UnitedHealth Group Incorporated

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Report of the Special Litigation Committee
December 6, 2007

Hon. Kathleen A. Blatz
Hon. Edward C. Stringer

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I. BACKGROUND

A. UnitedHealth Group Incorporated

This Report of the Special Litigation Committee (SLC) of the Board of Directors of UnitedHealth Group Incorporated (UHG or the Company)[1] addresses shareholder derivative claims brought on behalf of UHG against certain current and former officers and directors of the Company. UHG is one of the nation's largest managed health care organizations.[2] UHG serves approximately 70 million Americans via its family of businesses in the health and well-being industry. The Company employs approximately 58,000 people and operates through divisions in the following business segments:

- Uniprise, which provides health care and well-being services nationwide to large national employers, health care organizations and individual consumers.
- Health Care Services, comprised of the United Healthcare, Americhoice and Ovations businesses, which provide an array of health benefit plans and services to the public sector, small to mid-

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1 These references also include any predecessors of the Company.

2 Factual information has been gleaned from SLC interviews, interviews by others, the Company's SEC filings, documents obtained from the Company and others, various publications and websites, and sources at the Company.

sized employers and individuals, including individuals over fifty years of age and their families.

- OptumHealth (formerly known as Specialized Care Services), which provides specialty health, wellness and ancillary benefits, services and resources to specific customer markets nationwide.
- Ingenix, which provides database and data management services, software products, publications, outsourced services and pharmaceutical development and consulting services.

Organized under the laws of Minnesota, UHG became a publicly traded company in 1984. Its shares are traded on the New York Stock Exchange under the symbol UNH. In 2007, UHG was ranked twenty-first on *Fortune* magazine's list of the 500 largest U.S. corporations based on 2006 revenues.

B. Events Leading to the Shareholder Derivative Litigation and Appointment of the Special Litigation Committee

1. The March 18, 2006 Wall Street Journal Article

On March 18, 2006, the *Wall Street Journal* published a front-page article entitled *The Perfect Payday* (the *WSJ* article).[3] The authors referred to what they characterized as the "unusually propitious" timing of stock option grants to executives at several publicly traded companies, including UHG. The *WSJ* article also reported that the United States Securities and Exchange Commission (SEC) was examining the timing of several companies' options grants in order to

[3] C. Forelle & J. Bandler, *The Perfect Payday*, Wall St. J., March 18, 2006, at 1.

determine whether they had been "backdated," *i.e.,* whether grant dates had been selected with the benefit of hindsight, thereby providing option recipients with lower exercise prices.

The *WSJ* article referenced several stock option grants that the Company made to its Chief Executive Officer, Dr. William W. McGuire, dating back to 1994. Some of the grants were purportedly made on days when the Company's stock hit its low price for the year. The *WSJ* article singled out one very large grant made to Dr. McGuire with a grant date of October 13, 1999, as well as grants made to him in 1997 and 2000, all of which were made when the stock price was at the low of the respective year. The article also noted that a grant made in 2001 was "near the bottom dip of a sharp stock dip." The *WSJ* article stated that "the odds of such a favorable pattern occurring by chance would be one in 200 million or greater."

2. The SEC's Informal Inquiry and Other Investigations

Shortly after the *WSJ* article was published, the Enforcement Division of the SEC notified the Company that the SEC had commenced an informal inquiry into the Company's stock option granting practices. The United States Attorney's Office for the Southern District of New York and the Internal Revenue Service subsequently informed the Company that they, too, had opened investigations into the Company's stock option granting practices. In addition, the Company was asked to provide documents and information to committees of the United States Congress.

3. Appointment of the Committee of Independent Directors

On April 4, 2006, in response to the SEC's notification, the UHG Board of Directors appointed a Committee of Independent Directors (Independent Committee) to conduct a review of the Company's stock option granting practices from 1994 through 2006. The Independent Committee was composed of Messrs. James A. Johnson (Chair), Richard T. Burke, and Douglas W. Leatherdale. In turn, the Independent Committee engaged the law firm of Wilmer Cutler Pickering Hale and Dorr LLP (WilmerHale) as counsel to assist in its review.

4. The Filing of Derivative Lawsuits

a. Shareholder Derivative Actions in Federal District Court

On March 29, 2006, UHG shareholder Jan Brandin commenced a shareholder derivative lawsuit on behalf of the Company against various current and former officers and/or directors of UHG in the United States District Court for the District of Minnesota. The *Brandin* lawsuit alleged that defendants had breached their fiduciary duties to the Company and asserted various other claims. Other shareholders subsequently filed similar derivative actions on behalf of the Company in federal court.[4] Beginning at approximately the same time, other UHG shareholders filed putative class action lawsuits alleging violations of the Securities Act of 1933 and the Securities and Exchange Act of 1934.

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[4] Among the Court-appointed Lead Plaintiffs were the following public pension funds, all of which hold stock in the Company: The St. Paul Teachers' Retirement Fund Association; The Public Employees' Retirement System of Mississippi; The Fire & Police Pension Association of Colorado; The Jacksonville Police & Fire Pension Fund; The Louisiana Municipal Employees'

On July 7, 2006, the *Brandin* lawsuit was consolidated with seven other derivative actions under the caption *In re UnitedHealth Group Inc. Shareholder Derivative Litig.*, Master File No. 06-1216 JMR/FLN (Federal Derivative Actions).[5] The Federal Derivative Actions are pending before the Honorable James M. Rosenbaum in the United States District Court for the District of Minnesota.

On September 21, 2006, plaintiffs in the Federal Derivative Actions filed Lead Plaintiffs' Amended and Consolidated Verified Derivative and Class Action Complaint (Federal Complaint), which asserted various claims against twenty current and former UHG directors and/or officers arising out of UHG's grant of stock options during the period from "at least 1996 through 2002." Judge Rosenbaum granted a partial stay in the Federal Derivative Actions, which expired on July 30, 2007.

b. Shareholder Derivative Actions in Minnesota State District Court

On April 24, 2006, UHG shareholder Natalie Gordon filed a shareholder derivative lawsuit against various current and former officers and/or directors of UHG in the Hennepin County District Court alleging that defendants had breached their fiduciary duties to the Company and asserting various other

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Retirement System; The Louisiana Sheriffs' Pension & Relief Fund; The Public Employees' Retirement System of Ohio; The State Teachers' Retirement System of Ohio; and The Connecticut Retirement Plans and Trust Funds.

[5] The SLC expresses no opinion as to the class action securities claims asserted in various lawsuits which have been consolidated in another action before Judge Rosenbaum, *In re UnitedHealth Group Inc. PSLRA Litig.*, Civ. Action No. 06-1691 JMR/FLN (PSLRA litigation).

claims discussed below. On July 14, 2006, the *Gordon* lawsuit was consolidated with another derivative case under the caption *In re UnitedHealth Group Inc. Derivative Litig.*, File No. 27 CV-06-8085 (State Derivative Actions). The State Derivative Actions are pending before the Honorable George F. McGunnigle. On August 14, 2006, plaintiffs in the State Derivative Actions filed a Consolidated Derivative Complaint (State Complaint) alleging various state law claims against twelve current and former UHG directors and/or officers. As with the Federal Derivative Actions, the State Derivative Actions were stayed in part by Judge McGunnigle pending completion of the SLC's investigation and publication of its Report.[6]

c. The Individual Defendants

The following individuals are named as defendants in one or both of the Derivative Actions:

i. Dr. William W. McGuire

Dr. McGuire received his M.D. from the University of Texas in 1974, and practiced pulmonary medicine for six years before becoming involved in the managed health care business. He joined the Company as Executive Vice President in November 1988, and became President and Chief Operating Officer in November 1989. In 1991, Dr. McGuire was appointed Chief Executive Officer and held that position until his departure from UHG in November 2006. Dr.

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[6] The Federal Derivative Actions and the State Derivative Actions are referred to collectively as the Derivative Actions.

McGuire was elected to the Board of Directors of the Company in February 1989, and served as Chair of the Board from May 1991 until October 15, 2006. According to *Fortune* magazine, under Dr. McGuire's leadership, the Company's revenues grew from approximately $600 million to more than $70 billion, with an average annual return to shareholders of nearly 30 percent.[7]

ii. Stephen J. Hemsley

Mr. Hemsley was employed by Arthur Andersen LLP for over twenty years, beginning in 1974. At Arthur Andersen LLP, Mr. Hemsley served in various capacities including Chief Financial Officer. He joined UHG in 1997 as Senior Executive Vice President, was named Chief Operating Officer in 1998 and President in May 1999. Mr. Hemsley has been a member of UHG's Board of Directors since February 2000 and since November 2006 has served as UHG's Chief Executive Officer.

iii. David J. Lubben

Before joining the Company, Mr. Lubben was in private practice in Minneapolis and represented the Company. He became UHG's General Counsel and Secretary in October 1996 and held those offices until October 15, 2006, shortly before he retired from the Company.

iv. David P. Koppe and Arnold H. Kaplan

Mr. Koppe joined the Company in 1983 and served as the Company's Chief Financial Officer from December 1994 until July 1998, and left

7 Peter Elkind, *UnitedHealth and the Ghost of Dr. McGuire*, *Fortune*, Apr. 17, 2007.

the Company shortly thereafter. Mr. Kaplan served as the Company's Chief Financial Officer from July 1998 until he left the Company in 2001.

v. Jeannine M. Rivet, Thomas P. McDonough, Robert J. Sheehy, R. Channing Wheeler and Travers H. Wills

Ms. Rivet and Messrs. McDonough, Sheehy, Wheeler and Wills have served as the heads of various UHG business units. None has ever served on the Company's Board of Directors.

Ms. Rivet joined UHG in 1990. She was named Chief Executive Officer of United Healthcare in April 1998 and Chief Executive Officer of Ingenix in January 2001. She currently is an Executive Vice President of UHG.

Mr. McDonough joined UHG in July 1995 as a Senior Vice President. He served as Chief Executive Officer of Uniprise from late 1997 until March 31, 1998, when he left the Company.

Mr. Sheehy joined UHG in February 1992 and served as Chief Executive Officer of United Healthcare of Ohio from 1994 until 1998. He became President of United Healthcare in 1998 and Chief Executive Officer in January 2001. He currently is an Executive Vice President of UHG.

Mr. Wheeler joined UHG in March 1995 as Senior Vice President of Strategic Business Services, later renamed Uniprise. In 1998, he became Chief Executive Officer of that business unit and remained in that position until 2004 when he assumed new responsibilities. He left the Company in 2005.

Mr. Wills joined UHG in October 1992 as a Senior Vice President of specialty operations. He served as Chief Executive Officer of United Healthcare's Health Plans business unit beginning in November 1997. He retired from the Company on January 1, 1999.

vi. **Richard T. Burke, James A. Johnson, Douglas W. Leatherdale, Donna E. Shalala and Gail R. Wilensky**

Messrs. Burke, Johnson and Leatherdale, and Drs. Shalala and Wilensky are present or former outside directors of UHG. None was a member of the Ad Hoc Committee of the Board that was charged with negotiating new employment agreements for Dr. McGuire and Mr. Hemsley in 1999 (1999 Ad Hoc Committee). These five directors served on the Compensation Committee at various times but none was a member of the Committee during the years 1995 through 2002.

Mr. Burke founded the company that later became UHG in 1974. He has served on the Board since its inception in January 1977 and was United Healthcare's Chief Executive Officer until February 1988. He is presently the Non-Executive Chair of the Board. 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. and Meritage Homes Corporation.

Mr. Johnson has served on the UHG Board from 1993 to the present. He became a member of the Compensation Committee in 2003, served as its Chair

for several years, and went off the Committee in May 2007. From 1991 until 1999, Mr. Johnson was at the Federal National Mortgage Association (Fannie Mae), serving in various capacities, including Chairman and Chief Executive Officer. He currently is Vice Chair of Perseus, L.L.C., a private merchant banking and investment firm.

Mr. Leatherdale has served on the UHG Board since 1983. He was a member of the Compensation Committee from December 1984 to February 1988, and has recently rejoined the Committee. Mr. Leatherdale was an executive with The St. Paul Companies, Inc., an insurance and financial corporation, holding various positions, including Chair of the Board and Chief Executive Officer, from 1990 until his retirement in 2001.

Dr. Shalala was elected to the UHG Board in May 2001. She did not seek re-election when her second term expired in May 2007. Dr. Shalala served as Chancellor of the University of Wisconsin from 1987 until 1993, at which time she was appointed Secretary of the U.S. Department of Health and Human Services, a position she held for eight years. She currently is the President of the University of Miami.

Dr. Wilensky was elected to the UHG Board in May 1993. She became a member of the Compensation Committee in May 2006 and currently serves as its Chair. From 1990 to 1992, Dr. Wilensky was Administrator of Health Care Financing Administration at the U.S. Department of Health and Human Services responsible for directing the Medicaid and Medicare programs.

From 1992 to 1993, she served as Deputy Assistant to President George H. W. Bush, advising on policy issues. Since 1993, Dr. Wilensky has served on several boards and commissions including as Co-Chair of the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans, and as a Senior Fellow at Project HOPE, an international health education foundation.

vii. William C. Ballard, Jr., Thomas H. Kean, Mary O. Mundinger, Robert L. Ryan and William G. Spears

Messrs. Ballard, Ryan and Spears, Governor Kean and Dr. Mundinger are present and former outside directors who served on the Compensation Committee for various periods of time between 1994 and 2002 and thereafter. All were also members of the 1999 Ad Hoc Committee.

Mr. Ballard was elected to the UHG Board of Directors in 1993, and continues to serve on the Board today. He was a member of the Compensation Committee from February 1993 to May 1999, and was also a member of the 1999 Ad Hoc Committee. Mr. Ballard served as Chief Financial Officer and Director of Humana Inc. until he retired from that company in 1992. Since his retirement, Mr. Ballard has been of counsel to Greenebaum, Doll & McDonald PLLC, a law firm in Louisville, Kentucky.

Governor Kean has served on the UHG Board since August 1993. He was a member of the Compensation Committee from February 1994 through May 2003, and again from November 2006 through May 2007. Governor Kean was also a member of the 1999 Ad Hoc Committee. He served as Governor of the

State of New Jersey from 1982 to 1990 and as President of Drew University from 1990 until 2005. Governor Kean also chaired the 9/11 Commission from 2002 to 2004 and currently serves as Chair of THK Consulting, Inc., a private consulting firm, and on the Board of Trustees of the Robert Wood Johnson Foundation.

In 1997, Dr. Mundinger joined the UHG Board and became a member of the Compensation Committee. She left the Committee in 2006. She was also a member of the 1999 Ad Hoc Committee. Since 1982, Dr. Mundinger has been affiliated with Columbia University in New York City, where she currently holds the titles of Dean and Centennial Professor of Health Policy at the School of Nursing and Vice President for Nursing at the Columbia University Medical Center.

Mr. Ryan has served on the UHG Board since July 1996. He was a member of the Compensation Committee from November 1996 until May 1999, and also served on the 1999 Ad Hoc Committee. From 1993, Mr. Ryan was employed by Medtronic, Inc., a medical technology company, as its Chief Financial Officer until his retirement in 2005.

Mr. Spears served as a director of UHG from the time of his election in February 1991 until his resignation in October 2006. He was a member of the Compensation Committee from May 1991 until April 2006, serving as Chair from 1992 until May 2004. He was also Chair of the 1999 Ad Hoc Committee. In 1972, Mr. Spears founded Spears, Benzak, Salomon & Farrell, Inc., an investment counseling and management firm, which was acquired by KeyCorp. Asset

Management Holdings, Inc. in April 1995. Mr. Spears served as Chair of a subsidiary of KeyCorp for four years. In 1999, he formed the investment management firm Spears Grisanti & Brown LLC.

The causes of action alleged against each of the foregoing defendants are set forth in Appendix A to this Report (summary of claims).

C. The Appointment of the SLC

In April 2006, UHG received a letter from counsel representing a shareholder which demanded that the Company take legal action against certain present and former directors and/or officers in connection with the Company's past stock option grants. At board meetings held on May 1 and May 23, 2006, the Board considered the matter and took action to appoint a special litigation committee to which it would delegate the authority to investigate the bases of the derivative claims filed in the name of the Company, assess the Company's legal rights and remedies, and determine whether those rights or remedies should be pursued.

On June 26, 2006, the Board passed a formal resolution establishing the Special Litigation Committee as follows:

> [To] designate . . . a special litigation committee of the Board (the "Special Litigation Committee") that has complete power and authority to investigate the Derivative Claim and the claims raised in the Derivative Actions and analyze the legal rights or remedies of the Company and determine whether those rights or remedies should be pursued.

6/26/06 UHG Board Resolution Related to Formation of the Special Litigation Committee.[8] The Board appointed former Chief Justice of the Minnesota Supreme Court Kathleen A. Blatz and former Minnesota Supreme Court Justice Edward C. Stringer as the two members of the SLC.

D. The Members of the SLC

1. The Honorable Kathleen A. Blatz

The Honorable Kathleen A. Blatz graduated *summa cum laude*, Phi Beta Kappa, from the University of Notre Dame in 1976, and earned a masters degree in social work from the University of Minnesota in 1978. In 1984, Chief Justice Blatz received her J.D. *cum laude* from the University of Minnesota Law School.

In 1978, Chief Justice Blatz was elected to the first of eight terms in the Minnesota House of Representatives. While serving in the legislature, Chief Justice Blatz was an attorney in private practice at the law firm of Popham, Haik, Schnobrich & Kaufman Ltd., and later in the Hennepin County Attorney's Office.

In 1994, Chief Justice Blatz was appointed to the Hennepin County District Court, serving as a trial judge until 1996. In 1996, she was appointed Associate Justice of the Minnesota Supreme Court and she was appointed Chief Justice in 1998. Chief Justice Blatz retired from her position as Chief Justice on January 10, 2006.

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[8] The Board's resolution of June 26, 2006 is attached as Appendix B to this Report.

After leaving the Minnesota Supreme Court, Chief Justice Blatz was elected to the Board of the RiverSource Mutual Funds, and became a Jurist in Residence at the William Mitchell College of Law. She currently chairs the Board of Governors of the University of St. Thomas Law School.

2. The Honorable Edward C. Stringer

The Honorable Edward C. Stringer graduated *cum laude* from Amherst College in 1957 with a B.A. in American Studies. In 1960, Justice Stringer received his J.D. *cum laude* and Order of the Coif from the University of Minnesota Law School. Following law school, Justice Stringer was in private practice, first as an associate and then as a partner, with the law firm of Stringer, Donnelly & Sharood. From 1969 through 1980, Justice Stringer was a partner, shareholder and Member of the Board of Directors of the law firm of Briggs and Morgan.

From 1980 through 1989, Justice Stringer was General Counsel of the Pillsbury Company, where he held other offices as well, including Senior Vice President, Executive Vice President, Chief Administrative Officer and Secretary. In 1989, President George H. W. Bush appointed Justice Stringer as General Counsel to the United States Department of Education, a position he held until 1991. From 1992 to 1994, Justice Stringer served as Deputy Chief of Staff and then Chief of Staff for Minnesota Governor Arne Carlson.

