MU Acquisition LLC will, without further action upon effectiveness of the merger, assume and maintain all rights to indemnification and exculpation provided in the MAMSI certificate of incorporation and bylaws, and such rights will continue in full force and effect following completion of the merger. UnitedHealth Group agreed to indemnify and hold harmless, and provide advancement of expenses to directors, officers and employees of MAMSI to the same extent such persons were indemnified or had the right to advancement of expenses on the date of the merger agreement by MAMSI pursuant to MAMSI's certificate of incorporation or bylaws.

The merger agreement provides that, for six years after completion of the merger, UnitedHealth Group will maintain MAMSI's policies of directors' and officers' liability insurance or substitute comparable policies.

MAMSI Common Stock Ownership

The following table sets forth, as of October 24, 2003, information regarding the beneficial ownership of MAMSI common stock by MAMSI's directors and certain executive officers, by all directors and executive officers of MAMSI as a group, and by each person known by MAMSI to be the beneficial owner of 5% or more of the outstanding common stock of MAMSI. The address of all of the persons named or identified below except

Table of Contents

entities affiliated with Barclays Global Investors, NA is c/o Mid Atlantic Medical Services, Inc., 4 Taft Court, Rockville, Maryland 20850.

<u>Name</u>	<u>Shares Beneficially Owned(1)</u>	<u>Percent of Common Stock Outstanding</u>
Howard M. Arnold	6,046(2)	**
Thomas P. Barbera	786,150(3)	1.65%
Francis C. Bruno, M.D.	70,232(4)	**
Raymond H. Cypess, D.V.M., Ph.D.	10,000(5)	**
John W. Dillon	8,000(6)	**
Charles H. Epps, Jr., M.D.	10,000(7)	**
Robert E. Foss	596,400(8)	1.25%
Mark D. Groban, M.D.	753,296(9)	1.58%
Edward J. Muhl	15,000(10)	**
Janet L. Norwood	20,000(11)	**
John A. Paganelli	20,000(12)	**
Sharon C. Pavlos	265,000(13)	**
Ivan R. Sabel	15,000(14)	**
James A. Wild	10,338(15)	**
All current directors and executive officers as a group (19 persons)	2,767,469(16)	5.79%
Entities affiliated with Barclays Global Investors, NA	4,674,813(17)	9.79%

45 Fremont Street

San Francisco, CA 94105

** Represents less than 1% of the outstanding shares.

- (1) This number includes shares of common stock over which the director or officer has voting power under the Amended and Restated Mid Atlantic Medical Services, Inc. Stock Compensation Trust Agreement, referred to as the trust. Under the trust, each of the persons who holds an option granted under MAMSI's stock option plans has the right to vote an equal number of shares of the common stock held in the trust. As the trust held 8,277,239 shares of common stock on October 24, 2003 and there were 1,369 option holders under MAMSI's stock option plans as of such date, each option holder has the right to vote shares of common stock held by the trust. Shares for which the trustee of the trust does not receive voting instructions will be voted by the trustee of the trust for, against, abstain or withheld in the same proportions as those shares of common stock for which the trustee does receive voting instructions. As the number of shares held by the trust that each option holder has the right to vote (6,046 shares) is more than the number of presently exercisable options held by Mr. Arnold, the beneficial ownership for all of the other individuals listed did not increase as a result of the trust.
- (2) Represents 6,046 shares that the individual has the right to direct the voting of under the trust.
- (3) Includes presently exercisable options to purchase 783,250 shares of common stock.
- (4) Includes 2,306 shares of common stock held by his spouse and presently exercisable options to purchase 27,500 shares of common stock.
- (5) Represents presently exercisable options to purchase 10,000 shares of common stock.

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

- (6) Represents presently exercisable options to purchase 8,000 shares of common stock.
- (7) Represents presently exercisable options to purchase 10,000 shares of common stock.
- (8) Includes presently exercisable options to purchase 596,000 shares of common stock.
- (9) Includes presently exercisable options to purchase 730,250 shares of common stock, 500 shares of common stock held by his spouse and 20,000 shares of common stock held by a family partnership.
- (10) Represents presently exercisable options to purchase 15,000 shares of common stock.
- (11) Represents presently exercisable options to purchase 20,000 shares of common stock.

Table of Contents

- (12) Represents presently exercisable options to purchase 20,000 shares of common stock.
- (13) Represents presently exercisable options to purchase 265,000 shares of common stock.
- (14) Represents presently exercisable options to purchase 15,000 shares of common stock.
- (15) Includes presently exercisable options to purchase 8,000 shares of common stock.
- (16) This number also includes 2,906 shares of common stock held by the spouses and children of executive officers, 616 shares of common stock held in the Company's 401(k) Plan, 4,410 shares of common stock held in individual retirement accounts and presently exercisable options to purchase 2,678,750 shares of common stock.
- (17) Represents 4,154,556 shares held by Barclays Global Investors, NA, referred to as BGI, 426,794 shares held by Barclays Global Fund Advisors, referred to as BGFA, and 93,463 shares held by Barclays Global Investors, Ltd., referred to as BGIL. BGI, BGFA and BGIL report that they have sole voting power and dispositive power with respect to 3,454,453, 426,794 and 93,463 shares, respectively. This information is based on a Schedule 13G dated August 11, 2003.

Regulatory Matters

The merger is subject to the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which prevents certain acquisitions from being completed until required information and materials are furnished to the Antitrust Division of the Department of Justice and the Federal Trade Commission and certain waiting periods are terminated or expire. MAMSI and UnitedHealth Group expect the applicable waiting periods to expire at 11:59 p.m. Eastern Time on December 3, 2003 unless extended by a second request for information. If the waiting period under the Hart-Scott-Rodino Act expires or is terminated, the parties may close the merger at any time within one year from the termination of the waiting period without having to file updated materials with the Department of Justice or Federal Trade Commission.

At any time before or after completion of the merger, the Antitrust Division of the Department of Justice or the Federal Trade Commission may, however, challenge the merger on antitrust grounds. Private parties could take action under the antitrust laws, including seeking an injunction prohibiting or delaying the merger, divestiture or damages under certain circumstances. Additionally, at any time before or after the completion of the merger, notwithstanding expiration or termination of the applicable waiting period, any state could take action under its antitrust laws as it deems necessary or desirable in the public interest. There can be no assurance that a challenge to the merger will not be made or that, if a challenge is made, MAMSI and UnitedHealth Group will prevail.

Pursuant to the Maryland, North Carolina and Pennsylvania insurance laws, and in order to consummate the merger, the Maryland, North Carolina and Pennsylvania Commissioners of Insurance must each approve the change of control of MAMSI. To accomplish this, UnitedHealth Group must file a Form A, as required by the insurance laws and regulations of each state, including completion of any applicable public hearing process. In addition, the parties must file pre-notification forms in certain states in which MAMSI and its subsidiaries conduct business regarding the potential competitive impact. There can be no assurance that any of these local authorities will grant the necessary approvals or consents in order for the merger to be completed.

Material U.S. Federal Income Tax Consequences of the Merger

The following is a summary discussion of material U.S. federal income tax consequences of the merger generally applicable to holders of MAMSI common stock that, in the merger, exchange their MAMSI common stock for UnitedHealth Group common stock and cash. The following discussion is based on and subject to the Internal Revenue Code, the regulations promulgated under the Internal Revenue Code, and existing administrative rulings and court decisions, all as in effect on the date of this proxy statement/prospectus and all of which are subject to change, possibly with retroactive effect.

Table of Contents

This discussion addresses only those MAMSI stockholders that hold their shares of MAMSI common stock as a capital asset. In addition, this discussion does not address all the U.S. federal income tax consequences that may be relevant to MAMSI stockholders in light of their particular circumstances or the U.S. federal income tax consequences to MAMSI stockholders that are subject to special rules, such as, without limitation:

partnerships, subchapter S corporations and other pass-through entities;

foreign persons and entities;

banks, thrifts, mutual funds and other financial institutions;

tax-exempt organizations and pension funds;

insurance companies;

dealers or traders in securities;

the MAMSI Stock Compensation Trust;

MAMSI stockholders who received their MAMSI common stock through a benefit plan or a tax-qualified retirement plan or through the exercise of employee stock options or similar derivative securities or otherwise as compensation;

MAMSI stockholders whose shares are qualified small business stock for purposes of section 1202 of the Internal Revenue Code;

MAMSI stockholders who may be subject to the alternative minimum tax provisions of the Internal Revenue Code;

MAMSI stockholders whose functional currency is not the United States dollar; and

MAMSI stockholders who hold MAMSI common stock as part of a hedge, appreciated financial position, straddle, synthetic security, conversion transaction or other integrated investment.

Furthermore, this discussion does not address any tax consequences arising under the laws of any state, locality or foreign jurisdiction. This discussion is a general summary and does not purport to be a comprehensive analysis or description of all potential U.S. federal income tax consequences of the merger.

Exchange of MAMSI Common Stock for UnitedHealth Group Common Stock and Cash. The closing of the merger is conditioned upon the delivery by each of Dewey Ballantine LLP, special counsel to MAMSI, and Weil, Gotshal & Manges LLP, counsel to UnitedHealth Group, of its opinion, dated the closing date of the merger, to MAMSI and UnitedHealth Group respectively, to the effect that the merger will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Each of the opinions will rely on customary assumptions and upon representations and covenants contained in officer's certificates of MAMSI, UnitedHealth Group and MU Acquisition, LLC. If any of the assumptions, representations or covenants upon which these opinions are based is inaccurate, these

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

opinions cannot be relied upon, and the U.S. federal income tax consequences of the merger could be adversely affected. In addition, neither of these opinions is binding on the Internal Revenue Service or the courts, and neither MAMSI nor UnitedHealth Group intends to request a ruling from the Internal Revenue Service regarding the U.S. federal income tax consequences of the merger. Consequently, there can be no certainty that the Internal Revenue Service will not challenge the conclusions reflected in the opinions or that a court would not sustain such a challenge.

Assuming that the merger is treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, the material U.S. federal income tax consequences to a

Table of Contents

MAMSI stockholder of the exchange of MAMSI common stock for UnitedHealth Group common stock and cash pursuant to the merger generally will be as follows:

A MAMSI stockholder will realize gain equal to the excess, if any, of the fair market value of the UnitedHealth Group common stock and the amount of cash received over that stockholder's adjusted tax basis in the MAMSI common stock exchanged by the stockholder in the merger, but will recognize any such gain only to the extent of cash received in the merger (excluding cash received instead of fractional shares, which will be taxed as described below). For this purpose, a MAMSI stockholder must calculate gain or loss separately for each identifiable block of MAMSI common stock exchanged by the stockholder in the merger, and the MAMSI stockholder may not offset a loss realized on one block of its MAMSI common stock against a gain recognized on another block of its MAMSI common stock.

A MAMSI stockholder will not be permitted to recognize any loss realized in the merger (except possibly in connection with cash received instead of a fractional share, as discussed below).

The gain recognized by a MAMSI stockholder in the merger generally will constitute capital gain, unless, as discussed below, the stockholder's receipt of cash has the effect of a distribution of a dividend for U.S. federal income tax purposes, in which case the stockholder's gain will be treated as ordinary dividend income to the extent of the stockholder's ratable share of accumulated earnings and profits as calculated for U.S. federal income tax purposes.

Any capital gain recognized by a MAMSI stockholder generally will constitute long-term capital gain if the stockholder's holding period for the MAMSI common stock exchanged in the merger is more than one year as of the date of the merger.

The aggregate tax basis of the shares of UnitedHealth Group common stock received by a MAMSI stockholder (including, for this purpose, any fractional share of UnitedHealth Group common stock for which cash is received) in exchange for MAMSI common stock in the merger will be the same as the aggregate tax basis of the stockholder's MAMSI common stock, decreased by the amount of cash received by the stockholder in the merger (excluding any cash received instead of a fractional share) and increased by the amount of gain recognized by the stockholder in the merger (including any portion of the gain that is treated as a dividend and excluding any gain recognized as a result of cash received instead of a fractional share).

The holding period of the shares of UnitedHealth Group common stock received by a MAMSI stockholder in the merger will include the holding period of the stockholder's MAMSI common stock.

Possible Treatment of Cash as a Dividend. In general, the determination of whether gain recognized by a MAMSI stockholder will be treated as capital gain or a dividend distribution will depend upon whether, and to what extent, the merger reduces the MAMSI stockholder's deemed percentage stock ownership interest in UnitedHealth Group. For purposes of this determination, a MAMSI stockholder will be treated as if the stockholder first exchanged all of its MAMSI common stock solely for UnitedHealth Group common stock (instead of the combination of UnitedHealth Group common stock and cash actually received) and then UnitedHealth Group immediately redeemed a portion of that UnitedHealth Group common stock in exchange for the cash the stockholder received in the merger. The gain recognized in the exchange followed by the deemed redemption will be treated as capital gain if, with respect to the MAMSI stockholder, the deemed redemption is substantially disproportionate or not essentially equivalent to a dividend.

In general, the deemed redemption will be substantially disproportionate with respect to a MAMSI stockholder if the percentage described in (2) below is less than 80% of the percentage described in (1) below. Whether the deemed redemption is not essentially equivalent to a dividend with respect to a MAMSI stockholder will depend on the stockholder's particular circumstances. In order for the deemed redemption to be not essentially equivalent to a dividend, the deemed redemption must result in a meaningful reduction in the MAMSI stockholder's deemed percentage stock ownership of UnitedHealth Group common stock. In general, that determination requires a comparison of (1) the percentage of

the outstanding voting stock of UnitedHealth

Table of Contents

Group that the MAMSI stockholder is deemed actually and constructively to have owned immediately before the deemed redemption by UnitedHealth Group and (2) the percentage of the outstanding voting stock of UnitedHealth Group actually and constructively owned by the stockholder immediately after the deemed redemption by UnitedHealth Group. In applying the foregoing tests, a stockholder may, under constructive ownership rules, be deemed to own stock in addition to stock actually owned by the stockholder, including stock owned by other persons and stock subject to an option held by such stockholder or by other persons. Because the constructive ownership rules are complex, each MAMSI stockholder should consult its own tax advisor as to the applicability of these rules. The IRS has ruled that a minority stockholder in a publicly traded corporation whose relative stock interest is minimal and who exercises no control with respect to corporate affairs is considered to have a meaningful reduction if that stockholder has any reduction in its percentage stock ownership under the foregoing analysis.

Cash Received Instead of a Fractional Share. A MAMSI stockholder that receives cash instead of a fractional share of UnitedHealth Group common stock in the merger generally will recognize capital gain or loss based on the difference between the amount of the cash instead of a fractional share received by the stockholder and the stockholder's basis in the fractional share.

Backup Withholding. Backup withholding at the applicable rate (currently 28%) may apply with respect to certain payments, including cash received in the merger, unless a MAMSI stockholder (1) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (2) provides a correct taxpayer identification number, certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. A MAMSI stockholder who does not provide its correct taxpayer identification number may be subject to penalties imposed by the Internal Revenue Service. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the stockholder's U.S. federal income tax liability, provided the stockholder furnishes certain required information to the IRS.

Record Keeping. A MAMSI stockholder will be required to retain records pertaining to the merger and will be required to file with such MAMSI stockholder's U.S. federal income tax return for the year in which the merger takes place a statement setting forth certain facts relating to the merger.

This discussion is not intended to be, and should not be construed to be, legal or tax advice to any particular MAMSI stockholder. Tax matters regarding the merger are very complicated, and the tax consequences of the merger to any particular MAMSI stockholder will depend on that stockholder's particular situation. MAMSI stockholders should consult their own tax advisors regarding the specific tax consequences of the merger, including tax return reporting requirements, the applicability of federal, state, local and foreign tax laws and the effect of any proposed change in the tax laws to them.

Accounting Treatment

UnitedHealth Group intends to account for the merger under the purchase method of accounting for business combinations.

Dissenters' or Appraisal Rights

You will be entitled to exercise appraisal rights as a result of the merger. In order to exercise your appraisal rights, you must follow the requirements of Delaware law. Under these requirements, you must notify MAMSI of your intent to exercise your appraisal rights before the vote to adopt the merger agreement. See *Appraisal Rights for MAMSI Stockholders* beginning on page .

Restrictions on Sale of Shares by Affiliates of MAMSI and UnitedHealth Group

The shares of UnitedHealth Group common stock to be received by MAMSI's stockholders in connection with the merger will be registered under the Securities Act and will be freely transferable, except for shares of UnitedHealth Group common stock issued to any person who is deemed to be an affiliate of either MAMSI or UnitedHealth Group at the time of the special meeting. Persons who may be deemed to be affiliates include

Table of Contents

individuals or entities that control, are controlled by, or are under common control of either of MAMSI or UnitedHealth Group and may include the executive officers and directors, as well as the principal stockholders, of both companies. Affiliates may not sell their shares of UnitedHealth Group common stock acquired in connection with the merger except pursuant to:

an effective registration statement under the Securities Act covering the resale of those shares;

in accordance with paragraph (d) of Rule 145 under the Securities Act; or

an opinion of counsel or under a "no action" letter from the Securities and Exchange Commission that such sale will not violate or is otherwise exempt from registration under the Securities Act.

The merger agreement requires MAMSI to use its reasonable efforts to cause each of its affiliates to execute a written agreement to the effect that such person will not offer to sell or otherwise dispose of any of the shares of UnitedHealth Group common stock issued to such person in or pursuant to the merger except in compliance with the Securities Act and the rules and regulations promulgated by the SEC thereunder. UnitedHealth Group's registration statement on Form S-4, of which this proxy statement/prospectus forms a part, may not be used in connection with the resale of shares of UnitedHealth Group common stock received in the merger by affiliates.