In 1994, Justice Stringer was appointed to the Minnesota Supreme Court, where he served as an Associate Justice until his retirement in 2002. Since

leaving the Minnesota Supreme Court, Justice Stringer has engaged in arbitration, mediation and SLC work and has served in a variety of quasi-judicial capacities, including as Special Master in *In the Matter of Temporary Funding of Core Functions of the Executive Branch of the State of Minnesota* (Ramsey County District Court CO-05-5928). Justice Stringer currently serves on the Board of Mairs and Power Mutual Funds.

E. Independence of the SLC

The Board of Directors of UHG sought to ensure the independence of the SLC by appointing two former justices of the Minnesota Supreme Court who had never served on the Company's Board. The members of the SLC confirmed that they did not have any material personal, professional, financial or familial ties with the Company, or with any of the named parties in the Derivative Actions.

F. Retention of Counsel and Consultants

Pursuant to the authorization of the Company's Board of Directors, the SLC retained independent counsel and other professionals to assist in its work.

1. Kelly & Berens, P.A.

In July 2006, the SLC retained Kelly & Berens, P.A. (Kelly & Berens) as its lead counsel to provide legal advice and assist the SLC with all phases of its work, including document collection and review, planning and administration of the SLC's investigation, preparation for and participation in all witness interviews, retention of various consultants, the potential resolution of

claims against certain defendants in the derivative actions, preparation of this Report, and various other matters.

Kelly & Berens focuses its practice on civil litigation, without limitation to any substantive area of law. It has substantial experience in securities, antitrust, commercial and employment litigation, as well as derivative actions and defending businesses in class action litigation. Incident to its practice, it has significant experience in corporate internal investigations, including witness interviews, and retrieval and collection of documents and electronic information. It also has substantial experience in the organization and use of litigation-oriented databases.

Barbara Berens of Kelly & Berens has had primary responsibility for this undertaking. Ms. Berens is a 1975 graduate of the University of Buffalo and a 1990 graduate of the University of Minnesota Law School, where she was a managing editor of the Minnesota Law Review. Following law school, Ms. Berens clerked for United States District Court Judge David S. Doty in the District of Minnesota and also served as Special Master in the NFL/NFLPA antitrust litigation. Ms. Berens has maintained an active practice in securities, business and commercial litigation.

Paul R. Hannah has also been heavily involved in the undertaking. Mr. Hannah received his undergraduate and J.D. degrees from Harvard. He served as law clerk to Senior Judge Charles J. Vogel of the United States Court of Appeals for the Eighth Circuit from 1972 to 1973. Since then, he has represented

a wide variety of clients in corporate governance, business and commercial litigation.

Kelly & Berens has had no material prior professional, personal, financial or familial relationship with UHG, with any of the named parties in the Derivative Actions, or with either member of the SLC.

2. Munger, Tolles & Olson LLP

The SLC also retained Munger, Tolles & Olson LLP (MTO) as counsel to assist with its investigation, with the potential resolution of claims against certain defendants in the Derivative Actions and with this Report. MTO has broad experience in conducting internal corporate investigations, and in counseling boards of directors and independent committees and special litigation committees of boards of directors. Specifically, MTO has extensive experience in representing companies, independent committees, and individual directors and officers in connection with allegations of stock option backdating.[9]

The lawyers at MTO with primary responsibility for this undertaking were John W. Spiegel and Lawrence C. Barth. Mr. Spiegel received his J.D. degree from the Yale Law School, where he was Editor-in-Chief of the Yale Law Journal. He served as law clerk to Justice Byron White of the Supreme Court of the United States during the Court's 1976-77 Term, and as Special Assistant to

[9] MTO previously has served as counsel to a special litigation committee of another corporation regarding its stock option practices and derivative litigation arising therefrom; a special committee investigating stock option practices at another corporation; and another corporation dealing with the aftermath of revelations regarding stock option practices.

Deputy Secretary of State Warren Christopher from 1977 to 1979. From 1979 to 1982, he was an Assistant United States Attorney in Los Angeles. Mr. Barth received his J.D. degree from the Cardozo School of Law, where he was Articles Editor of the Cardozo Law Review. He served as law clerk to Judge Irving R. Kaufman of the United States Court of Appeals for the Second Circuit. Messrs. Spiegel and Barth have represented a wide variety of major corporations in securities, corporate governance and other complex litigation.

MTO has had no material prior professional, personal, financial or familial relationship with UHG, with any of the named parties in the Derivative Actions, or with either member of the SLC.

3. Other Professionals

The SLC engaged Professor Lyman P.Q. Johnson to advise and counsel it on various issues concerning corporate law and governance. Professor Johnson received his B.A., *magna cum laude,* from Carleton College and his J.D., *magna cum laude*, from the University of Minnesota Law School. Professor Johnson is currently the Robert O. Bentley Professor of Law at Washington and Lee University Law School, where he teaches courses in Corporation Law, Corporate Finance, Securities Regulation, Partnerships and Business Planning. Professor Johnson also has served as a Distinguished Scholar at the University of St. Thomas School of Law in Minneapolis. He has been retained as a consultant or expert witness on numerous corporate and securities law issues and his scholarship also focuses on this area of the law. Professor Johnson has had no

material prior professional, personal, financial or familial relationship with UHG, with any of the named parties in the Derivative Actions, or with either member of the SLC.

The SLC engaged Kroll's Litigation Consulting and Forensics practice (Kroll) to assist and advise it on various accounting and other issues. Kroll's services include forensic accounting and valuation. The professional at Kroll with primary responsibility for this undertaking was Douglas E. Farrow, who is a Certified Public Accountant and a Certified Fraud Examiner. Mr. Farrow is a Managing Director at Kroll and has more than twenty years of experience assisting corporations, attorneys and their clients in a broad array of financial, economic and accounting matters. Prior to joining Kroll, Mr. Farrow was a partner with KPMG LLP's Forensic & Litigation Services, where he specialized in the investigation of accounting irregularities. Kroll has previously assisted management, boards or special committees and counsel with several stock option investigations. Kroll has had no material prior professional, personal, financial or familial relationship with UHG, with any of the named parties in the Derivative Actions, or with either member of the SLC.[10]

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[10] Kroll OnTrack, an entity which is affiliated with Kroll Inc., had been retained by WilmerHale to construct a database of more than sixty-six million pages of electronic documents gathered by WilmerHale in the course of its work on behalf of the Independent Committee. The SLC obtained a separate copy of that database to assist in its investigation. The SLC retained Kroll OnTrack to administer the SLC's copy of the database after determining that the use of Kroll OnTrack as the administrator would not jeopardize the independence of the SLC's investigation.

The SLC engaged Professor Bradford Cornell of CRA International to advise it on various economic and damages issues. Dr. Cornell holds B.A., M.S., and Ph.D. degrees from Stanford University. He has been a Professor of Finance at the University of Arizona, the University of Southern California, and the University of California at Los Angeles. He is currently a Visiting Professor of Financial Economics at the California Institute of Technology. Since 1999, he has been a Senior Consultant with CRA International, a firm that provides professional consulting services in connection with finance issues. Dr. Cornell has had no material prior professional, personal, financial or familial relationship with UHG, with any of the named parties in the Derivative Actions, or with either member of the SLC.

G. The Report of the Committee of Independent Directors

Following its appointment in April 2006, the Independent Committee and its counsel, WilmerHale, conducted an investigation into the Company's stock option granting process. On October 15, 2006, the Independent Committee released its report, which set forth the evidence developed and conclusions reached during the investigation (WilmerHale report).[11] Certain key points of that report are summarized below, by way of background.[12]

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[11] The report of the Independent Committee is commonly referred to as the WilmerHale report.

[12] The resolution of the UHG Board appointing the SLC specifically referenced the WilmerHale report and its potential as a resource for the SLC. The SLC considered the findings and conclusions of the WilmerHale report, but did not limit its investigation in any manner by reason of such findings and conclusions.

The WilmerHale report noted that, historically, stock options were a key component of the Company's overall compensation philosophy and that various grant procedures were established for different categories of employees. For example, options granted to the Company's Section 16 officers[13] required approval by the Compensation Committee itself, whereas the Compensation Committee delegated authority to Dr. McGuire to make stock option grants to non-Section 16 employees. The report stated that Dr. McGuire chose the grant dates and the aggregate number of shares to be granted to non-Section 16 employees, and that he was "central to the option grant process at the Company."

The WilmerHale report concluded that many of the Company's option grants, both to Section 16 officers and other employees, were "likely backdated." It noted that many of the Actions by Unanimous Written Consent (Written Actions) used by the Compensation Committee to effect option grants bore dates that matched the purported grant date – and that that date became the grant date for accounting purposes – even though those Written Actions were actually signed by the Compensation Committee members on later dates. According to the WilmerHale report, a number of Written Actions were signed

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[13] 17 CFR § 240.16a-1(f) defines Section 16 officers to include a publicly traded company's:

> [P]resident, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president of the issuer in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the issuer.

weeks and, in some cases, months after the purported grant dates recited therein. The report concluded it was likely that a substantial number of the purported grant dates recited in the Written Actions were thus incorrect, and therefore the measurement dates[14] used by the Company to account for such options were incorrect.

Similarly, the WilmerHale report concluded that documents entitled "CEO Certificates" signed by Dr. McGuire to effect grants to non-Section 16 employees were typically executed after the purported grant dates set forth in such certificates. As with the Section 16 grants, the WilmerHale report concluded that the measurement dates used for most of the non-Section 16 grants were incorrect. The report referenced interviews with Dr. McGuire in which he maintained that he had not selected dates for option grants using the benefit of hindsight, but rather believed that some event had occurred, such as a telephone call, a meeting or a discussion with at least one member of the Compensation Committee – usually Mr. Spears – to support the timing of each such grant.[15]

The WilmerHale report went on to describe its conclusions with respect to option grants made to Dr. McGuire and Mr. Hemsley in connection with

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[14] Under paragraph 10(b) of Accounting Principles Board Opinion Number 25, *Accounting for Stock Issued to Employee* (APB 25), the measurement date for determining the compensation expense of a stock option is defined as the first date on which both the number of options an individual is entitled to receive and the strike price is known.

[15] The WilmerHale report noted that "[c]ertain facts run contrary" to Dr. McGuire's assertion. It cited documentary evidence that was inconsistent with Dr. McGuire's position: the lack of direct or circumstantial evidence to support his account, and statistical analyses showing that almost 80% of options granted before 2002 (when Sarbanes-Oxley Act became effective and required disclosure of certain option grants within two days of issuance) occurred on dates when the stock price was the lowest, second lowest, or third lowest of the respective quarter.

their 1999 employment agreements, and a very large number of "supplemental option grants" made in October 1999 to Dr. McGuire, Mr. Hemsley and a broad group of other employees. The purported grant date for the options provided to Dr. McGuire and Mr. Hemsley in connection with their employment agreements was October 13, 1999, the date on which the Company's stock closed at its lowest price of the calendar year. The employment agreements were not signed until December 1999, but they recite that they were "effective October 13, 1999." The WilmerHale report concluded that it was likely the employment agreements were not actually approved until November 5, 1999 at a meeting of the 1999 Ad Hoc Committee, and that the option grants of 1,000,000 pre-split shares to Dr. McGuire and 500,000 pre-split shares to Mr. Hemsley, provided for in their respective employment agreements, were thus "likely backdated" to the date on which the Company's stock closed at its lowest price of the year.

In addition to the options received in connection with their new employment agreements in 1999, Dr. McGuire and Mr. Hemsley were among a large number of employees who received "supplemental options" purportedly granted on the same date – October 13, 1999. The WilmerHale report stated that the pricing of these supplemental grants was "problematic," and that the options were likely backdated. The report cited an October 22, 1999 memorandum from Dr. McGuire, which stated that the purpose of the supplemental grants was to replace "out-of-the-money" options and suggested that such out-of-the-money options could later be cancelled or reinstated. The WilmerHale report also noted

that the Compensation Committee, approximately ten months later, reactivated the vesting and rights to exercise the previously suspended options that had been "replaced" through the supplemental grants. The report concluded that the process of suspending grants and issuing supplemental grants effectively amounted to a repricing of the existing options, thus triggering regulatory reporting and accounting requirements with which the Company had not complied.

The WilmerHale report found no evidence that the stock options granted to the Company's outside directors were backdated and further noted that such grants were made in accordance with procedures that had established predetermined grant dates, which were annual before 1999, and quarterly thereafter.

In addition to its conclusions regarding the Company's past stock option granting practices, the WilmerHale report addressed certain financial relationships between Dr. McGuire and Mr. Spears. The report noted that while he was Chair of the Compensation Committee, Mr. Spears served as an investment manager for certain of Dr. McGuire's assets and as a trustee of certain trusts for the benefit of Dr. McGuire's children. The report also stated that in June 1999 – at the same time that Mr. Spears was chairing the 1999 Ad Hoc Committee charged with the responsibility of negotiating a new employment agreement with Dr. McGuire – Dr. McGuire personally invested $500,000 to assist Mr. Spears in the formation of his money management firm. The WilmerHale report noted that there were no minutes or other documents which suggested that Board members

were aware of the money management relationship or Dr. McGuire's $500,000 personal investment in Spears' new firm. [16]

H. The Company's Response to the WilmerHale Report

1. Management and Board Changes

Upon the release of the WilmerHale report on October 15, 2006, Dr. McGuire tendered his resignation as a director and agreed to leave his position as Chief Executive Officer by December 1, 2006. Dr. McGuire stepped down from the Chief Executive Officer position on November 30, 2006. Mr. Lubben left his position as General Counsel and Secretary on October 15, 2006, and retired from the Company on December 31, 2006. Mr. Spears resigned his position as a member of the Board of Directors on October 15, 2006. The SLC understands that no incentive was offered or received in connection with any employee or director leaving the Company.

Additional management changes were made following the release of the WilmerHale report. Patrick J. Erlandson resigned as Chief Financial Officer in November 2006 and assumed other duties at UHG, and Controller Scott Theisen similarly assumed other duties within the Company. Robert Dapper, Senior Vice President of Human Capital, retired from the Company in December 2006.

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[16] The WilmerHale report mentioned, however, contemporaneous handwritten notes which appear to indicate that Mr. Lubben, then UHG's General Counsel, was aware of some "conflict" issue involving Mr. Spears and Dr. McGuire.

2. Pricing Adjustments to Individuals' Stock Options

Shortly after Dr. McGuire agreed to step down from the Board and resign as Chief Executive Officer, he voluntarily agreed that the exercise price for all stock options awarded to him with stated grant dates from 1994 to 2002 would be increased to the highest closing price of the Company's stock in the respective year of the grant. With regard to the stock option grants for which vesting was suspended in October 1999 and reinstated in August 2000, Dr. McGuire agreed to reprice those options to the highest closing price of the Company's stock in 2000. Dr. McGuire relinquished approximately $181.0 million (Black Scholes)[17] or $198.8 million (intrinsic)[18] as a result of his agreement to reprice outstanding options in 2006.[19]

In November 2006, Mr. Hemsley also voluntarily agreed to reprice all of his outstanding stock options with stated grant dates from 1997 to 2002 to the highest closing price of the Company's stock in the respective year of the grant. With regard to the stock option grants for which vesting was suspended in October 1999 and reinstated in August 2000, Mr. Hemsley agreed to reprice those

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[17] The Black Scholes option pricing model calculates the present value of a stock option based on specific information about the terms of the option *(e.g.*, the stock price, exercise price and expected term). When the Report indicates that an amount is a Black Scholes value, that refers to a calculation of economic value using the Black Scholes option pricing model. Thus, for example, the $181.0 million figure referenced above was calculated on a Black Scholes basis.

[18] Intrinsic value is determined by taking the excess of the market price over the option exercise price as of a given date. When the Report indicates that an amount is an intrinsic value, that refers to a calculation of economic value using the intrinsic valuation method. Thus, for example, the $198.8 million figure referenced above was calculated on an intrinsic basis.

[19] The amount of repricing is calculated by taking the difference between the option's exercise price before and after its exercise price is changed for some reason.

options to the highest closing price of the Company's stock in 2000. In addition, he voluntarily relinquished all of the stock options awarded to him for which vesting was suspended in October 1999 and reinstated in August 2000. Mr. Hemsley relinquished $177.5 million (Black Scholes) or $189.1 million (intrinsic)[20] as a result of his agreement to relinquish and reprice options in 2006.

Defendants Lubben, Rivet, Wheeler and Sheehy, together with nine other executives not named as defendants, agreed to increase the exercise prices of all options awarded to them in the period from 1994 to 2002. The exercise prices were increased to the closing price of the Company's stock on the revised measurement dates for those options, as determined by the Company in 2006. The total economic value relinquished in the repricing by defendants Lubben, Rivet, Wheeler and Sheehy – and the nine non-defendant executives – was approximately $30.1 million (Black Scholes) or $39.7 million (intrinsic).[21]

3. Remediation of the Company's Compensation and Stock Option granting Practices

In approximately mid-2006, the Board of Directors and management of the Company began instituting an aggressive program aimed at remediating weaknesses in the Company's stock option policies and practices, as well as other

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[20] The $177.5 million figure represents the difference between the Black Scholes values of Mr. Hemsley's options before and after the 2006 repricing and relinquishment of the stock options. The $189.1 million figure represents the difference between the intrinsic value of his options before and after the 2006 repricing and relinquishment of the stock options.

[21] The $30.1 million figure represents the difference between the Black Scholes values of these thirteen executives' options before and after their exercise prices were adjusted in 2006. The $39.7 million figure represents the difference between the intrinsic value of their options before and after their exercise prices were adjusted in 2006.

compensation and corporate governance policies and practices. Since that time, the Company has studied additional remedial measures, adopting or recommending the adoption of those that it determined to be in the shareholders' best interests. The SLC interviewed directors and others about the remedial measures taken to date, which measures were also summarized in a memorandum that the Company provided to the SLC. A copy of the Company's Plan of Remediation is attached to this Report as Appendix C.

The SLC believes that the measures taken to date have been creative, and broad-based, and evidence a genuine attempt on the part of the Board and management to remediate past practices and avoid the potential for their reoccurrence. That said, the SLC also believes that additional steps should be considered to ensure that UHG is, and remains, at the very forefront of corporate responsibility and transparency. The institutional plaintiffs in the Federal Derivative Actions, through their counsel, have provided the SLC with a thoughtful and wide-ranging series of proposals aimed at achieving that result. *See infra* § IV(I) (discussing same). The SLC has provided plaintiffs' proposal to the Company and urges the Company's directors and management to give serious consideration to the proposals, and to adopt or to recommend the adoption of those proposals that the Company deems to be in the best interests of UHG's shareholders.

4. Restatement of the Company's Financial Statements

Based on the findings of the WilmerHale report and its own investigation, the Company concluded that it had failed to record appropriate compensation expenses in connection with numerous option grants made between 1994 and 2005. On March 6, 2007, the Company filed restated financial statements pertaining to those twelve years.[22] As reported by the Company, the cumulative pre-tax effects of adjustments in its accounting for stock-based compensation pursuant to Financial Accounting Standard (FAS) 123R[23] was $536 million for the twelve-year period ending December 31, 2005. The cumulative pre-tax effect of those adjustments was $1.56 billion pursuant to APB 25.[24] On an after-tax basis, the cumulative effect of those adjustments was $414 million pursuant to FAS 123R and $1.134 billion pursuant to APB 25.

In connection with its restatements, the Company also concluded that certain stock options exercised in 2006 were "discounted options" subject to additional taxation pursuant to Section 409A of the Internal Revenue Code. Accordingly, in 2007 the Company reimbursed certain employees for the

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[22] The Company filed restated financial statements for fiscal years 2002 through 2005 to record additional non-cash compensation expense related to stock options. The restatement also affected financial statements for earlier fiscal years and adjustments for those earlier years were reflected as part of the opening balances in the financial statements for the restatement period.

[23] Under FAS 123R, which became effective in 2005, companies are required to record a compensation expense for stock option grants which is based on the fair value of the option at the grant date.

[24] Under APB 25 compensation cost is measured as the intrinsic value of the option on the measurement date. The intrinsic value is the difference between the stock's market price on the measurement date and the exercise price. If the intrinsic value is zero, no compensation expense is recorded.

additional tax costs thereby incurred by those employees in an amount totaling approximately $55 million.

II. OVERVIEW OF THE SLC'S INVESTIGATION

Over the past fifteen months, the SLC conducted a detailed investigation into a wide range of issues relating to the Company's historical stock option granting practices, and into thirty-two specific grants made during the period from 1994 to 2005.[25] It examined each of the named defendants' roles in those practices and in connection with specific grants. The SLC reached its conclusions set forth in Section IV of this Report based on its review of the evidence developed during its investigation and in light of its mandate to determine the course that would be in the best interests of the Company.

The SLC members' personal involvement in the investigatory process has been extensive. Each member personally reviewed thousands of source documents and prepared for and interviewed fifty witnesses. Upon completion of the investigatory phase, the SLC deliberated and considered the claims against each defendant and whether the pursuit of those claims would be in the best interests of the Company in light of all the facts and circumstances.

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[25] The SLC reviewed the following grants: April 20, 1994; May 5, 1995; May 8, 1995; July 16, 1996; July 30, 1996; October 24, 1996; January 20, 1997; February 11, 1997; June 16, 1997; October 27, 1997; January 20, 1998; February 6, 1998; August 17, 1998; October 1, 1998; October 16, 1998; February 17, 1999; October 13, 1999; 1999 Supplemental Grant; March 8, 2000; July 26, 2000; January 17, 2001; January 19, 2001; January 7, 2002; August 5, 2002; February 12, 2003; October 28, 2003; November 28, 2003; February 11, 2004; November 4, 2004; December 7, 2004; February 3, 2005; and May 2, 2005.

A. Document Review and Background Investigation

Beginning in August 2006, the SLC began meeting with counsel on a regular basis to design and implement the most efficient and effective investigatory process. It determined that the first step would be the collection and review of documentary evidence relevant to the Company's stock option granting practices and the roles of each individual defendant and other employee and non-employee witnesses in those practices. Ultimately, notebooks of relevant materials – comprised of documents selected through comprehensive searches of the document database administered by Kroll OnTrack and documents gathered from the Company and other sources – were prepared for the SLC. The SLC personally reviewed these notebooks and numerous other materials.

The SLC met with WilmerHale attorneys involved in the Independent Committee's investigation of the Company's stock option granting practices. WilmerHale attorneys provided information regarding those practices, the scope of the WilmerHale investigation and its collection of Company documents. The SLC was provided with extensive materials gathered by WilmerHale, including memoranda of witness interviews and more than a million pages of hard copy documents. The SLC also acquired its own copy of the Kroll OnTrack online database which included more than sixty-six million pages of electronic documents. The SLC obtained access to metadata for many electronic documents, which revealed such information as the dates on which documents were created and last edited, and the identity of the persons who had created them.

Both hard copy and electronic documents were independently searched, reviewed, and analyzed in the course of the SLC's investigation.

The SLC conducted its investigation in accordance with the fundamental principles of independence and good faith. Although its charge overlapped to some extent with that of the Board's Independent Committee, the SLC's focus was broader in that it centered on all factors that must be taken into account in determining what would be in the Company's best interests with regard to the claims in the Derivative Actions. To that end, the SLC requested and received substantial materials directly from the Company, its auditors and others, including such things as:

- Materials used in connection with the Company's 2006 restatement of earnings, which included, among other things: (i) information about the Company's stock option administration; (ii) data related to the revised measurement dates for various grants; (iii) expense and tax information relating to more than 48,000 individual stock option grants covering approximately 15,000 employees; and (iv) historical daily pricing information for the Company's stock from January 1, 1994 through December 31, 2006.
- The Company's filings with the SEC, including proxy statements, reports filed on SEC Forms 10-K and 10-Q, and Forms 3, 4 and 5 for Section 16 officers.

• Board and Board committee materials, including minutes, meeting materials and written actions.

• Corporate governance documents, including, among other things, the Company's bylaws and the charters of the Board committees.

• Work papers from outside auditors for the relevant periods, including planning documents, schedules, memoranda, correspondence and other relevant materials.

• Other relevant supporting financial and accounting records, schedules and related documents.

Finally, later in its investigation, the SLC sent follow-up requests to the named defendants, certain Company custodians and others, seeking relevant documents not previously produced.

B. Witness Interviews and Meetings with Others

1. Witness Interviews

Members of the SLC, with counsel, conducted interviews of fifty individuals, the vast majority of whom were forthcoming in response to questioning. Persons interviewed included current and former employees and board members, current and former outside auditors and advisors, and others thought to have relevant information. The SLC requested interviews with all of the defendants named in the Derivative Actions; all of them, other than Dr. McGuire and Mr. Lubben, were interviewed.

The SLC also interviewed one former board member who was not named as a defendant, key current and former employees in the Company's legal, human resources, accounting, finance and other departments, heads of business segments and other individuals who were thought to have potentially relevant information about the Company's stock option granting practices. The foregoing witnesses were all represented by legal counsel.

In addition, the SLC met with Dr. Erik Lie, the University of Iowa professor whose statistical studies were cited in the *WSJ* article discussed earlier in this Report.[26] The SLC also conducted interviews with UHG employees involved in the retention of Company records in order to ensure that relevant documents had been collected and received, and to determine whether additional documents should be collected.

The SLC interviews began on November 1, 2006, and concluded on July 26, 2007. Both members of the SLC attended the vast majority of the interviews in person, and when not in person, they participated by telephone conference. Each SLC member actively participated in the interviews, personally questioning witnesses at length. The interviews were extremely thorough, in most cases lasting for a full day or longer. The SLC and its counsel questioned

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[26] Dr. Lie has written several articles related to stock option granting practices, including *On the Timing of CEO Stock Option Awards*, 51 Mgmt. Sci. 802-12 (May 2005) and *Does Backdating Explain the Stock Price Pattern Around Executive Stock Option Grants?* 83 J. of Fin. Econ. 271-95 (Feb. 2007) (co-authored with Randall A. Herron). In September 2006, Dr. Lie testified about stock options backdating before the U.S. Senate Committee on Banking, Housing and Urban Affairs.

witnesses about their roles relating to the Company and its stock option granting practices, including specific option grants, organizational and governance issues, Board and Board committee practices, and the specific nature of the witnesses' involvement with the Company's stock option granting practices. The SLC and its counsel also questioned witnesses about numerous documents, including relevant emails, Company SEC filings and disclosures, Board and Board committee materials, and other documents.

Attached as Appendix D to this Report is a list of the persons interviewed by the SLC.

2. Conferring with Others

The SLC determined that it would be useful to meet with various counsel, including counsel for Dr. McGuire, Mr. Lubben and selected Directors, to understand the parties' respective positions on factual and legal issues. The SLC also met with Company counsel and counsel for the plaintiffs in the Derivative Actions to ensure that the SLC fully understood their views with respect to various matters, and with the Company's insurance counsel to ensure that the SLC was aware of insurance issues that might have some bearing on its deliberations. In addition, the SLC reviewed written submissions from plaintiffs and various defendants.

As a result of its investigation and its meetings with all relevant constituencies that it could identify, the SLC is confident that it has received all the pertinent information necessary for a thorough understanding of all of the

relevant parties' positions and views, and for the SLC to reach an informed and reasoned judgment as to the best interests of the Company with respect to the derivative claims.

C. Analysis and Deliberations

Throughout its investigation, the members of the SLC met regularly to review the evidence developed to date and to ascertain what additional information might be necessary or desirable. As the SLC entered its deliberative phase, it also received and considered written submissions and compilations of documents from counsel who had been appointed Lead Plaintiffs' Counsel in the Derivative Actions and from counsel for some of the individual defendants. The SLC considered these materials in determining whether claims against each defendant should be pursued.

As it proceeded with its deliberations, the SLC determined that it would be in the best interests of the Company to attempt to resolve, by settlement, claims asserted against certain defendants. To that end, plaintiffs and defendants sought the assistance of an experienced and independent mediator, former United States District Court Judge Layn R. Phillips. Numerous mediation sessions were held between and among Judge Phillips, the SLC and its counsel, plaintiffs' counsel in the Derivative Actions and several of their clients,[27] and certain named

[27] Various institutional investors that were appointed as Lead Plaintiffs in the Federal Derivative Actions, *see supra* n.4 (listing same), were actively and personally involved in the mediation process, as were their counsel.

defendants and their counsel. The mediation initiative led to the settlements that are described later in this Report.

III. DESCRIPTION OF CLAIMS AND APPLICABLE LEGAL STANDARDS

In evaluating the merits of the claims asserted against each defendant, the SLC considered the law governing those claims and potential defenses. The SLC summarizes in this section of its Report the core substantive legal principles governing the claims asserted in the Derivative Actions. With those principles in mind, the SLC reviewed plaintiffs' claims to determine which claims are likely to fail as a matter of law and which claims are not derivative, and thus fall outside the scope of the SLC's authority. Section IV of the Report then deals with the remaining claims and sets forth the SLC's conclusions as to whether those claims should proceed against named defendants.

A. Applicable Legal Standards for Federal Statutory Claims

In this section of the Report, the SLC summarizes core substantive legal principles which govern the federal statutory claims alleged in the Federal Derivative Actions.

1. Section 14(a) of the Securities Exchange Act of 1934

The Federal Complaint asserts claims under § 14(a) of the Securities Exchange Act of 1934 (1934 Act) and SEC Rule 14a-9 thereunder,[28] which together prohibit false and misleading proxy solicitations. Securities Exchange

[28] *See* Federal Compl. ¶¶ 346-53.

Act of 1934 § 14(a) (codified at 15 U.S.C. § 78n(a)); 17 C.F.R. § 240.14a-9(a). The Federal Complaint seeks to meet the causation element of § 14(a) by alleging that if the Company's proxy statements had accurately disclosed its stock option granting practices, the shareholders would not have voted in support of either the Company's directors or its compensation policies. *See* Federal Compl. ¶¶ 346-53.

That theory fails, however, in light of the U.S. Supreme Court's ruling that the causation element of a § 14(a) claim requires that the transaction which allegedly damaged plaintiffs must be one that required an affirmative shareholder vote. *Va. Bankshares, Inc. v. Sandberg*, 501 U.S. 1083, 1102, 1108 (1991); *see also Int'l Broadcasting Corp. v. Turner*, 734 F. Supp. 383, 390 (D. Minn. 1990) (setting forth the causations elements of a § 14(a) claim). Here, the shareholders were not required to endorse the stock option grants, and thus there is no causation for purposes of this claim. *See Va. Bankshares, Inc.*, 501 U.S. at 1102, 1108; *Gen. Elec. Co. v. Cathcart*, 980 F.2d 927, 933 (3d Cir. 1992) (holding that the election of directors which allegedly resulted in those directors' mismanagement of the company failed to "create a sufficient nexus with the alleged monetary loss" because "the shareholders' votes did not authorize the transactions that caused the losses").

The SLC therefore has concluded that the § 14(a) claims do not provide a plausible basis on which the Company might recover, and that it is not in the Company's best interests to pursue those claims against any of the defendants.

2. Section 16(b) of the Securities Exchange Act of 1934

The Federal Complaint asserts claims under § 16(b) of the 1934 Act,[29] which provides shareholders with a right of action to recover short-swing trading profits, any recovery of which inures to the benefit of the corporation. *See* Securities Exchange Act of 1934 § 16(b) (codified at 15 U.S.C. § 78p(b)). Because § 16(b) provides shareholders with a direct right of action, the SLC views these claims as not truly derivative and therefore outside the scope of its charge. *See Schaffer ex rel. Lasersight Inc. v. CC Invs., LDC,* 286 F. Supp. 2d 279, 281-83 (S.D.N.Y. 2003) (discussing differences between § 16(b) claims and pure derivative actions). The SLC believes, however, that the § 16(b) claims should be dismissed as to the defendants with whom settlements have been reached.

3. Section 10(b) of the Securities Exchange Act of 1934

The Federal Complaint asserts claims for securities fraud under § 10(b) of the 1934 Act (codified at 15 U.S.C. § 78j(b)), and SEC Rule 10b-5 thereunder,[30] against the Director Defendants[31] and defendants Lubben, Wheeler and Sheehy.

To prevail on a § 10(b) claim, plaintiffs must show that the defendants "ma[d]e or affirmatively cause[d] to be made a [materially] fraudulent

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29 *See* Federal Compl. ¶¶ 354-60.

30 *See* Federal Compl. ¶¶ 335-45.

31 Both the Federal and State Complaints define the "Director Defendants" to include defendants Ballard, Burke, Hemsley, Johnson, Kean, Leatherdale, McGuire, Mundinger, Ryan, Shalala, Spears and Wilensky. The Federal Complaint, but not the State Complaint, also names several "Officer Defendants," who are defined to include defendants Hemsley, Kaplan, Koppe, Lubben, McDonough, McGuire, Rivet, Sheehy, Wheeler and Wills.

misstatement or omission" or "directly engage[d] in manipulative securities trading practices." *In re Charter Commc'ns, Inc., Sec. Litig.*, 443 F.3d 987, 992 (8th Cir. 2006) (citations omitted), *cert. granted sub nom. Stoneridge Inv. Partners, LLC v. Scientific-Atlanta, Inc.*, ___ U.S. ___, 127 S. Ct. 1873 (2007). In addition, plaintiffs "must show reliance on the defendant's misstatement or omission." *Cen. Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.*, 511 U.S. 164, 180 (1994) (citation omitted). Reliance may be presumed, however, in cases where defendants who owe a fiduciary duty or other obligation to disclose make a material omission. *See Affiliated Ute Citizens v. United States*, 406 U.S. 128, 153-54 (1972).

A plaintiff must also prove that the defendant acted with scienter, *i.e.*, with either an intent to defraud, or with severe recklessness, the latter defined as "highly unreasonable omissions or misrepresentations involving 'an extreme departure from the standards of ordinary care, and . . . present[ing] a danger of misleading buyers or sellers which is either known to the defendant or is so obvious that the defendant must have been aware of it.'" *In re K-Tel Int'l, Inc. Sec. Litig.*, 300 F.3d 881, 893-94 (8th Cir. 2002) (quotation omitted); *see also generally Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, ___ U.S. ___, 127 S. Ct. 2499, 2507 (2007) (discussing scienter standard).

Proof of scienter is difficult. *See, e.g., Schwartz v. Novo Industri A/S*, 119 F.R.D. 359, 363 (S.D.N.Y. 1988) (stating that "[t]he key element in any fraud action is scienter, and it is always difficult to prove scienter"). This is

particularly true in cases where a defendant claims reliance on others within the company. *See, e.g.*, *In re Indep. Energy Holdings PLC Sec. Litig.*, No. 00 Civ. 6689(SAS), 2003 WL 22244676, at *3 (S.D.N.Y. Sep. 29, 2003) (stating that lead plaintiffs faced significant difficulties in proving scienter where defendants "consistently claimed that they relied upon the good faith representations made by management"); *see also In re PDI Sec. Litig.*, No. Civ.A. 02-211(GEB), 2006 WL 3350461, at *6 (D.N.J. Nov. 16, 2006) (stating that "scienter is based on the defendant's state of mind and, as such, may be difficult to prove with direct evidence . . . . [An] inference [of scienter] may be made only when the fact pattern unambiguously indicates that the defendant *must have been* acting with the requisite state of mind.") (emphasis in original).

Scienter may be found, however, in a variety of situations, for example, in cases where a defendant knew that a company's financial statements were false or "ignored red flags or warning signs that would have revealed . . . accounting errors prior to their inclusion in [the company's financial] statements." *PR Diamonds, Inc. v. Chandler*, 364 F.3d 671, 686 (6th Cir. 2004); *accord In re Veeco Instruments, Inc.*, 235 F.R.D. 220, 231 (S.D.N.Y. 2006) (stating plaintiffs sufficiently pled scienter by alleging "defendants had knowledge of or recklessly ignored a series of accounting improprieties, each of which violated GAAP and [the company's] own internal policies").

A § 10b(b) claim must be brought within two years of the discovery of facts which constitute the violation, or within five years of the violation, whichever is earlier. *See* 28 U.S.C. § 1658(b).

B. Applicable Legal Standards for State Law Claims

In this section of the Report, the SLC summarizes core substantive legal principles which govern the state law claims alleged in both the Federal and State Derivative Actions.

1. Breach of Fiduciary Duty

The State and Federal Complaints allege claims of breach of fiduciary duty against all named defendants. Federal Compl. ¶¶ 361-65; State Compl. ¶¶ 115-84. Because the fiduciary duties of directors and officers differ in certain respects, the discussion below addresses directors and officers separately.

a. The Fiduciary Duties of Directors

The Minnesota Business Corporation Act, Minn. Stat. Ann. § 302A.001 *et seq.* (the MBCA), provides that "[a] director shall discharge the duties of the position of director in good faith, in a manner the director reasonably believes to be in the best interests of the corporation, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances." Minn. Stat. Ann. § 302A.251, subd. 1. The MBCA defines "good faith" as "honesty in fact in the conduct of the act or transaction concerned." Minn. Stat. Ann. § 302A.011, subd. 13.

Directors owe two principal fiduciary duties: (1) a duty of loyalty, which requires directors to act in good faith and in a manner which they believe to be in the best interests of the corporation; and (2) a duty of care, which requires directors to have a reasonable basis to believe they are acting in the best interests of the corporation by being reasonably informed in making decisions and by exercising "the care of an ordinarily prudent person." Minn. Stat. Ann. § 302A.251, subd. 1; *see also* 18 John H. Matheson et al., Minnesota Practice Series, *Corporation Law and Practice* §§ 3.35, at 108-09 (2d ed. 2007). Directors who comply with both of these duties are generally entitled to the protections of the business judgment rule when making decisions and are generally not liable for monetary damages as a result of their board decisions. *See* Minn. Stat. Ann. § 302A.251, subd. 1; *Janssen v. Best & Flanagan*, 662 N.W.2d 876, 882 (Minn. 2003) (stating that "[t]he business judgment rule means that as long as the disinterested director(s) made an informed business decision, in good faith, without an abuse of discretion, he or she will not be liable for corporate losses resulting from his or her decision") (citation omitted).