Stock Market Listing

An application will be filed for listing the shares of UnitedHealth Group common stock to be issued in the merger on the New York Stock Exchange. If the merger is completed, MAMSI common stock will be delisted from the New York Stock Exchange and will be deregistered under the Securities Exchange Act.

Table of Contents

THE MERGER AGREEMENT

The following is a summary of selected aspects of the merger agreement. This summary is not complete and is qualified in its entirety by reference to the complete text of the merger agreement, which attached to this proxy statement/prospectus as Annex A and made part hereof. UnitedHealth Group and MAMSI urge you to read carefully the merger agreement in its entirety because this summary may not contain all the information that is important to you.

Structure of the Merger, Conversion of MAMSI Common Stock and Termination of the Stock Compensation Trust

In accordance with the merger agreement and Delaware law, MAMSI will merge with and into MU Acquisition LLC, a newly formed, wholly owned subsidiary of UnitedHealth Group. As a result of the merger, the separate corporate existence of MAMSI will cease, and MU Acquisition LLC will survive as a wholly owned subsidiary of UnitedHealth Group and will change its name, following the merger, to MAMSI.

Upon completion of the merger, each outstanding share of MAMSI common stock, other than shares held by MAMSI as treasury stock, or subsidiaries of MAMSI or by holders who perfect appraisal rights under Delaware law, will be canceled and converted into 0.82 shares of common stock of UnitedHealth Group and \$18.00 in cash. The cash component of the merger consideration could be decreased and the stock component could be increased if required to preserve the intended tax treatment of the merger, as explained under the caption Tax Adjustment beginning on page of this proxy statement/prospectus.

The cash payment and the number of shares of UnitedHealth Group common stock issuable in the merger will be proportionately adjusted for any stock split, stock dividend, recapitalization or similar event with respect to UnitedHealth Group common stock or MAMSI common stock effected between the date of the merger agreement and the completion of the merger.

No fractional shares of UnitedHealth Group common stock will be issued in connection with the merger. Instead, you will receive an amount of cash (rounded to the nearest whole cent) in lieu of a fraction of a share of UnitedHealth Group common stock equal to the product of such fraction multiplied by the closing price for a share of UnitedHealth Group common stock on the New York Stock Exchange on the effective date of the merger or, if such date is not a trading day, the last full day of trading prior to the effective date of the merger.

During a thirty-day period prior to the effective time of the merger, each holder of an outstanding option to purchase a share of MAMSI common stock, whether or not then vested or exercisable by its terms, will have the opportunity to exercise such stock options upon payment of the exercise price in accordance with the terms of the applicable MAMSI stock plan, or, at the option of MAMSI, on a net cashless exercise basis upon delivery to MAMSI of an exercise agreement. Except for vested options being exercised in accordance with the terms of the applicable MAMSI stock plan, such option exercises will be deemed effective as of, and conditioned upon, the effectiveness of the merger. Shares of MAMSI common stock with a value equal to the exercise price of stock options being exercised on a net cashless exercise basis will be delivered by the Stock Compensation Trust to MAMSI and will be treated as treasury stock. Each outstanding option to purchase a share of MAMSI common stock that is not exercised prior to the effectiveness of the merger will be cancelled upon the effectiveness of the merger and no consideration will be paid for the shares underlying that option.

Pursuant to the terms of the merger agreement and the Stock Compensation Trust, shares of MAMSI common stock issued upon the exercise of options will be issued from the Stock Compensation Trust. Upon completion of the merger, MAMSI's Stock Compensation Trust will terminate

and, after repayment by the trust of a loan made to the trust by MAMSI and settlement of all outstanding options that were exercised, the proceeds of the trust will be applied and distributed to satisfy MAMSI's obligations under its employee benefit plans pursuant to the terms of the trust. In October 2003, MAMSI amended the trust to add various broad-based employee benefit plans to the list of plans to which MAMSI may apply trust proceeds in satisfaction of its obligations under such plans.

Table of Contents

Closing and Effective Time

The closing of the merger will take place at 10:00 a.m. on a date that shall be no later than the second business day after satisfaction or waiver of all closing conditions, unless the parties agree in writing to another date. The merger will become effective at the time at which the certificate of merger has been duly filed with the Secretary of State of the State of Delaware, or at such other time as UnitedHealth Group and MAMSI agree and specify in the certificate of merger.

Tax Adjustment

In order to maintain the intended U.S. federal income tax treatment of the merger as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, the parties have agreed that the value of the UnitedHealth Group shares of common stock to be issued in the merger to specified MAMSI stockholders will be at least 45% of the value of the total consideration to be delivered to those MAMSI stockholders in connection with the merger, which, for this purpose includes amounts paid in lieu of fractional shares and amounts paid to dissenters. If, on the closing date, the aggregate value of the total UnitedHealth Group shares of common stock to be delivered to specified MAMSI stockholders is less than 45% of the value of the total consideration to be delivered to those MAMSI stockholders in connection with the merger, then the merger consideration will be adjusted by increasing the value of the stock consideration and decreasing the value of the cash consideration by the same amount so that the shares of UnitedHealth Group common stock to be issued in the merger to specified MAMSI stockholders will constitute 45% of the value of the total consideration to be delivered to those MAMSI stockholders in connection with the merger and the total value of the merger consideration will remain the same as before any adjustments.

Surrender of MAMSI Stock Certificates

As soon as practicable after the effective time of the merger, The Bank of New York, the exchange agent for the merger, will mail to each record holder of MAMSI common stock a transmittal letter that will detail the procedures for record holders to exchange MAMSI common stock certificates for UnitedHealth Group common stock certificates and the cash payment including cash in lieu fractional shares. Transmittal letters will also be available following completion of the merger at the offices of the exchange agent at One Wall Street, New York, New York 10286. Additionally, after the effective time of the merger, holders of MAMSI common stock certificates can exchange their stock certificates for certificates evidencing UnitedHealth Group common stock and the cash payment at the offices of the exchange agent. Do not surrender your certificate before the effective time of the merger and do not send them in with your proxy. After the effective time of the merger, transfers of MAMSI common stock will not be registered on MAMSI stock transfer books.

Dividends

You will be entitled to receive dividends or other distributions on UnitedHealth Group common stock with a record date after the merger is completed, but only after you have surrendered your MAMSI stock certificates. If there is any dividend or other distribution on UnitedHealth Group common stock with a record date after the merger, you will receive the dividend or distribution promptly after the later of the date that your UnitedHealth Group shares are issued to you in exchange for your MAMSI certificates or the date the dividend or other distribution is paid to all UnitedHealth Group shareholders.

Representations and Warranties

MAMSI, UnitedHealth Group and MU Acquisition LLC each made a number of representations and warranties in the merger agreement regarding their authority to enter into the merger agreement and to complete the other transactions contemplated by the merger agreement, and with regard to aspects of business, financial condition, structure and other facts pertinent to the merger. The representations and warranties will not survive after the merger has been completed, except in the case of a willful breach.

Table of Contents

The representations and warranties given by MAMSI cover the following topics as they relate to MAMSI and its subsidiaries:

organization, qualification, and power to do business;

ownership of subsidiaries;

capitalization;

conflicts between the merger agreement and MAMSI's charter documents, certain contracts, or applicable law;

required filings and consents;

filings and reports with the Securities and Exchange Commission;

undisclosed liabilities;

information supplied by MAMSI in this proxy statement/prospectus and the related registration statement of UnitedHealth Group;

changes in business since December 31, 2002;

litigation;

matters relating to material contracts;

compliance with applicable laws;

employee benefit plans;

taxes;

investment bankers, finders or brokers engaged in connection with the merger;

opinions of financial advisors;

statutory financial statements;

financial reserves reported in filings with the Securities and Exchange Commission and state regulatory agencies; and

certain matters relating to MAMSI's amended and restated Stock Compensation Trust.

The representations given by UnitedHealth Group and MU Acquisition LLC cover the following topics as they relate to UnitedHealth Group, MU Acquisition LLC and UnitedHealth Group's other subsidiaries:

organization, qualification and power to do business;

capitalization;

conflicts between the merger agreement and UnitedHealth Group's charter documents, certain contracts or applicable law;

required filings and consents

filings and reports with the Securities and Exchange Commission;

information supplied by UnitedHealth Group and MU Acquisition LLC in this proxy statement/prospectus and the related registration statement of UnitedHealth Group;

changes in business since December 31, 2002;

litigation;

compliance with applicable laws;

Table of Contents

no previous business activities involving MU Acquisition LLC;

no approval by UnitedHealth Group shareholders is necessary for the merger; and

tax matters with respect to the reorganization treatment of the merger and MU Acquisition LLC.

The representations and warranties in the merger agreement are complicated and not easily summarized. You are urged to carefully read the sections in the merger agreement under the headings **Representations and Warranties of the Company** and **Representations and Warranties of Parent and Merger Sub**.

Concept of Material Adverse Effect

Many of the representations and warranties contained in the merger agreement are qualified by the concept of material adverse effect. This concept also applies to some of the covenants and conditions to the merger described under **Conditions to the Merger** below, as well as to termination of the merger agreement for breaches of representations and warranties as described under **Termination of the Merger Agreement**. For purposes of the merger agreement, the concept of material adverse effect means any change, effect, event, occurrence or state of facts that is materially adverse to the business, financial condition or results of operations of MAMSI or UnitedHealth Group, as the case may be, taken as a whole with their respective subsidiaries, excluding any change, effect, event, occurrence or state of facts relating to:

the economy or the financial markets in general;

the industry in which the applicable company and its subsidiaries operate in general and not specifically relating to the applicable company and its subsidiaries;

the announcement of the merger agreement, the merger or the identity of the parties to the merger agreement;

any action by MAMSI that is prohibited by the merger agreement to which UnitedHealth does not consent;

changes in applicable laws or regulations after the date of the merger agreement; or

changes in generally accepted accounting principles or regulatory accounting principles after the date of the merger agreement.

MAMSI's Conduct of Business Before Completion of the Merger

MAMSI agreed that, until termination of the merger agreement or the completion of the merger, MAMSI and its subsidiaries will operate their businesses in the ordinary course of business consistent with past practices, will comply with applicable laws and will use reasonable efforts to preserve current business organizations, keep available the services of current officers, employees and consultants and preserve their relationships with customers, suppliers, licensors, licensees, distributors and others having business dealings with MAMSI or any of its subsidiaries. MAMSI also agreed that, until the completion of the merger or unless expressly contemplated by the merger agreement or

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

UnitedHealth Group consents in writing, MAMSI and its subsidiaries will conduct their businesses in compliance with specific restrictions relating to the following:

the declaration of dividends or other distributions; the split, combination or reclassification of capital stock; or the purchase, redemption or acquisition of MAMSI capital stock;

the issuance, sale, delivery, grant or encumbrance of securities or any options, other than pursuant to outstanding options or grants to recent employees;

the amendment of MAMSI s or its subsidiaries certificate of incorporation or by-laws;

the acquisition of any business, equity interest or assets in excess of a specified amount;

Table of Contents

the sale, encumbrance or disposition of property or assets in excess of a specified amount, other than (i) permitted liens, (ii) obsolete property or assets and/or (iii) in the ordinary course of business;

unbudgeted capital expenditures involving the purchase of real property or in excess of a specified amount;

the repurchase or prepayment of any indebtedness (except as required by the terms of such indebtedness) or the incurrence or guarantee of any indebtedness or the issuance of any debt securities, other than (i) loans to physicians up to a specified amount, (ii) certain working capital advances to providers, and (iii) in MAMSI or any of its subsidiaries;

the payment, discharge or settlement of obligations exceeding a specified amount (other than in the ordinary course of business) or involving a material limitation on MAMSI's or any of its subsidiaries conduct of business or the waiver or release of any right of MAMSI or its subsidiaries with a value exceeding a specified amount;

the entering into, modification or termination of material contracts, if doing so would have a material adverse affect on MAMSI or impair its ability to perform its obligations under the merger agreement or impair the transactions contemplated by the merger agreement, or any contract which involves MAMSI incurring a liability exceeding a specified amount and which is not terminable without penalty upon one year or less notice (other than contracts or amendments entered into in the ordinary course of business with MAMSI's customers or providers) or contracts whereby MAMSI or its subsidiaries grants intellectual property rights or contracts restricting MAMSI's or its subsidiaries' ability to compete;

the entering into any material contract if the completion of the transactions contemplated by, or compliance with, the merger agreement would reasonably be expected to conflict with or result in a violation, breach or default of such contract or result in the creation of liens or termination, cancellation or acceleration of an obligation or loss of benefit under such contract or otherwise give rise to any increased, additional, accelerated or guaranteed right of entitlement to a third party or materially alter any provision of such contract;

the increase of compensation or fringe benefits or the payment of benefits not provided under a benefit plan to officers, directors, employees or consultants except in the ordinary course of business, or the grant of awards under benefits plans other than as required by law, any contract or existing benefit plans (or in the ordinary course of business to certain recent employees) or taking certain actions affecting payments under, obligations regarding, or contributions to, benefits plans or the entering into, altering or termination of any existing benefit plan for the benefit of any director, officer, employee or consultant, other than as required by law or by any tax qualification requirement;

the adoption or entering into any collective bargaining agreement or labor contract;

the use of reasonable efforts to maintain existing insurance policies;

changes in fiscal year, revaluation of material assets or changes in accounting methods; or

the making of any material tax election, settlement of material tax liabilities or agreement to extend the statute of limitations with respect to any material taxes.

The agreements related to the conduct of MAMSI's business in the merger agreement are complicated and not easily summarized. You are urged to carefully read the sections in the merger agreement under the heading "Covenants Relating to Conduct of Business."

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

UnitedHealth Group has agreed that, until termination of the merger agreement or completion of the merger, it will not (i) amend its articles or bylaws in a manner materially adverse to MAMSI's stockholders or (ii) declare, set aside or pay any dividends on, or make any other distributions (whether in cash, stock or property) in respect of, any of its capital stock, other than (A) dividends or distributions by a direct or indirect wholly owned subsidiary of UnitedHealth Group to its parent company or (B) regular cash dividends paid in the ordinary course of business consistent with past practice.

Table of Contents

No Solicitation of Transactions

Until the merger is completed or the merger agreement is terminated, MAMSI has agreed to instruct its officers, directors and employees and any investment bankers, financial advisors, attorneys, accountants and other advisors, agents or representatives to terminate discussions with third parties regarding takeover proposals and request the return or destruction of any confidential information provided in relation to such discussions. MAMSI has also agreed, subject to limited exceptions, that it will not, nor will it permit any of its subsidiaries to, nor will it authorize or permit any of its officers, directors or employees or any investment bankers, financial advisors, attorneys, accountants or other advisors, agents or representatives retained by MAMSI or its subsidiaries in connection with the transactions contemplated by the merger agreement to, whether directly or indirectly;

solicit, initiate, cause, knowingly encourage or knowingly facilitate, any inquiries or takeover proposals (as described below);

participate in discussions or negotiations with, or furnish any information to, a third party in connection with or in furtherance of a takeover proposal.

However, prior to the special meeting, MAMSI may, in response to an unsolicited takeover proposal by a third party and with two business days written notice to UnitedHealth Group, furnish information to, pursuant to a confidentiality agreement no less restrictive than the one with UnitedHealth Group, and participate in discussions with, such third party regarding a takeover proposal if:

MAMSI's board of directors determines in good faith that the takeover proposal is, or is reasonably likely to be, a superior proposal (as described below), and

MAMSI's board of directors determines in good faith, after receiving advice from its outside legal counsel, that such action is necessary in order to comply with its fiduciary duties under applicable law.

Additionally, MAMSI's board of directors is not prohibited from taking and disclosing to MAMSI's stockholders a position contemplated by Rule 14e-2(a) or Item 1012(a) of Regulation M-A promulgated under the Exchange Act. MAMSI has agreed to provide UnitedHealth Group with notice of any inquiry MAMSI reasonably believes could lead to a takeover proposal, the terms of such inquiry and the identity of the person making such inquiry, and to keep UnitedHealth Group fully informed of the status and details of any such inquiry.

MAMSI's board of directors may not withdraw or modify, in a manner adverse to UnitedHealth Group, its approval or recommendation of the merger agreement or merger or approve or recommend any takeover proposal or any agreement related to a takeover proposal, unless MAMSI's board of directors determines in good faith after consultation with outside counsel that it is necessary to do so to comply with its fiduciary duties, so long as MAMSI provides five business days' written notice of such action, along with copies of any written offer or proposal relating to such takeover proposal.

A takeover proposal is any inquiry, proposal or offer (other than the proposed merger) for the merger, consolidation or other business combination with MAMSI, for the issuance of 20% or more of the equity securities of MAMSI as consideration for the assets or securities of a third party or for the acquisition of 20% or more of the assets or the equity securities, of MAMSI. A superior proposal is a takeover proposal to acquire 50% or more of the outstanding capital stock of MAMSI, or all or substantially all of the assets of MAMSI and its subsidiaries, taken as a whole (i) on terms that the MAMSI board determines, in good faith, with advice from an independent financial advisor and outside legal counsel, to be more favorable to MAMSI's stockholders from a financial point of view than the terms of the merger with UnitedHealth Group

and (ii) which is reasonably likely to be completed.