Conversely, directors who fail to comply with either of these duties are not entitled to the protections of the business judgment rule and may be held liable for monetary damages, subject to principles of exculpation discussed below. *See, e.g.*, *Foy v. Klapmeier*, 992 F.2d 774, 780 (8th Cir. 1993) (stating that "[u]nder Minnesota law an officer or director is personally liable for all damages caused by self-dealing in breach of his or her fiduciary obligations"). When

analyzing potential liability, each director's conduct is to be assessed individually. *In re Emerging Commc'ns, Inc. S'holders Litig.*, No. Civ.A. 16415, 2004 WL 1307545, at *38 (Del. Ch. June 4, 2004).[32]

Under the MBCA, directors are entitled to rely on "information, opinions, reports, or statements, including financial statements and other financial data [that is] prepared or presented" by various persons, including: (1) "officers or employees of the corporation whom the director reasonably believes to be reliable and competent in the matter presented"; (2) "counsel, public accountants[ ] or other persons as to matters that the director reasonably believes are within the person's professional or expert competence"; and (3) "[a] committee of the board upon which the director does not serve . . . if the director reasonably believes the committee to merit confidence." Minn. Stat. Ann. § 302A.251, subd. 2(a); *see also* Minn. Stat. Ann. § 302A.251 reporter's notes (recognizing "the right of a director to rely upon information presented and vouched for by other directors, officers, or employees of the corporation or by persons expert in the area to which the information is relevant in certain situations while remaining within the [required standard of conduct]").

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[32] Courts in Minnesota frequently look to Delaware law when addressing matters of corporate fiduciary duty. *See, e.g., In re Patterson Cos., Inc. Sec. Litig.*, 479 F. Supp. 2d 1014, 1038 (D. Minn. 2007) (stating that Minnesota courts have looked for guidance to the demand futility analyses established by Delaware case law); *In re Xcel Energy, Inc., Sec., Derivative & ERISA Litig.*, 222 F.R.D. 603, 606 (D. Minn. 2004) (stating that Minnesota courts often look to Delaware law when deciding shareholder derivative actions); *but see Reimel v. MacFarlane*, 9 F. Supp. 2d 1062, 1066-67 (D. Minn. 1998) (refusing to adopt blindly Delaware's test for demand futility).

A director is not entitled to rely on others, however, if the director has "knowledge concerning the matter in question that makes the reliance . . . unwarranted." Minn. Stat. Ann. § 302A.251, subd. 2(b); *see also* Matheson, *supra*, § 3.35, at 109 (stating "the director is protected only if the belief as to the reliability, competence, or ability of the person or committee on which the director is relying is reasonable. The director is not protected if he or she has knowledge concerning the matter being considered that renders such reliance unwarranted.").

The MBCA further provides that "[a] director's personal liability to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director may be eliminated or limited in the articles [of incorporation]." Minn. Stat. Ann. § 302A.251, subd. 4. Thus, for example, a director's liability for negligence may be eliminated by an exculpatory clause. The MBCA goes on to provide, however, that "[t]he articles shall not eliminate or limit the liability of a director" under specific circumstances: (1) "for any breach of the director's duty of loyalty"; (2) "for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law"; (3) "for any transaction from which the director derived an improper personal benefit"; and (4) in certain other situations. Minn. Stat. Ann. § 302A.251, subd. 4.

Here, the MBCA's exculpatory language was set forth nearly verbatim in the Company's Articles of Incorporation and it is applicable to all periods of time referred to in the Derivative Actions. When directors are protected by an exculpatory charter provision, "the directors are free from personal financial

liability whether monetary damages arise out of legal or equitable theories." *Arnold v. Soc'y for Savings Bancorp, Inc.*, 678 A.2d 533, 541 (Del. 1996); *accord Zirn v. VLI Corp.*, 681 A.2d 1050, 1061 (Del. 1996).

b. The Fiduciary Duties of Officers

Minnesota law provides that "[o]fficers are subject to much the same standard of conduct as are directors. . . ." Minn. Stat. Ann. § 302A.361 reporter's gen. cmt.; *compare* Minn. Stat. Ann. § 302A.361 (setting forth standard of conduct for officers) *with id.* § 302A.251 (setting forth standard of conduct for directors). There are, however, circumstances where officers are subject to somewhat different standards than directors. Officers are more involved in a corporation's day-to-day affairs, and therefore officers' right to rely on others may be more limited. *See* Minn. Stat. Ann. § 302A.361 reporter's gen. cmt. (stating that an officer's "standard [of care] is not automatically met, as in the case of directors, by reason of reliance upon information provided by others"); *id.* (noting that "[a]n officer clearly has no right simply to rely on information provided by another person if the matter relied on is within that officer's own area of direct responsibility"). In addition, an officer, unlike a director, cannot avoid liability for a breach of the duty of care based on an exculpatory charter provision unless the officer is also a director and was acting solely in that capacity. *See Arnold v. Soc'y for Sav. Bancorp, Inc.*, 650 A.2d 1270, 1288 (Del. 1994) (stating that "where a defendant is a director and officer, only those actions taken solely in the defendant's capacity as an officer are outside the purview of [an exculpatory

charter provision]" (citing R. Franklin Balotti & Jesse A. Finkelstein, *Delaware Law of Corp. & Bus. Org.* § 4.19, at 4-335 (Supp. 1992)).

Breach of fiduciary duty claims are subject to a six-year statute of limitations, which runs from the date on which the facts underlying the claims were or should have been discovered. *See* Minn. Stat. Ann. § 541.05 (setting forth various statutes of limitations); *Hope v. Klabal*, 457 F.3d 784, 790 (8th Cir. 2006) (stating that breach of fiduciary duty claims are subject to a six-year limitations period under Minnesota law); *Anderson v. Anderson*, 197 N.W.2d 720, 726 (Minn. 1972) (holding that derivative claim did not accrue until plaintiffs either learned or should have learned of facts underlying the claim).

2. Aiding and Abetting Breaches of Fiduciary Duty

The Federal Complaint asserts claims against the Director Defendants for aiding and abetting the Officer Defendants' alleged breaches of fiduciary duty.[33] Federal Compl. ¶¶ 366-70. These claims appear to be subsumed within the broader claims for breach of fiduciary duty inasmuch as each defendant already owed fiduciary duties. Any aiding and abetting of another's breach of fiduciary duty would itself constitute a breach and would result in primary liability, thereby rendering aiding-and-abetting liability redundant.

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[33] *See supra* n.30 (setting forth plaintiffs' definitions of Director Defendants and Officer Defendants).

3. Waste

The State and Federal Complaints assert claims for waste against all defendants. Federal Compl. ¶¶ 371-75; State Compl. ¶¶ 195-98. To establish a claim for waste, it must be shown that a company's directors or officers entered into a transaction that is so one-sided that it amounts to the relinquishment of corporate assets either for no consideration or for consideration that is palpably inadequate. *See Harbor Fin. Partners v. Huizenga,* 751 A.2d 879, 892 (Del. Ch. 1999) (stating that a party alleging waste must show that a person of "ordinary sound business judgment" would not view the benefits flowing from the challenged transaction as a "fair exchange"). A waste claim may be deemed redundant in situations where the plaintiff establishes a claim for breach of fiduciary duty which entitles it to damages, but would not be considered redundant in cases where the plaintiff fails to establish such a breach of fiduciary duty claim.

Even if not redundant, a waste claim may be difficult to plead and prove. *See Telxon Corp. v. Bogomolny*, 792 A.2d 964, 975 (Del. Ch. 2001) (noting that waste "is extremely difficult" to prove); *Leung v. Schuler*, No. C.A. 17089, 2000 WL 1478538, at *5 (Del. Ch. Oct. 2, 2000) (holding that plaintiff failed to state a claim for waste despite allegations that company's stock was "issued to the Insiders at a price deliberately set below fair market value"). It should be noted, however, that a viable claim for waste may arise even in circumstances where directors or officers have fully complied with their duties of

loyalty and care. *See, e.g.*, *In re Walt Disney Co. Derivative Litig.*, 906 A.2d 27, 47 n.39 (Del. 2006).

Under Minnesota law, the limitations period for such claims is six years. *Abbott v. McNeff*, 171 F. Supp. 2d 935, 940 (D. Minn. 2001) (citing Minn. Stat. § 541.05, subds. 1 (1) & (2)).

4. Gross Mismanagement and Abuse of Control

The Federal and State Complaints assert claims for "gross mismanagement," Federal Compl. ¶¶ 376-79; State Compl. ¶¶ 190-94, and the State Complaint also alleges claims for "abuse of control." *Id.* ¶¶ 185-89.

Minnesota has recognized a cause of action for gross mismanagement. *See, e.g., Earle R. Hanson & Assocs. v. Farmers Co-op Creamery Co. of Clear Lake, Wis.*, 403 F.2d 65, 69-70 (8th Cir. 1968) (applying Minnesota law). The statute of limitations for such claims is six years. *See In re Trust Created by Hill on Dec. 31, 1917*, 499 N.W.2d 475, 481, 489 (Minn. Ct. App. 1993) (applying six-year limitations period when dismissing claims of mismanagement and breach of fiduciary duty), *review denied* (Minn. July 15, 1993). These claims appear to be subsumed within the claims for breach of fiduciary duty and are therefore subject to the same considerations.

5. Rescission

The Federal Complaint seeks rescission of all options granted to the Officer Defendants, Federal Compl. ¶¶ 380-82, and the State Complaint seeks rescission of all options granted to the Director Defendants. State Compl. ¶¶ 209-

11. Both complaints assert that the foregoing options should be rescinded because they were obtained through fraud and/or breach of fiduciary duty. Both complaints assert in the alternative that the option grants violated the Company's stock option plans and are therefore "invalid." Federal Compl. ¶¶ 381-82; State Compl. ¶ 210.

Rescission generally is designed to return the parties to the position they were in before entering a challenged contract. *See Northwestern State Bank, Osseo v. Foss,* 197 N.W.2d 662, 665 (Minn. 1972); *Johnny's, Inc. v. Njaka,* 450 N.W.2d 166, 168 (Minn. Ct. App. 1990) (same). A contract obtained through fraud is subject to rescission. *See Hatch v. Kulick*, 1 N.W.2d 359, 360 (Minn. 1941). So too is an *ultra vires* contract.[34] *See* Minn. Stat. Ann. § 302A.165.

In cases where defendants owe fiduciary duties, claims for rescission are subject to a six-year statute of limitations which runs from the date on which the plaintiff discovered or should have discovered the facts underlying the claims. *See Anderson*, 197 N.W.2d at 726 (applying six-year limitations period and discovery rule to shareholder derivative claim for rescission arising from alleged breach of fiduciary duties).

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[34] The law distinguishes between two categories of *ultra vires* acts – those acts that a corporation cannot do legally under any circumstances and those acts that may be permissible under certain circumstances but may be *ultra vires* if done in a manner which exceeds the authority granted to management. *See Onvoy, Inc. v. SHAL LLC*, 669 N.W.2d 344, 354-55 (Minn. 2003). The former are void *ab initio*; the latter are not, but they may be voidable. *See id.*; *see also* Minn. Stat. Ann. § 302A.165 (setting forth circumstances in which a transaction can be set aside for lack of authority).

6. Unjust Enrichment

The State and Federal Complaints assert claims for unjust enrichment against certain defendants. Federal Compl. ¶¶ 383-86; State Compl. ¶¶ 199-202. To establish an unjust enrichment claim under Minnesota law, it must be shown that: (1) a benefit was conferred; (2) the defendant was not entitled to the benefit; and (3) the defendant accepted and retained the benefit under circumstances where it would be inequitable to retain it. *See, e.g., Southtown Plumbing, Inc. v. Har-Ned Lumber Co., Inc.,* 493 N.W.2d 137, 140 (Minn. Ct. App. 1992).

The first two elements of unjust enrichment may be satisfied in cases where a defendant received options that were improperly granted or priced. As to the remaining element, the analysis centers on whether it would be unjust or inequitable for a defendant to retain such options or gains therefrom. In the context of the derivative claims here, the determination of whether retaining options or gains would be inequitable may turn in part on whether a particular defendant knew or should have known that the options were improperly granted or priced.

Under Minnesota law, "[t]he applicable time limit for bringing an action in unjust enrichment is six years," and in cases where defendants owe fiduciary duties, the period likely runs from the date the plaintiff discovered or should have discovered the facts underlying the claim. *See, e.g., Block v. Litchy,*

428 N.W.2d 850, 854 (Minn. Ct. App. 1988); *accord Jacobson v. Bd. of Trustees of Teachers Retirement Ass'n*, 627 N.W.2d 106, 110 (Minn. Ct. App. 2001).

7. Constructive Trust

The State Complaint alleges claims for constructive trust against all named defendants. State Compl. ¶¶ 212-16. A constructive trust is an equitable remedy imposed to prevent unjust enrichment. *See, e.g., Bond v. Comm'r of Rev.*, 691 N.W.2d 831, 837 n.3 (Minn. 2005) (stating that a constructive trust is a legal fiction used to rectify unjust enrichment). Constructive trust is thus more of a request for an equitable remedy to address another alleged wrong than it is an independent claim.

8. Accounting

The State Complaint alleges claims for an accounting against all named defendants. State Compl. ¶¶ 203-08. An accounting is a "remedy, in which the court retains jurisdiction until the final determination, in order to render a comprehensive final judgment." *See* 1A C.J.S. *Accounting* § 6 (2007); *see Triple Five of Minn., Inc. v. Simon*, 280 F.Supp.2d 895, 908 (D. Minn. 2003) (in case seeking disgorgement of profits under Minnesota law, noting that equitable claim for accounting is in nature of remedy), *aff'd in part, rev'd in part on other grounds,* 404 F.3d 1088, 1099 (8th Cir. 2005). Any entitlement to an accounting depends on a threshold finding of liability on one of the other claims asserted in the complaint. *See Triple Five of Minn.*, 280 F.Supp.2d at 908 (finding plaintiff was entitled to accounting after successfully demonstrating that defendants

breached their fiduciary duties); *accord* 1A C.J.S. *Accounting* § 6. Thus, it too is more of a remedy than an independent cause of action.

9. Breach of the Fiduciary Duty of Candor

The Federal Complaint asserts claims against the Director Defendants for breach of the fiduciary duty of candor. Federal Compl. ¶¶ 387-400. The duty of candor is part of the duties of loyalty and care. *See, e.g., Gunderson v. Alliance of Computer Prof'ls, Inc.*, 628 N.W.2d 173, 186 (Minn. Ct. App. 2001) (stating that in the duty of loyalty in the corporate context also encompasses the duty of candor), *review granted* (Minn. July 24, 2001) *and appeal dismissed* (Minn. Aug. 17, 2001). These claims are based on alleged misstatements and nondisclosures in several of the Company's proxy statements or SEC Form 10-Ks. *Id.* ¶ 398. The Federal Complaint alleges that these claims are not brought derivatively on behalf of the Company, but directly on behalf of "Lead Plaintiffs . . . and on behalf of the Class of similarly-situated shareholders of UnitedHealth." *Id.* ¶ 388.

These claims are nevertheless derivative in nature and therefore fall within the SLC's mandate from the Company's Board of Directors. "'To determine whether a claim belongs to the corporation rather than to its shareholders, the relevant inquiry is whether the injury to each stockholder is of the same character.'" *Skoglund v. Brady*, 541 N.W.2d 17, 21 (Minn. Ct. App. 1995) (quotation omitted), *review denied* (Minn. Feb. 27, 1996); 18 Matheson, *supra*, § 10.1, at 423-24 (stating that a claim is derivative "where the gravamen of

the action is a wrong to . . . the whole body of [the corporation's] stock" and is direct where the "injury [to the plaintiff] is separate and distinct from that suffered by other shareholders").

Here, the claim for breach of the duty of candor alleges that "as a result of the fraudulent stock option scheme, UnitedHealth was caused to issue hundreds of thousands of shares at fraudulent prices, which materially diluted shareholders' equity holdings." Federal Compl. ¶ 399. Generally, a claim of equity dilution does not constitute a direct harm, but rather a derivative one. *See, e.g., Kramer v. W. Pac. Indus., Inc.,* 546 A.2d 348, 353 (Del. 1998); *In re J.P. Morgan Chase & Co. S'holder Litig.,* 906 A.2d 808, 818-19 (Del. Ch. 2005).

By alleging dilution, the Federal Complaint asserts the type of injury which is not restricted to plaintiffs or some other subset of stockholders, but would instead harm all shareholders. Thus, the claims are derivative. *See Arent v. Distrib. Sciences, Inc.*, 975 F.2d 1370, 1372-73 (8th Cir. 1992) (concluding that claims were derivative because "[p]laintiffs allege that [the defendant's] non-disclosures deprived *all* [company] shareholders of negative information about the company"; "fraud may give rise to direct shareholder recovery, but only when the fraud causes *separate* and *distinct* injury to the plaintiff") (emphases added).

Further, the claim for breach of the duty of candor alleges no harm that is "separate and distinct from the injury or harm to the corporation and that is not dependent on the harm to the corporation." *Stocke v. Berryman*, 632 N.W.2d 242, 247 (Minn. Ct. App. 2001), *review denied* (Minn. Sept. 25, 2001); *see also PJ*

Acquisition Corp. v. Skoglund, 453 N.W.2d 1, 5 (Minn. 1990) (affirming trial court's determination that claims of excessive compensation were derivative).

The federal plaintiffs' claims for breach of the duty of candor are derivative, and are therefore within the purview of the SLC's charter. Because these claims are subsumed within the claims for breach of fiduciary duty, they are subject to the same analysis and considerations.

IV. THE SLC'S CONCLUSIONS

A. General Considerations with Respect to the Derivative Claims

In formulating the conclusions set forth below, the SLC considered the legal and factual strengths and weaknesses of the claims asserted against each individual defendant, and also considered numerous factors that go to the ultimate issue of whether pursuing such claims would be in the best interests of the Company. These factors are referred to hereafter collectively as "costs and risks."

The costs and risks set forth below are generic and the applicability of any one or more of them varies with respect to the circumstances of each defendant. Among the costs and risks considered by the SLC were the significant financial expenditures required to litigate the claims; potential disruption and dislocation to the business of the Company as a result of litigating against past and present officers and directors of the Company; the difficulty of proving claims in the context of statutory and case law relating to liability of corporate officers and directors; the Company's obligations regarding indemnification and advancement of defense costs; the exculpatory clause of the Company's charter barring claims

against directors except for breach of the duty of loyalty and good faith; the applicability of the business judgment rule barring liability of officers and directors for decisions made on behalf of the Company with care and in good faith; the applicability of statutes of limitation barring stale claims; the right of officers and directors reasonably to rely on the opinions of specialized advisors if reliance is warranted; considerations regarding insurance coverage; potential effects on the Company's current and future business relationships; and possible effects on the Company's other litigation risks.

In considering whether claims should go forward as to particular defendants, and the adequacy of the settlements with respect to any particular defendant, the SLC also considered the types and amounts of actual and potential costs incurred in connection with irregularities in the Company's stock option granting practices. In this regard, the SLC considered, among other things, the economic impact of the Company's financial restatement; the Company's settlement with and potential liability to the Internal Revenue Service; the costs of the investigations by the Independent Committee and by the SLC; potential increased borrowing costs; potential increased insurance costs; costs relating to advancement of legal fees and potential indemnification; and litigation costs incurred by, and likely to be incurred by, the Company in responding to the various regulatory proceedings and defending against the various private actions arising out of the Company's stock option granting practices. In evaluating possible financial impact on the Company, the SLC also considered potential

damage claims that may be asserted by the plaintiffs in the pending PSLRA litigation.

The SLC has determined that it would be contrary to the Company's best interests to set forth detailed factual findings regarding the claims asserted in the Derivative Actions, as the Company is subject to ongoing federal securities fraud actions involving similar allegations. Therefore, the SLC sets forth only its conclusions and a summary explanation of those conclusions.

The conclusions set forth below reflect the SLC's best judgment in light of all the factors set forth above, and considered during the course of the SLC's investigation and deliberations.

B. Dr. William McGuire

The Federal and State Complaints allege numerous federal and state claims against Dr. McGuire relating to the Company's stock option granting practices. *See* Appendix A (summary of claims). The SLC assessed each claim against Dr. McGuire in the context of the extensive evidence it reviewed during its investigation. Although the SLC concluded that some of the claims against Dr. McGuire may have merit, it also considered the costs and risks attendant to protracted ongoing litigation against him, as well as defenses that might be available to him.[35] Among the costs and risks the SLC considered were the disruption of, and distraction from, the ongoing business of the Company as a

[35] The opportunity for the SLC fully to evaluate Dr. McGuire's likely defenses was hampered by his unavailability for an interview by the SLC.

result of litigation against its former Chief Executive Officer; the significant costs that the Company would bear in connection with such litigation; and Dr. McGuire's potential rights to advancement of fees and indemnification by the Company.

In light of these considerations, the SLC determined that an agreement settling all claims asserted in the Derivative Actions, as well as all potential employment-related claims pertaining to Dr. McGuire's departure from the Company, was in the Company's best interests. A settlement agreement (McGuire Agreement) has been executed by the SLC, the Company and Dr. McGuire.[36] The McGuire Agreement is conditioned upon dismissal of the claims in the Derivative Actions.

The material terms of the McGuire Agreement are as follows:

1. Dr. McGuire will surrender all right, title and interest to options to purchase 9,223,360 shares of Company stock. The options to be relinquished include 5,598,360 options (split-adjusted) granted to Dr. McGuire on October 13, 1999 and 3,625,000 options granted between 2003 and 2006. The economic value relinquished by Dr. McGuire as the result of his agreement to surrender outstanding options was approximately $321.9 million (Black Scholes) or $320.3 million (intrinsic).[37]

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[36] Plaintiffs' counsel have advised the SLC that they will provide their written approval of the McGuire Agreement.

[37] The $321.9 million figure represents the economic value relinquished by Dr. McGuire calculated on a Black Scholes basis. The $320.3 million figure represents the intrinsic value of

2. Dr. McGuire will surrender his rights pursuant to the Company's Supplemental Executive Retirement Plan (SERP).[38] The Company values these rights at approximately $91.3 million. The surrender of the SERP rights will result in an economic and accounting benefit to the Company equal to that amount.

3. Dr. McGuire will surrender his rights to approximately $8.1 million of the funds in his Executive Savings Plan (ESP), *i.e.*, the portion of his ESP attributable to incentive-based compensation. The surrender of these ESP rights will result in an economic and accounting benefit to the Company equal to that amount.

4. Dr. McGuire will relinquish any claim for any post-employment benefits, including use of Company airplanes, office, secretarial and administrative support, and Company-paid life and health insurance.

In sum, the total economic value relinquished by Dr. McGuire under the McGuire Agreement is approximately $421.3 million (Black Scholes) or $419.7 million (intrinsic).[39] When added to the value previously relinquished to the Company by Dr. McGuire in connection with the repricing of options in 2006

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the options being surrendered, *i.e.*, the difference between the market price on December 4, 2007 and the agreed-upon exercise price.

[38] Dr. McGuire's rights in his SERP were fully vested, and he would have been entitled to them regardless of how his departure from the Company in 2006 was characterized.

[39] The $421.3 million figure includes the economic value of the rights relinquished by Dr. McGuire and the Black Scholes value of his relinquished options. The $419.7 million figure includes the economic value of the rights relinquished by Dr. McGuire and the intrinsic value of Dr. McGuire's relinquished options.

– approximately $181.0 million (Black Scholes) or $198.8 million (intrinsic)[40] – the total value of rights relinquished by Dr. McGuire is $602.3 million (Black Scholes) or $618.5 million (intrinsic).[41]

The SLC has concluded that it is plainly in the best interests of the Company to settle the claims asserted against Dr. McGuire, as well as all employment-related claims between Dr. McGuire and the Company, pursuant to the terms of the McGuire Agreement. Accordingly, the SLC determines that all claims asserted against Dr. McGuire in the Derivative Actions should be dismissed with prejudice based on the terms of the McGuire Agreement.

C. David Lubben

The Federal Complaint alleges numerous federal and state law claims against Mr. Lubben relating to the Company's stock option granting practices. *See* Appendix A (summary of claims). The SLC evaluated each claim against Mr. Lubben in the context of the extensive evidence it reviewed during its investigation. Although the SLC concluded that some of the claims against Mr.

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[40] The SLC notes Dr. McGuire would have relinquished approximately $55.2 million, measured on an intrinsic value basis, if his options had been repriced by resetting their initial exercise prices to the exercise prices determined by the Company in connection with its 2006 restatement.

[41] The $602.3 million figure includes the economic value of the rights relinquished by Dr. McGuire and the Black Scholes value of all of the options either relinquished or repriced by Dr. McGuire. The $618.5 million figure includes the economic value of the rights relinquished by Dr. McGuire and the intrinsic value of all of the options either relinquished or repriced by Dr. McGuire.

Lubben may have merit, it also considered the costs and risks associated with ongoing litigation against him, as well as defenses that might be available to him.[42]

In light of these considerations, the SLC determined that pursuing a course of mediation with Mr. Lubben that concluded in an agreement settling all of the claims asserted in the Derivative Actions, as well as all potential employment-related claims relating to Mr. Lubben's departure from the Company, was in the best interests of the Company. A settlement agreement (Lubben Agreement) has been executed by the SLC, the Company and Mr. Lubben.[43] The Lubben Agreement is conditioned upon dismissal of the claims in the Federal Derivative Actions.

The material terms of the Lubben Agreement are as follows:

1. Mr. Lubben will repay to the Company compensation from the exercise of options earlier in 2007 in the sum of $20.55 million.

2. Mr. Lubben will relinquish rights to severance benefits in the amount of $1.95 million.

3. Mr. Lubben will surrender all right, title and interest to options to purchase 273,000 shares of Company stock. The economic value of

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[42] The opportunity for the SLC fully to evaluate Mr. Lubben's likely defenses was hampered by his unavailability for an interview by the SLC.

[43] Plaintiffs' counsel have advised the SLC that they will also provide their written approval of the Lubben Agreement.

those stock options was approximately $5.5 million (Black Scholes) or $2.9 million (intrinsic).[44]

In sum, in the fulfillment of the terms of the Lubben Agreement, Mr. Lubben will have relinquished option rights and repaid cash to the Company in the amount of approximately $28.0 million (Black Scholes) or $25.4 million (intrinsic).[45] When added to the value Mr. Lubben previously relinquished to the Company in connection with the repricing of stock options in November 2006 – $2.7 million (Black Scholes) or $3.6 million (intrinsic)[46] – the total value relinquished to the Company is approximately $30.7 million (Black Scholes) or $29.0 million (intrinsic).[47]

In light of the many factors it considered, including those set forth above, the SLC has concluded that it is plainly in the best interests of the Company to settle the claims asserted against Mr. Lubben, as well as all

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[44] The $5.5 million figure represents the Black Scholes value of the options surrendered by Mr. Lubben under the Lubben Agreement. The $2.9 million figure represents the intrinsic value of the options surrendered by Mr. Lubben under the Lubben Agreement.

[45] The $28.0 million figure is comprised of the cash repaid, the value of his relinquished severance and the Black Scholes value of the 273,000 options surrendered. The $25.4 million figure is comprised of the cash repaid, the value of his relinquished severance and the intrinsic value of the 273,000 options that Mr. Lubben surrendered.

[46] The $2.7 million figure represents the difference between the Black Scholes values of Mr. Lubben's options before and after their exercise prices were adjusted to the exercise prices determined by the Company in the context of its 2006 restatement. The $3.6 million figure represents the difference between the intrinsic value of his options before and after their exercise prices were adjusted to the exercise prices determined by the Company in the context of its 2006 restatement.

[47] The $30.7 million figure is comprised of the cash repaid, the severance relinquished and the Black Scholes value of all of the surrendered and repriced options. The $29.0 million figure is comprised of the cash repaid, the severance relinquished and the intrinsic value of all of the surrendered and repriced options.

employment-related claims between Mr. Lubben and the Company pursuant to the terms of the Lubben Agreement. Accordingly, the SLC determines that all claims asserted against Mr. Lubben in the Federal Derivative Actions should be dismissed with prejudice in accordance with the terms of the Lubben Agreement.

D. Outside Director William Spears

The Federal and State Complaints allege numerous federal and state claims against Mr. Spears relating to the Company's stock option granting practices. *See* Appendix A (summary of claims). The SLC analyzed each claim against Mr. Spears in the context of the extensive evidence it reviewed during its investigation. Although the SLC concluded that some of the claims against Mr. Spears may have merit, it also considered the costs and risks attendant to protracted ongoing litigation against him, as well as defenses that might be available to him. Among the costs and risks considered were the disruption of, and distraction from, the ongoing business of the Company as a result of litigation against a former outside director, the significant costs that the Company would bear in connection with such litigation, and Mr. Spears' potential rights to advancement of fees and indemnification by the Company.

In light of these considerations, and others, the SLC determined to pursue a course of mediation with Mr. Spears that concluded in an agreement settling all of the claims asserted in the Derivative Actions. On November 26, 2007, a settlement agreement (Spears Agreement) was executed by the SLC and Mr. Spears, which provides that the fair settlement value of the claims against Mr.

Spears in the Derivative Actions will be submitted to binding arbitration with former U.S. District Court Judge Layn R. Phillips serving as arbitrator. The Spears Agreement is conditioned upon the dismissal of the claims in the Derivative Actions.

In light of the many factors it considered, including those set forth above, the SLC has concluded that it is in the best interests of the Company to settle the claims asserted against Mr. Spears pursuant to the terms of the Spears Agreement. Accordingly, the SLC determines that all claims asserted against Mr. Spears in the Derivative Actions should be dismissed with prejudice based upon the terms of the Spears Agreement.

E. Outside Directors Thomas Kean and Mary Mundinger

The Federal and State Complaints allege numerous claims against Governor Kean and Dr. Mundinger relating to the Company's stock option granting practices. *See* Appendix A (summary of claims). The SLC assessed the claims against Governor Kean and Dr. Mundinger in the context of the extensive evidence it reviewed, and also considered the risks and costs inherent in litigating such claims going forward. The SLC views Governor Kean's and Dr. Mundinger's performance of their responsibilities as members of the Compensation Committee as disappointing. The SLC recognizes however, that there are significant obstacles to the successful litigation of the claims asserted against Governor Kean and Dr. Mundinger. These obstacles include the difficulties of overcoming the business judgment rule; the fact that the Company's

Articles of Incorporation exculpate independent directors from monetary liability for breach of fiduciary duty – including negligent conduct – unless the breach involves bad faith, disloyalty, a knowing violation of law, or an improper personal benefit; the right of independent directors to be indemnified by the Company for damages in certain circumstances; and the right of independent directors to rely on management and professional advisors such as accountants and auditors, provided such reliance is warranted. The SLC also considered the substantial costs that would be incurred by the Company if it litigated claims against Governor Kean and Dr. Mundinger; the potential distraction of management of the Company from its ongoing business; and the potentially harmful effects on the Company's efforts to recruit new directors.

Based on these and other considerations, the SLC concludes that it is not in the Company's best interests to have the claims asserted against Dr. Mundinger and Governor Kean proceed in the Derivative Actions.[48]

F. Outside Directors William Ballard, Richard Burke, James Johnson, Douglas Leatherdale, Robert Ryan, Donna Shalala and Gail Wilensky

The Federal Complaint alleges claims against outside directors Messrs. Ballard, Burke, Johnson, Leatherdale and Ryan, Dr. Shalala, and Dr. Wilensky for violations of § 10(b), breach of fiduciary duty and waste. The State Complaint alleges claims against these directors for breach of fiduciary duty,

[48] The SLC also considered the fact that, on November 1, 2007, the Company announced that Governor Kean and Dr. Mundinger will not stand for re-election as UHG directors at the Company's next annual meeting in April 2008.

waste, unjust enrichment, rescission, and also requests an accounting and the establishment of a constructive trust.[49]

The SLC has concluded that it is not in the best interests of the Company to proceed with the claims against these outside directors. Although the SLC based this conclusion on numerous legal and non-legal factors, critical to its consideration was the lack of evidence supporting the pursuit of these claims, the directors' statutory entitlement to rely on committees upon which they do not serve,[50] and the fact that the evidence does not indicate that any of these directors acted in a way that would fall outside the exculpatory provision in the Company's Articles of Incorporation. Accordingly, the SLC concludes that the derivative claims should be dismissed with prejudice.

G. Stephen Hemsley

The Federal and State Complaints allege numerous federal and state claims against Mr. Hemsley relating to the Company's stock option granting practices. *See* Appendix A (summary of claims). The SLC evaluated each claim

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[49] The Federal Complaint also alleges claims against these defendants under § 14(a). As discussed above, the SLC has concluded that these claims should not go forward as to any defendant. *See supra* § III(A)(1). The complaints in the Derivative Actions also variously allege claims against these defendants for gross mismanagement, abuse of control, aiding and abetting breach of fiduciary duty, and breach of the fiduciary duty of candor. The SLC treats these claims as subsumed within the claims for breach of fiduciary duty and does not discuss them separately. *See supra* § III(B)(2), (4) & (9).

[50] Directors Ballard and Ryan served on the Compensation Committee from February 1993 (for Mr. Ballard) and November 1996 (for Mr. Ryan) until May 1999, and they were both also members of the 1999 Ad Hoc Committee. The SLC nonetheless recognizes that they were not members of the Compensation Committee at the time of the stock option grants that the SLC concluded were most problematic. Similarly, the SLC notes that while Mr. Johnson served on the Compensation Committee from May 2003 to April 2007, substantially all of the stock option practices at issue occurred before his service on the Committee.

against him in the context of the extensive evidence it reviewed during its investigation. Although Mr. Hemsley received significant stock option grants during the time period cited in the complaints in the Derivative Actions, his responsibilities during that period were focused primarily on the Company's operations. The SLC concludes, therefore, that he did not have a key role in the events alleged in the Derivative Actions related to the Company's stock option granting practices.

Further, the SLC considered the potential for serious negative repercussions to the Company from litigation against its Chief Executive Officer in distracting management from the Company's ongoing business, effects on relations with customers, shareholders, employees, and capital markets, and diminishing the Company's stature as a leading provider of health care and related services. Mr. Hemsley has demonstrated leadership skills as the Company's Chief Executive Officer since he was appointed to the office in December 2006, and it is the SLC's belief that it is important to the Company that his leadership not be burdened by time-consuming litigation against him.

The initiatives undertaken to remediate the Company's practices and procedures in order to assure they are appropriate to their objectives and transparent to interested constituencies was also important to the SLC's considerations. The remediation program led by Mr. Hemsley, with the support of the Board of Directors, has earned the Company a high rank for corporate responsibility from its employees, from those with whom it conducts business, and

from the investment community. Among the remedial measures were substantial reforms of the Company's compensation practices, resulting in a significant reduction of Mr. Hemsley's own compensation.

In addition, Mr. Hemsley showed leadership in 2006 when he voluntarily agreed to reprice a significant portion of his then-outstanding stock options – approximately 13,620,000 stock options granted from 1997 to 2002 – in order to avoid any possible appearance of having profited from prior stock option granting practices. Those options were repriced using a new exercise price set at the highest closing price of the Company's shares in the calendar year in which each grant was made. With regard to the stock option grants for which vesting was suspended in October 1999 and reinstated in August 2000, Mr. Hemsley agreed to reprice those options to the highest closing price of the Company's stock for the year 2000. Mr. Hemsley relinquished approximately $77.5 million (Black Scholes) or $91.4 million (intrinsic)[51] as a result of his agreement to reprice outstanding options in 2006.

In 2006, Mr. Hemsley also voluntarily agreed to relinquish 2,880,000 stock options that were suspended in October 1999 and reactivated in

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[51] The $77.5 million figure represents the difference between the Black Scholes values of Mr. Hemsley's options before and after their exercise prices were adjusted. The $91.4 million figure represents the difference between the intrinsic value of his options before and after their exercise prices were adjusted.

August 2000. The economic value of the options relinquished by Mr. Hemsley was approximately $100.0 million (Black Scholes) or $97.7 million (intrinsic).[52]

The total value of Mr. Hemsley's options that were repriced and relinquished in 2006 was approximately $177.5 million (Black Scholes) or $189.1 million (intrinsic).[53] The SLC found it noteworthy that Mr. Hemsley neither asked for nor received any financial or legal benefit in connection with the remedial steps he took in 2006. The SLC further notes that Mr. Hemsley would have relinquished approximately $24.7 million, measured on an intrinsic value basis, if his options had been repriced by resetting their initial exercise prices to the exercise prices determined by the Company in connection with its 2006 restatement.

During the course of the SLC's work, Mr. Hemsley advised the SLC that, before the end of 2007, he intends to take further steps to remediate the Company's past practices relating to stock option grants – specifically, to increase the exercise price on other outstanding options granted to him on earlier dates that will return additional value to the Company of $50 million on an intrinsic value basis.

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[52] The $100.0 million figure represents the Black Scholes value of those options. The $97.7 million figure represents the intrinsic value of the 2,880,000 options that were relinquished by Mr. Hemsley.

[53] The $177.5 million figure represents the Black Scholes values of Mr. Hemsley's relinquishment and repricing of options in 2006. The $189.1 million figure represents the intrinsic value Mr. Hemsley's relinquishment and repricing of options in 2006.