For purposes of the foregoing, any violation of the restrictions described above by any director, officer or employee of MAMSI or any of its subsidiaries, or any investment banker, financial advisor, attorney, accountant

Table of Contents

or other advisor, agent or representative of MAMSI is deemed to be a breach of the relevant restriction by MAMSI.

Conditions to the Merger

The parties' respective obligations to complete the merger are subject to the prior satisfaction or waiver of various conditions. The following conditions, among others, must be satisfied or waived before the completion of the merger:

the merger agreement must be adopted by MAMSI's stockholders;

the shares of UnitedHealth Group common stock issuable to MAMSI stockholders must have been approved for listing, subject to official notice of issuance, on the New York Stock Exchange;

the waiting period applicable to the merger pursuant to the Hart-Scott-Rodino Act must have expired or been terminated;

no judgment, order, action or proceeding by a governmental entity or other entity shall be in effect or threatened preventing the completion of the merger;

the registration statement, of which this proxy statement/prospectus is a part, must be effective under the Securities Act, and not be the subject of any stop order or pending or threatened proceeding seeking a stop order;

specified governmental consents, including State Department of Health and/or Department of Insurance must be obtained without conditions which would reasonably be expected to have a material adverse effect on UnitedHealth Group or MAMSI or materially impair the anticipated long-term benefits of the merger;

the parties' respective representations and warranties in the merger agreement must be true and correct, without giving effect to any qualification as to materiality or material adverse effect, except where the failure to be true and correct would not reasonably be expected to have a material adverse effect on such other party, in each case as of the date of the merger agreement and as of the date the merger is to be completed;

the parties must perform in all material respects their respective obligations in the merger agreement;

there must be no litigation or other action by a governmental entity pending or threatened seeking (i) to prohibit the ownership or operation of MAMSI by UnitedHealth Group, (ii) to impair the ownership or operation of MAMSI by UnitedHealth Group (including by requiring disposal of assets), or (iii) damages, which in the case of (ii) or (iii) would reasonably be expected to have a material adverse effect on UnitedHealth Group or MAMSI or materially impair the anticipated long-term benefits of the merger;

there must be no legal restraint in effect which would reasonably be expected to have any of the effects set forth in (i) through (iii) of the above bullet point; and

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

each party shall have received from its respective counsel an opinion to the effect that the merger will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Termination of the Merger Agreement

The merger agreement may be terminated by mutual consent, or by either UnitedHealth Group or MAMSI under any of the following circumstances, at any time before the completion of the merger, as summarized below:

if the merger is not completed by July 31, 2004, through no fault of the terminating party;

if MAMSI's stockholders do not adopt the merger agreement at the special meeting;

Table of Contents

if a governmental judgment, order or restraint prohibiting the merger becomes final and is not appealable;

if the other party has breached any of its representations and warranties or failed to perform any of its covenants and the breach or failure to perform would give rise to the failure of specified closing conditions and is not cured or curable within 30 days following receipt of notice of the breach; or

if any legal restraint having the effect of (i) prohibiting the ownership or operation of MAMSI by UnitedHealth Group, (ii) impairing the ownership of MAMSI by UnitedHealth Group (including by requiring disposal of assets), or (iii) awarding damages, which in the case of (ii) or (iii) would reasonably be expected to have a material adverse effect on UnitedHealth Group or MAMSI or materially impair the anticipated long-term benefits of the merger, shall be in effect and shall have become final and nonappealable.

The merger agreement may also be terminated by UnitedHealth Group within forty-five days of:

the date on which MAMSI's board of directors or any of its committees withdraws or modifies, in a manner adverse to UnitedHealth Group, its recommendation of the merger or the merger agreement to MAMSI's stockholders, or approves or recommends a takeover proposal other than the merger with UnitedHealth Group; or

the failure by MAMSI's board of directors to, within 3 days of a written request by UnitedHealth Group, publicly confirm its recommendation of the merger and the merger agreement with UnitedHealth Group.

Payment of Fees and Expenses

Except as described below, whether the merger is completed or the merger agreement is terminated, all costs and expenses incurred in connection with the merger agreement and the merger will be paid by the party incurring the expense. The parties will split the costs of preparing and distributing this proxy statement/prospectus and all costs of filing the pre-merger notification and report under the Hart-Scott-Rodino Act.

MAMSI will be required to pay UnitedHealth Group a termination fee of \$116,388,089 in the event that the merger agreement is terminated:

due to failure to complete the merger by July 31, 2004, and MAMSI commits to a takeover proposal within one year after such termination, provided that MAMSI's stockholders had not yet voted on the merger agreement (not due to events beyond MAMSI's control, including a breach of the merger agreement by UnitedHealth Group);

due to (i) failure of MAMSI to obtain stockholder adoption of the merger agreement, assuming the board of directors of MAMSI has not withdrawn its recommendation of the merger to MAMSI's stockholders or failed to publicly confirm such recommendation if requested by UnitedHealth Group, (ii) a takeover proposal was communicated to MAMSI or its stockholders after the date of the merger agreement and (iii) MAMSI commits to a takeover proposal within one year after such termination;

due to (i) MAMSI's willful breach of any of its representations and warranties or willful failure to perform in any material way any of its covenants that would give rise to the failure of specified closing conditions, (ii) such breach or failure to perform is not cured or curable within 30 days following receipt of notice, (iii) a takeover proposal was communicated to MAMSI or its stockholders after the

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

date of the merger agreement and (iv) MAMSI commits to a takeover proposal within one year after such termination;

by UnitedHealth Group within 45 days after MAMSI's board of directors or any of its committees withdraws or modifies, or proposes to withdraw or modify, in a manner adverse to UnitedHealth Group, its recommendation of the merger to MAMSI's stockholders, or approves or recommends, or proposes publicly to approve or recommend, a takeover proposal other than the merger with UnitedHealth Group; or

Table of Contents

by UnitedHealth Group within 45 days after MAMSI's board of directors fails to, within 3 days of written request by UnitedHealth Group, publicly confirm its recommendation of the merger with UnitedHealth Group.

Failure to pay the termination fee promptly will require MAMSI to pay UnitedHealth Group's expenses in obtaining a judgment against MAMSI as well as interest on the payments due at the prime rate of Citibank, N.A. in effect on the date such payment was required to be made.

Amendments, Extension and Waivers

The merger agreement may be amended by action of the board of directors of each of the parties at any time before or after the special meeting, provided that any amendment made after the special meeting that would otherwise require stockholder approval under applicable law must be submitted to the stockholders of MAMSI. All amendments to the merger agreement must be in a writing signed by each party. At any time before the effective time of the merger, any party to the merger agreement may, to the extent legally allowed:

extend the time for the performance of any of the obligations or other acts of the other parties;

waive any inaccuracies in the representations and warranties contained in the merger agreement; and

waive compliance by the other parties with any of the agreements or conditions contained in the merger agreement.

Table of Contents

APPRAISAL RIGHTS FOR MAMSI STOCKHOLDERS

Under Delaware law, you have the right to dissent from the merger and to receive payment in cash for the fair value of your MAMSI common stock, as determined by the Court of Chancery of the State of Delaware. MAMSI stockholders electing to exercise appraisal rights must comply with the provisions of Section 262 of the Delaware General Corporation Law in order to perfect their rights. MAMSI will require strict compliance with the statutory procedures. A copy of Section 262 is attached to this proxy statement/prospectus as Annex C.

The following is a brief summary of the material provisions of the Delaware statutory procedures required to be followed by a stockholder in order to dissent from the merger and perfect the stockholder's appraisal rights. This summary, however, is not a complete statement of all applicable requirements and is qualified in its entirety by reference to Section 262 of the Delaware General Corporation Law. If you wish to consider exercising your appraisal rights, you should carefully review the text of Section 262 contained in Annex C because failure to timely and properly comply with the requirements of Section 262 will result in the loss of your appraisal rights under Delaware law.

Section 262 requires that stockholders be notified not less than 20 days before the special meeting to vote on the merger that dissenters' appraisal rights will be available. A copy of Section 262 must be included with such notice. This proxy statement/prospectus constitutes MAMSI's notice to its stockholders of the availability of appraisal rights in connection with the merger in compliance with the requirements of Section 262.

If you elect to demand appraisal of your shares, you must satisfy each of the following conditions:

1. You must deliver to MAMSI a written demand for appraisal of your shares before the vote is taken on the merger agreement at the special meeting. This written demand for appraisal must be in addition to and separate from any proxy or vote abstaining from or voting against the merger. Voting against or failing to vote for the merger itself does not constitute a demand for appraisal under Section 262.
2. You must not vote in favor of the merger. A vote in favor of the merger, by proxy or in person, will constitute a waiver of your appraisal rights in respect of the shares so voted and will nullify any previously filed written demands for appraisal.

If you fail to comply with either of these conditions, and the merger is completed, you will be entitled to receive the shares of UnitedHealth Group common stock and cash payment for your shares of MAMSI common stock as provided for in the merger agreement, but will have no appraisal rights with respect to your shares of MAMSI common stock.

All demands for appraisal should be addressed to Mid Atlantic Medical Services, Inc., General Counsel, 4 Taft Court, Rockville, Maryland 20850, should be delivered before the vote on the merger is taken at the special meeting and should be executed by, or on behalf of, the record holder of the shares of MAMSI common stock. The demand must reasonably inform MAMSI of the identity of the stockholder and the intention of the stockholder to demand appraisal of his, her or its shares.

To be effective, a demand for appraisal by a holder of MAMSI common stock must be made by, or in the name of, such record stockholder, fully and correctly, as the stockholder's name appears on his or her stock certificate(s) and cannot be made by the beneficial owner if he or she does

not also hold the shares of record. The beneficial holder must, in such cases, have the record owner submit the required demand in respect of such shares.

If shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for appraisal should be made in such capacity; and if the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint

Table of Contents

owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. A record owner, such as a broker, who holds shares as a nominee for others, may exercise his, her or its right of appraisal with respect to the shares held for one or more beneficial owners, while not exercising this right for other beneficial owners. In such case, the written demand should state the number of shares as to which appraisal is sought. Where no number of shares is expressly mentioned, the demand will be presumed to cover all shares held in the name of such record owner.

If you hold your shares of MAMSI common stock in a brokerage or bank account or in other nominee form and you wish to exercise appraisal rights, you should consult with your broker or bank or such other nominee to determine the appropriate procedures for the making of a demand for appraisal by such nominee.

Within 10 days after the effective date of the merger, the surviving entity must give written notice of the date the merger became effective to each MAMSI stockholder who has properly filed a written demand for appraisal and who did not vote in favor of the merger. Within 120 days after the effective date of the merger, either the surviving entity or any stockholder who has complied with the requirements of Section 262 may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares held by all stockholders entitled to appraisal. The surviving entity has no obligation to file such a petition in the event there are dissenting stockholders. Accordingly, the failure of a stockholder to file such a petition within the period specified could nullify such stockholder's previous written demand for appraisal.

At any time within 60 days after the effective date of the merger, any stockholder who has demanded an appraisal has the right to withdraw the demand and to accept the shares of UnitedHealth Group common stock and cash payment specified by the merger agreement for his or her shares of MAMSI common stock. Any attempt to withdraw an appraisal demand more than 60 days after the effective date of the merger will require the written approval of the surviving entity. Within 120 days after the effective date of the merger, any stockholder who has complied with Section 262 will be entitled, upon written request, to receive a statement setting forth the aggregate number of shares of MAMSI common stock with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. If a petition for appraisal is duly filed by a stockholder and a copy of the petition is delivered to the surviving entity, the surviving entity will then be obligated within 20 days after receiving service of a copy of the petition to provide the Chancery Court with a duly verified list containing the names and addresses of all stockholders who have demanded an appraisal of their shares. After notice to dissenting stockholders, the Chancery Court is empowered to conduct a hearing upon the petition, to determine those stockholders who have complied with Section 262 and who have become entitled to the appraisal rights provided thereby. The Chancery Court may require the stockholders who have demanded payment for their shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Chancery Court may dismiss the proceedings as to such stockholder.

After determination of the stockholders entitled to appraisal of their shares of MAMSI common stock, the Chancery Court will appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, to be paid. When the value is determined the Chancery Court will direct the payment of such value, with interest thereon accrued during the pendency of the proceeding, if the Chancery Court so determines, to the stockholders entitled to receive the same, upon surrender by such holders of the certificates representing such shares.

In determining fair value, the Chancery Court is required to take into account all relevant factors. You should be aware that the fair value of your shares as determined under Section 262 could be more, the same, or less than the value that you are entitled to receive pursuant to the merger agreement.

Costs of the appraisal proceeding may be imposed upon the surviving entity and the stockholders participating in the appraisal proceeding by the Chancery Court as the Chancery Court deems equitable in the

Table of Contents

circumstances. Upon the application of a stockholder, the Chancery Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal. Any stockholder who had demanded appraisal rights will not, after the effective date of the merger, be entitled to vote shares subject to such demand for any purpose or to receive payments of dividends or any other distribution with respect to such shares (other than with respect to payment as of a record date prior to the effective date); however, if no petition for appraisal is filed within 120 days after the effective date of the merger, or if such stockholder delivers a written withdrawal of his or her demand for appraisal and an acceptance of the merger within 60 days after the effective date of the merger, then the right of such stockholder to appraisal will cease and such stockholder will be entitled to receive the cash payment for shares of his or her MAMSI common stock pursuant to the merger agreement. Any withdrawal of a demand for appraisal made more than 60 days after the effective date of the merger may only be made with the written approval of the surviving entity and must, to be effective, be made within 120 days after the effective date.

In view of the complexity of Section 262, MAMSI stockholders who may wish to dissent from the merger and pursue appraisal rights should consult their legal advisors.

Failure to take any required step in connection with exercising appraisal rights may result in the termination or waiver of such rights.

Table of Contents**CERTAIN INFORMATION CONCERNING UNITEDHEALTH GROUP**

For a detailed description of UnitedHealth Group's business, the latest financial statements of UnitedHealth Group, management's discussion and analysis of UnitedHealth Group's financial condition and results of operations, and other important information concerning UnitedHealth Group, please refer to UnitedHealth Group's Annual Report to Shareholders for the fiscal year ended December 31, 2002, attached hereto as Annex F and its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003, attached hereto as Annex G, both of which are made part of this proxy statement/prospectus.

Directors

The board of directors of UnitedHealth Group is divided into three classes as nearly equal in number as possible. Each class serves three years with the term of office of one class expiring at the annual meeting each year in successive years. The following table provides certain information about the directors of UnitedHealth Group:

<u>Name</u>	<u>Age</u>	<u>Director Since</u>
Directors Whose Terms Expire in 2004		
William C. Ballard, Jr.	63	1993
Richard T. Burke	59	1977
Stephen J. Hemsley	51	2000
Donna E. Shalala, Ph.D.	62	2001
Directors Whose Terms Expire in 2005		
Thomas H. Kean	68	1993
Robert L. Ryan	60	1996
William G. Spears	65	1991
Gail R. Wilensky, Ph.D.	60	1993
Directors Whose Terms Expire in 2006		
James A. Johnson	59	1993
Douglas W. Leatherdale	66	1983
William W. McGuire, M.D.	55	1989
Mary O. Munding, Ph.D.	66	1997

Mr. Ballard has been of counsel to Greenebaum, Doll & McDonald, PLLC, a law firm in Louisville, Kentucky, since June 1992. In 1992, Mr. Ballard retired after serving 22 years as the Chief Financial Officer and a director of Humana, Inc., a company operating managed health care facilities. Mr. Ballard is also a director of Trover Solutions, Inc. and HealthCare REIT, Inc.

Mr. Burke has been a member of our board of directors since our inception and was UnitedHealth Group's Chief Executive Officer until February 1988. From 1995 until February 2001, Mr. Burke was the owner, Chief Executive Officer and Governor of the Phoenix Coyotes, a National Hockey League team. Mr. Burke is also a director of First Cash Financial Services, Inc.

Mr. Hemsley is the President and Chief Operating Officer of UnitedHealth Group and has been a member of the board of directors since February 2000. Mr. Hemsley joined UnitedHealth Group in May 1997 as Senior Executive Vice President. He became Chief Operating Officer

in September 1998 and was named President in May 1999.

Mr. Johnson has been the Vice Chairman of Perseus LLC, a private merchant banking and investment firm, since April 2001. From January 2000 until April 2001, Mr. Johnson served as the Chairman and Chief Executive Officer of Johnson Capital Partners, a private investment company. From January 1999 until December 1999,

Table of Contents

Mr. Johnson was the Chairman of the Executive Committee of Fannie Mae, a federally chartered financial services company providing products and services related to home mortgages. From 1990 until January 1999, Mr. Johnson served as the Chairman and Chief Executive Officer of Fannie Mae. Mr. Johnson is also a director of Gannett Co., Inc., The Goldman Sachs Group, Inc., KB Home, Target Corporation and Temple-Inland, Inc.

Mr. Kean has been the President of Drew University in New Jersey since February 1990. Mr. Kean served as the Governor of the State of New Jersey from 1982 to 1990. From 1968 to 1977, Mr. Kean served in the New Jersey State Assembly, including two years in the position of Speaker. Mr. Kean is also a director of Amerada Hess Corporation, Aramark Corporation, CIT Group, Fiduciary Trust Company International, The Pepsi Bottling Group, Inc. and The Robert Wood Johnson Foundation.

Mr. Leatherdale is the retired Chairman and Chief Executive Officer of The St. Paul Companies, Inc., where he served in such capacity from 1990 until October 2001. The St. Paul Companies, Inc. is an insurance, financial and general business corporation. Mr. Leatherdale is also a director of Xcel Energy, Inc.