As with all of the defendants named in the Derivative Actions, the SLC considered the legal and factual strengths and weaknesses of the claims asserted against Mr. Hemsley, and also considered numerous other factors relating to the ultimate issue of whether pursuing such claims would be in the best interests of the Company. Based on information gathered at interviews, the SLC believes Mr. Hemsley is perceived as a strong leader, and that the Company's internal and external constituencies view Mr. Hemsley's continued leadership of the Company as essential to its success at this time.

In light of all these factors, the SLC concludes that it is plainly in the Company's best interests to have Mr. Hemsley continue in his role as Chief Executive Officer, and to have the claims against him in the Derivative Actions dismissed with prejudice.

H. Former Chief Financial Officers Arnold Kaplan and David Koppe and Former Business Unit Heads Thomas McDonough, Jeannine Rivet, Robert Sheehy, Channing Wheeler and Travers Wills

The Federal Complaint alleges claims for breach of fiduciary duty, waste, unjust enrichment, and rescission against defendants Kaplan, Koppe, McDonough, Rivet, Sheehy, Wheeler and Wills.[54] Federal Compl. ¶¶ 361-65; 371-75; 380-86. The Federal Complaint also alleges § 10(b) claims against defendants Wheeler and Sheehy. *Id.* ¶¶ 335-45.

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[54] The Federal Complaint also alleges claims for gross mismanagement, which as noted above are subsumed within the fiduciary duty claims and are not discussed separately.

The SLC has concluded that it is not in the best interests of the Company to proceed with the claims against these officers based on numerous legal and non-legal factors. These defendants had minimal, if any, involvement in the Company's stock option granting process or specific option grants, and had no involvement in their own stock option grants. Their principal involvement was limited to identifying other potential stock option recipients and recommending the number of shares to be awarded to these potential recipients. Further, these officers were entitled to rely on others within the Company, and on outside professionals such as auditors, although the SLC recognizes that officers' entitlement to rely on others is more limited than directors' entitlement to do so, particularly when relevant matters are within the officers' areas of responsibility. Finally in reaching its decision to recommend dismissals of the claims, the SLC considered the cost, distraction and disruption to the Company that would result in the event these claims were to proceed in the Federal Derivative Actions.

I. Further Remedial Measures

During the course of the SLC's work, the institutional plaintiffs in the Federal Derivative Actions provided the SLC with a series of governance proposals, which they urged the Company, its Board of Directors and/or its shareholders to adopt. Such proposals were formulated by plaintiffs and their

counsel in consultation with Professor Lucian Bebchuk of Harvard Law School.[55]

The SLC is appreciative of the thoughtful and wide-ranging consideration of governance issues submitted on behalf of plaintiffs. Without endorsing or rejecting any of the particular proposals, the SLC has referred them to the Company, and commends them to the Company for careful consideration by its management and the Board of Directors.

J. Summary

The SLC concludes that it is in the best interests of the Company for the claims asserted against Dr. William McGuire, Mr. David Lubben and Mr. William Spears in the Derivative Actions to be dismissed pursuant to the terms of the settlements described above. The SLC further concludes that the pursuit of such claims in the Derivative Actions should be stayed pending a final determination by the Federal and State Courts as to the dismissal of those claims.

The SLC concludes that it is in the best interests of the Company not to pursue the claims asserted against all other named defendants in the Derivative Actions and that such claims should be dismissed with prejudice.

The attached Summary (Attachment 1) sets forth the value of actions taken by certain defendants and non-defendants in 2006 in repricing and/or relinquishing options to the Company, returning a value of $388.6 million (Black Scholes) or $427.6 million (intrinsic). These steps were voluntary and substantial.

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[55] Professor Bebchuk is the William J. Friedman and Alicia Townsend Friedman Professor of Law, Economics and Finance, and Director of the Program on Corporate Governance, at Harvard Law School.

In 2007, as a result of settlements with certain defendants and further remedial steps, an additional $499.3 million (Black Scholes) or $495.1 million (intrinsic) will be relinquished to the Company, for a total of $887.9 million (Black Scholes) or $922.7 million (intrinsic).[56]

THE SPECIAL LITIGATION COMMITTEE OF THE BOARD OF DIRECTORS OF UNITEDHEALTH GROUP INCORPORATED

December 6, 2007

Kathleen A. Blatz

December 6, 2007

Edward C. Stringer

[56] These numbers are exclusive of the award in arbitration, to be determined in the future, with respect to claims against Mr. Spears.

Summary of Remediation
(Amounts In Millions)

		Voluntary 2006		2007 Settlements			Total Remediation	
SETTLING DEFENDANTS		Black Scholes	Intrinsic Value		Black Scholes	Intrinsic Value	Black Scholes	Intrinsic Value
William McGuire	Option Repricing	$ 181.0	$ 198.8	Options Forfeited[1]	$ 321.9	$ 320.3	$ 502.9	$ 519.1
				Employment Benefits Forfeited	99.4	99.4	99.4	99.4
	Total	181.0	198.8	**Total**	421.3	419.7	602.3	618.5
David Lubben	Option Repricing	2.7	3.6	Cash	20.55	20.55	23.3	24.2
				Options Forfeited[1]	5.5	2.9	5.5	2.9
				Employment Benefits Forfeited	1.95	1.95	1.95	1.95
	Total	2.7	3.6	**Total**	28.0	25.4	30.7	29.0
William Spears	--	-	-	Options Forfeited	*(To Be Determined By Binding Arbitration)*		*TBD*	*TBD*
	Total Voluntary 2006	183.7	202.4	**Total 2007 Settlements**	449.3	445.1	633.0	647.5

		Voluntary 2006		Additional Remediation 2007				
NON-SETTLING DEFENDANTS								
Stephen Hemsley	Option Forfeited[2]	100.0	97.7				100.0	97.7
	Option Repricing	77.5	91.4	Option Repricing	50.0 [3]	50.0	127.5	141.4
	Total	177.5	189.1	**Total**	50.0	50.0	227.5	239.1
12 Other Executives[4]	Option Repricing	27.4	36.1	--	-	-	27.4	36.1
	Total Voluntary 2006	204.9	225.2	**Total Additional Remediation 2007**	50.0	50.0	254.9	275.2
TOTAL 2006 REMEDIATION		**$ 388.6**	**$ 427.6**	**TOTAL 2007 REMEDIATION**	**$ 499.3**	**$ 495.1**	**$ 887.9**	**$ 922.7**

[1] Stock options were valued based on the closing stock price on 12/4/2007 of $54.33.

[2] Stock options were valued based on the closing stock price on the date of the option repricing agreement, 11/7/2006, of $49.54.

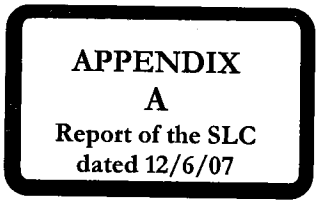
[3] Represents the intrinsic value. Included as Black Scholes Value for comparative purpose.

[4] Two non-settling defendants and 10 non-defendant executives (excluding Hemsley, McGuire and Lubben).

ATTACHMENT 1
Report of the SLC
dated 12/6/07

Appendix A

Defendant/Position(s)	Federal Derivative Actions	State Derivative Actions
William C. Ballard, Jr.	Violation of § 10(b) and Rule 10(b)-5 Violation of § 14(a)/Rule 14(a)-9 Breach of Fiduciary Duty Aiding and Abetting Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Breach of Fiduciary Duty of Candor	Breach of Fiduciary Duty Abuse of Control Gross Mismanagement Waste of Corporate Assets Unjust Enrichment Accounting Rescission Constructive Trust
Richard T. Burke	Violation of § 10(b) and Rule 10(b)-5 Violation of § 14(a) and Rule 14(a)-9 Breach of Fiduciary Duty Aiding and Abetting Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Breach of Fiduciary Duty of Candor	Breach of Fiduciary Duty Abuse of Control Gross Mismanagement Waste of Corporate Assets Unjust Enrichment Accounting Rescission Constructive Trust
Stephen J. Hemsley	Violation of § 10(b) and Rule 10(b)-5 Violation of § 14(a) and Rule 14(a)-9 Violation of § 16(b) Breach of Fiduciary Duty Aiding and Abetting Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Rescission Unjust Enrichment Breach of Fiduciary Duty of Candor	Breach of Fiduciary Duty Abuse of Control Gross Mismanagement Waste of Corporate Assets Unjust Enrichment Accounting Rescission Constructive Trust
James A. Johnson	Violation of § 10(b) and Rule 10(b)-5 Violation of § 14 (a) and Rule 14(a)-9 Breach of Fiduciary Duty Aiding and Abetting Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Breach of Fiduciary Duty of Candor	Breach of Fiduciary Duty Abuse of Control Gross Mismanagement Waste of Corporate Assets Unjust Enrichment Accounting Rescission Constructive Trust



Appendix A

Defendant/Position(s)	Federal Derivative Actions	State Derivative Actions
Arnold H. Kaplan	Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Rescission Unjust Enrichment	Not named
Governor Thomas H. Kean	Violation of § 10(b) and Rule 10(b)-5 Violation of § 14 (a) and Rule 14(a)-9 Breach of Fiduciary Duty Aiding and Abetting Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Breach of Fiduciary Duty of Candor	Breach of Fiduciary Duty Abuse of Control Gross Mismanagement Waste of Corporate Assets Unjust Enrichment Accounting Rescission Constructive Trust
David P. Koppe	Violation of § 16(b) Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Rescission Unjust Enrichment	Not named
Douglas W. Leatherdale	Violation of § 10(b) and Rule 10(b)-5 Violation of § 14 (a) and Rule 14(a)-9 Breach of Fiduciary Duty Aiding and Abetting Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Breach of Fiduciary Duty of Candor	Breach of Fiduciary Duty Abuse of Control Gross Mismanagement Waste of Corporate Assets Unjust Enrichment Accounting Rescission Constructive Trust

Appendix A

Defendant/Position(s)	Federal Derivative Actions	State Derivative Actions
David J. Lubben	Violation of § 10(b) and Rule 10(b)-5 Violation of § 16(b) Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Rescission Unjust Enrichment	Not named
Thomas P. McDonough	Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Rescission Unjust Enrichment	Not named
Dr. William W. McGuire	Violation of § 10(b) and Rule 10(b)-5 Violation of § 14 (a) and Rule 14(a)-9 Violation of § 16(b) Breach of Fiduciary Duty Aiding and Abetting Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Rescission Unjust Enrichment Breach of Fiduciary Duty of Candor	Breach of Fiduciary Duty Abuse of Control Gross Mismanagement Waste of Corporate Assets Unjust Enrichment Accounting Rescission Constructive Trust
Dr. Mary O. Mundinger	Violation of § 10(b) and Rule 10(b)-5 Violation of § 14 (a) and Rule 14(a)-9 Breach of Fiduciary Duty Aiding and Abetting Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Breach of Fiduciary Duty of Candor	Breach of Fiduciary Duty Abuse of Control Gross Mismanagement Waste of Corporate Assets Unjust Enrichment Accounting Rescission Constructive Trust

Appendix A

Defendant/Position(s)	Federal Derivative Actions	State Derivative Actions
Jeannine M. Rivet	Violation of § 16(b) Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Rescission Unjust Enrichment	Not named
Robert L. Ryan	Violation of § 10(b) and Rule 10(b)-5 Violation of § 14 (a) and Rule 14(a)-9 Breach of Fiduciary Duty Aiding and Abetting Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Breach of Fiduciary Duty of Candor	Breach of Fiduciary Duty Abuse of Control Gross Mismanagement Waste of Corporate Assets Unjust Enrichment Accounting Rescission Constructive Trust
Dr. Donna E. Shalala	Violation of § 10(b) and Rule 10(b)-5 Violation of § 14 (a) and Rule 14(a)-9 Breach of Fiduciary Duty Aiding and Abetting Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Breach of Fiduciary Duty of Candor	Breach of Fiduciary Duty Abuse of Control Gross Mismanagement Waste of Corporate Assets Unjust Enrichment Accounting Rescission Constructive Trust
Robert J. Sheehy	Violation of § 10(b) and Rule 10(b)-5 Violation of § 16(b) Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Rescission Unjust Enrichment	Not named

Appendix A

Defendant/Position(s)	Federal Derivative Actions	State Derivative Actions
William G. Spears	Violation of § 10(b) and Rule 10(b)-5 Violation of § 14 (a) and Rule 14(a)-9 Breach of Fiduciary Duty Aiding and Abetting Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Breach of Fiduciary Duty of Candor	Breach of Fiduciary Duty Abuse of Control Gross Mismanagement Waste of Corporate Assets Unjust Enrichment Accounting Rescission Constructive Trust
R. Channing Wheeler	Violation of § 10(b) and Rule 10(b)-5 Violation of § 16(b) Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Rescission Unjust Enrichment	Not named
Dr. Gail R. Wilensky	Violation of § 10(b) and Rule 10(b)-5 Violation of § 14(a) and Rule 14(a)-9 Breach of Fiduciary Duty Aiding and Abetting Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Breach of Fiduciary Duty of Candor	Breach of Fiduciary Duty Abuse of Control Gross Mismanagement Waste of Corporate Assets Unjust Enrichment Accounting Rescission Constructive Trust
Travers H. Wills	Violation of § 16(b) Breach of Fiduciary Duty Waste of Corporate Assets Gross Mismanagement Rescission Unjust Enrichment	Not named

ASSISTANT SECRETARY'S CERTIFICATE

I, the undersigned, do hereby certify as follows:

1. That I am the duly elected Assistant Secretary of UnitedHealth Group Incorporated, a Minnesota domestic corporation (the "Company").

2. That Exhibit A to this Certificate is a true, correct and complete excerpt of the resolutions adopted by the Board of Directors at a regular meeting held on June 26, 2006.

3. That the resolutions set forth in Exhibit A are in full force and effect and have not been further amended, repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of July, 2006.

THIS CORPORATION
HAS NO SEAL

Dannette L. Smith
Assistant Secretary
UnitedHealth Group Incorporated

APPENDIX
B
Report of the SLC
dated 12/6/07

Exhibit A

Formation of Special Litigation Committee

WHEREAS, the Board of the Company created an Independent Committee of independent directors ("Independent Committee") to conduct a comprehensive review the Company's stock option practices and the Independent Committee retained William McLucas of the law firm Wilmer Cutler Pickering Hale and Dorr LLP to assist it in performing that review;

WHEREAS, several derivative actions (the "Derivative Actions") have been brought on behalf of the Company (list of cases attached as Exhibit 1) alleging that the Company should pursue various claims against certain current and former executive officers and members of the Board of the Company;

WHEREAS, at its meeting on May 1, 2006, the Board discussed that the Company had received a purported demand letter (attached as Exhibit 2) addressed to the Board of Directors seeking to have the Company pursue claims against various officers and members of the Board (the "Derivative Claim");

WHEREAS, at its meetings on May 1 and 23, 2006, the Board discussed that under the law governing Minnesota corporations, an appropriate response of the Board to a demand would be to form a special litigation committee consisting of one or more independent directors or other independent persons to consider the legal rights or remedies of the Company and determine whether those rights or remedies should be pursued;

WHEREAS, every member of the Board has been named in at least one of the Derivative Actions;

WHEREAS, while the members of the Independent Committee are independent, the Board, in its discretion, seeks review of the claims in the Derivative Actions and Derivative Claim by individuals who are both independent and disinterested; and

WHEREAS, the Board wishes to form a special litigation committee to consider the legal rights or remedies of the Company relating to the Derivative Claim and the claims raised in the Derivative Actions and whether those rights or remedies should be pursued.

RESOLVED, that the Board does hereby designate, pursuant to Section 302A.241 of the Minnesota Statutes, a special litigation committee of the Board (the "Special Litigation Committee") that has complete power and authority to investigate the Derivative Claim and the claims raised in the Derivative Actions and analyze the legal rights or remedies of the Company and determine whether those rights or remedies should be pursued.

FURTHER RESOLVED, that the Special Litigation Committee has the power to consider the results of the review by the Independent Committee if, in the Special Litigation Committee's discretion, it determines that it would be appropriate to do so under the circumstances. The Special Litigation Committee is in no way limited

solely to a review of the Independent Committee's review and has the express power to conduct any additional investigation or analysis it deems appropriate.

FURTHER RESOLVED, that the Special Litigation Committee shall be a Committee of two persons and its members will be former Minnesota Supreme Court Justice Edward Stringer and former Chief Justice of the Minnesota Supreme Court Kathleen Blatz.

FURTHER RESOLVED, that the number of members of the Special Litigation Committee can be expanded in the future through Board action if the Board deems appropriate.

FURTHER RESOLVED, that each member of the Special Litigation Committee will be paid their customary hourly rate (which is currently $375 an hour) and will send an invoice to the Company each month reflecting the fees incurred. The members of the Special Litigation Committee will also receive reimbursement from the Company for all expenses incurred by the member in connection with the member's service on the Special Litigation Committee.

FURTHER RESOLVED, that under Minn. Stat. §302A.241 the members of the Special Litigation Committee are considered members of the Board for certain purposes under Minnesota law including indemnification under Minn. Stat. § 302A.521. The Company acknowledges that it has a duty to indemnify the members of the Independent Committee and hereby agrees to indemnify the members of the Special Litigation Committee to the fullest extent allowed under the law.

FURTHER RESOLVED, that at the Company's expense, the Special Litigation Committee may retain independent legal counsel, who does not represent the Company or any of its officers or directors and has not regularly represented the Company or any of it officers or directors in any previous matter, to advise the Special Litigation Committee.

FURTHER RESOLVED, that at the Company's expense, the Special Litigation Committee may retain other professionals (including financial/accounting advisors) who do not advise the Company or any of its officers or directors and have not regularly represented the Company or any of its officers or directors in any previous matter.