Dr. McGuire is the Chairman of UnitedHealth Group's board of directors and its Chief Executive Officer. Dr. McGuire joined UnitedHealth Group as Executive Vice President in November 1988 and became Chairman and Chief Executive Officer in 1991. Dr. McGuire also served as UnitedHealth Group's Chief Operating Officer from May 1989 to June 1995 and as our President from November 1989 until May 1999.

Dr. Munding has been the Dean of the School of Nursing at Columbia University in New York since January 1986 and Centennial Professor of Health Policy at the School of Nursing since July 1994. Dr. Munding has also been Associate Dean, Faculty of Medicine at Columbia University since January 1986. Dr. Munding is also a director of Cell Therapeutics, Inc., Welch Allyn, Inc. and Gentiva Health Services.

Mr. Ryan has been Senior Vice President and Chief Financial Officer of Medtronic, Inc., a leading medical technology company specializing in implantable and invasive therapies, since 1993. Mr. Ryan is also a director of Brunswick Corporation.

Dr. Shalala has been the President of the University of Miami in Florida since June 2001. From January 2001 until June 2001, Dr. Shalala was a Visiting Distinguished Fellow at the Center for Public Service at Brookings Institution, an independent non-partisan organization devoted to research, analysis, education and publication of certain public policy issues. Dr. Shalala served as the U.S. Secretary of Health and Human Services from January 1993 until January 2001. From 1987 to 1993, Dr. Shalala served as the Chancellor of the University of Wisconsin-Madison, and from 1980 until 1986, she was the President of Hunter College in New York. From March 1977 to July 1980, Dr. Shalala served as Assistant Secretary for the Department of Housing and Urban Development. Dr. Shalala is also a director of Gannett Co., Inc. and Lennar Corporation.

Mr. Spears has been a Managing Director of Spears Grisanti & Brown LLC, an investment counseling and management firm, since June 1999. Mr. Spears was the Chairman of the Board of Spears, Benzak, Salomon & Farrell, Inc., an investment counseling and management firm, from 1972 until 1999. In April 1995, Spears, Benzak, Salomon & Farrell became a wholly owned subsidiary of KeyCorp, a financial services company. Mr. Spears is also a director of Alcide Corporation and Avatar Holdings, Inc.

Dr. Wilensky has been the John M. Olin Senior Fellow at Project HOPE, an international health foundation, since May 1995, and the Co-Chair of the President's Task Force to Improve Health Care for our Nation's Veterans since May 2001. From 1997 to 2001 she was also Chair of the

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

Medicare Payment Advisory Commission. From 1992 to 1993, Dr. Wilensky served as the Deputy Assistant to President George H.W. Bush for policy development, and from 1990 to 1992, she was the Administrator of the Health Care Financing Administration (now known as the Centers for Medicare and Medicaid Services) directing the Medicaid and Medicare programs for the United States. Dr. Wilensky is also a director of Gentiva Health Services, Inc., Manor Care, Inc., and Quest Diagnostics Incorporated.

Table of Contents

Director Compensation

Directors who are not UnitedHealth Group employees receive an annual retainer of \$30,000, a \$1,500 fee for attending each Board meeting in person (\$750 for attending by telephone), and a \$1,000 fee for attending each committee meeting in person (\$500 for attending by telephone). In addition, UnitedHealth Group pays the Chairman of each of the Audit Committee and the Compensation and Human Resources Committee an annual retainer of \$5,000. UnitedHealth Group provides health care coverage to current and past directors who are not eligible for coverage under another group health care benefit program or Medicare. During 2002, UnitedHealth Group paid approximately \$6,225 in health care premiums on behalf of Mr. Burke.

Under UnitedHealth Group's Directors' Compensation Deferral Plan, which became effective January 1, 2002, non-employee directors may elect to defer annually receipt of all or a percentage of their retainer and meeting fees, including committee meeting fees (but not stock options or other stock-based compensation). Amounts deferred are credited to a bookkeeping account maintained for each director participant, and are distributable upon the termination of the director's directorship for any reason. Participating directors may elect whether distribution is made in either (a) an immediate lump sum; (b) a series of five or ten annual installments (subject to certain additional rules set forth in the Director Deferral Plan); or (c) a delayed lump sum following the tenth anniversary of the termination of the director's directorship (subject to certain additional rules set forth in the Director Deferral Plan). The Director Deferral Plan does not provide for matching contributions by UnitedHealth Group, but UnitedHealth Group's board of directors may determine, in its discretion, to supplement the accounts of participating directors with additional amounts. No accounts were supplemented in 2002.

Non-employee directors also receive grants of non-qualified stock options under the UnitedHealth Group Incorporated 2002 Stock Incentive Plan. Under the Stock Incentive Plan (and terms approved by the Compensation and Human Resources Committee with respect to non-employee director grants made pursuant to the Stock Incentive Plan), UnitedHealth Group's non-employee directors receive three types of option grants: (1) initial grants of non-qualified stock options to purchase 18,000 shares of UnitedHealth Group common stock; (2) annual grants of non-qualified stock options to purchase 10,000 shares of UnitedHealth Group common stock; and (3) conversion grants made pursuant to an election by a director to convert annual retainer and meeting attendance fees into options to purchase UnitedHealth Group common stock. The initial grants are made automatically on the date the eligible director is first elected to the board of directors and become exercisable over the following three years at the rate of 6,000 shares per year. The annual grants are made automatically in four quarterly installments on the first business day of each fiscal quarter and become exercisable immediately upon grant. The conversion grants are made on the day of each regularly scheduled board meeting and become exercisable immediately upon grant. The number of shares covered by a conversion option will equal four times the amount of the retainer and meeting fees foregone, divided by the fair market value of one share of UnitedHealth Group common stock on the date of grant. The exercise price for all options granted under the Stock Incentive Plan is the closing sale price of UnitedHealth Group common stock on the date the option is granted. Directors may also receive restricted stock awards and other grants under the Stock Incentive Plan.

Executive Officers of UnitedHealth Group

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>First Elected as Executive Officer</u>
William W. McGuire, M.D.	55	Chairman, Chief Executive Officer and Director	1988
Stephen J. Hemsley	51	President, Chief Operating Officer and Director	1997
Patrick J. Erlandson	44	Chief Financial Officer	2001
David J. Lubben	51	General Counsel and Secretary	1996
Lois E. Quam	42	Chief Executive Officer, Ovations	1998
Robert J. Sheehy	45	Chief Executive Officer, UnitedHealthcare	2001

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

R. Channing Wheeler	51	Chief Executive Officer, Uniprise	1998
David S. Wichmann	40	Chief Executive Officer, Specialized Care Services	2003

Table of Contents

UnitedHealth Group's board of directors elects executive officers annually. UnitedHealth Group's executive officers serve until their successors are duly elected and qualified.

Dr. McGuire is the Chairman of the board of directors and Chief Executive Officer of UnitedHealth Group. Dr. McGuire joined UnitedHealth Group as Executive Vice President in November 1988 and became its Chairman and Chief Executive Officer in 1991. Dr. McGuire also served as UnitedHealth Group's Chief Operating Officer from May 1989 to June 1995 and as its President from November 1989 until May 1999.

Mr. Hemsley is the President and Chief Operating Officer of UnitedHealth Group and has been a member of the board of directors since February 2000. Mr. Hemsley joined UnitedHealth Group in May 1997 as Senior Executive Vice President. He became Chief Operating Officer in September 1998 and was named President in May 1999.

Mr. Erlandson joined UnitedHealth Group in 1997 as Vice President of Process, Planning, and Information Channels. He became Controller and Chief Accounting Officer in September 1998 and was named Chief Financial Officer in January 2001.

Mr. Lubben joined UnitedHealth Group in October 1996 as General Counsel and Secretary. Prior to joining UnitedHealth Group, he was a partner in the law firm of Dorsey & Whitney LLP.

Ms. Quam joined UnitedHealth Group in 1989 and became the Chief Executive Officer of Ovations in April 1998. Prior to April 1998, Ms. Quam served in various capacities including Chief Executive Officer, AARP Division; Vice President, Public Sector Services; and Director, Research.

Mr. Sheehy joined UnitedHealth Group in 1992 and became Chief Executive Officer of UnitedHealthcare in January 2001. From April 1998 to December 2000, he was President of UnitedHealthcare. Prior to April 1998, Mr. Sheehy has served in various capacities with UnitedHealth Group, including Chief Executive Officer of United HealthCare of Ohio.

Mr. Wheeler joined UnitedHealth Group in March 1995 and became Chief Executive Officer of Uniprise in May 1998. Prior to May 1998, he served in various capacities with UnitedHealth Group, including Chief Executive Officer, Northeast Health Plans.

Mr. Wichmann joined UnitedHealth Group in 1998 and became Chief Executive Officer of Specialized Care Services in June 2003. From 2001 to June 2003, he was President and Chief Operating Officer of Specialized Care Services. Since he joined UnitedHealth Group in 1998, Mr. Wichmann has also served as Senior Vice President of Corporate Development.

Table of Contents**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)(1)	Long-Term Compensation		All Other Compensation (\$)(3)
					Awards	Payouts	
					Securities Underlying Options/(#)(2)	Performance Awards (\$)	
William W. McGuire, M.D.	2002	1,896,154	5,275,000	203,211	1,300,000	1,798,000	285,038
Chairman and Chief Executive Officer	2001	1,796,154	3,772,000	163,524	1,300,000	1,695,000	240,321
	2000	1,696,154	3,053,077	109,159	1,300,000	1,642,308	2,822,599
Stephen J. Hemsley	2002	980,769	2,300,000		600,000	924,000	95,212
President and Chief Operating Officer	2001	900,000	1,575,000		600,000	840,000	76,427
	2000	871,154	1,306,731		600,000	809,135	662,672
R. Channing Wheeler	2002	474,231	540,000		250,000	470,000	21,614
Chief Executive, Officer, Uniprise	2001	465,000	500,000		198,000	450,000	38,147
	2000	457,308	500,000		200,000	442,000	31,839
Robert J. Sheehy	2002	474,231	650,000		250,000	400,000	34,926
Chief Executive Officer, UnitedHealthcare	2001	463,078	475,000		150,000	375,000	21,638
	2000	413,877	475,000		240,000	300,000	15,581
David J. Lubben	2002	450,000	550,000		250,000	425,000	33,199
General Counsel	2001	425,000	475,000		150,000	410,000	35,795
	2000	423,631	475,000		140,000	400,000	15,466

(1) Other annual compensation for Dr. McGuire includes UnitedHealth Group-provided transportation of \$161,319 in 2002, \$141,924 in 2001, and \$67,667 in 2000, an expense allowance of \$21,600 in each of 2002, 2001 and 2000, and reimbursement for financial planning fees of \$20,292 in 2002 and \$19,892 in 2000. In accordance with Securities and Exchange Commission rules, all perquisites and other personal benefits for each named executive officer (other than UnitedHealth Group's Chief Executive Officer) which aggregate to the lesser of either \$50,000 or 10% of the total annual salary and bonus for each such named executive officer have been omitted.

(2) Adjusted to reflect the two-for-one split of the common stock of UnitedHealth Group paid on June 18, 2003.

(3) For each of the named executive officers, the amounts indicated for fiscal 2002 consist of UnitedHealth Group contributions made to accounts for the named individuals pursuant to UnitedHealth Group's 401(k) Savings Plan and Executive Savings Plans as follows: \$170,045 for Dr. McGuire, \$76,673 for Mr. Hemsley, \$14,227 for Mr. Wheeler, \$28,477 for Mr. Sheehy and \$27,000 for Mr. Lubben. The amounts indicated also include Company-paid disability insurance premiums of \$95,125 for Dr. McGuire, \$15,491 for Mr. Hemsley, \$4,482 for Mr. Wheeler, \$3,803 for Mr. Sheehy and \$3,569 for Mr. Lubben, and Company-paid life insurance premiums of \$19,868 for Dr. McGuire, \$3,048 for Mr. Hemsley, \$2,905 for Mr. Wheeler, \$2,646 for Mr. Sheehy and \$2,630 for Mr. Lubben. The amounts indicated for fiscal 2000 for Dr. McGuire and Mr. Hemsley include bonuses of \$2,600,000 for Dr. McGuire and \$600,000 for Mr. Hemsley received in early 2000 for services previously rendered to UnitedHealth Group.

Table of Contents**OPTION GRANTS IN 2002 (1)**

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(3)	
	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in 2002	Exercise or Base Price (\$/share)	Expiration Date(2)	5%(\$)	10%(\$)
William W. McGuire	1,300,000(4)	5.2	34.78	1/7/12	28,430,754	72,049,112
Stephen J. Hemsley	600,000(5)	2.4	34.78	1/7/12	13,121,886	33,253,436
R. Channing Wheeler	150,000(5)	0.6	34.78	1/7/12	3,280,472	8,313,359
	100,000(5)	0.4	41.07	8/5/12	2,582,870	6,545,500
Robert J. Sheehy	150,000(5)	0.6	34.78	1/7/12	3,280,472	8,313,359
	100,000(5)	0.4	41.07	8/5/12	2,582,870	6,545,500
David J. Lubben	150,000(5)	0.6	34.78	1/7/12	3,280,472	8,313,359
	100,000(5)	0.4	41.07	8/5/12	2,582,870	6,545,500

- (1) Adjusted to reflect the two-for-one split of the common stock of UnitedHealth Group paid on June 18, 2003.
- (2) All options granted in 2002 expire ten years following the date of grant, subject to earlier termination upon certain events related to termination of employment. Options not yet exercisable generally become exercisable upon a change in control of UnitedHealth Group, as such term is defined in each executive's employment agreement.
- (3) The potential realizable value shown is the potential gain on the last day the option remains exercisable. This value will be achieved only if the options have been held for the full ten years and the stock price has appreciated at the assumed rate. Potential realizable value is listed for illustration only. The values disclosed are not intended to be, and should not be interpreted as, representations or projections of future value of UnitedHealth Group common stock or of the stock price.
- (4) Options become exercisable at the rate of 25% per over a period of four years, beginning on January 1, 2003.
- (5) Options become exercisable at the rate of 25% per year on each of the first four anniversaries of the date of grant.

AGGREGATED OPTION EXERCISES IN 2002**AND OPTION VALUES AT DECEMBER 31, 2002 (1)**

Name	Number of Shares Acquired on Exercise	Value Realized (\$)	Number of Securities Underlying Unexercised Options at 12/31/02 Exercisable/Unexercisable	Value of Unexercised
				In-the-Money Options at 12/31/02 Exercisable/Unexercisable (\$)(2)
William W. McGuire	0	0	14,435,248 / 3,250,000	448,178,567 / 53,377,650
Stephen J. Hemsley	0	0	5,700,000 / 1,760,000	175,927,180 / 32,409,370
R. Channing Wheeler	202,834	8,082,854	638,388 / 590,270	18,757,720 / 9,391,418
Robert J. Sheehy	125,912	3,504,995	760,446 / 616,594	22,813,677 / 10,475,557
David J. Lubben	155,824	4,240,594	575,144 / 489,052	16,876,411 / 6,392,233

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

- (1) Adjusted to reflect the two-for-one split of the common stock of UnitedHealth Group paid on June 18, 2003
- (2) Calculated by subtracting the per share exercise price from the closing price per share of Group common stock on December 31, 2002 (the last trading day of the calendar year 2002) of \$41.75 (split- adjusted), and multiplying the result by the number of unexercised options.

Table of Contents**PERFORMANCE AWARDS UNDER EXECUTIVE INCENTIVE****PLAN AWARDS IN LAST FISCAL YEAR**

Name	Performance or Other Period Until Maturation or Payout(1)	Estimated Future Payouts Under Non-Stock Price-Based Plans \$(2)		
		Threshold	Target	Maximum
William W. McGuire	2002	-0-	899,000	1,798,000
	2002-2003	-0-	950,000	1,900,000
	2002-2004	-0-	1,000,000	2,000,000
Stephen J. Hemsley	2002	-0-	462,000	924,000
	2002-2003	-0-	500,000	1,000,000
	2002-2004	-0-	550,000	1,100,000
R. Channing Wheeler	2002	-0-	235,000	470,000
	2002-2003	-0-	250,000	500,000
	2002-2004	-0-	260,000	520,000
Robert J. Sheehy	2002	-0-	224,000	448,000
	2002-2003	-0-	250,000	500,000
	2002-2004	-0-	260,000	520,000
David J. Lubben	2002	-0-	215,000	430,000
	2002-2003	-0-	240,000	480,000
	2002-2004	-0-	250,000	500,000

- (1) The table reflects performance awards made under UnitedHealth Group's Executive Incentive Plan during the fiscal year ended December 31, 2002 to the Chief Executive Officer and the executive officers named in the Summary Compensation Table above. The awards for the 2002 and 2002-2003 performance periods replaced similar awards previously made under UnitedHealth Group's former supplemental long-term executive compensation plan, which was discontinued when UnitedHealth Group shareholders approved the Executive Incentive Plan in May 2002.
- (2) The Compensation and Human Resources Committee establishes target performance awards, maximum performance awards, and objective performance goals at the beginning of each performance period. Minimum performance thresholds must be attained before any performance awards are paid under the Executive Incentive Plan. Although the Executive Incentive Plan allows the Committee to make maximum performance awards equal to 300% of each participant's average base compensation, as defined in the Executive Incentive Plan, the Committee has chosen to limit maximum awards to the lower amounts shown in the table. The Committee will determine whether or not the performance objectives have been achieved. The Committee may reduce, but not increase, the performance award otherwise payable to any plan participant based on a discretionary assessment of such financial and individual performance factors as it determines to be appropriate. Any payouts will be made within three months of the end of the period, except that a pro rata portion of such payouts may be made earlier upon a change in control of UnitedHealth Group, and participants may elect, if permitted by law, to defer the payment of any awards under UnitedHealth Group's Executive Savings Plan.

Executive Employment Agreements

UnitedHealth Group has entered into an employment agreement with each of the executive officers named in the Summary Compensation Table.

William W. McGuire, M.D. Dr. McGuire entered into an employment agreement, effective October 13, 1999, to serve as Chief Executive Officer. The initial term of this agreement is five years, ending on October 13, 2004. The agreement will be automatically extended for

additional one-year periods on each anniversary of its effective date unless either party delivers prior notice of an intention not to renew the agreement.

Table of Contents

Pursuant to the agreement, Dr. McGuire currently receives a base annual salary of \$2,000,000, which is subject to a minimum increase of \$100,000 each year. During each calendar year of the agreement, Dr. McGuire receives a non-qualified stock option to purchase a minimum of 650,000 shares of UnitedHealth Group's common stock. The option becomes exercisable as to 25% of the shares underlying the option over a period of four years, subject to accelerated vesting if specified events occur. Under the agreement, Dr. McGuire also is eligible to participate in UnitedHealth Group's incentive bonus and stock plans and in UnitedHealth Group's other employee benefit programs. In addition, UnitedHealth Group provides and pays for life and disability insurance policies on behalf of Dr. McGuire.

Upon termination of Dr. McGuire's employment for any reason, he is entitled to a supplemental retirement benefit in the form of annual payments for his lifetime in an amount equal to a percentage, based on age of retirement, of his average cash compensation (as defined in the agreement) for the three calendar years immediately preceding his termination of employment. In the event of Dr. McGuire's death after his retirement, his surviving spouse is entitled to a benefit in the amount of 50% of the benefit to which Dr. McGuire was entitled. The retirement benefit may be paid out in a lump sum under certain circumstances. Had Dr. McGuire retired at the end of 2002, his annual payments under the supplemental retirement benefit would be approximately \$4,275,000 per year.

Upon Dr. McGuire's retirement, all stock option and other awards granted to Dr. McGuire will vest immediately and all of his options will remain exercisable until the earlier of 72 months after the date of termination of employment or the expiration date of the respective option.

The employment agreement also provides severance benefits if Dr. McGuire's employment terminates under certain circumstances. If his employment is terminated by UnitedHealth Group without cause or by Dr. McGuire for good reason (as those terms are defined in the agreement), UnitedHealth Group will pay Dr. McGuire his salary and bonus for the 36 months following the termination of his employment. In addition, Dr. McGuire will continue to receive credited service under his supplemental retirement benefits for this 36-month period. All stock option and other awards granted to Dr. McGuire will vest immediately upon his employment termination, and all of his options will remain exercisable until the earlier of 72 months following termination of employment or the expiration date of the respective option. Dr. McGuire will receive these same benefits under certain circumstances in connection with a change in control (as such term is defined in his employment agreement).

If Dr. McGuire's employment is terminated because of his death or permanent disability, UnitedHealth Group will pay his beneficiaries or him his salary and bonus for a period of 24 months. In addition, he or his beneficiaries will receive the proceeds from his disability or life insurance policies, and his stock options will vest immediately and remain exercisable for as long as 60 months following his death or permanent disability but not beyond the expiration date of the respective option. In the case of termination due to a permanent disability, Dr. McGuire will continue to receive credited service under his supplemental retirement benefits for 24 months.

If Dr. McGuire voluntarily terminates his employment without good reason, UnitedHealth Group will pay him his salary and bonus for a period of 24 months. Vested stock options at the time of the termination of his employment will remain exercisable for up to 36 months following termination of his employment but not beyond the expiration date of the respective option.

In the event of any termination of Dr. McGuire's employment other than a termination by UnitedHealth Group for cause, UnitedHealth Group will continue to provide health coverage for Dr. McGuire and his spouse for the remainder of their lives and for his children until they reach the age of 25.

If any payments or benefits paid to Dr. McGuire under his employment agreement are deemed parachute payments under the Internal Revenue Code, and become subject to excise taxes, UnitedHealth Group will pay Dr. McGuire the amount of such excise taxes plus all federal, state,

local, and excise taxes due on these excise tax payments, as these amounts are determined by UnitedHealth Group's independent auditors.

Table of Contents

Pursuant to his employment agreement, Dr. McGuire is subject to provisions prohibiting his solicitation of UnitedHealth Group employees and competition with UnitedHealth Group during the term of the agreement, for the period of the severance payments and for one year thereafter. In addition, he is prohibited at all times from disclosing confidential information related to UnitedHealth Group.

Stephen J. Hemsley. Mr. Hemsley entered into an employment agreement, effective October 13, 1999, to serve as President of UnitedHealth Group. The term of this agreement will continue until the termination of Mr. Hemsley's employment.

The agreement provides that during each calendar year of the agreement, Mr. Hemsley will receive a non-qualified stock option to purchase a minimum of 300,000 shares of common stock. The stock option becomes exercisable as to 25% of the shares underlying the option on each of the first four anniversaries of the date of grant, subject to accelerated vesting if specified events occur. Under the agreement, Mr. Hemsley also is eligible to participate in UnitedHealth Group's incentive bonus and stock plans and in UnitedHealth Group's other employee benefit programs. In addition, UnitedHealth Group provides and pays for life and disability insurance policies on behalf of Mr. Hemsley. Pursuant to the terms of the agreement, UnitedHealth Group is in the process of establishing a supplemental retirement benefit plan for Mr. Hemsley that will be reasonable and customary for executives of a similar position in comparably sized companies.

The employment agreement provides severance benefits if Mr. Hemsley's employment by UnitedHealth Group ends under certain circumstances. If his employment is terminated by UnitedHealth Group without cause or by Mr. Hemsley for good reason other than in connection with a change in control (as these terms are defined in the agreement), UnitedHealth Group will pay Mr. Hemsley two times his annual salary and bonus over the 12 months following the termination of his employment. If such termination is in connection with a change in control, Mr. Hemsley will receive three times his annual salary and bonus over the 12 months following the termination of his employment. If the termination is in connection with a change in control, any stock options granted to Mr. Hemsley will vest immediately and remain exercisable for a period of 36 months but not longer than the expiration date under the respective option. If the termination is not in connection with a change in control, the Compensation and Human Resources Committee will give consideration to the vesting of any unvested options and the period that the vested options remain exercisable after termination of Mr. Hemsley's employment.

If Mr. Hemsley's employment is terminated because of his death or permanent disability, UnitedHealth Group will pay him or his beneficiaries his salary and bonus for a period of 12 months. In addition, he or his beneficiaries will receive the proceeds from his disability or life insurance policies, and his stock options will vest immediately and will remain exercisable for as long as 60 months following his death or permanent disability but not beyond the expiration date of the respective option.

In the event of any termination of Mr. Hemsley's employment other than a termination for cause, UnitedHealth Group will continue to provide health coverage for Mr. Hemsley and his spouse until age 65 and for his children until they reach the age of 25.

If any payments or benefits paid to Mr. Hemsley under his employment agreement are deemed parachute payments under the Internal Revenue Code, and become subject to excise taxes, UnitedHealth Group will pay Mr. Hemsley the amount of such excise taxes plus all federal, state, local and excise taxes due on these excise tax payments, as these amounts are determined by UnitedHealth Group's independent auditors.

Pursuant to the employment agreement, Mr. Hemsley is subject to provisions prohibiting his solicitation of UnitedHealth Group's employees during the term of the agreement, for the period of the severance payments and for one year thereafter. Mr. Hemsley is also prevented from competing with UnitedHealth Group during the term of his employment and the period that severance payments are made to him under the employment agreement. In addition, he is prohibited at all times from disclosing confidential information related to UnitedHealth Group.

Table of Contents

Robert J. Sheehy. Mr. Sheehy entered into an employment agreement, effective October 16, 1998, which was amended on September 26, 2000, to serve as an executive officer of UnitedHealth Group. This agreement remains in effect until it is terminated by either party under certain circumstances. Under this agreement, Mr. Sheehy is eligible to participate in UnitedHealth Group's incentive bonus and stock plans and its other employee benefit plans.

R. Channing Wheeler. Mr. Wheeler entered into an employment agreement, effective May 20, 1998, to serve as Chief Executive Officer of Uniprise. The initial term of this agreement is three years; after the initial term, this agreement automatically renews for additional one-year terms unless either party provides prior notice of intent, not to renew. Under this agreement, Mr. Wheeler is eligible to participate in UnitedHealth Group's incentive bonus and stock plans and its other employee benefit plans.

David J. Lubben. Mr. Lubben entered into an employment agreement, effective October 16, 1998, to serve as UnitedHealth Group's General Counsel. This agreement remains in effect until it is terminated by either party under certain circumstances. Under this agreement, Mr. Lubben is eligible to participate in UnitedHealth Group's incentive bonus and stock plans and UnitedHealth Group's other employee benefit plans.

Pursuant to their agreements, each of Messrs. Sheehy, Wheeler and Lubben is entitled to receive severance compensation for a 12-month period if their employment is terminated by UnitedHealth Group without cause or in connection with a change in employment (as these terms are defined in their respective agreements). The severance compensation generally equals a multiple of the executive's base salary plus bonus (as determined by their respective agreements), which multiple may be greater if the severance events described above occur within two years following a change in control (as such term is defined in their respective agreements). In connection with a change in control, if any payments or benefits paid to Messrs. Sheehy, Wheeler or Lubben under their respective employment agreements are deemed "parachute payments" under the Internal Revenue Code, and become subject to excise taxes, UnitedHealth Group will pay each executive the amount of such excise taxes plus all federal, state, local and excise taxes due on these excise tax payments, as these amounts are determined by our independent auditors. During the terms of their agreements and during certain periods of time following termination of the agreements, each executive is subject to confidentiality, non-solicitation and non-competition provisions.

Executive Savings Plans

Along with certain other management and highly compensated employees of UnitedHealth Group, executive officers are eligible to participate in UnitedHealth Group's Executive Savings Plans, which are nonqualified, unfunded deferred compensation plans. Under these plans, employees may generally defer up to 100% of their eligible cash compensation. Amounts deferred are credited to a bookkeeping account maintained for each participant, and are distributable upon the termination of the participant's employment. Subject to certain additional rules set forth in the Executive Savings Plans, employees may elect whether distribution will be made in an immediate lump sum, in a series of five or ten annual installments, or in a delayed lump sum following the tenth anniversary of the employee's termination. UnitedHealth Group provides a matching credit of up to 50% of amounts deferred at the time of each deferral, but this matching credit applies only to the first 6% of the employee's base salary and annual incentive award deferrals, and does not apply to deferrals of long-term performance awards or other special incentive awards. Amounts deferred are credited with earnings from measuring investments selected by the employee from a collection of investment vehicles identified by UnitedHealth Group.

UnitedHealth Group Common Stock Ownership(1)

The following table provides information about each shareholder known to UnitedHealth Group to own beneficially more than 5% of the outstanding shares of UnitedHealth Group common stock 2003 (based solely on information provided in Schedule 13Gs filed by each such

entity in February 2003 with the Securities and Exchange Commission).

Table of Contents

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership(2)</u>	<u>Percent of Class(3)</u>
AXA Financial Inc. (4) 1290 Avenue of the Americas New York, NY 10104	47,843,432	8.1%
FMR Corp. (5) 82 Devonshire Street Boston, MA 02109-3164	61,407,136	10.4%
Janus Capital Management LLC (6) 100 Fillmore Street Denver, CO 80206-4923	37,564,634	6.4%

(1) Adjusted to reflect the two-for-one split of the common stock of UnitedHealth Group paid on June 18, 2003.

(2) Except as otherwise described, the shareholders in the table have sole voting and investment powers with respect to the shares listed.

(3) Percent of class calculation is based on 587,831,182 shares of common stock outstanding as of October 27, 2003.

(4) This information is based on a Schedule 13G/A reporting beneficial ownership data as of December 31, 2002, jointly filed with the Securities and Exchange Commission on February 12, 2003 by (1) AXA Financial, Inc.; (2) AXA, as a parent holding company holding a majority interest in AXA Financial, Inc.; and (3) the Mutuelles AXA, as a group, acting as a parent holding company, and which as a group control AXA. AXA Investment Managers UK Ltd., AXA Konzern AG (Germany) and AXA Rosenberg Investment Management LLC, subsidiaries of AXA, hold shares of UnitedHealth Group common stock, as do two subsidiaries of AXA Financial Inc.: Alliance Capital Management L.P. and The Equitable Life Assurance Society of the United States. AXA and the Mutuelles AXA hold sole voting power with respect to 22,786,332 shares of common stock, shared voting power with respect to 10,774,664 shares of common stock and shared investment power with respect to 1,082,534 shares of common stock. AXA Financial, Inc. holds sole voting power with respect to 22,102,260 shares of common stock, shared voting power with respect to 10,774,664 shares of common stock and shared investment power with respect to 934 shares of common stock. There are two mailing addresses listed for The Mutuelles AXA. The address for AXA Conseil Vie Assurance Mutuelle, AXA Assurances I.A.R.D. Mutuelle, and AXA Assurances Vie Mutuelle is 370, rue Saint Honore/75001 Paris, France. The address for AXA Courtage Assurance Mutuelle is 26, rue Louis le Grand/75002 Paris, France. The mailing address for AXA is 25, avenue Matignon/75008 Paris, France.

(5) This information is based on a Schedule 13G/A filed by FMR Corp., referred to as FMR, with the Securities and Exchange Commission on February 14, 2003, reporting beneficial ownership data as of December 31, 2002. FMR, through its control over Fidelity Management & Research Company, a wholly owned subsidiary of FMR, and Fidelity Management Trust Company and Fidelity International Limited, holds sole investment power with respect to all 61,407,136 shares of common stock.

(6) This information is based on a Schedule 13G reporting beneficial ownership data as of December 31, 2002, filed by Janus Capital Management LLC on February 14, 2003. Janus Capital Management LLC holds sole voting and investment power with respect to 36,173,104 shares of common stock, and shared voting and investment power with respect to 1,391,530 shares of common stock.

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

The following table provides information about the beneficial ownership of UnitedHealth Group common stock as of October 27, 2003 by each director, each executive officer in the Summary Compensation Table and by all directors and all executive officers of UnitedHealth Group as a group. The amounts set forth in the column entitled "Amount and Nature of Beneficial Ownership" include shares set forth in the column entitled "Number of Shares Deemed Beneficially Owned as a Result of Options Exercisable Within 60 Days of October 27, 2003."

Table of Contents

Name of Beneficial Owner or Identity of Group	Amount and Nature of Beneficial Ownership(1)	Number of Shares Deemed Beneficially Owned as a Result of Options Exercisable Within 60 Days of October 27, 2003	Percent of Common Stock Outstanding
William C. Ballard	182,600	154,000	*
Richard T. Burke	2,282,934(2)	352,410	*
Stephen J. Hemsley	5,693,694(3)	5,680,000	*
James A. Johnson	272,670	268,670	*
Thomas H. Kean	378,490(4)	352,490	*
Douglas W. Leatherdale	765,180	353,680	*
David J. Lubben	602,599(3)	601,132	*
William W. McGuire.	14,160,823(3)	13,835,248	2.4%
Mary O. Munding	142,510	126,510	*
Robert L. Ryan	77,700	63,700	*
Donna E. Shalala	54,000	54,000	*
Robert J. Sheehy	961,166(3)	958,206	*
William G. Spears	413,888	381,440	*
R. Channing Wheeler	668,542(3)	659,996	*
Gail R. Wilensky	125,170	107,170	*
All executive officers and directors as a group (18 persons)	27,832,359(5)	24,968,140	4.5%

* Less than 1%.

- (1) Unless otherwise noted, each person and group identified possesses sole voting and investment power with respect to the shares shown opposite such person's or group's name. Shares not outstanding but deemed beneficially owned by virtue of the right of an individual to acquire them within 60 days of October 27, 2003 are treated as outstanding only when determining the amount and percent owned by such individual or group.
- (2) Includes 66,124 shares held directly by Mr. Burke's spouse. Mr. Burke does not have voting or investment power over these shares, and disclaims beneficial ownership with respect to these shares.
- (3) Includes the following number of shares held in trust for the individuals by UnitedHealth Group's 401(k) plan: Mr. Hemsley, 140 shares; Mr. Lubben, 158 shares; Dr. McGuire, 3,151 shares; Mr. Sheehy, 580 shares; and Mr. Wheeler, 190 shares.
- (4) Includes 4,000 shares held by Mr. Kean in a trust for the benefit of his minor child.
- (5) Includes 5,714 shares held in executive officers' 401(k) accounts, which shares were previously held in such officers' accounts under UnitedHealth Group's former Employee Stock Ownership Plan, and the indirect holdings included in footnotes (2) and (4) above. Pursuant to the terms of UnitedHealth Group's 401(k) Plan, a participant has sole voting power over his or her shares; however, the plan trustee votes all unvoted shares in the same proportions as the actual proxy votes submitted by plan participants.

Properties

As of October 27, 2003 UnitedHealth Group leased approximately 6.6 million and owned approximately 370,000 aggregate square feet of space in the United States and Europe. UnitedHealth Group's leases expire at various dates through May 31, 2025.