Exhibit 1

FEDERAL COURT CASES

Brandin v. McGuire, et al. and UnitedHealth Group; U.S. District Court No. 06-1216

Simon v. McGuire, et al. and UnitedHealth Group; U.S. District Court No. 06-1958

St. Paul Teachers' Retirement Fund Association, Public Employees' Retirement System of Mississippi, Jacksonville Police & Fire Pension Fund, Louisiana Municipal Police Employees' Retirement System and Louisiana Sheriffs' Pension & Relief Fund v. McGuire, et al. and UnitedHealth Group; U.S. District Court No. 06-1959

Public Employees' Retirement System of Ohio and State Teachers Retirement System of Ohio v. McGuire, et al. and UnitedHealth Group; U.S. District Court No. 06-2094

Connecticut Retirement Plans and Trust Funds v. McGuire and UnitedHealth Group; U.S. District Court No. 06-2187

STATE COURT CASES

Greenberg v McGuire, et al. and UnitedHealth Group, Inc.; MN District Court No. 27-CV-06-8889

Gordon v McGuire, et al. and UnitedHealth Group, Inc.; MN District Court No. 02-CV-06-8085

APR 1 9 2006

Exhibit 2

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Attorneys at Law

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DARREN J. CHECK*
EDWARD W. CIOLKO*
STEPHEN CONNOLLY
[illegible]IK S. DANEK
[illegible]OMAS W. GRAMMER
MARK K. GYANDOH*
SEAN M. HANDLER
JOHN A. KEHOE*
HAL J. KLEINMAN*
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RICHARD A. MANISKAS*
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TODD M. MOSSER
JODI C. MURLAND
CHRISTOPHER L. NELSON
MICHELLE N. PETERSON*
NICHOLAS S. PULLEN
KAREN E. REILLY***
STEVEN D. RESNICK*
LEE D. RUDY*
KAY E. SICKLES*
TAMARA SKVIRSKY*
SANDRA G. SMITH
W. LYLE STAMPS
BENJAMIN J. SWEET
HEATHER M. TASHMAN*
GERALD D. WELLS, III*
ROBIN WINCHESTER*
ERIC L. ZAGAR
ANDREW L. ZIVITZ*
KENDALL S. ZYLSTRA

April 18, 2006

VIA FEDEX
Dr. William W. McGuire
Chairman of the Board
UnitedHealth Group Incorporated
9900 Bren Road East
Minnetonka, MN 55343

Re: Shareholder Demand

Dear Dr. McGuire:

This firm represents Nicholas DeRosa (the "Stockholder"), a holder of shares of common stock of UnitedHealth Group Incorporated ("UnitedHealth" or the "Company"). I write on behalf of the Stockholder to demand that the Board of Directors of UnitedHealth (the "Board") take action to remedy breaches of fiduciary duties and unjust enrichment by the directors and certain officers of the Company, as described herein.

As you are aware, by reason of their positions as officers and/or directors of UnitedHealth and because of their ability to control the business and corporate affairs of UnitedHealth, the officers and directors of the Company owe UnitedHealth and its shareholders the fiduciary obligations of good faith, loyalty, and due care, and are required to use their utmost ability to control and manage UnitedHealth in a fair, just, honest, and equitable manner. The Stockholder believes that all the members of the Board (collectively, the "Directors"), particularly yourself and the members of the Compensation and Human Resources Committee, violated these core fiduciary duty principles, causing UnitedHealth to suffer damages.

The Stockholder contends that for several years the Board, in violation of Company policies and Generally Accepted Accounting Principles, has improperly backdated grants of stock options to yourself and other UnitedHealth officers, including Stephen J. Hemsley, R. Channing Wheeler, David J. Lubben, and Jeannine M. Rivet (collectively, the "Officers"). The Stockholder maintains that each of the Directors breached their fiduciary duties by: (i) knowingly approving

the Company's foregoing improprieties, and/or (ii) abdicating their responsibility to make a good faith effort to oversee the Company's operations and internal controls; and that the Officers were unjustly enriched by their receipt of backdated stock options. The Stockholder believes that the acts described above represent a systematic failure of the Directors and Officers to effectively manage the affairs of UnitedHealth. Among other things, it is apparent that the Directors and Officers have failed to implement necessary oversight procedures and controls to effectively manage UnitedHealth. The Directors' and Officers' systematic failure to properly manage the Company violates their fiduciary duties of loyalty and good faith. As a result of the foregoing breaches of duty, UnitedHealth has sustained damages, including, but not limited to, costs and expenses incurred in connection with a Securities and Exchange Commission investigation of the Company and its stock option grants.

On behalf of the Stockholder, I hereby demand that the Board take action: (i) to recover from the Directors and Officers the amount of damages sustained by the Company as a result of the misconduct alleged herein, (ii) to recover from the Officers the improperly awarded stock options, and (iii) to correct deficiencies in the Company's internal controls and equity compensation practices.

If within a reasonable period of time after receipt of this letter the Board has not taken action as demanded herein, the Stockholder will commence a shareholder derivative action on behalf of UnitedHealth seeking appropriate relief.

Very truly yours,

SCHIFFRIN & BARROWAY, LLP

Eric L. Zagar

UnitedHealth Group Incorporated

PLAN OF REMEDIATION RELATED TO STOCK OPTION GRANTING PRACTICES

The Board of Directors and the management of UnitedHealth Group Incorporated ("UnitedHealth" or the "Company") have undertaken a concerted effort to demonstrate our commitment to the highest standards of corporate governance and ethical business conduct. To those ends, the Company has, among other initiatives, increased the transparency of our operations by communicating more openly and frequently with our shareholders, employees, regulators and the investing public, undertaken a careful and critical self-inspection, and begun to revise the ways in which we manage ourselves in order to become a national leader among public companies in corporate governance. Senior management has committed UnitedHealth, as Stephen J. Hemsley put it on December 1, 2006 after he became Chief Executive Officer, to "advance a company and culture that fosters a real commitment to care and serve, to innovate and grow and to meet the highest standards of business practice and performance." This "tone at the top" is a very public demonstration that the Company intends to compete in the marketplace and provide excellent service to our customers, while also committing to the high standards of legal and ethical conduct that accompany the privilege of working for and running a major public company in the United States. One step in that overall commitment is the adoption of the program described below to remediate the weaknesses in our equity compensation practices that were revealed over the past year.

This Plan of Remediation (the "Plan") summarizes the actions and procedures designed to correct and prevent the recurrence of the issues identified in 2006 concerning the Company's stock option granting practices and otherwise to strengthen the Company's controls and corporate governance. A number of these corrective steps already have been implemented; others are in process. To ensure that the Company's remediation program is both focused and comprehensive, the Plan addresses the specific issues identified in the course of the Company's extensive independent investigation into its historic stock option granting practices and draws upon remedial measures taken by other public companies that have encountered these issues. This Plan is designed to be complete and thorough, but will be reevaluated and updated from time to time to ensure that it remains effective to detect and prevent future issues relating to the stock option granting process.

I. INVESTIGATION AND DISCLOSURES

A. In March of 2006, the Company was identified in press reports as one of a number of companies that might have engaged in the practice of "backdating" stock option grants. Shortly thereafter, the Enforcement Division of the United States Securities and Exchange Commission (the "SEC") notified the Company that the SEC had commenced an informal inquiry into the Company's stock option practices. In response, the Company's Board of Directors promptly appointed an Independent Committee on April 4, 2006, to conduct a thorough and independent

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Report of the SLC dated 12/6/07

review of the Company's option granting practices. The Independent Committee was composed of three independent Directors, and the resolution establishing the Committee granted it broad authority to investigate the situation thoroughly and completely. Following the appointment of the Independent Committee, the United States Attorney's Office for the Southern District of New York and the Internal Revenue Service informed the Company that they had opened their own investigations into those practices. In addition, the Company has been asked for documents and information by committees of the United States Congress.

B. The Independent Committee engaged the law firm of Wilmer Cutler Pickering Hale and Dorr LLP ("WilmerHale") as its counsel to assist in conducting the review of the Company's option granting practices from 1994 through 2006. The WilmerHale team was led by William R. McLucas, former Director of the Division of Enforcement of the SEC. WilmerHale, in turn, retained FTI Consulting, Inc. to provide expert accounting assistance and another outside specialist to assist it with electronic document recovery and management.

C. From April to October 2006, WilmerHale conducted an in-depth examination of the Company's historic options granting practices including a review of twenty-nine distinct option grant events, totaling nearly 450 million shares (split-adjusted), made by the Company from 1994 through 2006. These grants account for approximately 85 percent of the total number of options issued by the Company during that twelve-year period. (The remaining grants were composed primarily of new hire grants, which were made pursuant to a policy that permitted inaccurate dating, and option grants made in connection with various M&A transactions.)

D. WilmerHale conducted more than 80 interviews, and reviewed documents comprising more than 26 million pages. The Company gave its complete and unfettered cooperation to WilmerHale and instructed its employees to do the same. During this time period, the Independent Committee met formally on 16 separate occasions to be briefed on the progress of the investigation and to give additional guidance and instructions to the investigative team, and ultimately to deliberate on and prepare recommendations to the Board in response to the findings of the investigation.

E. Upon the conclusion of its review, WilmerHale presented a detailed report of its findings to the Independent Committee (the "WilmerHale Report").

F. Consistent with its commitment to transparency, the Company took the extraordinary steps of releasing the full text of the WilmerHale Report to the public and delivering copies of the report to the SEC and to the United

States Attorney for the Southern District of New York the same day that the report was finalized. The WilmerHale Report remains available to the public on the Company's website and as an exhibit to a Form 8-K filed on October 16, 2006.

G. The Company has made significant efforts to provide investors with transparent disclosure of corporate information, including promptly disclosing the formation of the Independent Committee and its review of the Company's stock option practices, and promptly disclosing that investigations had been commenced by the SEC, the United States Attorney's Office, and the IRS. Once the Independent Committee's review began, the Company provided investors with updates concerning the status of its business and substantial information about the results of operations and financial condition of the Company, even after it was no longer able to file current periodic reports with the SEC. In addition, prior to the completion of the review (and with the consent of the Independent Committee), the Company provided investors with an update as to the broad scope of the review and the time it was anticipated would be required to complete it.

H. The Company also undertook an internal review of the accounting implications of the stock option grants examined by WilmerHale as well as all other grants made during the same period in order to determine whether the grants had been handled appropriately from an accounting perspective and to prepare a restatement of its past financial results. On December 18, 2006, the Company submitted a request for consultation to the Office of the Chief Accountant of the SEC ("OCA") regarding the methodologies developed by the Company to determine the correct accounting measurement dates for certain options granted from 1994 to 2006. The Company consulted with the OCA in writing and by telephone as it finalized these methodologies and drafted its restatement disclosures.

I. The Company is cooperating with the SEC, the United States Attorney's Office and the Congressional committees as they pursue their respective investigations and has instructed its employees, officers and directors to do the same.

J. The Board also established a Special Litigation Committee to evaluate derivative demands and allegations in derivative complaints and determine whether claims should be asserted against certain current and former directors and officers. The Special Litigation Committee, comprised of the Hon. Kathleen Blatz, former Chief Justice of the Minnesota Supreme Court, and the Hon. Edward Stringer, former Justice of the Minnesota Supreme Court, is conducting an independent investigation and was given complete power and authority to do so. The Special Litigation Committee has complete independence from all directors and members of management. The Special Litigation Committee has engaged independent

outside counsel and financial and accounting specialists to assist in conducting its review. The Special Litigation Committee has been provided unfettered access to the Company's employees and documentary records as well as the materials collected and reviewed in the course of the Independent Committee's review.

K. The Company has established a Remediation Project Management Office headed by Chief Legal Officer Thomas Strickland, who is serving as Director of Remediation with responsibility for the implementation of the Plan.

II. EXECUTIVE AND BOARD PERSONNEL AND COMPENSATION

Issue

According to the WilmerHale Report, "[a]n appropriate tone at the top, adequate controls and discipline over the option granting process, and management transparency with the Board and its committees on executive compensation matters are basic and critical to the integrity of option grants [but] there were various failings in these areas."

Remedial Actions and Procedures

A. Executive and Board Personnel

The Company has made significant changes in both its senior management personnel and in the structure and responsibilities of senior management positions.

1. At the request of the Board, William W. McGuire, M.D., who had served as Chief Executive Officer since February 1991 and Chairman of the Board since May 1991, stepped down as Chairman and Director on October 15, 2006. His employment as CEO terminated on November 30, 2006, and he is no longer employed by or associated with the Company.

2. At the request of the Board, William G. Spears, the former Chairman of the Board's Compensation and Human Resources Committee (the "Compensation Committee"), whose financial relationships with Dr. McGuire were described in the WilmerHale Report as creating a conflict of interest, resigned from the Board.

3. The positions of Chairman of the Board and Chief Executive Officer have been separated: Richard T. Burke is the new non-executive Chairman of the Board, and Mr. Hemsley is the new Chief Executive Officer.

4. At the request of the Board, David J. Lubben, who had served as General Counsel and Secretary since October 1996, stepped down from those positions on October 15, 2006. He has retired and is no longer associated with the Company in any capacity.

5. At the request of the Company, L. Robert Dapper, who had served as the Company's Senior Vice President of Human Capital (human resources) since August 2001, stepped down from that position and has since retired and is no longer associated with the Company in any capacity.

6. Patrick J. Erlandson, who had served as Chief Financial Officer since September 2001, was reassigned to a non-financial position in one of the Company's subsidiaries.

7. Scott Theisen, who had served as Controller since January 2003 and previously had served in other accounting positions, was reassigned to a non-financial position in one of the Company's subsidiaries.

8. The Company appointed G. Mike Mikan as its new Chief Financial Officer. Mr. Mikan previously served as the Company's Senior Vice President, Finance and as the Chief Financial Officer of the Company's UnitedHealthcare and Specialized Care Services subsidiaries.

9. The Company appointed Lori Sweere as Executive Vice President, Human Capital. She previously served as CNA Financial Corporation's Executive Vice President, Human Resources.

10. The Company appointed Karen Erickson as its new Controller, and Jeffrey Putnam as Senior Vice President of Financial Planning and Analysis. Ms. Erickson previously served as the Chief Financial Officer of the Health Care Alliance division. Mr. Putnam previously served as the Chief Financial Officer of the Ovations Secure Horizons division, and as Northwest Airlines' Senior Vice President, Finance.

11. New senior management positions were created to strengthen the Company's overall management oversight, competence and control:

    a) The new position of Chief Legal Officer was created, and the Company conducted a national search to fill the position. The Company appointed Thomas Strickland, a former United States Attorney for the District of Colorado and the managing partner of Hogan & Hartson LLP's Denver office, as the Chief Legal Officer.

b) The position of Chief Ethics Officer was made an executive position, with responsibility for communicating internally regarding, and monitoring compliance by all of the Company's employees with, the Company's standards of ethical conduct and business integrity. The Company has appointed Jack Radke, the former Director of Ethics at H.J. Heinz and a nationally-recognized ethics and compliance expert, as Chief Ethics Officer.

c) The position of Chief Accounting Officer was established as a separate executive officer position, and Eric S. Rangen, the former Executive Vice President and Chief Financial Officer of Alliant Techsystems Inc. and a former Deloitte & Touche partner, was appointed to that role. The duties of the Chief Accounting Officer were previously incorporated in the responsibilities of the Chief Financial Officer. The Chief Accounting Officer is responsible for accounting, external financial reporting and Sarbanes-Oxley compliance and will report directly to the Chief Financial Officer.

d) A new, separate dedicated position of Secretary to the Board was created, and Dannette Smith was appointed to the position. Her sole responsibility as Secretary is to support the activities of the Board and of its Committees, including ensuring that the Board's activities and recordkeeping are consistent with corporate best practices. Ms. Smith previously served as the Company's Deputy General Counsel.

e) Executive search firms were retained to assist the Company in its national searches for executives to fill the various new positions.

12. Additional depth and experience is being added to the Finance, Human Capital and Legal departments. Three new senior attorneys have joined the Corporate Legal Department to provide additional depth and experience. Senior Vice President and Deputy General Counsel Christopher Walsh, who will coordinate the Company's corporate transactions and disclosures, joined the Company from Hogan & Hartson LLP, where he was a partner specializing in mergers and acquisitions and securities. Senior Vice President and Deputy General Counsel Peter Walsh (no relation), a former Assistant United States Attorney for the District of Colorado, will coordinate the Company's litigation and regulatory affairs. In addition, Gay Adams Massey, formerly the General Counsel of the Company's Ovations division, has joined

the Corporate Legal Department as UnitedHealth Group Deputy General Counsel.

13. The Company also is creating a corporate accounting principles group to review and ensure compliance with best practices in corporate accounting.

B. Officer and Director Compensation

The Company has made significant changes in its approach to the compensation of its leadership, which will have the impact of reducing equity compensation to management from historic levels and creating greater balance between the cash and equity compensation components. The Company historically placed a greater emphasis on long-term, equity-based incentives as compared to fixed and short-term cash compensation. The Company believes that emphasizing equity-based compensation has been instrumental in establishing and sustaining an entrepreneurial Company culture that has served its shareholders well in a highly competitive and rapidly evolving industry. Although the Company intends to maintain forms of equity-based compensation, it has established guidelines and processes by which the size of future grants of equity-based compensation made by the Compensation Committee to each of its executives, including the named executive officers in its proxy statement, will better reflect the value of equity-based compensation previously provided to each executive and an annual target total compensation amount established for the executive. In addition, the Company will ensure that any equity based awards are granted through a process that is strictly controlled, in compliance with all applicable laws and regulations. This approach should continue to generate the recognized benefits of linking compensation to performance and ensuring strict compliance with the law and good judgment.

1. For executive officers:

a) The employment agreement with Mr. Hemsley, the new CEO, dated November 7, 2006, does not provide for any guaranteed incentive or equity compensation. Any bonus, incentive or equity compensation will be decided upon by the Compensation Committee of the Board in its sole discretion. In addition, pursuant to this employment agreement, any bonuses paid to Mr. Hemsley will not be included in the calculation of any future severance compensation. He receives no perquisites other than those generally available to all other Company executives. As described below, Mr. Hemsley will not be receiving any equity-based compensation.

b) The Company's historical SERP (supplemental executive retirement plan) for Mr. Hemsley was frozen at the amount vested and accrued as of May 1, 2006. No other current executive officer receives a SERP.

c) In May 2006, equity awards were discontinued for certain of the Company's most senior and longest tenured executives, whose equity positions are already well established from prior years' service and awards (including Mr. Hemsley).

d) Also, in June 2006, the Company adopted a new policy regarding equity awards for executive officers. It includes guidelines that require consideration of the value of equity awards already granted to an executive officer when considering additional awards to that officer.

e) The Company also has adopted new policies eliminating certain executive perquisites, including the payment of executives' financial planning and tax preparation fees, the advancement of personal expenses, tax gross-ups, subsidized housing, security expenses and the personal use of corporate aircraft.

f) Employment agreements of all executive officers were amended to remove any provision for payment of enhanced monetary severance in the event of a change in control.

g) In January 2007, the Board of Directors adopted a clawback policy with respect to both equity and cash compensation paid to a defined list of approximately 30 members of the Company's senior management. These senior managers are subject to the clawback policy if they engage in fraud or misconduct that causes in whole or in part a restatement of the company's financials, and a lower annual or long-term incentive payment would have been paid to them based on the restated financials. A senior manager's entire annual and long-term cash incentive payments are subject to the clawback policy if, based on financial results after giving effect to the restatement, a lower incentive payment would have been made. A senior manager's equity compensation is subject to the clawback policy in the case of fraud. The policy requires cancellation of the then-outstanding vested and unvested options/SARs or other unvested equity awards and forfeiture of all equity awards realized during the twelve-

month period following the filing of the incorrect financial statements.