Employees

As of September 30, 2003 UnitedHealth Group employed approximately 32,000 individuals.

Certain Relationships and Transactions

There are no reportable relationships or transactions.

Table of Contents

**COMPARISON OF RIGHTS
OF
SHAREHOLDERS OF UNITEDHEALTH GROUP
AND
STOCKHOLDERS OF MAMSI**

This section of the proxy statement/prospectus describes certain differences between the rights of holders of MAMSI common stock and the rights of holders of UnitedHealth Group common stock. While UnitedHealth Group and MAMSI believe that the description covers the material differences between the two, this summary may not contain all of the information that is important to you. You should carefully read this entire document and refer to the other documents discussed below for a more complete understanding of the differences between being a stockholder of MAMSI and being a shareholder of UnitedHealth Group.

As a stockholder of MAMSI, your rights are governed by MAMSI's certificate of incorporation, as amended, and its amended and restated bylaws, each as currently in effect. After completion of the merger, you will become a shareholder of UnitedHealth Group. UnitedHealth Group's common stock is quoted on the New York Stock Exchange under the symbol UNH. As a UnitedHealth Group shareholder, your rights will be governed by UnitedHealth Group's second restated articles of incorporation, as amended, and UnitedHealth Group's second amended and restated bylaws. In addition, UnitedHealth Group is incorporated in Minnesota while MAMSI is incorporated in Delaware. Although the rights and privileges of stockholders of a Delaware corporation are in many instances comparable to those of shareholders of a Minnesota corporation, there are also differences.

MINNESOTA CORPORATION

DELAWARE CORPORATION

Shareholder Meetings

Under the UnitedHealth Group bylaws, holders of UnitedHealth Group common stock are entitled to at least five days' prior written notice for each regular meeting and special meeting to consider any matter, except that Minnesota law and the UnitedHealth Group bylaws require that notice of a meeting at which an agreement of merger or exchange is to be considered shall be mailed to shareholders of record, whether entitled to vote or not, at least 14 days prior to such meeting.

Delaware law and the MAMSI bylaws require that stockholders be provided prior written notice no more than 60 days nor less than 10 days prior to the date of any meeting of stockholders. Notice must be given at least 20 days prior to a meeting at which the stockholders will be asked to adopt an agreement relating to the merger of the corporation.

Right to Call Special Meetings

Under Minnesota law and the UnitedHealth Group bylaws, a special meeting of shareholders may be called by the chairman of the board, the chief executive officer, the chief financial officer, any two or more directors, a person authorized in the articles or bylaws to call special meetings or a shareholder or shareholders holding 10% or more of all shares entitled to vote, except that a special meeting called by a shareholder for the purpose of considering any action to facilitate, directly or indirectly, or effect a business combination, including any action to change or otherwise affect the composition of the board of directors for that purpose, must be called by 25% or more of the voting power of all shares entitled to vote.

Under Delaware law, a special meeting of stockholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the bylaws. The MAMSI bylaws authorize a special meeting of stockholders to be called by the president, the chairman of the board of directors or a majority of the board of directors.

Table of Contents

Actions by Written Consent of Shareholders/Stockholders

Under Minnesota law and the UnitedHealth Group bylaws, any action required or permitted to be taken in a meeting of the shareholders may be taken without a meeting by a written action signed by all of the shareholders entitled to vote on that action. The UnitedHealth Group articles do not restrict shareholder action by written consent.

Under Delaware law, stockholders may act by a written consent in lieu of a meeting provided the written consent is signed by the holders of outstanding stock having at least the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present. However, the MAMSI bylaws provide that stockholders may act by written consent in lieu of a meeting provided the written consent is signed by all of the stockholders entitled to notice of or to vote with respect to the subject matter of the meeting. The MAMSI certificate does not contain any provision restricting action of stockholders by written consent.

Rights of Dissenting Shareholders/Stockholders

Under both Minnesota and Delaware law, shareholders may exercise a right of dissent from certain corporate actions and obtain payment of the fair value of their shares. Generally, under Minnesota law, the categories of transactions subject to dissenters' rights are broader than those under Delaware law. Shareholders of a Minnesota corporation may exercise dissenters' rights in connection with:

Under Delaware law, appraisal rights are available in connection with certain statutory mergers or consolidations in which the corporation is a constituent corporation, or if such rights are otherwise provided in the corporation's certificate of incorporation. Appraisal rights are not available under Delaware law, however, if the corporation's stock is (i) listed on a national securities exchange or designated on the Nasdaq National market, or (ii) held of record by more than 2,000 stockholders; provided, that if the merger or consolidation requires stockholders to exchange their stock for anything other than: (a) shares of the surviving corporation; (b) shares of another corporation that will be listed on national securities exchange; (c) cash in lieu of fractional shares of any such corporation; or (d) any combination of such shares and cash in lieu of fractional shares, then appraisal rights will be available. The MAMSI certificate does not grant any other appraisal rights. Stockholders who desire to exercise their appraisal rights must satisfy all of the conditions and requirements as set forth in the Delaware General Corporation Law in order to maintain such rights and obtain such payment.

an amendment of the articles of incorporation that materially and adversely affects the rights and preferences of the shares of the dissenting shareholder in certain respects;

a sale or transfer of all or substantially all of the assets of the corporation;

a plan of merger to which the corporation is a party;

a plan of exchange of shares to which the corporation is a party; and

any other corporate action with respect to which the corporation's articles of incorporation or bylaws give dissenting shareholders the right to obtain payment for their shares.

Unless the articles, the bylaws, or a resolution approved by the board of directors otherwise provide, such dissenters' rights do not apply to a shareholder of the surviving

corporation in a merger if the shares of the shareholder are not entitled to be voted on the merger. The UnitedHealth Group articles do not grant any other dissenters' rights. Shareholders who desire to exercise their dissenters' rights must satisfy all of the conditions and requirements as set forth in the Minnesota Business Corporation Act in order to maintain such rights and obtain such payment.

Table of Contents

Board of Directors

Minnesota law provides that the board of directors of a Minnesota corporation shall consist of one or more directors as fixed by the articles of incorporation or bylaws. The UnitedHealth Group board of directors currently consists of 12 directors. The UnitedHealth Group articles provide that the board is divided into three classes, as nearly equal in number as possible, with directors serving three year terms. The UnitedHealth Group bylaws provide that in the case of any increase or decrease in the number of directors, the increase or decrease shall be distributed among the several classes as nearly equal as possible, as determined by the affirmative vote of a majority of the UnitedHealth Group board or by the affirmative vote of a majority of the holders of the voting stock of UnitedHealth Group. The number of directors may be increased or decreased from time to time by resolution adopted by a majority of the board of directors or by the affirmative vote of the holders of a majority of the voting stock of UnitedHealth Group, considered as one class.

Delaware law states that the board of directors shall consist of one or more members with the number of directors to be fixed as provided in the bylaws of the corporation, unless the certificate of incorporation fixes the number of directors, in which case a change in the number of directors shall be made only by amendment of the certificate. The MAMSI bylaws provide that the number of directors which shall constitute the board of directors shall be no less than five and no more than fourteen. Except in the case of a classified board, Delaware law states that any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors. The MAMSI bylaws provide that directors shall serve staggered three year terms.

Minnesota law provides that, unless modified by the articles or bylaws of the corporation or by shareholder agreement, the directors may be removed with or without cause by the affirmative vote of that proportion or number of the voting power of the shares of the classes or series the director represents which would be sufficient to elect such director (with an exception for corporations with cumulative voting). The UnitedHealth Group articles require the affirmative vote of the holders of 66 2/3% of the outstanding shares of common stock or the affirmative vote of 66 2/3% of the directors in office at the time such vote is taken. Shareholders of UnitedHealth Group do not have the right to cumulative voting in the election of directors.

Filling Vacancies on the Board of Directors

Under Minnesota law, unless different rules for filling vacancies are provided for in the articles of incorporation or bylaws, vacancies resulting from the death, resignation, removal or disqualification of a director may be filled by the affirmative vote of a majority of the remaining directors, even though less than a quorum, and vacancies resulting from a newly-created directorship may be filled by the affirmative vote of a majority of the directors serving at the time of the increase. The shareholders may also elect a new director to fill a vacancy that is created by the removal of a director by the shareholders.

Delaware law provides that, unless otherwise provided in the certificate of incorporation or bylaws, vacancies may be filled by a majority of the directors then in office, although less than a quorum or by a sole remaining director. MAMSI s bylaws provide that vacancies may be filled by a majority of the directors then in office, although less than a quorum or by a sole remaining director. Further, if, at the time of filling any vacancy, the directors then in office shall constitute less than a majority of the whole board, the Court of Chancery may, upon application of any stockholder or stockholders holding at least

Table of Contents

The UnitedHealth Group bylaws provide that vacancies on the board of directors may be filled by the affirmative vote of a majority of the remaining members of the board, though less than a quorum; newly created directorships resulting from an increase in the authorized number of directors shall be filled by the vote of a majority of the directors present at a meeting at the time the action is taken.

10% of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

Amendments to Bylaws and Articles

Minnesota law and the UnitedHealth Group bylaws provide that the power to adopt, amend or repeal the bylaws is vested in the board (subject to certain notice requirements set forth in the UnitedHealth Group bylaws). Minnesota law provides that the authority in the board of directors is subject to the power of the shareholders to change or repeal such bylaws by a majority vote of the shareholders at a meeting of the shareholders called for such purpose, and the board of directors shall not make or alter any bylaws fixing a quorum for meetings of shareholders, prescribing procedures for removing directors or filling vacancies in the board of directors, or fixing the number of directors or their classifications, qualifications or terms of office. Under Minnesota law, a shareholder or shareholders holding 3% or more of the voting power of all shares entitled to vote may propose a resolution to amend or repeal bylaws adopted, amended or repealed by the board, in which event such resolutions must be brought before the shareholders for their consideration pursuant to the procedures for amending the articles of incorporation.

Delaware law requires a vote of the corporation's board of directors followed by the affirmative vote of a majority of the outstanding stock entitled to vote for any amendment to the certificate of incorporation, unless a greater level of approval, or a class vote, is required by the certificate of incorporation. Further, Delaware law states that if an amendment would increase or decrease the aggregate number of authorized shares of such class, increase or decrease the par value of shares of such class or alter or change the powers, preferences or special rights of a particular class or series of stock so as to affect them adversely, the class or series shall be given the power to vote as a class notwithstanding the absence of any specifically enumerated power in the certificate of incorporation. Delaware law also states that the power to adopt, amend or repeal the bylaws of a corporation shall be in the stockholders entitled to vote, provided that the corporation in its certificate of incorporation may confer such power on the board of directors in addition to the stockholders. The MAMSI certificate expressly authorizes the board of directors to make, adopt, alter, or repeal any or all of the bylaws of MAMSI.

Minnesota law provides that a proposal to amend the articles of incorporation may be presented to the shareholders of a Minnesota corporation by a resolution (i) approved by the affirmative vote of a majority of the directors present or (ii) proposed by a shareholder or shareholders holding 3% or more of the voting shares entitled to vote thereon. Under Minnesota law, any such amendment must be approved by the affirmative vote of a majority of the shareholders entitled to vote thereon, except that the articles may provide for a specified proportion or number larger than a majority. The UnitedHealth Group articles provide that the affirmative vote of the holders of at least 66 2/3% of the outstanding shares of common stock is required in order to amend provisions of the UnitedHealth Group articles concerning the election and removal of directors and that the affirmative vote of the holders of 66 2/3% of the outstanding shares of voting stock is required in order to amend provisions concerning certain mergers, consolidations and other business combinations and reorganizations.

Table of Contents

Indemnification of Directors, Officers and Employees

Minnesota law and Delaware law both contain provisions setting forth conditions under which a corporation may indemnify its directors, officers and employees. While indemnification is permitted only if certain statutory standards of conduct are met, Minnesota law and Delaware law are substantially similar in providing for indemnification if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. The statutes differ, however, with respect to whether indemnification is permissive or mandatory, where there is a distinction between third-party actions and actions by or in the right of the corporation, and whether, and to what extent, reimbursement of judgments, fines, settlements, and expenses is allowed. The major difference between Minnesota law and Delaware law is that while indemnification of officers, directors and employees is mandatory under Minnesota law, indemnification is permissive under Delaware law, except that a Delaware corporation must indemnify a person who is successful on the merits or otherwise in the defense of certain specified actions, suits or proceedings for expenses and attorney's fees actually and reasonably incurred in connection therewith. Minnesota law requires a corporation to indemnify any director, officer or employee who is made or threatened to be made party to a proceeding by reason of the former or present official capacity of the director, officer or employee, against judgments, penalties, fines, settlements and reasonable expenses. Minnesota law permits a corporation to prohibit indemnification by so providing in its articles of incorporation or its bylaws. UnitedHealth Group has not limited the statutory indemnification in its articles of incorporation, however, and the bylaws of UnitedHealth Group state that UnitedHealth Group shall indemnify such persons for such expenses and liabilities to such extent as permitted by statute.

Although indemnification is permissive in Delaware, a corporation may, through its certificate of incorporation, bylaws or other intracorporate agreements, make indemnification mandatory. Pursuant to this authority, the MAMSI certificate and bylaws provide that MAMSI shall indemnify its officers and directors to the fullest extent permitted under Delaware law.

Table of Contents

Liabilities of Directors

Under Minnesota law, a director may be liable to the corporation for distributions made in violation of Minnesota law or a restriction contained in the corporation's articles or bylaws. The UnitedHealth Group articles provide that a director shall not be personally liable to UnitedHealth Group or its shareholders for monetary liability relating to breach of fiduciary duty as a director, unless the liability relates to:

a breach of the director's duty of loyalty to the corporation or its shareholders;

acts or omissions involving a lack of good faith or which involve intentional misconduct or a knowing violation of law; liability for illegal distributions and unlawful sales of UnitedHealth Group securities;

transactions where the director gained an improper personal benefit; or

any acts or omissions occurring prior to the date on which the liability limitation provisions of the UnitedHealth Group articles become effective.

The UnitedHealth Group articles provide that any repeal or modification of the foregoing provisions shall not adversely affect any right or protection of a director of UnitedHealth Group existing at the time of such repeal or modification.

The UnitedHealth Group articles also provide that if Minnesota law is amended to authorize further elimination of the personal liability of directors, then the liability of UnitedHealth Group directors shall be limited to the fullest extent permitted by Minnesota law, as so amended.

Under Delaware law, a certificate of incorporation may contain a provision limiting or eliminating a director's personal liability to the corporation or its stockholders for monetary damages for a director's breach of fiduciary duty subject to certain limitations. The MAMSI certificate provides that the corporation's directors shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

for any breach of the director's duty of loyalty to the corporation or its shareholders;

for acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law;

for unlawful payment of dividend or unlawful stock purchase or redemption as set forth in section 174 of the Delaware General Corporation Law; or

for any transaction from which the director derived an improper personal benefit.

Shareholder/Stockholder Approval of Merger

Minnesota law provides that a resolution containing a plan of merger or exchange must be approved by the affirmative vote of a majority of the directors present at a meeting and submitted to the shareholders and approved by the affirmative

In order to effect a merger under Delaware law, a corporation's board of directors must approve and adopt an agreement of merger and recommend it to the stockholders. The agreement must be adopted by holders of a majority of

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

vote of the holders of a majority of the voting power of all shares entitled to vote. Unlike Delaware law, Minnesota law requires that any class of shares of a Minnesota corporation must be given the right to approve the plan if it contains a provision which, if contained in a proposed amendment to the corporation's articles of incorporation, would entitle such a class to vote as a class.

the outstanding shares of the corporation entitled to vote thereon unless the certificate of incorporation requires a greater vote.

Table of Contents**Business Combinations, Control Share Acquisitions and Anti-Takeover Provisions**

Minnesota law prohibits certain business combinations (as defined in the Minnesota Business Corporations Act) between a Minnesota corporation with at least 100 shareholders, or a publicly held corporation that has at least 50 shareholders, and an interested shareholder for a four-year period following the share acquisition date by the interested shareholder, unless certain conditions are satisfied or an exemption is found. An interested shareholder is generally defined to include a person who beneficially owns at least 10% of the votes that all shareholders would be entitled to cast in an election of directors of the corporation. Minnesota law also limits the ability of a shareholder who acquires beneficial ownership of more than certain thresholds of the percentage voting power of a Minnesota corporation (starting at 20%) from voting those shares in excess of the threshold unless such acquisition has been approved in advance by a majority of the voting power held by shareholders unaffiliated with such shareholder. However, as permitted by Minnesota law, the UnitedHealth Group bylaws provide that this statutory provision shall not apply to UnitedHealth Group. Minnesota law also includes a provision restricting certain control share acquisitions of Minnesota corporations. However, as permitted by Minnesota law, the UnitedHealth Group articles provide that this statutory provision shall not apply to UnitedHealth Group.

Minnesota law prohibits certain business combinations (as defined in the Minnesota Business Corporations Act) between a Minnesota corporation with at least 100 shareholders, or a publicly held corporation that has at least 50 shareholders, and an interested shareholder for a four-year period following the share acquisition date by the interested shareholder, unless certain conditions are satisfied or an exemption is found. An interested shareholder is generally defined to include a person who beneficially owns at least 10% of the votes that all shareholders would be entitled to cast in an election of directors of the corporation. Minnesota law also limits the ability of a shareholder who acquires beneficial ownership of more than certain thresholds of the percentage voting power of a Minnesota corporation (starting at 20%) from voting those shares in excess of the threshold unless such acquisition has been approved in advance by a majority of the voting power held by shareholders unaffiliated with such shareholder. However, as permitted by Minnesota law, the UnitedHealth Group bylaws provide that this statutory provision shall not

Delaware law prohibits, in certain circumstances, a business combination between the corporation and an interested stockholder within three years of the stockholder becoming an interested stockholder. An interested stockholder is a holder who, directly or indirectly, controls 15% or more of the outstanding voting stock or is an affiliate of the corporation and was the owner of 15% or more of the outstanding voting stock at any time within the prior three-year period. A business combination includes a merger or consolidation, a sale or other disposition of assets having an aggregate market value equal to 10% or more of the consolidated assets of the corporation or the aggregate market value of the outstanding stock of the corporation and certain transactions that would increase the interested stockholder's proportionate share ownership in the corporation. This provision does not apply where:

either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder is approved by the corporation's board of directors prior to the date the interested stockholder acquired such 15% interest;

upon the completion of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the outstanding voting stock of the corporation excluding for the purposes of determining the number of shares outstanding shares held by persons who are directors and also officers and by employee stock plans in which participants do not have the right to determine confidentially whether the shares held subject to the plan will be tendered;

the business combination is approved by a majority of the board of directors and the affirmative vote of two-thirds of the outstanding votes entitled to be cast by disinterested stockholders at an annual or special meeting;

the corporation does not have a class of voting stock that is listed on a national securities exchange, authorized for quotation on an inter-dealer quotation system of a registered national securities association, or held of record by more than 2,000 stockholders unless any of the

Table of Contents

apply to UnitedHealth Group. Minnesota law also includes a provision restricting certain control share acquisitions of Minnesota corporations. However, as permitted by Minnesota law, the UnitedHealth Group articles provide that this statutory provision shall not apply to UnitedHealth Group.

The UnitedHealth Group articles require the affirmative vote of at least 66 2/3% of the outstanding shares of UnitedHealth Group voting stock in order to effect certain business combinations, including a merger, consolidation, exchange of shares, sale of all or substantially all of the assets of UnitedHealth Group or other similar transactions, with a person who, together with its affiliates, owns 20% or more of the outstanding voting stock of UnitedHealth Group, referred to as a Related Person. However, the 66 2/3% voting requirement will not be applicable if 66 2/3% of the continuing directors approve the business combination, the business combination is solely between UnitedHealth Group and a wholly owned subsidiary, or the cash or fair market value of the property, securities or other consideration to be received per share by holders of UnitedHealth Group common stock other than the Related Person is not less than the highest per share price paid by the Related Person in acquiring any of its holdings of UnitedHealth Group common stock.

Minnesota law provides that during any tender offer, a publicly held corporation may not enter into or amend an agreement (whether or not subject to contingencies) that increases the current or future compensation of any officer or director. In addition, under Minnesota law, a publicly held corporation is prohibited from purchasing any voting shares owned for less than two years from a 5% shareholder for more than the market value unless the transaction has been approved by the affirmative vote of the holders of a majority of the voting power of all shares entitled to vote or unless the corporation makes a comparable offer to all holders of shares of the class or series of stock held by the 5% shareholder and to all holders of any class or series into which such securities may be converted.

It should be noted that in addition to the anti-takeover measures discussed above, the provisions of the UnitedHealth Group articles and bylaws (i) providing for a staggered board of directors, (ii) requiring a vote of 66 2/3% of the outstanding voting stock to amend certain provisions of the UnitedHealth Group articles concerning the election and removal of directors and concerning certain business combinations and (iii) requiring the

foregoing results from action taken, directly or indirectly, by an interested stockholder or from a transaction in which a person becomes an interested stockholder;

the stockholder acquires a 15% interest inadvertently and divests itself of such ownership and would not have been a 15% stockholder in the preceding 3 years but for the inadvertent acquisition of ownership;

the stockholder acquired the 15% interest when these restrictions did not apply; or

the corporation has opted out of this provision. MAMSI has not expressly opted out of this provision in its certificate of incorporation.

In addition, MAMSI's certificate of incorporation requires the affirmative vote of 75% of its outstanding voting stock in the event of certain business combinations with interested persons, as such terms are defined in, and subject to the provisions and exceptions set forth in, its certificate of incorporation.

Table of Contents

request of holders of at least 25% of the outstanding shares in order for shareholders to call a special meeting of shareholders involving a business combination or any change in the composition of the board of directors as a result of such business combination and (iv) providing for the issuance of preferred stock in one or more series, with the powers, rights and preferences of such stock determined solely by the board of directors, may make it more difficult to effect a change in control of UnitedHealth Group and may discourage or deter a third party from attempting a takeover.

Preemptive Rights

A preemptive right allows a shareholder to maintain its proportionate share of ownership of a corporation by permitting such shareholder the right to purchase a proportionate share of any new stock issuance and thereby protecting the shareholder from dilution of value and control upon new stock issuances.

Unless the certificate of incorporation provides otherwise, under Delaware law, stockholders of a corporation have no preemptive rights. MAMSI's certificate of incorporation does not provide for preemptive rights.

Minnesota law provides that all shareholders are entitled to preemptive rights unless the articles of incorporation specifically deny or limit preemptive rights. UnitedHealth Group's articles of incorporation provide that the shareholders have no preemptive rights to purchase securities of any class, kind or series.

Advance Notice Requirements of Shareholder/Stockholder Proposals

UnitedHealth Group's bylaws provide that for a shareholder proposal to be properly made by a shareholder at a regular meeting, the shareholder must give written notice of the proposal. UnitedHealth Group's bylaws also provide that for a nomination of a director to be properly made by a shareholder at a regular meeting, the shareholder must give written notice of the nomination. In both cases, UnitedHealth Group must receive the relevant notice at least 120 days before the anniversary of the date of the proxy statement from the previous year's regular meeting.

MAMSI's bylaws provide that for a stockholder proposal, including a proposal for a nomination of a director, to be properly made by a stockholder at an annual meeting, the stockholder must have given timely notice in writing. To be timely, a stockholder's notice must be personally delivered or mailed to and received at the principal executive offices of MAMSI not less than 120 days in advance of the first anniversary of the date the MAMSI's proxy statement was released to stockholders in connection with the previous year's annual meeting. However, if the date of the annual meeting changes by more than 30 days from the date of the previous year's meeting, to be timely, a stockholder's notice must be personally delivered or mailed to and received at the principal executive offices of MAMSI in the manner required by Regulation 14A of the Securities Exchange Act.

Table of Contents

DESCRIPTION OF UNITEDHEALTH GROUP CAPITAL STOCK

The following description of the capital stock of UnitedHealth Group does not purport to be complete, and is subject, in all respects, to applicable Minnesota law and to the provisions of the UnitedHealth Group articles of incorporation. The following description is qualified by reference to the UnitedHealth Group articles of incorporation.

UnitedHealth Group Common Stock

UnitedHealth Group is authorized by the UnitedHealth Group articles of incorporation to issue 1,500,000,000 shares of common stock, par value \$.01 per share, of which 587,831,182 shares were issued and outstanding as of October 27, 2003 and which were held of record by approximately 12,959 shareholders.

Holders of shares of UnitedHealth Group common stock are entitled to one vote per share on all matters to be voted on by shareholders. UnitedHealth Group shareholders are not entitled to cumulate their votes in the election of directors. The holders of UnitedHealth Group common stock are entitled to receive such dividends, if any, as may be declared by the UnitedHealth Group board of directors in its discretion out of funds legally available therefore. Subject to the rights of any preferred stock outstanding, upon liquidation or dissolution of UnitedHealth Group, the holders of UnitedHealth Group common stock are entitled to receive on a pro rata basis all assets remaining for distribution to shareholders. Shares of UnitedHealth Group common stock do not have preemptive or other subscription or conversion rights and are not subject to any redemption or sinking fund provisions. All of the outstanding shares of UnitedHealth Group common stock are, and the shares of UnitedHealth Group common stock to be issued as described in this proxy statement/prospectus will be, fully paid and nonassessable.

UnitedHealth Group Preferred Stock

UnitedHealth Group is authorized by the UnitedHealth Group articles of incorporation to issue 10,000,000 shares of preferred stock, par value \$.001 per share. There are no shares of preferred stock issued or outstanding. The UnitedHealth Group board is authorized to issue preferred stock in one or more series and to fix the voting rights, liquidation preferences, dividend rights, conversion rights, redemption rights and terms, including sinking fund provisions and certain other rights and preferences, of the preferred stock. The UnitedHealth Group board of directors can, without shareholder approval, issue shares of such preferred stock with voting and conversion rights that could adversely affect the voting power of the holders of UnitedHealth Group common stock and may have the effect of delaying, deferring or preventing a change in control of UnitedHealth Group.

Special Voting Rights

UnitedHealth Group shareholders are entitled to certain supermajority voting rights as described above in Comparison of Rights of Shareholders of UnitedHealth Group and Stockholders of MAMSI Board of Directors, Amendments to Bylaws and Articles, and Business Combinations, Control Share Acquisitions and Anti-Takeover Provisions.

Board of Directors

The board of directors of UnitedHealth Group is divided into three classes as nearly equal in number as possible. Each class serves three years with the term of office of one class expiring at the annual meeting each year in successive years. This classification of directors may have the effect of delaying, deferring or preventing a change in control of UnitedHealth Group.

Transfer Agent and Registrar

The transfer agent and registrar for the UnitedHealth Group common stock is Wells Fargo Bank Minnesota, N.A., Minneapolis, Minnesota.

Table of Contents

EXPERTS

The consolidated financial statements of UnitedHealth Group as of and for the year ended December 31, 2002 incorporated in this prospectus and elsewhere in the registration statement by reference from the UnitedHealth Group Annual Report on Form 10-K for the year ended December 31, 2002 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report (which report expresses an unqualified opinion and includes explanatory paragraphs relating to (i) the adoption of a new accounting principle and (ii) the application of procedures relating to certain other disclosures and reclassifications of financial statement amounts related to the 2001 and 2000 consolidated financial statements that were audited by other auditors who have ceased operations and for which they have expressed no opinion or other form of assurance other than with respect to such disclosures and reclassifications) which is incorporated by reference, and have been so incorporated in reliance upon the report of such firm given their authority as experts in accounting and auditing.

With respect to the unaudited interim financial information of UnitedHealth Group for the periods ended June 30, 2003 and 2002 which is included in Annex I and made part hereof, Deloitte & Touche LLP have applied limited procedures in accordance with professional standards for a review of such information. However, as stated in their report included in UnitedHealth Group's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 included in Annex I, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the unaudited interim financial information because those reports are not reports or a part of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

On May 15, 2002, UnitedHealth Group's board of directors and Audit Committee dismissed Arthur Andersen LLP as their independent public accountants, effective May 15, 2002, and engaged Deloitte & Touche LLP, effective May 16, 2002, to serve as their independent auditors for fiscal year 2002. Arthur Andersen LLP has informed UnitedHealth Group that it will no longer be able to issue written consents to the inclusion of its reports in UnitedHealth Group's registration statements and has not consented to the incorporation by reference of its reports on UnitedHealth Group's financial statements for the fiscal years ended December 31, 2001 and December 31, 2000 in this prospectus and elsewhere in this registration statement. Rule 437a of the Securities Act of 1933, as amended, permits UnitedHealth Group to include these reports on the financial statements incorporated by reference in this prospectus and elsewhere in the registration statement without the consent of Arthur Andersen LLP. Because Arthur Andersen LLP has not consented to the incorporation by reference of its reports in this prospectus and elsewhere in the registration statement, your ability to recover for claims against Arthur Andersen LLP will be limited. In particular, you may not be able to recover against Arthur Andersen LLP under Section 11 of the Securities Act of 1933, as amended, for any untrue statements of material fact contained in the financial statements audited by Arthur Andersen LLP or any omission to state a material fact required to be stated therein.

The consolidated financial statements of MAMSI incorporated by reference in MAMSI's Annual Report on Form 10-K for the year ended December 31, 2002, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon incorporated by reference therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

LEGAL MATTERS

David J. Lubben, UnitedHealth Group's General Counsel, will pass on the validity of the securities offered in this prospectus for UnitedHealth Group. Mr. Lubben beneficially owns less than 1% of UnitedHealth Group's common stock. Weil, Gotshal & Manges LLP, counsel to UnitedHealth Group, and Dewey Ballantine LLP, special counsel to MAMSI, will render opinions to UnitedHealth Group and MAMSI, respectively, on the qualification of the merger as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Table of Contents

FUTURE SHAREHOLDER PROPOSALS

UnitedHealth Group's 2003 annual meeting of shareholders took place on May 7, 2003. UnitedHealth Group shareholders wishing to present proposals to be considered at the 2004 annual meeting of shareholders should submit their proposals to UnitedHealth Group in accordance with all applicable rules and regulations of the Securities and Exchange Commission and UnitedHealth Group's bylaws by December 10, 2003. MAMSI will hold an annual meeting in the year 2004 only if the merger is not completed. If such annual meeting is held, the deadline for receipt of a proposal to be considered for inclusion in MAMSI's proxy statement for the 2004 annual meeting is November 25, 2003.

WHERE YOU CAN FIND MORE INFORMATION

MAMSI and UnitedHealth Group file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any reports, statements or other information they file at the Securities and Exchange Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference room. MAMSI and UnitedHealth Group filings with the Securities and Exchange Commission are also available to the public from commercial document retrieval services and at the Internet Website maintained by the Securities and Exchange Commission at <http://www.sec.gov>. UnitedHealth Group and MAMSI filings are also available at the offices of the New York Stock Exchange. For further information on obtaining copies of their public filings at the New York Stock Exchange, you should call (212) 656-5060.

UnitedHealth Group has filed a registration statement on Form S-4 to register the shares of UnitedHealth Group common stock to be issued to MAMSI stockholders in the merger. This proxy statement/prospectus is a part of the registration statement and constitutes the prospectus of UnitedHealth Group as well as the proxy statement of MAMSI for the special meeting. This proxy statement/prospectus does not contain all the information set forth in the Registration Statement, certain portions of which have been omitted as permitted by the rules and regulations of the Securities and Exchange Commission. Such additional information may be obtained from the Securities and Exchange Commission's principal office in Washington, D.C. or at the Internet website maintained by the Securities and Exchange Commission at <http://www.sec.gov>. Statements contained in this proxy statement/prospectus as to the contents of any contract or other document referred to herein or therein are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement or such other document, each such statement being qualified in all respects by such reference.

You should rely only on the information contained in this proxy statement/prospectus including the Annexes hereto to vote on the merger. We have not authorized anyone to provide you with information that is different from what is contained in this proxy statement/prospectus. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than its date, and neither the mailing of this proxy statement/prospectus to stockholders nor the issuance of UnitedHealth Group common stock in the merger shall create any implication to the contrary. This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is not lawful to make any such offer or solicitation in such jurisdiction.

This proxy statement/prospectus does not cover any resales of the UnitedHealth Group common stock offered hereby to be received by stockholders of MAMSI deemed to be affiliates of MAMSI or UnitedHealth Group upon the completion of the merger. No person is authorized to make use of this proxy statement/prospectus in connection with such resales.

Table of Contents

CERTAIN INFORMATION REGARDING UNITEDHEALTH GROUP AND MAMSI

UnitedHealth Group has supplied all the information contained in this proxy statement/prospectus relating to UnitedHealth Group and MAMSI has supplied all such information relating to MAMSI. Some of the important business and financial information relating to UnitedHealth Group and MAMSI that you may want to consider in deciding how to vote appears as Annexes to this proxy statement/prospectus.

MAMSI's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 appears as Annex D, and its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 appears as Annex E.

UnitedHealth Group's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 appears as Annex F, its selected financial data under the heading "Financial Highlights" appears as Annex G, its Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading "Results of Operations" appears as Annex H and its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 appears as Annex I.

The foregoing Annexes (excluding any documents incorporated by reference therein or exhibits thereto) are a part of this proxy statement/prospectus and should be carefully reviewed for the information regarding UnitedHealth Group and MAMSI contained in those Annexes. The portions of reports that do not appear in the Annexes, as well as the documents incorporated by reference into, or included as exhibits to, those reports, are NOT a part of this proxy statement/prospectus.

Table of Contents

ANNEXES TO

PROXY STATEMENT/PROSPECTUS

WITH RESPECT TO THE

AGREEMENT AND PLAN OF MERGER

DATED AS OF OCTOBER 26, 2003

BY AND AMONG

UNITEDHEALTH GROUP INCORPORATED

MU ACQUISITION LLC

AND

MID ATLANTIC MEDICAL SERVICES, INC.

AGREEMENT AND PLAN OF MERGER

Dated as of October 26, 2003

Among

UNITEDHEALTH GROUP INCORPORATED,

MU ACQUISITION LLC

And

MID ATLANTIC MEDICAL SERVICES, INC.