2. For directors:

   a) Equity compensation payable to existing directors was reduced by 40% in 2006 (which is in addition to a reduction of 20% that was implemented in 2005, before the option grant issues emerged). Directors receive on pre-established, non-discretionary dates quarterly grants of non-qualified stock options to purchase 5,000 shares of the Company's common stock, with exercise prices equal to the NYSE closing prices on those dates.

   b) Cash compensation for attending meetings of the Board or its committees, other than regularly scheduled quarterly meetings, can no longer be converted into stock options.

   c) In addition, in January 2007, the Board reduced initial one-time grants of stock options to new directors by approximately 57%, to a grant to purchase 25,000 shares of common stock. A new director is required to retain the underlying shares of this equity award (net of any exercise price or taxes) until he or she completes his service on the Board.

   d) The Compensation Committee, assisted by an independent consultant, initiated a comprehensive review of director compensation. Recommendations resulting from the review were discussed at the January 30, 2007 meeting of the Committee.

3. The new internal policy regarding equity awards addresses equity award approval requirements, award levels (based on the potential dollar value of the awards), vesting terms, date requirements, awards to individuals with significant equity holdings, modification to existing awards, and review and amendment of equity awards policies.

III. FINANCIAL REMEDIATION

Issue

The WilmerHale Report concluded that "[t]he measurement dates used by the Company for most of the 29 option grants we reviewed were not correct, and many of those grants were likely backdated" and that "[t]he option grants made to newly-hired employees and employees receiving promotions were backdated as a matter of policy."[1]

Remedial Actions and Procedures

A. On March 6, 2007, the Company filed restated financial statements for 2006 and prior years, and returned to current status in its filings with the SEC. The financial restatement filed on Form 10-K covers all years through December 31, 2005, and principally reflects additional stock-based compensation expense and the related tax effects. The cumulative pre-tax effect of errors in stock-based compensation accounting was $502 million under FAS 123R for the 12-year period ended December 31, 2005. The cumulative pre-tax effect of these errors was $1.526 billion under APB 25 for all prior years. On an after-tax basis, the cumulative effect of those adjustments was $414 million under FAS 123R and $1.134 billion under APB 25.

B. The Company is in the process of addressing the tax consequences of the misdating. The Company's Form 10-K for 2006 includes an estimate of the cash payments required for additional corporate income taxes due for all prior periods of approximately $100 million.

C. Dr. McGuire has agreed that the exercise prices for all stock options awarded to him with stated grant dates from 1994 to 2002 would be increased to:

1. the highest closing price of the Company's common stock on the New York Stock Exchange ("NYSE") in the year of the grant, for all grants other than the grants for which vesting was suspended in October 1999 and reinstated in 2000; and

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[1] The WilmerHale Report defines "backdating" as "(i) selecting a grant date with the benefit of hindsight, (ii) using that grant date as the measurement date even though one or more of the number of shares, the identity of the employee receiving them, and/or the exercise price was not known as of the grant date, and (iii) recording a lower compensation expense than would have been recorded had the correct measurement date been used."

2. the highest closing price of the Company's common stock on the NYSE in 2000, for the grants for which vesting was suspended in October 1999 and reinstated in 2000.

The aggregate value to the Company from the repricing agreed to by Dr. McGuire is approximately $198 million.

D. Mr. Hemsley has acted on his own initiative to ensure that he will not receive any unintended personal benefit from his past option grants. To this end, the exercise prices of all stock options awarded to him with stated grant dates from 1997 to 2002 have been increased to the highest closing price of the Company's common stock on the NYSE in the year of the grant.

In addition, Mr. Hemsley has relinquished altogether all of the stock options awarded to him in the grants for which vesting was suspended in October 1999 and reinstated in 2000.

The aggregate value to the Company of these two steps by Mr. Hemsley is approximately $205 million.

E. Twelve other executives[2] also arranged with the Company to increase the exercise prices of all options awarded to them with stated grant dates from 1994 through 2002 to the closing price of the Company's common stock on the NYSE on the correct measurement dates, as determined by the Company and reflected in its restatement. The aggregate value to the Company from the repricing by these twelve executives is approximately $43 million.

F. No releases of potential claims are being given by the Company to employees who have left or are leaving the Company in any respect as a consequence of their connection to the issues arising from the Company's prior options granting practices.

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[2] The twelve executives are: Tracy L. Bahl (former Chief Executive Officer of Uniprise); L. Robert Dapper (former Senior Vice President, Human Capital); Patrick J. Erlandson (former Chief Financial Officer); David J. Lubben (former General Counsel and Secretary); William A. Munsell (President of the Enterprise Services Group); John S. Penshorn (Senior Vice President); Lois E. Quam (former President of the Public and Senior Markets Group); Jeannine M. Rivet (Executive Vice President); Robert J. Sheehy (Chief Executive Officer of UnitedHealthcare); Reed V. Tuckson, M.D. (Executive Vice President and Chief of Medical Affairs); Anthony Welters (President of the Senior and Public Markets Group); David S. Wichmann (President of the Individual and Employer Markets Group).

IV. ENHANCEMENT OF EQUITY GRANTS PROCESSES AND PROCEDURES

Issue

According to the WilmerHale Report, the company had inadequate internal controls over the administration of the stock option grant process, as well as accounting and financial reporting relating thereto.

Remedial Actions and Procedures

A. In May 2006, the delegation to management of the authority to approve stock option grants to non-executive employees and the delegation to the Chair of the Compensation Committee of the authority to approve stock option grants to executive officers were eliminated. In October 2006, the Compensation Committee charter was revised accordingly. All authority over the granting of equity compensation now rests solely with the Board and the Compensation Committee.

B. In June 2006, the Company established an internal policy regarding the granting of equity awards (attached hereto) which complies with the recommendations of Institutional Shareholder Services (ISS):

1. Broad-based equity award grants will be considered once a year, at a Compensation Committee meeting held on the pre-established date of the annual shareholders' meeting.

2. Equity awards made in connection with personnel events (promotions, new hires, etc.) will be considered at the next regularly scheduled quarterly Compensation Committee meeting following the occurrence of the personnel event. Equity award grants for new hires will coincide with the next regularly scheduled Compensation Committee Meeting after an employee's date of service, and promotion grants will coincide with regularly scheduled Compensation Committee Meetings.

3. In the event that the Compensation Committee determines not to make an equity award because the Company is, or may be, in possession of material non-public information, then the Compensation Committee may by resolution adopted at a duly convened meeting, grant the equity award on such other later date as the Committee determines is appropriate (which may or may not be a regularly scheduled Committee meeting) when the Company is no longer in possession of material non-public information.

C. Ernst & Young (E&Y) was retained by the Company to assist in the remediation process by reviewing, advising on and regularly auditing the Company's equity-based compensation processes. Specifically, E&Y has reviewed and helped the Company strengthen the Company's equity

award processes and procedures. As a result of this review, the Company instituted numerous new controls specific to equity award processes. E&Y will continue to review these processes and procedures on a going-forward basis and report the results of its review to the Compensation Committee.

In particular E&Y was retained:

1. to review existing controls and advise on improving the control environment relating to:

    a) initiation and modification of equity awards;

    b) equity award approval;

    c) equity award administration;

    d) equity exercise administration processes; and

    e) equity award modifications.

2. to perform testing on a real-time basis; and

3. to report formally to the Compensation Committee, on a quarterly basis, on compliance matters with respect to the control environment surrounding equity awards. E&Y has begun testing these controls, and it issued quarterly reports to the Compensation Committee in July and October 2006, and in January, April and October 2007. E&Y did not find any significant exceptions in the course of its tests.

D. The Company established quarterly meetings of staff and managers from the Legal, Finance, Tax and Human Capital Departments, to review both equity grant activity and the results of control testing.

E. The Company has adopted the practice of preparing tally sheets for the Compensation Committee's reference in understanding all previous compensation awarded to each executive, including past equity award grants, when it considers executive compensation matters.

F. The Company's Equity Award Oversight Group, consisting of the Chief Accounting Officer, the Deputy General Counsel, the Senior Vice President of Human Capital and the Vice President of Tax, will report to the Executive Vice President, Human Capital.

G. The Company provided additional training to management and Compensation Committee members regarding stock options, including procedures and controls, tax considerations, accounting, and reporting.

Training also was provided to all levels of employees involved in equity awards. Additional training will be provided annually and to all new hires involved in the equity awards process.

H. The Company designed and implemented cross function checklists from the Accounting, Tax, Legal and Human Capital Departments to track the review and approval of all critical steps in future option grants, including sign-off by key individuals in different departments. These checklists ensure that a final list with recommended names of grantees, grant amounts, and other option terms is complete at the time the Compensation Committee considers making any equity awards.

I. The Company established a policy to ensure prompt electronic notification to grantees of equity awards and prompt preparation and delivery of option certificates.

J. The Company has adopted additional policies and conducted additional training to increase communication among legal, human capital and accounting in connection with equity awards.

K. The Company will ensure that it has adequate personnel dedicated to accomplishing all of the remedial steps described in this Plan.

V. ENHANCING BOARD INDEPENDENCE

Issue

According to the WilmerHale Report, "[t]he full extent and nature of the financial relationships between Dr. McGuire and [the Chairman] of the Compensation Committee, that existed during the period when Dr. McGuire's 1999 employment agreement was renegotiated and that created a conflict of interest, likely were not disclosed to the Ad Hoc Committee [formed to negotiate the agreement] or to the Board at the time."

Remedial Actions and Procedures

A. Director independence standards were strengthened to exceed the standards of the SEC and the NYSE. A director of the Company will not be regarded as independent if:

1. the director received any direct compensation from the Company (other than for board service) in the past three years. (This extends to all independent directors the existing NYSE rule governing members of audit committees.);

2. the Company made a charitable contribution to any tax exempt institution of which the director or a member of his or her

immediate family is a current executive officer, in an amount which, in any of the past three years, exceeds the greater of $1 million or two percent of the institution's consolidated gross revenue;

3. the director falls into one of several new categories involving business relationships with management, including any business relationship in which the director or any affiliated entity receives compensation from an executive officer.

B. Director and officer questionnaires were revised to improve the collection of information relevant to director independence.

VI. CORPORATE GOVERNANCE

In addition to the remedial actions and procedures adopted to address the issues identified in the WilmerHale Report, the Board has taken a number of significant steps to implement corporate governance best practices.

Remedial Actions and Procedures

A. The positions of Chairman of the Board and CEO were separated, as described above, and Mr. Burke was appointed to the position of Non-Executive Chairman.

B. The Board initiated a process of electing five new independent directors within the next three years in order to bring new experience, expertise and perspectives into its membership:

1. A director search firm was retained to assist in the search for qualified directors.

2. A Nominating Advisory Committee was formed to provide the Board with input in its search for new directors. The Committee is composed of recognized leaders from the shareholder and medical communities.

3. A new independent director, Robert Darretta, was appointed to the Board and was elected by the shareholders on May 29, 2007. Mr. Darretta is the former CFO and Vice Chairman of Johnson & Johnson, and a Johnson & Johnson director.

4. A new independent director, Michelle Hooper, was appointed to the Board on October 31, 2007. Ms. Hooper is a managing partner and co-founder of The Directors' Council, a private company that works with corporate boards to increase their independence, effectiveness and diversity. She previously held executive

positions at Stadtlander Drug Company, Inc., and Caremark International, Inc.

5. The Company anticipates adding one to two new independent directors to the Board by the end of 2007.

C. The Board announced on April 26, 2006 that it would propose for approval by shareholders at the 2007 Annual Meeting an amendment to the articles of incorporation to declassify the Board, so that all directors would be elected to serve one-year terms. The shareholders voted in favor of this amendment at the May 29, 2007 annual meeting.

D. The Board also announced on April 26, 2006 that it would propose for approval by the shareholders at the 2007 Annual Meeting amendments to the articles of incorporation to eliminate supermajority provisions for the removal of directors and for the approval of certain business combinations. The shareholders voted in favor of these amendments at the May 29, 2007 annual meeting

E. As part of its enhancements to the director selection process, the Company amended its Articles of Incorporation to provide that except in contested elections, directors are elected by a majority of the votes cast. Any nominee for Director who receives a greater number of votes "withheld" from his or her election than votes "for" his or her election must promptly tender his or her resignation following certification of the shareholder vote. The Nominating Committee will consider the resignation offer and then recommend to the Board whether to accept it. The Board will promptly disclose its decision whether to accept the Director's resignation offer (or the reasons for rejecting the resignation offer, if applicable) in a press release.

F. A Public Policies, Strategies and Responsibility Committee of the Board was established to assist the Board in its responsibilities relating to its review of the Company's compliance with applicable legal requirements and sound ethical standards and the Company's participation in community and charitable endeavors. The Committee's responsibilities include monitoring and evaluating the Company's corporate citizenship programs and activities.

G. In April 2006, the Board established share ownership guidelines for directors and executive officers:

1. By April 26, 2009, or within three years of becoming a director (whichever is later), an outside director must beneficially own at least 20,000 shares of the Company's common stock (not including option holdings).

2. By April 26, 2009, the Chief Executive Officer must beneficially own a number of shares valued at five times his base salary and the other executive officers must beneficially own a number of shares valued at twice their respective base salaries.

H. On April 26, 2006, the Board adopted a policy limiting existing independent directors to service on a total of six public company boards of directors (including the Company's). Newly-appointed directors will be limited to four public company boards of directors (including the Company's). Commencing at the 2012 Annual Meeting, all directors will be limited to service on a total of four public company boards of directors (including the Company's).

I. On April 26, 2006, the Company established a requirement that all members of the Audit Committee be financial experts, as defined by the SEC.

J. All directors are required to attend ISS accredited director education, and a majority of directors have satisfied this requirement.

K. Management is enhancing the processes of its internal Disclosure Committee. The Disclosure Committee's charter and the Company's Guidelines for Disclosure in Public Filings will be revised and updated.

L. The position of a dedicated Secretary to the Board was established as described above.

M. Personnel measures were taken as described above.

N. Director independence was strengthened as described above.

O. The Company is reviewing and revising its policy regarding delegation of authority.

P. The Company enhanced compliance training and programs:

1. The Company issued a written message from the CEO and the Chairman of the Audit Committee to all employees giving greater visibility to the Company's Compliance HelpCenter and emphasizing the ethical obligations of employees and the need to report misconduct.

2. The Company has issued its Principles of Ethics and Integrity, which includes a cover letter from the CEO to all employees and new hires on the importance of compliance with the company's legal and ethical obligations. Jack Radke, the Company's new Chief Ethics Officer, will review and revise the Principles of Ethics and Integrity.

3. The Company has become a member of the Ethics and Compliance Officer Association and the Center for Ethical Business Cultures.

Q. A Diversity and Inclusion Council was formed to create, develop and oversee UnitedHealth enterprise wide diversity and inclusion strategy and activities.

VII. BOOKS AND RECORDS

Issue

According to the WilmerHale Report, documentation to support the option grants was not adequately maintained, and sufficient descriptions of the matters considered and discussed in meetings of the Board of Directors and the Compensation Committee with respect to stock option grants rarely appeared in the minutes or other board materials.

Remedial Actions and Procedures

A. The dedicated position of Secretary to the Board was created to ensure recordkeeping and minute-taking consistent with corporate best practices.

B. The Company is reviewing and enhancing as needed its current written policies, including ensuring that all policies of consequence are in writing, that all written policies are collected, accessible and known to relevant personnel, and that relevant personnel receive training concerning them.

C. The Company is also considering designing training to reinforce the principles of recordkeeping consistent with corporate best practices.

VIII. PUBLIC AND INTERNAL DISCLOSURES

Issue

According to the WilmerHale Report, the Company's disclosures in SEC filings regarding its stock option practices and related accounting were not accurate in certain respects.

Remedial Actions and Procedures

A. The Company reviewed, strengthened and documented disclosure controls to ensure continuing compliance with revised 8-K reporting requirements.

B. The Company strengthened and documented disclosure controls to identify all aspects of director compensation and executive compensation, including perquisites.

C. The Board approved a related persons transaction policy, and the Company has designed and documented disclosure controls to ensure compliance with the policy and disclosure of any related persons transactions.

D. The Company designed and documented disclosure controls to ensure compliance with the Board's new strengthened independence requirements for directors.

E. The Company reviewed and strengthened its Sarbanes-Oxley Section 302 Certification procedures.

Appendix D

Interviewee	Present Position/Last Position Held
Kim Arnold	Sr. Manager, Equity Award and Administration
James Alt	Partner, Dorsey & Whitney LLP
Robert J. Backes	Former Sr. VP of Human Resources
William C. Ballard, Jr.	Member, Board of Directors
Brian Beutner	Former General Counsel, United Healthcare
William Bojan	Vice President of Business Risk Management, General Auditor and Ethics/Risk Officer
Richard T. Burke	Member, Board of Directors
Daniel Byrne	Executive Director of Compensation for Specialized Care Services
Stephen Christensen	Former Corporate Finance Manager
L. Robert Dapper	Former Sr. VP of Human Capital
Patrick J. Erlandson	Operations, Ovations and former CFO of UnitedHealth Group Inc.
Diane Flottemesch	Former VP of Tax
Susan Griffin-Wendell	Sr. Admin. Asst., Corporate Legal
Stephen J. Hemsley	CEO
James Hooten	Former Consultant for UnitedHealth Group Inc.
James A. Johnson	Member, Board of Directors
Thad Johnson	Sr. Deputy General Counsel, UnitedHealthcare
Arnold H. Kaplan	Former CFO
Gov. Thomas H. Kean	Member, Board of Directors
John Kelly	VP of Tax

APPENDIX D
Report of the SLC dated 12/6/07

The foregoing chart was prepared on the basis of witness interviews, public filings of the company and information provided by the company.

Appendix D

Interviewee	Present Position/Last Position Held
Tresa King	Sr. Tax Specialist/Equity Award Coordinator
David P. Koppe	Former CFO
Matthew Ladegaard	Asst. Controller
Douglas W. Leatherdale	Member, Board of Directors
Erik Lie	Professor, University of Iowa
Rina Lyubkin	Former Assoc. General Counsel
Jason McAthie	CFO, UnitedHealth Technologies
Thomas P. McDonough	Former CEO, Uniprise
Craig Mitchell	Director, Total Compensation
Walter F. Mondale	Former Member, Board of Directors
Mary O. Mundinger	Member, Board of Directors
John Peirson	Partner, Deloitte & Touche
John Penshorn	Director of Capital Market Communication and Strategy
Jeannine M. Rivet	Exec. VP
Kevin Roche	Former General Counsel
Robert L. Ryan	Member, Board of Directors
Tami Sandberg	Former Associate General Counsel
Donna E. Shalala	Former Member, Board of Directors
Dennis Shea	Former Director, Total Compensation
Robert M. Sheehy	Exec. VP
Dannette Smith	Deputy General Counsel
William H. Spears	Former Member, Board of Directors

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Interviewee	Present Position/Last Position Held
Bridget Spicola	Counsel, Ingenix
Scott Theisen	Corporate Controller
Joseph Weissenborn	Vice President of Total Compensation
R. Channing Wheeler	Former CEO, Uniprise
Gail R. Wilensky	Member, Board of Directors
Travers H. Wills	Former CEO, United Healthcare HealthPlans
Barry Young	Director, Corporate Security
Patti Zimmerman	Records Dept.

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