Table of Contents**TABLE OF CONTENTS**

	Page
ARTICLE I	A-1
Section 1.01.	A-1
Section 1.02.	A-1
Section 1.03.	A-1
Section 1.04.	A-2
Section 1.05.	A-2
Section 1.06.	A-2
Section 1.07.	A-2
ARTICLE II	A-2
Section 2.01.	A-2
Section 2.02.	A-3
Section 2.03.	A-6
ARTICLE III	A-6
Section 3.01.	A-7
Section 3.02.	A-7
Section 3.03.	A-7
Section 3.04.	A-8
Section 3.05.	A-9
Section 3.06.	A-9
Section 3.07.	A-10
Section 3.08.	A-10
Section 3.09.	A-10
Section 3.10.	A-11
Section 3.11.	A-12
Section 3.12.	A-12
Section 3.13.	A-14
Section 3.14.	A-15
Section 3.15.	A-16
Section 3.16.	A-16
Section 3.17.	A-16
Section 3.18.	A-16
ARTICLE IV	A-17
Section 4.01.	A-17
Section 4.02.	A-17
Section 4.03.	A-18
Section 4.04.	A-18
Section 4.05.	A-18
Section 4.06.	A-19
Section 4.07.	A-19
Section 4.08.	A-19
Section 4.09.	A-20
Section 4.10.	A-20
Section 4.11.	A-20
Section 4.12.	A-20
ARTICLE V	A-20
Section 5.01.	A-20
Section 5.02.	A-23

Table of Contents

	Page
ARTICLE VI	A-25
Section 6.01.	A-25
Section 6.02.	A-26
Section 6.03.	A-27
Section 6.04.	A-27
Section 6.05.	A-28
Section 6.06.	A-28
Section 6.07.	A-28
Section 6.08.	A-28
Section 6.09.	A-28
Section 6.10.	A-28
Section 6.11.	A-28
Section 6.12.	A-29
Section 6.13.	A-29
Section 6.14.	A-30
ARTICLE VII	A-30
Section 7.01.	A-30
Section 7.02.	A-30
Section 7.03.	A-31
Section 7.04.	A-31
ARTICLE VIII	A-32
Section 8.01.	A-32
Section 8.02.	A-32
Section 8.03.	A-33
Section 8.04.	A-33
Section 8.05.	A-33
Section 8.06.	A-33
ARTICLE IX	A-34
Section 9.01.	A-34
Section 9.02.	A-34
Section 9.03.	A-35
Section 9.04.	A-35
Section 9.05.	A-35
Section 9.06.	A-35
Section 9.07.	A-36
Section 9.08.	A-36
Section 9.09.	A-36
Section 9.10.	A-36

Table of Contents**TABLE OF DEFINED TERMS**

Term	Section
Adverse Recommendation Notice	5.02(b)
Affected Employees	6.11(c)
Affiliate	9.03(a)
Agreement	Preamble
Certificate	2.01(c)
Certificate of Merger	1.03
Closing	1.02
Closing Date	1.02
COBRA	3.12(h)
Code	Recitals
Company	Preamble
Company Adverse Recommendation Change	5.02(b)
Company By-laws	3.01
Company Certificate	3.01
Company Common Stock	2.01
Company Disclosure Schedule	Article III
Company Material Adverse Effect	3.01
Company Plans	3.12(a)
Company Preferred Stock	3.03(a)
Company SEC Documents	3.06(a)
Company Stock Options	3.03(a)
Company Stock Plans	3.03(a)
Company Stockholder Approval	3.04(a)
Company Stockholders Meeting	6.01(b)
Company Superior Proposal	5.02(a)
Company Takeover Proposal	5.02(a)
Confidentiality Agreement	6.02(a)
Contract	3.04(b)
Delaware Law	1.01
Effective Time	1.03
Employees	3.12(a)
Employment Agreements	6.12
ERISA	3.12(a)
Exchange Act	3.05
Exchange Agent	2.02(a)
Exchange Fund	2.02(a)
Exchange Ratio	2.01(c)
Filed Company SEC Documents	3.08
Form S-4	3.07
GAAP	3.06(a)
Governmental Authority	3.05
HSR Act	3.05
IRS	3.13(c)
Knowledge	9.03(b)
Laws	3.11
Liens	3.02

Table of Contents

Term	Section
Merger	Recitals
Merger Consideration	2.01(c)
Merger Sub	Preamble
Merger Sub Interests	4.02(b)
Parent	Preamble
Parent Common Stock	2.01(c)
Parent Disclosure Schedule	Article IV
Parent Material Adverse Effect	4.01
Parent Preferred Stock	4.02(a)
Parent SEC Documents	4.05
Permits	3.11
person	9.03(c)
Provider	3.10(b)
Proxy Statement	3.07
Representatives	5.02(a)
Restraints	7.01(d)
Sarbanes-Oxley	3.11(b)
SCT Agreement	3.18
SEC	3.06(a)
Securities Act	3.05
State Regulatory Filings	3.16
Subsidiary	9.03(e)
Surviving Entity	1.01
Taxes	3.13(m)
Tax Returns	3.13(m)
Termination Fee	8.02(a)
Trust	3.18
Trustee	3.18
Exhibits	
A.	Form of Rule 145 Affiliate Letter
B	Form of Company Tax Representation Certificate
C	Form of Parent Tax Representation Certificate
D	Form of Employment Agreement
E	Closing Consents

Table of Contents

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this Agreement), dated as of October 26, 2003, is among UnitedHealth Group Incorporated, a Minnesota corporation (Parent), MU Acquisition LLC, a Delaware limited liability company and a direct wholly owned subsidiary of Parent (Merger Sub), and Mid Atlantic Medical Services, Inc., a Delaware corporation (the Company).

WITNESSETH:

WHEREAS, the respective Boards of Directors of Parent and the Company and the Managing Member of Merger Sub have approved and declared advisable this Agreement and the merger of the Company with and into Merger Sub (the Merger), upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, for Federal income tax purposes, it is intended that the Merger shall qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code), and the rules and regulations promulgated thereunder, and that this Agreement constitutes, and hereby is adopted as, a plan of reorganization; and

WHEREAS, Parent, Merger Sub and the Company desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, the parties hereto agree as follows:

ARTICLE I

THE MERGER

SECTION 1.01. *The Merger.* Upon the terms and subject to the conditions set forth in this Agreement and in accordance with the General Corporation Law and the Limited Liability Company Act of the State of Delaware (collectively, Delaware Law), the Company shall be merged with and into Merger Sub at the Effective Time. Following the Effective Time, the separate corporate existence of the Company shall cease, and Merger Sub shall continue as the surviving entity in the Merger (the Surviving Entity) and shall succeed to and assume all the rights and obligations of the Company in accordance with Delaware Law.

SECTION 1.02. *Closing.* The closing of the Merger (the Closing) will take place at 10:00 a.m. on a date to be specified by the parties (the Closing Date), which shall be no later than the second business day after satisfaction or waiver of the conditions set forth in Article VII (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions at such

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

time), at the offices of Weil, Gotshal & Manges LLP, 1501 K Street, Suite 100, Washington, DC 20005, unless another date or place is agreed to in writing by the parties hereto.

SECTION 1.03. *Effective Time*. Subject to the provisions of this Agreement, as soon as practicable on the Closing Date, the parties shall file a certificate of merger (the Certificate of Merger) executed in accordance with the relevant provisions of Delaware Law and, as soon as practicable on or after the Closing Date, shall make all other filings or recordings required under Delaware Law. The Merger shall become effective at such time as the Certificate of Merger is duly filed with the Secretary of State of the State of Delaware, or at such other time as Parent and the Company shall agree and shall specify in the Certificate of Merger (the time the Merger becomes effective being the Effective Time).

A-1

Table of Contents

SECTION 1.04. *Effects of the Merger.* The Merger shall have the effects set forth in Delaware Law.

SECTION 1.05. *Certificate of Formation; Operating Agreement.*

(a) The Certificate of Formation of Merger Sub, as in effect immediately prior to the Effective Time, shall be the Certificate of Formation of the Surviving Entity until thereafter changed or amended as provided therein or by Delaware Law or other applicable Law.

(b) The Operating Agreement of Merger Sub, as in effect immediately prior to the Effective Time, shall be the Operating Agreement of the Surviving Entity until thereafter changed or amended as provided therein or by applicable Law; *provided, however*, that the Operating Agreement of the Surviving Entity shall be amended as necessary to comply with the obligations of the Surviving Entity set forth in Section 6.04 hereof.

SECTION 1.06. *Managers.* The managers of Merger Sub immediately prior to the Effective Time shall be the managers of the Surviving Entity until the earlier of their resignation or removal or until their respective successors are duly designated, as the case may be.

SECTION 1.07. *Officers.* The officers of Merger Sub immediately prior to the Effective Time shall be the officers of the Surviving Entity until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

ARTICLE II

EFFECT OF THE MERGER ON THE CAPITAL STOCK OF THE

CONSTITUENT ENTITIES; EXCHANGE OF CERTIFICATES; COMPANY STOCK OPTIONS

SECTION 2.01. *Effect on Capital Stock.* As of the Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares of common stock, par value \$0.01 per share, of the Company (Company Common Stock) or any membership interests of Merger Sub:

(a) *Membership Interests of Merger Sub.* The issued and outstanding membership interests of Merger Sub shall remain outstanding and shall constitute the only issued and outstanding equity interests of the Surviving Entity.

(b) *Cancellation of Treasury Stock.* Each share of Company Common Stock that is owned by the Company (as treasury stock or otherwise), automatically shall be canceled and retired and shall cease to exist, and no shares of Parent Common Stock, cash or other consideration shall be delivered in exchange therefor.

Edgar Filing: UNITEDHEALTH GROUP INC - Form S-4

(c) *Conversion of Company Common Stock.* Subject to Section 2.01(d) and Section 2.02(e), each issued and outstanding share of Company Common Stock (other than shares to be canceled in accordance with Section 2.01(b), and other than as provided in Section 2.02(k) with respect to shares as for which appraisal rights have been perfected) shall be converted into the right to receive:

(i) 0.82 (the Exchange Ratio) validly issued, fully paid and nonassessable shares of common stock, par value \$0.01 per share, of Parent (Parent Common Stock) (the Stock Consideration); and

(ii) \$18.00 in cash (the Cash Consideration, and together with the Stock Consideration, the Merger Consideration).

As of the Effective Time, all such shares of Company Common Stock shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each holder of a certificate which immediately prior to the Effective Time represented any such shares of Company Common Stock (each, a Certificate) shall cease to have any rights with respect thereto, except the right to receive the

A-2

Table of Contents

Merger Consideration, any dividends or other distributions to which such holder is entitled pursuant to Section 2.02(c) and cash in lieu of any fractional share of Parent Common Stock to which such holder is entitled pursuant to Section 2.02(e), in each case to be issued or paid in consideration therefor upon surrender of such Certificate in accordance with Section 2.02(b), without interest. Notwithstanding the foregoing, if between the date of this Agreement and the Effective Time, the outstanding shares of Parent Common Stock or Company Common Stock shall have been changed into a different number of shares or a different class, by reason of the occurrence or record date of any stock dividend, subdivision, reclassification, recapitalization, split, combination, exchange of shares or similar transaction, the Merger Consideration shall be appropriately adjusted to reflect such stock dividend, subdivision, reclassification, recapitalization, split, combination, exchange of shares or similar transaction.

(d) *Adjustments.* In the event that the aggregate market value of the Stock Consideration at the Effective Time will be less than 45% of the sum of the Merger Consideration plus any cash paid pursuant to Sections 2.02(e) and 2.02(k), the Merger Consideration will be adjusted by reducing the amount of Cash Consideration and by increasing by the same amount the amount of Stock Consideration payable to each holder of Company Common Stock who would otherwise have received Cash Consideration to the extent necessary so as to increase the aggregate market value of the Stock Consideration to 45% of the sum of the Merger Consideration plus any cash paid pursuant to Sections 2.02(e) and 2.02(k). For purposes of this paragraph (i), the aggregate market value of the Stock Consideration will be determined based, as closely as reasonably possible, on the actual Parent Common Stock price for the last trade prior to the Effective Time or, if the Effective Time is after the close of regular trading on the New York Stock Exchange, the mean between the highest and lowest quoted selling price of Parent Common Stock on the New York Stock Exchange for the date on which the Effective Time occurs and (ii) the Stock Consideration and Cash Consideration transferred to the Trust, or to the holders of Company Common Stock who acquire their stock from the Company or the Trust after the date hereof, shall be disregarded.

SECTION 2.02. *Exchange of Certificates.*

(a) *Exchange Agent.* As of the Effective Time, Parent shall deposit with The Bank of New York or such other bank or trust company as may be designated by Parent, with the Company's prior written consent, which shall not be unreasonably withheld or delayed (the Exchange Agent), for exchange in accordance with this Article II, through the Exchange Agent, (i) certificates representing the shares of Parent Common Stock issuable pursuant to Section 2.01(c) in exchange for outstanding shares of Company Common Stock, (ii) cash sufficient to pay the Cash Consideration and (iii) from time to time as needed, additional cash sufficient to pay cash in lieu of fractional shares pursuant to Section 2.02(e) hereof and any dividends and other distributions pursuant to Section 2.02(c) hereof (such shares of Parent Common Stock and Cash Consideration, together with any dividends or other distributions with respect thereto with a record date after the Effective Time and any cash payments in lieu of any fractional shares of Parent Common Stock, being hereinafter referred to as the Exchange Fund).

(b) *Exchange Procedures.* As promptly as practicable after the Effective Time, Parent shall cause the Exchange Agent to mail to each holder of record of a Certificate whose shares of Company Common Stock were converted into the right to receive the Merger Consideration pursuant to Section 2.01(c), (i) a form of letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent and which shall be in customary form and shall have such other provisions as Parent may reasonably specify) and (ii) instructions for use in surrendering the Certificates in exchange for certificates representing the Stock Consideration portion of the Merger Consideration and cash representing the Cash Consideration portion of the Merger Consideration, any dividends or other distributions to which holders of Certificates are entitled pursuant to Section 2.02(c) and cash in lieu of any fractional shares of Parent Common Stock to which such holders are entitled pursuant to Section 2.02(e). Upon surrender of a Certificate for cancellation to the Exchange Agent, together with such letter of transmittal, duly completed and validly executed, and such other documents as may be reasonably required by the Exchange Agent, the holder of such Certificate shall be entitled to receive in exchange therefor (A) a certificate representing that number of whole shares of Parent Common Stock that such holder has the right to receive

Table of Contents

pursuant to the provisions of this Article II after taking into account all the shares of Company Common Stock then held by such holder under all such Certificates so surrendered and (B) a check for the cash that such holder is entitled to receive pursuant to the provisions of this Article II, including for the Cash Consideration portion of the Merger Consideration, any dividends or other distributions to which such holder is entitled pursuant to Section 2.02(c) and cash in lieu of any fractional shares of Parent Common Stock to which such holder is entitled pursuant to Section 2.02(e), and the Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of shares of Company Common Stock that is not registered in the transfer records of the Company, (w) a certificate representing the proper number of shares of Parent Common Stock, (x) a check for the Cash Consideration portion of the Merger Consideration, (y) any dividends or other distributions to which such holder is entitled pursuant to Section 2.02(c) and (z) cash in lieu of any fractional shares of Parent Common Stock to which such holder is entitled pursuant to Section 2.02(e), may be issued to a person other than the person in whose name the Certificate so surrendered is registered, if, upon presentation to the Exchange Agent, such Certificate shall be properly endorsed or otherwise be in proper form for transfer and the person requesting such issuance shall pay any transfer or other taxes required by reason of the issuance of shares of Parent Common Stock to a person other than the registered holder of such Certificate or establish to the reasonable satisfaction of the Exchange Agent that such tax has been paid or is not applicable. Until surrendered as contemplated by this Section 2.02(b), each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Merger Consideration, any dividends or other distributions to which the holder of such Certificate is entitled pursuant to Section 2.02(c) and cash in lieu of any fractional share of Parent Common Stock to which such holder is entitled pursuant to Section 2.02(e). No interest will be paid or will accrue on the Merger Consideration or on any cash payable to holders of Certificates pursuant to Section 2.02(c) or (e).

(c) *Distributions with Respect to Unexchanged Shares.* No dividends or other distributions with respect to Parent Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the share of Parent Common Stock that the holder thereof has the right to receive upon the surrender thereof, and no cash payment in lieu of any fractional shares of Parent Common Stock shall be paid to any such holder pursuant to Section 2.02(e), in each case until the holder of such Certificate shall surrender such Certificate in accordance with this Article II. Following surrender of any Certificate, there shall be paid to the holder thereof (i) at the time of such surrender, the amount of cash payable in lieu of any fractional share of Parent Common Stock to which such holder is entitled pursuant to Section 2.02(e) and the amount of dividends or other distributions payable with respect to such whole shares of Parent Common Stock with a record date after the Effective Time and paid with respect to Parent Common Stock prior to such surrender and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to such surrender and a payment date subsequent to such surrender payable with respect to such whole shares of Parent Common Stock.

(d) *No Further Ownership Rights in Company Common Stock.* All shares of Parent Common Stock issued and cash paid upon the surrender for exchange of Certificates in accordance with the terms of this Article II (including any dividends or other distributions paid pursuant to Section 2.02(c) and cash paid in lieu of any fractional shares pursuant to Section 2.02(e)) shall be deemed to have been issued (and paid) in full satisfaction of all rights pertaining to the shares of Company Common Stock previously represented by such Certificates, and at the close of business on the day on which the Effective Time occurs, the stock transfer books of the Company shall be closed and there shall be no further registration of transfers on the stock transfer books of the Surviving Entity of the shares of Company Common Stock that were outstanding immediately prior to the Effective Time. Subject to the last sentence of Section 2.02(f), if, at any time after the Effective Time, Certificates are presented to the Surviving Entity or the Exchange Agent for any reason, they shall be canceled and exchanged as provided in this Article II.

(e) *No Fractional Shares.*

(i) No certificates or scrip representing fractional shares of Parent Common Stock shall be issued upon th